

Annual Accounts

2008/09

28 July 2009

Annual Accounts

Table of contents

Chairman's foreword	1
Statutory background	3
Format of accounts.....	3
Audit and reporting processes	4
Review of performance 2008/09	4
Developments in 2009/10.....	4
Prompt payment code	