

Local Government
OMBUDSMAN

Commission for Local
Administration in England

**Annual Report & Accounts
2012-13**



Raising the standards

Commission for
Local Administration
in England

Local Government Ombudsman

Annual Report & Accounts 2012-13

Presented to Parliament pursuant to Section 23A(3A) of the Local Government Act 1974 as amended by Section 170(1) (5) of the Local Government and Public Involvement in Health Act 2007; and Section 34S(5) of the Local Government Act 1974 as amended by the Health Act 2009 Section 35, Schedule 5, Part 1, paragraphs 1 and 2.



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Foreword



I am pleased to present the Annual Report and Accounts for the Commission for Local Administration in England for the year ended 31 March 2013.

It is no exaggeration to say that 2012-13 has been the most turbulent year in the history of the Local Government Ombudsman (LGO). A combination of financial pressures, transformational change and public scrutiny of our service has tested leadership and management at all levels and required the continued commitment of our staff in a period of great uncertainty.

In 2012-13 we continued to deliver a comprehensive LGO service, responding to over 90,000 contacts from the public and handling over 10,000 complaints with a reduction in funding of over £2 million, representing a real-terms cut of 13.5% in this year alone. We achieved an ambitious Transformation Plan to introduce a new business model, restructure management and consolidate corporate functions onto one site ahead of schedule and well within budget.

In April 2012 we attended our accountability hearing before the Communities and Local Government Select Committee and many of the issues they raised have now been addressed in our business plan for 2012-13 and others will be completed during 2013-14. This included an independent external evaluation of the service led by Richard Thomas CBE, which gave a positive reinforcement of the transformation we have undergone and confirmed our continued efforts to ensure impartiality and public accountability.

As Chair of the Commission I would like to thank my fellow Commission members for their support and welcome two new independent members of the Audit and Remuneration Committees, Sir Jon Shortridge and David Liggins. I would also thank outgoing members Lucinda Bolton and Eugene Sullivan.

Local Government Ombudsman Anne Seex has been absent due to ill health since November 2012. We have quickly adapted to working with a single Ombudsman and the

Commission has formally taken the view that this is the appropriate structure to operate with in the future. Our sponsor department, the Department for Communities and Local Government (DCLG), is conducting a review to enable us to develop our future governance arrangements.

The Annual Report focuses upon how we have raised and will continue to raise standards in the delivery of our work; in the way the wider complaints system responds to concerns from the public; and in the way that public services and social care provision are delivered.

Raising our own standards has meant a considerable change for our organisation and especially for the people that work in it. I want to express my thanks to our staff who have supported these changes and who have continued to provide the public with a high

quality service. We have said goodbye to a number of valued colleagues who between them have provided many years of service. A new generation is now stepping up to meet the further challenges ahead.

We can confidently say that the LGO is now fit for purpose and look forward, as we approach our 40th year, to continuing to give the public the service they deserve in future.



Dr Jane Martin
Chair, Commission for Local
Administration in England
Local Government Ombudsman
9 July 2013



Who we are, what we do

the Ombudsman for local public services & social care

We are the Ombudsman for local public services, for social care and for public health.

The Local Government Ombudsman helps to make sure that local public services are accountable to the people that use them by ensuring that local authorities put things right when they go wrong.

This could be where the local authority has failed to provide the level of service that the public can rightly expect to receive. Similarly, it could be where the council has not acted properly in carrying out their functions (which is referred to as maladministration).

We are also the social care Ombudsman, providing a one-stop-shop for complaints about the service provided by all registered social care providers. Our powers to investigate extend to complaints about both publicly and privately funded social care. This means the public has a clear route for redress and do not have to navigate complex processes in what is often a confusing social care system.

Local authorities and social care providers should be able to resolve complaints directly without requiring the public to escalate their complaint to us.

For this reason we normally expect the complaint to be raised with the body concerned before we will look at it. However, the public can feel reassured that there is a fair and independent Ombudsman that they can turn to when their complaint is not resolved.

As a result of resolving complaints and providing a remedy for individual injustice, we gather significant evidence of wider failings in the delivery of public services. If they are not addressed then the public will face the same problems and need to raise the same concerns time and time again. We recognise our role in helping public services learn from complaints and we work closely with partners in the advice sector, in Parliament and in public services to share learning from our work.

The day-to-day management of the LGO is carried out by the Executive Management Team who are accountable to Local Government Ombudsman and Chair of the Commission Dr Jane Martin.

Our values

We will treat people with courtesy, consideration, openness and honesty, and respect their privacy.

In the provision of our services this means we will:

- be independent, fair and consistent;
- take full account of what people say to us;
- establish the facts and communicate accurately, promptly and in plain language;
- explain fully the reasons for decisions; and
- treat people with respect and not discriminate on any improper ground.

Our mission is to

provide an independent means of redress to individuals for injustice caused by unfair treatment or service failure by local public services and care providers, and use our learning to promote good public administration and service improvement.



Membership of the Commission



Dr Jane Martin - Chair

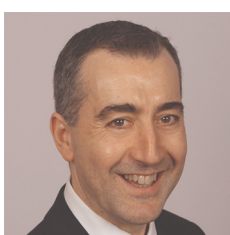
- > **Anne Seex**
- > **Dame Julie Mellor DBE**

Dr Jane Martin and Anne Seex are Commissioners for Local Government Administration (Local Government Ombudsmen). Dame Julie Mellor is the Parliamentary Commissioner for Administration and is a member *ex officio* of the Commission.

The Executive Team



Nigel Ellis
Executive
Director



Michael King
Executive
Director



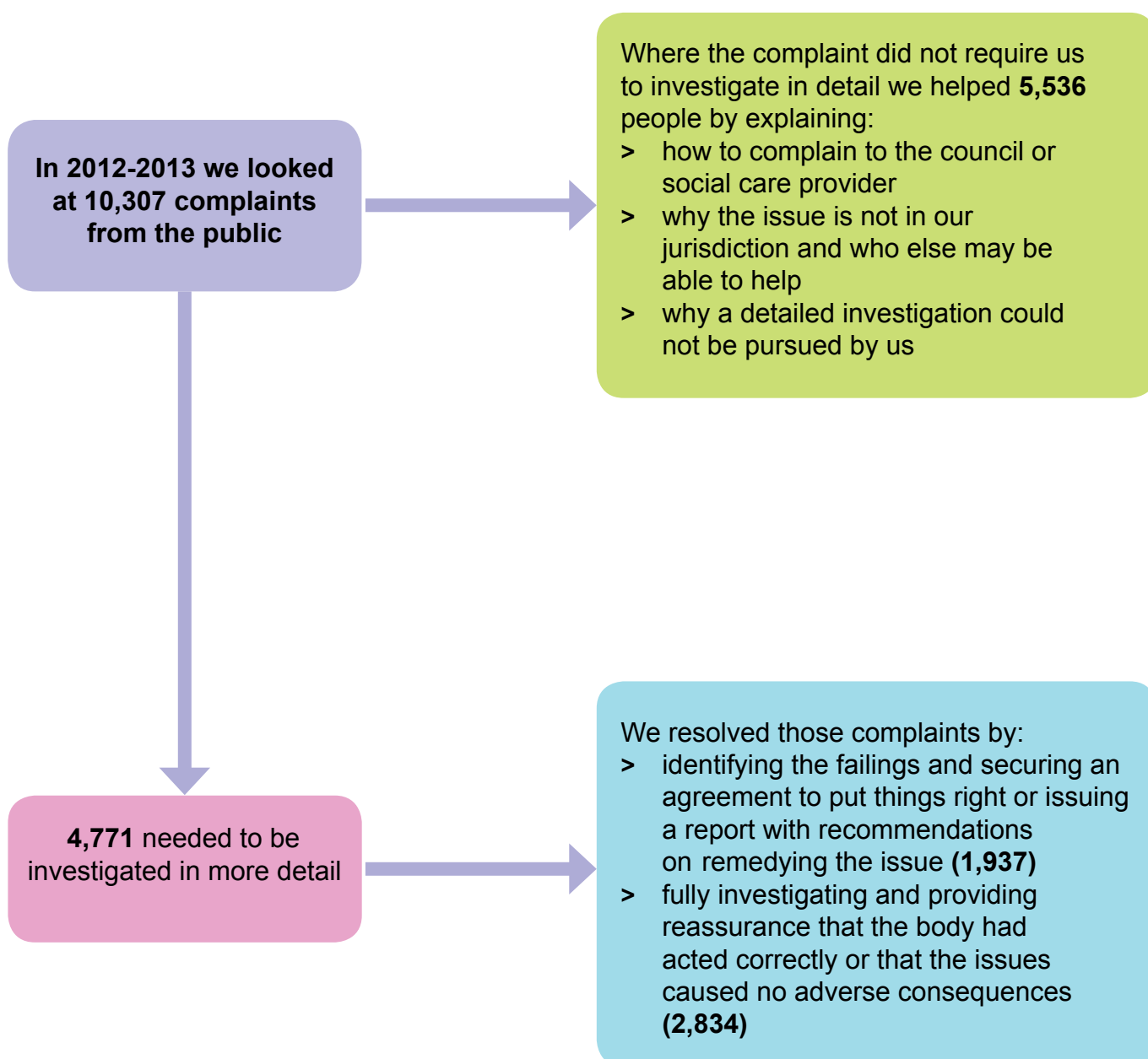
**Heather
Lees**
Commission
Operating
Officer



Raising the standards of the Local Government Ombudsman

Our performance 2012-13

In 2012-13 there was a small decrease of 3.4% in the number of new complaints and enquiries being registered by us. However, we helped 20,186 people who registered a complaint or enquiry about local public services or adult social care. Of these, 10,307 required further consideration. We explain below how we were able to assist.



Our performance in resolving complaints and enquiries is measured by looking at:

- > the speed of our service;
- > our customers' satisfaction with what we do; and
- > the soundness of our decision making.

Speed of service

When people bring their complaints to us they have already spent a considerable amount of time and energy trying to resolve their concerns locally. It is important that we provide a thorough consideration of their complaint in an efficient and timely manner.

Over the last 12 months:

- > 55% of our customers have been advised of the outcome of their complaint within 13 weeks;
- > 85% within 26 weeks; and
- > 97% within 52 weeks.

Whilst we want to complete investigations quickly, the complexity of some issues will mean a longer investigation is needed. During 2012-13 there were 286 cases that took more than 52 weeks to resolve. This figure was higher than we wanted. We have carried out an urgent review to identify and rectify causes of delay. As a result, by the end of the financial year we had just 79 cases that were older than 52 weeks. For 2013-14 we are aiming to have no more than 100 cases taking more than a year to complete.

Strategic objective:

Provide a complaints service direct to the public which is accessible, responsive, consistent and cost effective.

Satisfaction with service

The true measure of the quality of our service to the public is direct feedback. Over the last 12 months we received 63 complaints about our service, down from 101 in the preceding 12 months. Each of those complaints was considered fully by us and in 13 cases we agreed that we had not provided an appropriate level of service. We will continue to work to bring that number down even further but are pleased that the public can feel reassured that, in the vast majority of cases, we provided the highest levels of service.

In March we published a new methodology for measuring customer satisfaction based upon research that compared best practice across other UK Ombudsman schemes. We will seek feedback from the public on every complaint we conclude to understand their views on the decisions we reach. In addition we will also survey a sample of ongoing cases to understand whether we are providing the service that the public want. The work on collecting this information will begin during 2013 and will help us to continually adapt our service to meet the public's needs. The results of this research, along with actions we will take as a result will be published on our website.

Sound decision making

Sound and well reasoned decisions are at the heart of what we do. The public and bodies in our jurisdiction can feel confident that a complaint has been resolved fairly. We carry out our own internal checks to ensure the quality of our decisions. We have also continued to monitor and learn from challenges that the public made about our decisions. Where someone expresses dissatisfaction, the case is reviewed by a senior member of staff with no previous involvement in the complaint.

In the last year we considered 877 reviews about our decisions, a drop of 19% compared to the previous year. We found that the decision making was not of the standard we would expect in just over 4% of those reviews, representing just 0.3% of all complaints and enquiries.

Our decisions are also subject to judicial review. In 2012-13 we received 19 pre-action protocol letters, a requirement before proceedings are issued. That represented less than 0.1% of all complaints and enquiries received during the course of the year. Only two were granted permission by the court and neither of those cases found against us.

Strategic objective:
Ensure sound decisions and appropriate redress based on impartial, rigorous, and proportionate investigations.



Raising the standards of the complaint system

Our role is to ensure that the public's voice is heard - to humanise the bureaucracy. In 51 published reports we drew wider attention to the impact on the individual and ensured that their experiences were heard and acted upon.

Real people, real experiences

The public find themselves navigating an increasingly confusing array of providers of public services. The greater involvement of private companies and the third sector in delivering council services and social care provision means it is ever more challenging for the public to understand where they should turn when things go wrong. This confusion is further exacerbated by the changes in public service from central government delivery bodies to local authorities. Within this maze it can be difficult for the public's voice to be heard and for their experiences to drive service improvements.

In the last five years we have adapted to provide a more comprehensive and consistent service which reflects changes in local provision. We are now the Ombudsman for all regulated social care providers and public health.

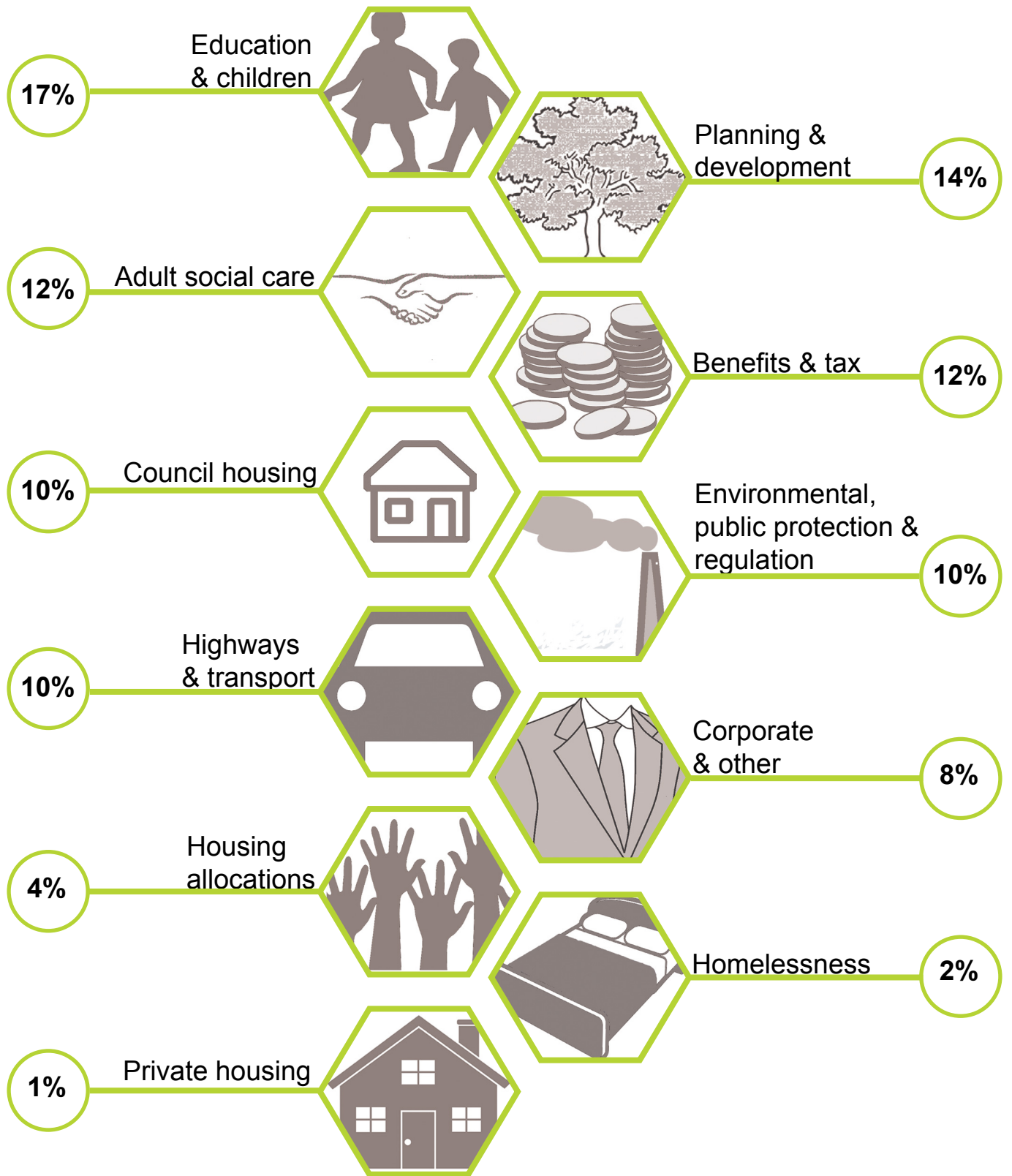
As a result the complaints and enquiries we receive cover a wide range of different areas with education and children's services, planning and development and adult social care representing the most common subjects for complaint.

Within those numbers are the experiences of thousands of individual members of the public. A mother caring for two young children with autism failing to receive the support they need for over a year; a family forced to live in overcrowded accommodation for more than two years; an entire community losing their talking books service without the impact on people with visual impairments being properly assessed.

These are all people who needed to turn to us to seek a remedy for the individual injustice that they have suffered. As an independent Ombudsman we were able to use our experience and authority to clearly recommend how the local council or social care provider could put things right.

However, their stories also provided an opportunity to understand the wider impact that is felt when public services fail to deliver. Our role is to ensure that the public's voice is heard - to humanise the bureaucracy. In cases such as these we drew wider attention to the impact on the individual and ensured that their experiences were heard and acted upon. Last year we issued 51 such public reports - details of which are listed on page 14.

Areas of complaint



Raising the standards

Of the 4,771 complaints which we investigated in more detail, 51 of these became published reports. We publish reports to draw attention to the wider impact that is felt when public services fail and to make sure that the public's voice is heard. Details of these cases are shown below.

April	May	June	July	August	September
Hambleton District Council - planning enforcement	Wolverhampton City Council - land	Leicestershire County Council - planning applications	Kent County Council - adult social care	London Borough of Haringay - special educational needs	Teignbridge District Council - highway adoption
	Essex County Council - planning enforcement		Walsall Borough Council - adult social care	London Borough of Lambeth - children's services	Devon County Council - highway adoption
London Borough of Hillingdon - education	London Borough of Southwark - adult social care		Kent County Council - adult social care	Essex County Council - adult social care	Plymouth City Council - land
	London Borough of Lambeth - special educational needs		Blaby District Council - council tax	Kent County Council - homelessness	Birmingham City Council - adult social care
				Dover District Council - homelessness	
Bolton Borough Council - planning applications	Surrey County Council - special educational needs		Castle Point Borough Council - licensing	City of Bradford District Council - adult social care	London Borough of Hounslow - homelessness

hearing the public's voice through published reports

October	November	December	January	February	March
Wiltshire Council - adult social care	Bristol City Council - planning applications	London Borough of Croydon - homelessness	Kettering Borough Council - housing allocations	City of York Council - private housing improvements	London Borough of Redbridge - bailiffs
Shropshire Council - planning applications					
City of York Council - housing allocations					
Latymer School, Enfield - school admissions	London Borough of Croydon - education	Isle of Wight Council - planning enforcement			
Suffolk County Council - adult social care					
Kent County Council - adult social care				Bolton Borough Council - planning applications	Walsall Borough Council - planning applications
Birmingham City Council - adult social care	Isle of Wight Council - children's services	Buckinghamshire County Council - special educational needs			
London Borough of Bromley - special educational needs					
Southampton City Council - adult social care					
Leicestershire County Council - school transport	London Borough of Newham - homelessness	London Borough of Newham - homelessness		Transport for London - highways & transport	Birmingham City Council - adult social care

Raising the standards of public services

By sharing knowledge, supporting local complaint handling, informing policy and working in partnership with others we have sought to raise the standards of public services.

Strategic objective:

Use our knowledge of complaints to identify best practice and issues of wider public benefit; promote good administration and service improvement and influence public policy.

Tackling systemic failure

Many people that seek the help of the LGO tell us that they are doing so because they want to ensure that other people do not experience the same problems that they have faced. We use the knowledge and insight that we have gained through helping individuals to tackle systemic failings in public services.

By looking at many thousands of complaints every year we build up a picture of what is going wrong more broadly in public services. We use that knowledge to ensure that public services and social care providers learn from their own and others' complaints and use them to improve the service they provide. By sharing knowledge, supporting local complaint handling, informing policy and working in partnership with others we have sought to raise the standards of public services.

Sharing knowledge

In 2012-13 we published focus reports on:

- > **Adult social care:**
LGO – single point of contact for complaints – lessons from complaints about adult social care providers. We explained our new role as the Ombudsman for social care and the role we have as a single point of contact for all social care complaints. The report was well received across the health and social care landscape and was highlighted by key players such as The King's Fund.
- > **Taking possession: council's use of bailiffs for local debt collection** – analysis of complaints made to us as a result of local authorities' use of bailiffs. The report drew upon case examples to illustrate the problems that the public were facing when local authorities were instructing bailiffs. Our report was shared with the Government

and has been used by them to help inform the Ministry of Justice's approach to the future regulation of the bailiff industry.

Supporting local complaint handling

We highlight where councils and social care providers have got things wrong and support them in improving their response to complaints and providing an effective local resolution. Each year we write to every local authority chief executive to provide a summary of the complaints we have received about them and to highlight areas where their complaints handling needs to improve. These letters provide an independent overview of their performance in responding to complaints and support them in improving local complaint handling. We will be developing these further, and later this year will be consulting local authorities so that we can provide information that will best drive local improvements.

We work with complaint liaison officers in local authorities to share best practice and to highlight complaint trends. A quarterly e-newsletter is sent to every local authority in England and contains guidance for better complaint handling, with examples from our casework. In January of this year we

supplemented this information by running a series of seven seminars around the country to explain our processes to local authorities. These seminars allowed us to directly reach a large number of local authorities with around 280 people attending.

In 2012-13 we delivered 61 training courses to councils across England on effective complaint handling, with more than 1,000 front-line complaints staff attending. The success of these courses was evident with:

- > 87% of respondents saying they had improved their complaint handling systems as a result; and
- > 83% sharing their new skills with colleagues.

We also shared information to support good complaints handling amongst social care providers. A regular e-newsletter, ASC Matters, is distributed to nearly 750 providers and other stakeholders. We highlight examples of service failings and appropriate remedies so that providers can learn from our experiences to improve their own complaints handling.

Informing policy

Over the last 12 months there have been a number of developments in both Parliament and Government that could impact upon the way services are delivered to the public or the way users seek access to redress. We shared information and insights gained from resolving complaints to inform these developments.

In Parliament we provided evidence to:

- > Committees scrutinising the Children and Families Bill and the Draft Care and Support Bill;
- > The Communities and Local Government Select Committee's inquiry on the implementation of welfare reforms by local authorities;
- > The Justice Select Committee's inquiry on the abolition of the Administrative Justice and Tribunals Council.

We also provided shared learning from complaints when responding to a number of Government consultations on:

- > Open Public Services;
- > Judicial Review;
- > A Bill of Rights.

Working in partnership

Despite receiving over 20,000 complaints and enquiries last year we believe that this represents just a small proportion of people who have an unremedied complaint about local public services or social care providers. We continued to raise our profile to ensure that the public know how to bring a complaint to us. However, we recognise that this is most effective when we work with others.

We consulted a range of organisations during the year including:

- > Local Government Association;
- > Equality and Human Rights Commission;
- > Children's Commissioner;
- > Children's Rights Director for England; and
- > London Councils.

Since Healthwatch England was formed as the independent consumer champion for health and social care, we have been working in partnership with them, the Care Quality Commission and the Parliamentary and Health Service Ombudsman to develop joint information for the public. The aim of this work is to provide the public with clear, user-friendly information that will help them understand who can help when they have complaints or concerns about social care and health provision. This close working also allows us to share knowledge and information about gaps or problems in public services and to work together to drive improvements.



Raising the standards

preparing for the future

We will develop and improve so that we continue to provide the public with an independent, fair, effective, open and accountable Ombudsman service.

The implementation of our Transformation Plan has now placed us in a strong position for the future - providing a leaner, more efficient and effective service to the public whilst delivering better value for money to the taxpayer. However, the task does not end there and we will continue to develop our service further.

Over the coming year we will:

- > draw upon the expertise of a range of different stakeholders, including the public, by setting up an advisory panel. This panel will provide us with challenge, insight and expertise to help ensure that we are meeting the needs of all our users.
- > publish the decisions we make on all complaints received from 1 April 2013 making us the first public sector Ombudsman in England to publish such comprehensive information.

- > actively pursue greater co-operation and collaboration with our sister organisation the Parliamentary and Health Service Ombudsman to take opportunities to simplify and clarify the routes to redress in England.

In 2014 it will be 40 years since the Local Government Ombudsman was created by Parliament. Over those four decades the face of public service has changed beyond recognition. However, the need for effective and independent redress for failures in the delivery of those services is as great as ever.

The expertise and experience of the LGO, as the Ombudsman for local public services and for social care, will be paramount in ensuring that the complaints system continues to evolve to meet the challenges of a changing public services landscape. In turn, we will develop and improve so that we continue to provide the public with an independent, fair, effective, open and accountable Ombudsman service.



Annual Accounts 2012-13

Management Commentary

Format of Accounts

The Commission's Annual Accounts are prepared each financial year in the form agreed with the Secretary of State and in compliance with the Government's Financial Reporting Manual (FRoM).

Statutory background

The Commission for Local Administration in England (CLAE) was established under Part III of the Local Government Act 1974 (the Act). The Act provides for the appointment of Local Commissioners (the Local Government Ombudsmen) who, together with the Parliamentary and Health Service Ombudsman (PHSO) as a member ex officio, form the Commission for Local Administration in England. Appointments to the office of Local Commissioner are made by Her Majesty the Queen on the recommendation of the Secretary of State for Local Government. Commissioners may be appointed to serve full-time or part-time, and the Secretary of State designates one as Chair and another as Vice Chair of the Commission.

Review of Financial Performance 2012-13

During the year, the Commission recognised total operating expenditure of £13,712,345 compared to £15,857,426 in 2011-12. During 2012-13 pension liabilities continued to be uplifted by the Consumer Prices Index (CPI) as opposed to the Retail Price Index (RPI). Allowing for movements recognised in respect of the pension fund, expenditure in the current year and the prior year was consistent with agreed funding.

The Accounts reflect the nature of our primary funding which is received as Grant-in-Aid from the Department for Communities and Local Government (DCLG). Our use of Grant-in-Aid is reported regularly to DCLG. The Commission matches its expenditure to the funding provided.

During this financial year the Commission has also received Grant-in-Aid from one other government department. Of the £13,443,571 received from DCLG, this included £667,459 from the Department for Education (DfE). The £100,000

funding from the Department of Health (DH) is included in the DCLG Grant-in-Aid. This was paid upon application to DCLG. The Commission is not reliant or dependent on other sources of income.

The Commission only holds cash assets in respect of Grant-in-Aid, in accordance with its funding arrangements.

As a result of the revaluation of pension scheme assets and liabilities during the year, the Commission's Statement of Financial Position at 31 March 2013 shows net liabilities of £26m. This reflects the inclusion of liabilities falling due in future years which, insofar as the Commission is unable to meet them from its other sources of income, would fall, in the last resort, to be met by central government.

Audit and Reporting Processes

The Comptroller and Auditor General is the external auditor for the Commission. Before the 1 September following the end of the financial year, the Annual Accounts together with the auditor's opinion and report must be submitted to DCLG.

Included in the audit opinion is the auditor's view on whether the grant paid by DCLG has been applied in accordance with the Grant Memorandum.

The Commission has co-operated at all times with both the external and internal audit providers and values the input and scrutiny they provide. As far as the Commission are aware there is no relevant information of which the auditor is unaware.

Auditor remuneration

The audit fee payable to the National Audit Office for the audit of the 2012-13 Annual Report and Accounts is £9,700. There were no fees for non-audit work.

Payment of Suppliers

Our payment policy is to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods or services or the presentation of a valid invoice, whichever is the later. During the period, 91.8% of invoices were paid within the target period.

Political Donations and Expenditure

The Commission made no donations and incurred no expenditure to political causes or advocates.

Charitable Donations

The Commission made no donations to charities, although was pleased to note staff recognising their part in the larger community and devoted their own time and resources to various charitable activities.

Register of Interests/Gifts and Hospitality

The Commission maintains a register of Commissioners' interests which is available for inspection by members of the general public upon request.

No significant interests or other company directorships were held by the Commission members.

Commission Management Team

The Commission is supported by a Corporate Management Team comprising the Local Government Ombudsmen Jane Martin and Anne Seex, two Executive Directors (who were recently Deputy Ombudsmen) Nigel Ellis and Michael King and Heather Lees, the Commission Operating Officer.

The Deputy Chief Executive and Secretary Nigel Karney (replaced by Commission Operating Officer Heather Lees in January 2013) and Deputy Ombudsman Neville Jones (who departed in November 2012) were also part of the Corporate Management Team during 2012-13.

Sustainability reporting

The Commission is exempt from sustainability reporting as we fall below the de minimis threshold of 250 full-time equivalent staff.

Environment, social and community issues

The Commission is committed to reducing its environmental impact although it does not have any specific policies to report on environmental matters. Similarly, the Commission does not have any policies to report on employee, social and community issues.

Sickness absence data

During the year 1066 working days were lost through sickness absence; 466 of which were due to long term sickness absence. This equates to 2.3% of working time lost (2011-12 - 2%). This compares to a national average of 2.9% in 2012. There were no reportable trends in the period.

Significant events after the reporting period

There were no significant events after the reporting period.

Financial Instruments

There are no significant financial instruments.

Principal risks and uncertainties

The uncertainty over future funding is the key risk. Uncertainty over funding is being managed through the Executive Team by monitoring the current budget and planning for future years. The risk is that the successful implementation of the new processes and practices will be affected and this could potentially reduce performance.

The other key risk relates to the accommodation relocation. This is being managed with an accommodation strategy and review of the Transformation Plan.

Future developments

The accommodation office move from Millbank Tower to Marsham Street is due to take place by the end of 2013, in line with the Transformation Plan.

Transfer of functions

Under the Localism Act 2011, the handling of housing complaints transferred to the Housing Ombudsman with effect from 1 April 2013. The Commission does not report on its business segments separately and cannot disclose with certainty the expenditure associated with this discontinued activity. This transfer does not affect the ongoing performance of the organisation and thus the organisation remains a going concern.



Remuneration report

The Commission members are the two Local Government Ombudsmen and the PHSO. There are three senior staff who are the two Executive Directors and the Commission Operating Officer.

Remuneration Policy

For the year commencing 1 April 2012 no pay award was granted to accord with the coalition government's freeze on public sector pay.

Ombudsman

The Local Government Ombudsmen are Crown appointments. Their remuneration is determined by the Secretary of State. Dr Jane Martin was officially appointed Chair on 16 April 2012. The salary of the other Local Government Ombudsman is linked to Circuit Court Judicial pay. The PHSO is not remunerated in respect of her statutory responsibilities as a local Commissioner.

Senior Staff

The three senior staff have the same pay scheme, with the following key elements:

> Base pay

Base pay is analogous to Senior Civil Service Band 1.

> London weighting

London weighting is paid at the same rate to all the Commission's London based staff and is analogous to that of the National Joint Council for Local Government (NJC).

> National Joint Council Allowance

The Commission Secretary receives this personal allowance to compensate for historical change in pay analogue that only affected those individuals. The allowance does not increase.

Any consolidated increase within the pay band has to be agreed by the Secretary of State, DCLG and is subject to the principles set for Senior Civil Servants by the Review Body on Senior Salaries (SSRB). Any proposal from the Commission to DCLG is subject to advice from the Remuneration Committee.

Non-consolidated and non-pensionable performance-related bonus payments may be awarded as part of the Senior Civil Servants scheme in that year. The approval arrangements are the same as for consolidated awards. Individual performance is measured through an appraisal process and is determined by performance against objectives linked to the

objectives of the organisation. The senior staff contracts are open ended, with a 12 week notice period.

Senior staff salaries and bonuses

Composition of remuneration:

- > 'Salary' includes gross salary, reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.
- > Bonuses are non-consolidated, non-pensionable performance related payments. They are used to recognise and reward performance against in-year objectives.
- > The monetary value of benefits in kind covers any benefits provided by the Commission and treated by HM Revenue & Customs (HMRC) as a taxable emolument. This wholly relates to business mileage paid in excess of HMRC rates.

The Commission Secretary received an interest-free travel loan under a Commission-wide scheme available to all its staff. The balance outstanding at 31 March 2013 was £Nil (2012 - £1,533).

The following information has been audited by the Comptroller and Auditor General:

Name	Position	2012-13			2011-12		
		Salary £000	Benefits in kind (To nearest £100)	E'Er's Pension Contribution £000	Salary £000	Benefits in kind (To nearest £100)	E'Er's Pension Contribution £000
Jane Martin	Chair	135-140	-	30-35	125-130	-	25-30
Anne Seex	Vice-Chair	125-130	300	25-30	125-130	500	25-30
Michael King	Executive Director	80-85	100	15-20	80-85	-	15-20
Nigel Ellis	Executive Director	85-90	300	15-20	70-75	-	15-20
Heather Lees*	Commission Operating Officer	15-20	-	0-5			
Nigel Karney**	Deputy Chief Executive & Accounting Officer	90-95	-	20-25	90-95	-	20-25
Neville Jones ***	Deputy Ombudsman	50-55	-	10-15	80-85	-	15-20

Note: No bonuses were paid in 2011-12 and 2012-13.

*Heather Lees joined the Commission on 14 January 2013 as Commission Operating Officer (COO). This was a new post under the Transformation Plan. The COO is also the Accounting Officer and the Senior Information Risk Owner (SIRO).

** Nigel Karney will leave the Commission in October 2013.

***Neville Jones retired on 2 November 2012.

	2012-13	2011-12
	Band of the highest paid individual total £000	
Remuneration (£'000)	135-140	125-130
Median Total Remuneration	32	36
Ratio	1:4.2	1:3.5

The banded remuneration of the highest paid Commission member in 2012-13 was £135,000-£140,000 (2011-12: £125,000-£130,000). This was 1:4.2 times (2011-12 1:3.5) the median remuneration of the workforce, which was £31,933 (2011-12: £36,024). The movement in the ratio from 2011-12 to 2012-13 is due to staff leaving and increase in the Chairman's salary.

Ombudsmen and senior staff pension entitlement details

The Ombudsmen and their senior staff have the same pension arrangements as other Commission staff as detailed in notes 1.8 and 1.9.

	Total accrued pension at 65 & related lump sum	Real increase in pension & lump sum at age 65	CETV at	CETV at	Real increase in CETV after adjustment for inflation & changes in market investment factors
	at 31/3/13	2012-13	at 31/3/13	at 31/3/12	2012-13
	£000	£000	£000	£000	£000
Jane Martin	50-55	5-7.5	831	717	88.6
	Lump sum 0.5	0-2.5			
Anne Seex	50-55	0-2.5	1,070	1,012	26.7
	Lump sum 115-120	(2.5-5)			
Michael King	25-30	0-2.5	404	378	12
	Lump sum 55-60	(0-2.5)			
Nigel Ellis	0-5	0-2.5	43	27	9
	Lump sum -	-			
Heather Lees	0-5	0-2.5	3		2.3
	Lump sum -	-			
Nigel Karney	45-50	0-2.5	1,069	1,023	16.2
	Lump sum 115-120	(0-2.5)			
Neville Jones	40-45	(0-2.5)	962	918	20
	Lump sum 105-110	(2.5-5)			

Anne Seex's service contract ends in the year of service she reaches 65. Jane Martin's service contract is for seven years to 10 January 2017.

The remuneration paid to Independent Members of the Audit Committee is determined by the Commission in agreement with the DCLG. It is based on the anticipated number of days worked, which is currently 20 and 8 days per year for the Chair and Independent Member respectively.

Cash Equivalent Transfer Values (CETV). A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when the staff member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures and the other pension details include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the LGPS arrangements. They also include any additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Audit Committee Members' Remuneration

The membership and remuneration of the Audit Committee in 2012-13 was as follows:

	Status	Remuneration as member of Audit Committee	Details
Sir Jon Shortridge KCB	Independent Chair*	£1,396** (£146 expenses)	
Lucinda Bolton	Acting Independent Chair***	£2,516 (£78 expenses)	
Eugene Sullivan	Independent Member	£Nil****	During 2012-13 he provided his service to the Committee free of charge.
David Liggins	Independent Member*	£500	
Jane Martin	Chair	Nil	Her remuneration arrangements are described above. Resigned as a member in October 2012.
Dame Julie Mellor	Independent Commissioner	Nil	The PHSO is not remunerated by CLAE in respect of her responsibilities as a local Commissioner.

* Sir Jon Shortridge and David Liggins were appointed on 12 December 2012.

** This remuneration also includes the expenses and fee for the Commission, where Sir Jon Shortridge is an advisory member.

*** Lucinda Bolton was Acting Chair until 31 October 2012 when she left the Audit Committee.

**** Eugene Sullivan's term of appointment finished on 31 March 2011. He accepted reappointment on a pro-bono basis, until 31 October 2012 when a permanent Audit Chair was appointed.

Remuneration Committee

During the financial year 2012-13, the Remuneration Committee met once on 6 February 2013 and reported on its activities to the Commission.

The Committee is made up of three members appointed by the Commission. In the year in question they were:

- > Dr Jane Martin, Chair of the Commission;
- > Lucinda Bolton (to 31 October 2012);
- > Eugene Sullivan (to 31 October 2012);
- > David Liggins (Independent Chair appointed 12 December 2012); and
- > Sir Jon Shortridge KCB (Independent Member 12 December 2012).



Governance Statement

Scope of responsibility

1 My responsibilities as Accounting Officer are set out in 'Managing Public Money' (Chapter 3) and the Commission's Grant Memorandum with its sponsor Department, DCLG. My accountability for use of public funds is subject to the authority of the Permanent Secretary of DCLG who is the Accounting Officer for that Department. I was appointed to the role of Accounting Officer on 14 January 2013. The previous Accounting Officer Nigel Karney has provided me with written assurance in relation to his time as Accounting Officer.

2 As Accounting Officer, I am personally responsible for safeguarding the public funds provided to the Commission; and for ensuring propriety and regularity in the handling of those public funds. I am required to ensure that the organisation is run on the basis of the standards, in terms of governance, decision-making and financial management, set out in Managing Public Money. I must be able to assure Parliament and the public of high standards of probity in the management of public funds. However, I am not a Commissioner and my actions are subject to the approval and support of the Commission.

3 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control outlined in this Statement. My review is informed by the work of the internal auditors and the managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their Management Letter and other reports. I have been advised on the effectiveness of the system of internal control by the Commission's Audit Committee. A systematic approach is in place to address any identified weaknesses and to ensure continuous improvement.

4 This Governance Statement is presented by me to the Commission as part of the Annual Accounts, for its endorsement. The external auditor will consider whether this Statement complies with HM Treasury's guidance, as set out in Annex 3.1 of Managing Public Money.

The Governance Framework

5 The Commission is a statutory body under the Local Government Act 1974. During 2012-13 its membership was changed to reflect the governance and organisational changes agreed by the Commission and DCLG in the Transformation Plan. The members of the Commission are two Local Commissioners (Local Government Ombudsmen [LGOs]) and the Parliamentary and Health Service Ombudsman, Dame Julie Mellor. Dr Martin was appointed Chair in April 2012 and the other LGO, Anne Seex, was appointed Vice-Chairman. The Chair of the Audit Committee, Sir Jon Shortridge sits on the Commission as an advisory member.

6 The Commission meets five times a year. I attend the Commission meetings to advise the Commission and to answer any questions concerning my activity as the Accounting Officer. Meetings are also attended by the other senior staff, as required, to advise on particular items of business.

7 During 2012-13 the Commission undertook a Governance Review Programme which revised the Code of Conduct for Commission members and staff, and revised the terms of reference for the Audit Committee and the Remuneration Committee. In June, the Commission considered an assessment of its performance against the Good Governance Standards. One of the standards relates to 'developing the capacity and capability of the governing body to be effective'. It was suggested that the results of a questionnaire may provide a useful tool for development purposes.

At the suggestion of the Audit Committee, the members of the Commission and its senior management completed a commission questionnaire. The questionnaire was based on a model set of questions in the Audit Handbook co-authored by our internal auditors, KPMG, and the Institute of Chartered Secretaries and Administrators. The results of the questionnaire have been communicated to the Commission and a workshop is being arranged in the autumn to consider any development issues. This workshop will also take into account the external evaluation findings and the DCLG Governance Review in relation to the Commission's assessment of its performance.

8 The Commission received financial and performance data from all parts of the organisation to enable it to monitor performance and support strategic decision making. I am satisfied that the level and quality of the data was appropriate. The organisation will be reviewing its performance measures during 2013-14 to ensure they are of the appropriate gravity and breadth.

9 A table setting out Commission and committee attendances by the Commissioners and senior management in 2012-13 is set out opposite.

10 The Commission approves a rolling three year corporate plan and a one year business plan which forms the basis of its budgetary request to its sponsor Department and other funding departments. The Commission receives performance monitoring data linked to the business plan and status at each of its meetings; it reports on the outcome in its Annual Report.

11 A major focus of the Commission's activity in this year has been the implementation of the Transformation Plan and the completion of the Select

Committee recommendations. The Transformation Plan introduced fundamental changes to business processes, organisational structure and much reduced corporate and support staff levels. The plan was formed on the basis of subsequent funding discussions with DCLG who approved an Invest to Save business case to support the costs of implementation. During the year, the Commission was also externally evaluated. This evaluation positively supported the Transformation Plan and other initiatives. Further work is underway to agree and implement the recommendations in the areas where more work was required. More information on all our activities is included in the Annual Report section.

12 The Commission also faced the challenge of transferring housing complaints to the Housing Ombudsman following a change in jurisdiction. The Commission budget will be cut from 2013-14 and plans to manage the large decrease in funding have been incorporated into the Transformation Plan. The Commission continues to work jointly with the Housing Ombudsman dealing with outstanding and new complaints with joint jurisdiction.

Commission and Committee attendances

Present	Commission meetings (9 in total)	Audit Committee meetings (4 in total)	Remuneration Committee meetings (4 in total)
Dr Jane Martin (Chair of Commission)	9	4	4
Anne Seex (Vice-chair)*	5	-	-
Dame Julie Mellor (Parliamentary & Health Service Ombudsman)	8	4	-
Nigel Karney (Deputy Chief Executive & Secretary Accounting Officer until 13 January 2013)	7	1	2
Nigel Ellis (Executive Director)	7	-	-
Michael King (Executive Director)	7	-	-
Neville Jones (Deputy Ombudsman - Coventry, retired November 2012)	5	-	-
Heather Lees (Commission Operating Officer from 14 January 2013)	1	1	-
Lucinda Bolton (Acting Audit Committee Chair until 31 October 2012)	-	3	3
Eugene Sullivan (Independent Audit Committee member until 31 October 2012)	-	1	-
Sir Jon Shortridge (Audit Committee Chair from 12 December 2012)	1	1	1
David Liggins (Remuneration Chair & independent member of the Audit Committee from 12 December 2012)	-	1	1
Ian Threadgold (Interim Head of Finance until February 2013)	6	3	1
Rajesh Rana (Finance Manager from February 2013)	-	1	-

*Anne Seex has been away on sick leave since November 2012.

13 In January 2013 following the Transformation Plan a new scheme of delegation and governance was introduced. The change delegated authority to the newly formed Executive Team comprising myself, the Commission Operating Officer, and the two Executive Directors Michael King and Nigel Ellis. The team meets fortnightly and is responsible for all operational areas of the business as well as advising the Commission on strategic governance and resource matters. Reporting into the Executive Team is a new Leadership Group whose membership comprises all the operational and corporate service managers in the organisation. They meet monthly to monitor performance and all operational matters. The need to monitor the new processes and structure is essential to ensure we recognise any issues that might affect our performance. The commitment to reduced funding and improved decision times is challenging but the Executive Team appreciate the risks and monitor these monthly, reporting progress to the Commission each meeting.

14 The Commission has adopted Financial Regulations (the principles) and Financial Instructions (the detailed implementation). These are based on the Grant Memorandum between the

Commission and DCLG and Managing Public Money. The Financial Regulations are agreed with DCLG; and any modification of the Financial Instructions requires the approval of the Accounting Officer. I require each budget holder to provide me with a statement of assurance relating to their full compliance with Financial Regulations and Financial Instructions.

15 The Chair and I hold monthly liaison meetings with the Director of Local Government Policy and Productivity and his team to discuss the Transformation Plan. We also meet our DCLG sponsorship team monthly to discuss business planning, overall performance, resource management and funding, risk management and any matters of concern raised in audit reports. The impact of the delay in receiving approval for our business case has impacted on the Commission's Transformation Plan as we still have outstanding vacancies. Both the delay in business case approval and the delay in DCLG approval of the Framework Agreement has meant the LGO is not operating at its optimum level. The Commission has managed the situation but these issues need to be resolved as soon as possible.

The Audit Committee

16 The Commission has appointed an Audit Committee. It has an independent Chairman and two other members who are the PHSO and another independent person. The Commission Chair also attends in an advisory capacity. Normally the Committee meets at least three times a year and the minutes of its meetings, together with any recommendations, are reported to the Commission. The Committee is responsible for reviewing the process of internal and external audit, and oversight of the effectiveness of the Commission's risk management processes. It comments on the internal audit programme and monitors the progress on implementing audit recommendations.

17 The Audit Committee meetings are attended by representatives of the internal and external auditors. The meetings are also attended by me in my capacity as Accounting Officer and by the Finance Manager. The Audit Committee receives an Annual Report from the internal auditors on the effectiveness of internal controls based on the internal audit programme and comments from the external auditors concerning the findings from their audit of the Commission's

Annual Accounts.

18 Lucinda Bolton was Acting Committee Chair until 31 October. Sir Jon Shortridge took over as Chair on 12 December 2012 and at the same time a new independent member David Liggins joined the Committee. The Chair of the Commission stood down as a member during the year once her appointment was confirmed in October 2012.

19 The Audit Committee produces an Annual Report on the work of the Committee which is presented at the Commission meeting when the Annual Accounts are submitted for approval. A summary of the significant business dealt with by the Committee is as follows:

- > It received four internal audit reports from our internal auditors KPMG who are satisfied that they can provide the following assurances:

Internal audit report	Assurance level
Finance & accountancy systems	Substantial
Operational Performance Management	Substantial
Risk Management & Governance Review	Substantial
Information Security Review	Limited

- > Progress with management action on audit recommendations has been regularly monitored. Over the course of the period of my report the Committee has noted a significant reduction in the amount of outstanding actions on recommendations.
- > It has also monitored the Strategic Risk Register and the project risk register related to the Transformation Plan.
- > It has considered the preparation of the Annual Accounts, including this Governance Statement and submitted comments on these.

20 Both the Commission's internal auditors in 2012-13 (KPMG) and its external auditors (National Audit Office) have ready access to the Audit Committee (and its Chairman) and the Commission as appropriate.

The Remuneration Committee

21 The Commission has established a Remuneration Committee. Its purpose is to determine the pay and associated conditions of individual senior staff and the reward system for other staff. As such it operates within the framework for terms and conditions required by the Minister of State, DCLG, as set out in the Commission's Grant Memorandum. The membership of the Committee comprises three full members appointed by the Commission; the Chair of the Commission, an independent Chair, David Liggins who was appointed in December 2012 and an independent member Sir Jon Shortridge, who is also the Chair of the Audit Committee.

22 The Committee meets at least once a year and is advised by me, in my capacity as Commission Operating Officer, except on matters relating to

my personal remuneration. Meetings are also normally attended by the Head of Human Resources. The Committee reports to the Commission at least once year.

Risk Assessment & Management

23 The Commission has overall responsibility for monitoring and reviewing risk. It is supported in this function by the Audit Committee. It has approved a Risk Management Strategy that defines key roles and responsibilities and how risk is to be managed. In my capacity as Commission Operating Officer, I am responsible to the Commission for ensuring this strategy operates effectively.

24 The Audit Committee has oversight concerning risk management and advises the Commission of any concerns or suggestions in this regard. The Committee and the Commission receive a quarterly assessment of strategic risks, reports on risk related to major projects, and on any significant failures in operational risk management.

25 The internal audit programme for the Commission is based, in part, on the strategic risks identified by the Commission and the operational and project risks identified in the risk registers. The annual assurance report from the internal auditors on the overall effectiveness of internal controls includes risk management. No significant internal control issues have been identified in 2012-13, by this audit process. The Head of KPMG Internal Audit stated in their 2012-13 report that they were satisfied that they could provide reasonable assurance as to the adequacy and effectiveness of the LGO internal control and governance process within the areas of risk management and governance, financial control and operational performance management. Limited assurance is provided over the LGO's information security arrangements. In April 2013 the Commission appointed new internal auditors, XDIAS, the Government shared internal audit service.

26 A particular area of risk for the Commission is the management and control of information security. The Ombudsmen gather and store data during the course of investigations, which must all remain confidential to the parties unless the Ombudsman issues a report. The Ombudsmen and

the Commission must act within the law relating to this activity, including the requirements of the Data Protection Act and Environmental Information Regulations, as well as respecting the public access rights in the Freedom of Information Act. The information security arrangements were subject to an internal audit in 2012-13 which highlighted a number of areas that required updating and improving. A plan is in place to manage the agreed actions.

In relation to the Information Security Review limited assurance, a project plan has been formulated to deal with the issues. The plan is on track to deliver the changes in 2013-14 which will continue to be monitored by the Committee.

27 There has been one instance during the course of the year that needed to be reported to the Information Commissioner's Office. This involved the loss of documents and an encrypted memory stick. The complainant involved has been informed. The lessons learnt from this incident concerning management of records outside the office have been reinforced with staff and the relevant procedure has also been amended.

Assessment of Effectiveness

28 I am required to review the effectiveness of the system of internal control. During the year our internal control systems have provided me with the reassurance required. However, the Commission encountered particular challenges in its governance which has impacted on the organisation's ability to modernise its relationship with the Department and, therefore, some of its controls. We agreed a new Framework Document with DCLG in March but as yet it has not been signed by the Department which means that we are still working to the 2008 Grant Memorandum. One of the two Ombudsmen has been ill since November 2012. Dr Jane Martin, the Chair, commissioned an external evaluation of the Commission as recommended by the Select Committee. This positive report was published in March 2013. It reported on the success of the Transformation Plan and the Commission's implementation of the Select Committee's recommendations. It also recommended further changes to the governance, management and legislative framework. The Commission is considering the recommendations with a view to implementing a number of changes; the evaluation has been shared with the sponsor Department as a number of

the recommendations require legislative change. The recommendations will internally further enforce the control systems.

29 The Commission has conducted its operations taking into account the guidance issued by DCLG in relation to spending controls on sponsored bodies. This includes control procedures relating to the appointment of staff, advertising (including advertising vacant posts) and spending on consultants. The effects of these controls are that the Commission has to satisfy the Secretary of State that the expenditure and associated action is necessary for the effective operation of the body; this process involves time and effort for both parties. The process particularly delayed my appointment and restricted the Commission's plans to increase awareness of citizens and bodies in jurisdiction about the extension of the LGO's jurisdiction to the registered providers of adult social care services.

30 The Audit Committee is pleased to record that, for the reporting period in question, assurances provided and controls in place are considered adequate to support the needs of the Commission and the Accounting Officer in discharging their reporting obligations and decision making needs.

31 There was one instance of information fraud that did not result in any financial loss. Disciplinary action was taken against the individual concerned. Managers were asked to consider introducing additional controls. Data quality and performance measures are under review in 2013-14 the results of which will provide assurance.

Compliance with the Corporate Governance Code

32 DCLG categorises the Commission as an Arm's Length Body (ALB). The HM Treasury and Cabinet Office Corporate Governance Code states that where part of the business of the Department is conducted with and through an ALB, the Department's Board should ensure that there are robust governance arrangements with the ALB Board. These arrangements should set out

the terms of their relationship and explain how they will be put in place to promote high performance and safeguard propriety and regularity.

33 The Code goes on to state that the Department should ensure it has a written agreement (in accordance with Managing Public Money) with each of its ALBs which defines clearly how the relationship should work. The agreement should take the form of a Framework Document and should reflect the:

- > purpose and responsibilities of the ALB;
- > legal framework (if any) of the ALB; and
- > environment in which it operates.

It should include:

- > reporting and consultation arrangements;
- > mechanisms for providing assurance on performance
- > respective roles; and obligations.

34 The Framework Document was agreed by DCLG in March, and the Commission is waiting for the formal approval from Treasury and the Secretary of State before it can be implemented.

35 During 2012-13 the Commission undertook as part of the Transformation Plan to change and improve the CRM system, COIN. The original project split the expenditure between revenue and capital. When the costs were reviewed at year end it was confirmed that all the cost was capital and it was reported to DCLG on that basis. I have instructed the finance team to review our process for dealing with capital and notification to DCLG to ensure in 2013-14 DCLG accounts are not affected.

Heather Lees
Accounting Officer
9 July 2013



Statement of Commission's and Accounting Officer's Responsibilities

Under the Grant Memorandum between the Department for Communities and Local Government and the Commission for Local Administration in England, the Commission has been directed to prepare a statement of Accounts.

The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission and of its income and expenditure, changes in Taxpayers' Equity and cash flows for the financial year.

In preparing the Accounts, the Accounting Officer complies with the requirements of the Government Financial Reporting Manual and, in particular, is required to:

- > apply suitable accounting policies on a consistent basis;
- > make judgements and estimates on a reasonable basis;
- > state whether applicable accounting standards as set out in Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- > prepare the financial statements on a going concern basis unless directed otherwise.

The Principal Accounting Officer for DCLG designated the Commission Operating Officer as Accounting Officer on 14 January 2013. The responsibilities of an Accounting Officer, include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Commission's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Managing Public Money.

As Accounting Officer I have taken all necessary steps to ensure that our external auditors have all relevant information. I confirm that, as far as I am aware, there is no relevant information that the auditors are not aware of.



Independent Auditor's Report

The Independent Auditor's Report to the Commission for Local Administration in England.

I have audited the financial statements of the Commission for Local Administration in England for the year ended 31 March 2013. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Commission, Accounting Officer and Auditor

As explained more fully in the Statement of Commission's and Accounting Officer's Responsibilities, the Commission and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commission; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Accounts and in the accompanying information published in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- > the financial statements give a true and fair view of the state of the Commission's affairs as at 31 March 2013 and of the net expenditure for the year then ended; and
- > the financial statements have been properly prepared in accordance with the Grant Memorandum agreed between the Commission and Department for Communities and Local Government and the Government Financial Reporting Manual.

Opinion on other matters

In my opinion:

- > the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- > the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- > adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- > the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- > I have not received all of the information and explanations I require for my audit; or
- > the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

11 July 2013

The maintenance and integrity of the Commission's website is the responsibility of the Accounting Officer. The work carried out by the auditors does not involve the consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



Statement of Comprehensive Net Expenditure

	Note	2013 £000	2012 £000
Operating income			
Revenue	2.1	251	286
		251	286
Operating expenditure			
Staff costs	3.1	9,882	12,063
Pension loss (gain)	1.17	229	(156)
Accommodation costs	4.1	1,840	1,901
Office expenses	4.2	732	910
Professional costs	4.3	422	509
Depreciation & amortisation	6 & 7	419	439
Meeting & travel costs		188	191
Total operating expenditure		13,712	15,857
Net operating expenditure		(13,461)	(15,571)
Net interest costs	5	(615)	(269)
Net expenditure for the year		(14,076)	(15,840)
Pension fund actuarial gain/ (loss)	12g	184	(11,705)
Total comprehensive income/ (expenditure)		(13,892)	(27,545)

The notes on pages 46 to 67 form part of these accounts.

Under the Localism Act 2011, the handling of housing complaints transferred to the Housing Ombudsman with effect from 1 April 2013. The Commission does not report on its business segments separately and cannot disclose with certainty the expenditure associated with this discontinued activity.



Statement of Financial Position


	Note	2013 £000	Restated 2012 £000	Restated as at 01 April 2011 £000
Assets				
Non current assets				
Plant & equipment	6	392	721	1,022
Intangible assets	7	355	213	254
Total non current assets		747	934	1,276
Current assets				
Trade & other receivables	8	590	687	658
Cash & cash equivalents	9	1,895	2,185	2,172
Total current assets		2,485	2,872	2,830
Total assets		3,232	3,806	4,106
Liabilities				
Current liabilities				
Trade & other payables	10	822	1,434	407
Provision for dilapidations	11	504	-	-
Total current liabilities		1,326	1,434	407
Total assets less total current liabilities		1,906	2,372	3,699
Non current liabilities				
Trade & other payables	10	-	195	229
Provision for dilapidations	11	607	1,111	1,111
Pension scheme liability	12e	27,491	26,809	14,966
Total non current liabilities		28,098	28,115	16,306
Assets less liabilities		(26,192)	(25,743)	(12,607)
Taxpayers' equity				
Income and Expenditure Reserve		1,299	1,066	2,359
Pension Reserve	1.5	(27,491)	(26,809)	(14,966)
Total Taxpayers' Equity		(26,192)	(25,743)	(12,607)

The notes on pages 46 to 67 form part of these accounts.

The restatement is due to the non current asset reserve and income and expenditure reserve being merged in accordance with FReM.

Heather Lees
Accounting Officer
9 July 2013

Dr Jane Martin
Chair
9 July 2013



Statement of Cash Flows

	Note	2013 £000	2012 £000
Cash flows from operating activities			
Net expenditure for the year		(14,076)	(15,840)
Adjustments for:			
Depreciation & amortisation	6 & 7	419	439
Finance costs/(income)	5	(22)	(25)
(Increase)/decrease in trade & other receivables	8	97	(29)
Increase/(decrease) in trade & other payables	10	(807)	993
Non-cash pension charge/(credit) included in net expenditure for the year		866	138
Net cash inflow/(outflow) from operating activities		(13,523)	(14,324)
Cash flows from investing activities			
Purchase of plant & equipment	6	-	(42)
Purchase of intangible non-current assets	7	(232)	(55)
Interest received	5	22	25
Net cash inflow/ (outflow) from investing activities		(210)	(72)
Cash flows from financing activities			
Receipts of Grant-in-Aid financing	2.2	13,443	14,409
Net cash inflow/(outflow) from financing activities		13,443	14,409
Net increase/(decrease) in cash & cash equivalents		(290)	13
Cash & cash equivalents at beginning of period		2,185	2,172
Cash & cash equivalents at end of period	9	1,895	2,185

The notes on pages 46 to 67 form part of these accounts.



Statement of Changes in Taxpayers' Equity

	Restated Income & Expenditure Reserve	Pension Reserve	Total Taxpayers' Equity
	£000	£000	£000
Balance at 31 March 2011	2,359	(14,966)	(12,607)
Grant-in-Aid financing	14,409	-	14,409
Total comprehensive expenditure for the year	(15,840)	(11,705)	(27,545)
Transfers between reserves in respect of pension fund costs	138	(138)	-
Balance at 31 March 2012	1,066	(26,809)	(25,743)
Grant-in-Aid financing	13,443	-	13,443
Total comprehensive expenditure for the year	(14,076)	184	(13,892)
Transfers between reserves in respect of pension fund costs	866	(866)	-
Balance at 31 March 2013	1,299	(27,491)	(26,192)

The notes on pages 46 to 67 form part of these accounts.

The restatement is due to the non current asset reserve and income and expenditure reserve being merged in accordance with FReM.

Nature and Purpose of Reserves

Income and Expenditure Reserve

This Reserve represents the cumulative surplus of income over expenditure at the date of the Statement of Financial Position. It represents reserves generally available for the ongoing operations of the Commission, excluding amounts set aside to fund non

current assets and the deficit arising from the Commission's participation in the Local Government Pension Scheme.

Pension Reserve

This Reserve represents the cumulative deficit arising from the Commission's participation in the Local Government Pension Scheme, as determined by the scheme actuary.



Notes to the Financial Statements

Accounting Policies

1.1 Accounting convention

The Financial Statements are prepared under the historical cost convention, modified only in the case of tangible and intangible non current assets which are held at valuation, if materially different from historical cost less accumulated depreciation.

1.2 Basis of preparation

The Financial Statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the reporting entity for the purpose of giving a true and fair view has been selected. The particular policies adopted by the reporting entity are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Under the Localism Act 2011, the handling of housing complaints transferred to the

Housing Ombudsman with effect from 1 April 2013. The Commission does not report on its business segments separately and cannot disclose with certainty the expenditure associated with this discontinued activity.

1.3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Commission's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Developments in the Commission's business environment are reflected in the planning estimates on an ongoing basis. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, it is recognised in the period of the revision and future periods.

1.3.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Commission's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements:

> Classification of leases

The Commission has classified all of its leases of land and buildings as operating leases, as it is considered that these leases do not transfer substantially all of the risks and rewards of ownership to the Commission. The primary considerations in this assessment are that the lease terms do not represent the major part of the life of the leased assets and that the present value of lease payments at the inception of the leases do not represent a significant part of the value of the leased assets.

> Asset valuations

The Commission has concluded that there is not a material difference between the fair value of its tangible and intangible non current assets and the depreciated historical cost of these assets. As a result of this conclusion, detailed asset valuations have not been carried out.

1.3.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

> Valuation of pension scheme assets and liabilities

The valuation of the Commission's defined benefit pension scheme assets and liabilities is based on a range of assumptions covering variables such as investment returns, inflation and pensioner lifespans. The selection of appropriate assumptions represents a significant accounting estimate. Where actual outturns are significantly different to the selected assumptions, the value of scheme assets and liabilities may be materially different.

The assumptions are made by a professional actuary and are reviewed annually. In addition, the scheme is subject to a full actuarial review on a triennial basis.

1.4 Government grants

The Commission receives Grant-in-Aid from DCLG. This type of funding is classified as financing and is recognised directly in reserves through the Statement of Changes in Taxpayers' Equity.

Grant-in-Aid is paid in profiled monthly instalments according to the requirements of the Commission. The Grant-in-Aid from the Department also includes funding from the DH and the DfE. Grant income under Grant-in-Aid financing is accounted for on a cash basis.

1.5 Going concern

As a result of the revaluation of pension scheme assets and liabilities during the year, the Commission's Statement of Financial Position at 31 March 2013 shows net liabilities of £26m. This reflects the inclusion of liabilities falling due in future years which, insofar as the Commission is unable to meet them from its other sources of income, would fall, in the last resort, to be met by central government. Under the normal conventions applying to parliamentary control over income and expenditure, such funding may not be issued in advance of need, but there is no reason to believe that, if required, funding and parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for these financial statements.

The effect of the pension fund's performance in the past five years is reflected in note 12k.

1.6 Value added tax

The Commission is registered for VAT and is able to recover input VAT on its purchases. Expenditure is shown net of recoverable VAT. Outstanding recoverable VAT is included within trade and other receivables.

1.7 Corporation tax

The Commission is not subject to Corporation Tax.

1.8 Pension scheme

The Commission is an admitted body of the Local Government Pension Scheme, administered by the London Pension Fund Authority (LPA). This is a multi-employer defined benefit final salary scheme, accounted for in accordance with IAS 19 Employee Benefits.

The valuation of the Commission's defined benefit pension scheme assets and liabilities is based on a range of assumptions covering variables such as investment returns, inflation and pensioner lifespans. Where actual outturns are significantly different to the selected assumptions, the value of scheme assets and liabilities may be materially different. The assumptions are made by a professional actuary and are reviewed annually. In addition, the scheme is subject to a full actuarial review on a triennial basis.

The Commission's policy is to recognise all actuarial gains or losses in the Statement of Comprehensive Net Expenditure.

1.9 Short term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

1.10 Tangible non current assets - plant and equipment

Individual items of plant and equipment with a cost of less than £5,000 are written off in the Statement of Comprehensive Net Expenditure account in the year of acquisition, except where they form part of a significant capital project, the total cost of which exceeds £5,000.

Items of plant and equipment and significant capital projects with a cost of greater than £5,000 are initially recognised at cost and depreciated over their useful economic life on a straight line basis.

The ranges of useful economic lives of assets currently in use are as follows:

- > Plant and machinery
3 - 13 years
- > Furniture and fittings
4 - 13 years
- > Information technology
3 - 10 years

The useful economic life of assets within the categories above that are permanently installed within the Commission's leasehold properties is limited to the remaining lease term, with these items being fully written-off over this period.

Depreciation is not provided for assets under construction or payments on account of plant and equipment.

All items of plant and equipment are held at depreciated historical cost, as this is considered to be an appropriate proxy for fair value. All assets held by the Commission have a short useful life or a low individual value (or both). The Commission does not believe there to be a material difference between the fair value and the depreciated historical cost of plant and equipment. Where there is an indication that individual assets may be impaired, an impairment review is conducted and assets are written down to the lower of their carrying amount and recoverable amount, in accordance with IAS 36 and the HM Treasury Financial Reporting Manual.

1.11 Intangible non current assets

Individual intangible assets with a cost of less than £5,000 are written off in the Statement of Comprehensive Net Expenditure in the year of acquisition, except where they form part of a significant capital project, the total cost of which exceeds £5,000.

Intangible assets with a cost of greater than £5,000 are initially recognised at cost and amortised over their useful economic life on a straight line basis.

The range of useful economic lives of assets currently in use is as follows:

- > Software licences
5 years

All intangible assets are held at amortised historical cost, as this is considered to be an appropriate proxy for fair value. The Commission does not believe there to be a material difference between the fair value (as determined by amortised replacement cost) and the amortised historical cost of intangible assets.

Where there is an indication that individual assets may be impaired, an impairment review is conducted and assets are written down to the lower of their carrying amount and recoverable amount, in accordance with IAS 36 and the HM Treasury Financial Reporting Manual.

1.12 Revenue

The Commission derives revenue from the provision of training courses to local authorities and through the sub-letting of surplus property. This income is recognised at fair value of the consideration received or receivable net of VAT.

1.13 Leases (Commission as lessee)

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. The Commission does not currently have any assets held under finance leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

1.14 Leases (Commission as lessor)

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. The Commission does not currently act as lessor in any finance leases.

Operating lease receipts are recognised as income on a straight-line basis over the lease term. Lease incentives are recognised initially as an asset and subsequently as a reduction in rentals on a straight-line basis over the lease term.

1.15 Financial Instruments

> Financial assets

Financial assets are recognised when the Commission becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and

loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

> **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset. At the end of the reporting period, the Commission assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at

amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset is reduced through a provision for impairment of receivables.

> **Financial liabilities**

Financial liabilities are recognised in the Statement of Financial Position when the Commission becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or financial liabilities at amortised cost.

Financial liabilities are initially recognised at fair value.

1.16 Accounting Standards that have been issued but have not yet been adopted

The following Accounting Standards have been issued by the IASB and IFRIC but have not been adopted because

they are not yet required to be adopted:

> **IFRS 9 Financial Instruments**

This Standard was issued in November 2009 and is effective for periods beginning on or after 1 January 2013.

The Standard is intended to replace IAS 39 and includes changes to the classification and measurement requirements for financial assets and liabilities.

Given the simple nature of the financial assets and liabilities held by the Commission, it is not anticipated that this Standard will have any significant impact on the financial statements when adopted for the accounting period 2013-14.

> **IAS19 Employment Benefits**

This Standard was amended in June 2011 and is effective for periods beginning on or after 1 January 2013.

The most significant amendment that is likely to affect the Commission is that pension schemes will no longer be able to set the expected return on a scheme's assets according to the assets actually held by the plan (expected return was 5.9% in 2012-13). The calculation will, from 2013, effectively assume all assets are invested in AA-rated corporate bonds which are generally expected to produce lower returns than a typical scheme's investment

strategy.

The total amount that would be recognised if the revised IAS 19 Standard was adopted is £3.466m. The actual return on the plan assets would be £6.264m.

> Other Accounting Standards

The Commission believes that there are no other standards that have been issued but not yet adopted that will have any impact on the financial statements.

1.17 Pension Loss

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the CPI rather than the RPI for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension.

1.18 Provisions

Provisions are liabilities of uncertain amount or timing. A provision is recorded if a sufficiently reliable estimate can be made.

Property dilapidations are treated as provisions and are recognised in terms of the obligations within the Commission's leases on

buildings.

1.19 Segmental reporting

The Commission considers all operational activities are substantially of the same nature and, therefore, segmental reporting is not appropriate.

1.20 Contingent liabilities

The Commission does not have any contingent liabilities.

1.21 Prior year adjustment

The non current asset reserve and income and expenditure reserve have been merged in accordance with FReM. The impact of this is shown in the Statement of Financial Position and the Statement of Changes in Taxpayers' Equity.

2.1 Net expenditure

	2013 £000	2012 £000
Sublease income	182	196
Training & seminar fees	69	88
Other revenue	-	2
	251	286

2.2 Grant-in-Aid

The Commission received funding from two Government departments in 2012-13. In addition to the core and transitional fund DCLG grant, monies were received via DCLG from DfE. The DH monies are now included in DCLG core grant. The grant is accounted for in the Statement of Changes in Taxpayers' Equity, as discussed in note 1.4.

	2013 £000	2012 £000
DCLG	12,776	12,059
DH	-	1,450
DfE	667	900
	13,443	14,409

3.1 Staff costs

	2013	2013	2013	2012
	£000	£000	£000	£000
	Permanently employed staff	Others	Total	Total
Wages & salaries	6,804	70	6,874	8,012
Social security	582	6	588	694
Other pension costs	1,399	15	1,414 **	1,692
	8,785	91	8,876	10,398
Temporary staff	-	595	595	756
Redundancy costs	320	-	320	758
	9,105	686	9,791	11,912
Indirect staffing costs*	91	-	91	151
Total	9,196	686	9,882	12,063

*This is related to training costs, payroll bureau fees and staff recruitment costs.

Additional analysis of Commissioners' salaries is available within the Remuneration Report.

**£11,342 relates to pension payments to a retired Local Government Ombudsman and a surviving widow.

3.2 Reporting of compensation scheme packages

Redundancy and other departure costs have been paid in accordance with statutory requirements and entitlements based on length of service set out in the Commission's standard contract of employment. Exit costs are accounted for in full in the year of departure or, where earlier, the year in which a legal or constructive obligation to pay such costs arises. Costs included lump sum payments to the Local Government Pension Scheme, where applicable.

	2012-13	2012-13	2011-12	2011-12
Exit package cost bands £000's	Number of compulsory redundancies	Number of other departures agreed	Number of compulsory redundancies	Number of other departures agreed
<£10	*	*	-	*
£10-£25	*	*	-	*
£25-50	*	*	-	*
£50-£100	*	*	-	*
£100+	*	*	-	*
Total number of exit packages	5	13	-	21
Total cost (£000)	78	242	-	758

* Actual numbers have been removed to protect the identity of non-senior staff under the Data Protection Act 1998. The total cost is represented by payments to the pension fund and the redundancy pay element of the compensation scheme which are broadly in equal amounts.

3.3 Staff numbers

	2013	2012
Average number of full time equivalent staff employed:		
Permanently employed	178	206
Other*	2	3
	180	209

*Other staff includes short-term contractors, but not temporary or agency staff.

Staff numbers exclude the Ombudsmen as they are not members of staff, but their remuneration is included in wages and salaries note 3.1.

4 Operating expenditure

4.1 Accommodation costs		
	2013	2012
	£000	£000
Rent & rates	1,626	1,708
Other expenses	111	85
Utilities	59	55
Repairs & maintenance	23	32
Health & safety	21	21
	1,840	1,901

4.2 Office expenses		
	2013	2012
	£000	£000
Computers & telephone	426	563
Insurance & other office expenses	178	175
Furniture & equipment rental	76	90
Postage & stationery	52	82
	732	910

4.3 Professional costs		
	2013	2012
	£000	£000
Legal & litigation	223	202
Internal & external audit	63	65
Professional fees & subscriptions	62	82
Publicity & information	57	64
Research	17	93
Fieldwork associates	-	3
	422	509

External audit remuneration is included within professional fees and totals £9,700 (2011-12: £9,400). No remuneration was paid to the external auditors for non audit work in 2012-13 (2011-12: nil).

5 Net interest costs

	2013	2012
	£000	£000
Expected return on pension fund assets	2,571	2,847
Interest on pension fund liabilities	(3,208)	(3,141)
Bank deposit interest	22	25
	(615)	(269)

6 Plant and Equipment

	Plant & machinery	Furniture & fittings	Information technology	Total
	£000	£000	£000	£000
Cost				
At 01 April 2012	427	1,434	352	2,213
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 March 2013	427	1,434	352	2,213

Depreciation				
At 01 April 2012	256	973	263	1,492
Provided during the year	71	215	43	329
Disposals	-	-	-	-
At 31 March 2013	327	1,188	306	1,821

Cost				
At 01 April 2011	427	1,425	319	2,171
Additions	-	9	33	42
Disposals	-	-	-	-
At 31 March 2012	427	1,434	352	2,213

Depreciation				
At 01 April 2011	184	752	213	1,149
Provided during the year	72	221	50	343
Disposals	-	-	-	-
At 31 March 2012	256	973	263	1,492

Net Book Value				
At 1 April 2012	171	461	89	721
At 31 March 2013	100	246	46	392

No amounts are included above in respect of assets held under finance leases and all amounts relate to externally generated assets. All assets are owned by the Commission.

7 Intangible assets

	Total
	£000
Cost	
At 01 April 2012	911
Additions	232
Disposals	(25)
Cost at 31 March 2013	1,118

Amortisation	
At 01 April 2012	698
Provided during the year	90
Disposals	(25)
At 31 March 2013	763

Cost	
At 01 April 2011	856
Additions	55
Disposals	-
Cost at 31 March 2012	911

Amortisation	
At 01 April 2011	602
Provided during the year	96
Disposals	-
At 31 March 2012	698

Net Book Value	
At 31 March 2012	213
At 31 March 2013	355

All intangible assets held by the Commission are externally developed software. No amounts are included above in respect of assets held under finance leases and all amounts relate to externally generated intangible assets.

8 Trade and other receivables

	2013	2012
	£000	£000
Trade receivables	17	11
Deposits & advances	39	48
VAT receivable	120	161
Prepayments	414	467
	590	687
Represented by:		
Central Government	120	161
Local Authority	6	11
External bodies	464	515
	590	687

9 Cash and cash equivalents

	2013	2012
	£000	£000
Cash at bank and in hand	1,895	2,185

Cash and cash equivalents are represented by balances held at commercial banks and minor petty cash.

10 Trade and other payables

Current Trade and other payables		
	2013	2012
	£000	£000
Trade payables	115	138
Bank overdraft	65	-
Accruals & deferred income	642	1,296
	822	1,434
Represented by:		
Central Government	-	-
Local Authority	1	7
External bodies	821	1,427
	822	1,434

Non current trade and other payables		
	2013	2012
	£000	£000
Accruals & deferred income	-	195
	-	195
External bodies	-	195
	-	195

11 Provision for dilapidations

	2013	2012
	£000	£000
Balance at 01 April		
Current	504	
Non current	607	1,111
	1,111	1,111

The Commission has reviewed potential liabilities associated with its estates portfolio. In particular the Commission wishes to note and prudentially record the impact of potential costs associated with obligations to make good, individually, across all premises should such premises be exited. The Commission has been provided with values associated with provisions by its premises advisors.

The current liability of £504k relates to the imminent exit of Millbank Tower premises to Marsham Street. This is expected to materialise in the latter part of 2013.

The non current liability of £607k is for the dilapidations of the Coventry and York premises.

12 Pension scheme

12.1 The Local Commissioners and staff belong to the Local Government Superannuation Scheme, which is a defined benefit scheme, administered by the London Pensions Fund Authority. No enhanced terms apply to either Local Commissioners or senior staff.

12.2 The Commission paid employer's superannuation contributions to this scheme at the rate of 21.9% of pensionable remuneration on behalf of both Local Commissioners and staff to a total of £1,402,630 during 2012-13 (£1,691,966 during 2011-12). In addition, payments in respect of curtailments and settlements arising from redundancies totalling £544,165 were made in the year. The cost of these curtailments and settlements is reflected in the 2012-13 financial statements. The employer's and employee's contribution rate is fixed following actuarial assessments every three years. The last assessment, which reviewed the position of the Fund at 31 March 2010 and resulted in the rate of 21.9% unchanged from 1 April 2008 and effective from 1 April 2012.

12.3 The pension arrangements for the Local Commissioners and Commission staff are subject to the agreement of the Secretary

of State for Communities and Local Government. He has agreed that the arrangements should be part of the Local Government Pension Scheme. Accordingly, this scheme forms the basis of the current terms and conditions of Local Commissioners and Commission staff. Any changes to the scheme to alleviate the deficit (refer to subsequent tables for details) such as by increasing the pension age or increasing employee contributions, would be a matter for national negotiations and Government action. As a relatively small employer the Commission is not in a position to exert significant influence on this matter. The Commission's Fund is currently managed by the LPFA; the relevant Commission officers take up opportunities provided by LPFA for consultation and scrutiny; the Accounting Officer has considered the possibility of transferring the Commission's funds to a different authority but, at present, she considers LPFA's asset management to be competitive.

12.4 On 28 June 1993 by virtue of Statutory Instrument 1993 No 1367, Local Ombudsmen became eligible to join the Local Government Scheme and their previous individual superannuation arrangements were closed by transfer of service to the Scheme operated by the LPFA. These transfer arrangements

did not provide for Local Ombudsmen who had already retired. The pensions of one such Local Ombudsman, and a surviving widow, remain the responsibility of the Commission and are met through the Statement of Comprehensive Net Expenditure, the total payment during 2012-13 amounting to £11,342 (£10,828 in 2011-12). The inflation effect was negative, hence, no increase applied.

12.5 Disclosures as required by IAS 19.

The tables and notes below were provided by the LPFA actuaries and the Commission are content that they fairly present the most appropriate assumptions to be applied and the estimated assets and liabilities and the actuarial gain for 2012-13 for the scheme.

a. Financial assumptions			
Year ended:	31 March 2013	31 March 2012	
	% pa	% pa	
Inflation/pension increase (RPI)	3.4	3.3	
Inflation/pension increase (CPI)	2.6	2.5	
Salary increase rate	4.3	4.2	
Pension increases	2.6	2.5	
Discount rate	4.5	4.6	

b. Demographic assumptions			
Life expectancy in years from age 65	2013	2012	
Retiring today - males	21.7	21.6	
Retiring today - females	24.1	24.0	
Retiring in 20 years - males	23.7	23.6	
Retiring in 20 years - women	25.9	25.8	

The actuary has adopted demographic assumptions which are consistent with those used for the funding valuation as at 31 March 2010. The post retirement mortality is based on Club Vita mortality analysis which has been projected using medium cohort projection and allowing for a minimum rate of improvement of 1%.

The actuary also made the following assumptions: that members will exchange half of their commutable pension for cash at retirement and active

members will retire one year later than they are first able to do so without reduction.

The expected return on assets for accounting years beginning on or after 1 January 2013 will be replaced with a single net interest cost, which will effectively set the expected return equal to the IAS 19 discount rate.

The actuary is not required to disclose an expected return assumption for the year to 31 March 2014.

For the year to 31 March 2013, the expected return was 2% per annum, which has been used to determine the profit and loss charge for the year ended 31 March 2013.

c. Estimated asset allocation

Year ended	31 March 2013	31 March 2012
	% pa	% pa
Equities	73	73
Target return funds	10	12
Alternative assets	15	14
Cash	2	1
Total	100	100

d. Fair value of employer assets

	31 March 2013	31 March 2012
	£000pa	£000pa
Equities	36,268	31,754
Bonds	4,968	5,220
Alternative assets	7,452	6,090
Cash	994	435
Total	49,682	43,499

Alternative assets include global property, commodities, infrastructure assets and opportunity assets.

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2013 is estimated to be 14%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the period may be different.

e. Amounts recognised in the Statement of Financial Position

Year ended	31 March 2013	31 March 2012
	£000	£000
Fair value of employer assets	49,682	43,499
Present value of funded obligation	(77,173)	(70,308)
Net (liability)	(27,491)	(26,809)

Favourable market values increased the value of employers' share of the scheme assets.

f. Amounts recognised in the Statement of Comprehensive Net Expenditure

Year ended	31 March 2013		31 March 2012	
	£000	% of pay	£000	% of pay
Current service cost	1,586	24.3	1,415	19
Interest cost	3,208	49.16	3,141	42
Expected return on employer assets	(2,571)	(39.4)	(2,847)	(38)
Losses on curtailments & settlements	601	9.21	142	1.9
Total	2,824	43.27	1,851	24.9
Actual return on plan assets	6,192		419	

g. Amounts recognised in the Statement of Changes in Taxpayers' Equity

Year ended	31 March 2013		31 March 2012	
	£000		£000	
Opening cumulative actuarial (losses)		(23,605)		(11,900)
Net actuarial (losses)/gains		184		(11,705)
Closing cumulative actuarial (losses)		(23,421)		(23,605)

h. Reconciliation of defined benefit obligation

Year ended	31 March 2013		31 March 2012	
	£000		£000	
Opening defined benefit obligation		70,308		56,381
Current service cost		1,586		1,415
Interest cost		3,208		3,141
Contributions by members		450		530
Actuarial losses/ (gains)		3,437		9,277
Losses on curtailments		601		142
Estimated benefits paid		(2,417)		(578)
Closing defined benefit obligation		77,173		70,308

i. Reconciliation of fair value of employer assets

Year ended	31 March 2013	31 March 2012
	£000	£000
Opening fair value of employer assets	43,499	41,415
Expected return on assets	2,571	2,847
Contributions by members	450	530
Contributions by the employer	1,958	1,713
Actuarial gains/(losses)	3,621	(2,428)
Estimated benefits paid	(2,417)	(578)
Closing fair value of employer assets	49,682	43,499

j. Reconciliation of net defined benefit pension liability

Year ended	31 March 2013	31 March 2012
	£000	£000
Opening net pension fund asset/liability	(26,809)	(14,966)
Current service cost	(1,586)	(1,415)
Contributions by the employer	1,958	1,713
Settlement & curtailments	(601)	(142)
Net actuarial gains/(losses)	184	(11,705)
Other finance income	(637)	(294)
Closing net pension fund asset/ (liability)	(27,491)	(26,809)

k. Amounts for the current and previous accounting periods

Year ended	31 March 2013 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Fair value of employer assets	49,682	43,499	41,415	36,599	27,629
Present value of defined benefit obligation	(77,173)	(70,308)	(56,381)	(69,352)	(40,504)
Net pension fund asset/(liability)	(27,491)	(26,809)	(14,966)	(32,753)	(12,875)
Experience gains/(losses) on assets	3,621	(2,428)	1,171	6,385	(9,758)
Percentage of assets	7.3%	5.6%	2.8%	17.4%	(35.3%)
Experience gains/(losses) on liabilities	-	-	10,475	-	-
Percentage of liabilities	-	-	18.6%	-	-
Cumulative actuarial gain (loss)	(23,421)	(23,605)	(11,900)	(25,569)	(6,006)

Cumulative actuarial gains and losses are based on actuarial gains and losses from the 2004/05 accounting period onwards.

l. Sensitivity analysis

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation	75,441	77,173	78,955
Projected service cost	1,643	1,702	1,763
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of defined benefit obligation	74,663	77,173	79,682
Projected service cost	1,634	1,702	1,770

The valuation of pension fund liabilities is based on a range of actuarial assumptions and may be highly sensitive to changes in these assumptions, in particular to changes in the discount rate and mortality assumptions. The table above illustrates the potential impact of small changes in these assumptions.

The LPFA prepares its own scheme statements which are available to download from:

<http://www.lpfa.org.uk/about/publications/>

Estimated employer's contributions for 2013-14 are £1,429,000 (£1,637,000 2012-13).

13 Financial Instruments and related risks

In accordance with Treasury guidance and IFRS7 the Commission's accounts must contain disclosures of financial instruments (financial assets and liabilities).

The Commission's principal financial instrument is cash to provide working capital for the organisation's operations.

Other financial instruments are receivables and payables arising from operations.

The main risks arising from the organisation's financial instruments are as follows:

Credit Risk

The Commission is exposed to credit risk arising from its Trade and Other Receivables, whereby there is a risk that counterparties will not settle outstanding amounts as they fall due. Of the total financial assets included within Trade and Other Receivables, £119,916 is due from HMRC (2012 - £161,270). A further amount of £39,232 is due from current employees of the Commission and is to be collected through regular payroll deductions (2012 - £48,390). The credit risk arising from these balances is not considered to be significant.

Market Risk

The Commission's deposits are held at variable interest rates which give rise to the risk that returns may vary in line with market interest rates. The potential effect of a 1% change in interest rates is shown below. The nature of the Commission's deposit accounts does not expose it to fluctuations in capital values, with the exception of credit risk as described below.

	2013	2012
	£000	£000
Value of interest yielding deposits at 31 March	1,895	2,185
Income effect of a 1% increase in interest rates	19	22
Income effect of a 1% decrease in interest rates	(19)	(22)

Liquidity Risk

The Commission minimises its exposure to this type of risk through the use of cashflow forecasts to enable it to manage its resources and ensure adequate liquidity. It maintains its surplus funds in bank deposit accounts which provide for instant access. These deposits totalled £1,830,607 (£2,184,526 2011-12). As a result of these policies, the Commission does not feel that it is exposed to significant liquidity risk arising from its financial instruments.

13.1 Fair Value

Due to the nature of financial assets and liabilities held by the Commission, there is not considered to be any significant difference between the carrying amount and the fair value of any of the financial instruments held.

14 Operating Lease Commitments

14.1 Total future minimum lease payments under non-cancellable operating leases

	2013	2012
	£000	£000
Amounts payable:		
Not later than one year	1,065	1,065
Later than one year and not later than five years	1,208	1,199
Later than five years	-	-
Total	2,273	2,264

Included within operating expenses are payments under non-cancellable operating leases totalling £1,065,000 (2012 - £1,065,000).

14.2 Total future minimum sublease payments expected to be received under non-cancellable subleases

	2013	2012
	£000	£000
Amounts receivable:		
Not later than one year	91	120
Later than one year and not later than five years (note 14.3)	-	91
Later than five years	-	-
Total	91	211

14.3 Description of significant lease arrangements

The Commission occupies three premises under operating leases, situated in London, Coventry and York.

The lease for the London office expires in 2018, with a break option in 2013. The rent for this property was subject to review in December 2008 which resulted in a nil increase. The operating lease covers an area within a larger office building. The Commission subleases part of this area to PHSO on terms that mirror the Commission's own lease.

The leases for the Coventry and York sites both expire in 2015 with no break options.

15 Capital Commitments

The Commission was contractually committed to expenditure on non-current assets totalling £28,000 at 31 March 2013 (2012 - £88,000).

16 Related Party Transactions

The Commission for Local Administration is an independent body established under Part III of the Local Government Act 1974. The Commission is principally funded by way of Grant-in-Aid from DCLG and also receives funding (via the DCLG) from the DfE and the DH. DCLG is regarded as a related party as are the other two sponsors. During the year, the Commission has had a significant number of material transactions with DCLG. Note 2.2 discloses the amounts.

As part of our endeavour to share resources where this is cost effective, we collaborate on a number of office services and sublet some of our London office space to the PHSO. The financial statements include a sub lease income of £182,277 (£196,071 2011-12).

No Minister, Commission Member, key manager or other related parties has undertaken any material transactions with the Commission during the year.

Under IAS 24, the Local Government Pension Scheme is defined as a related party to the Commission. For details of transactions with this body, refer to note 12.

17 Losses and Special Payments

During the year no significant losses or special payments were made.

18 Events Occurring since the Reporting Date

The Accounting Officer authorised these Financial Statements for issue on the date certified by the Comptroller and Auditor General.

**Commission for Local
Administration in England**

The Oaks, No 2
Westwood Way
Westwood Business Park
Coventry
CV4 8JB

T: 0300 061 0614
W: www.lgo.org.uk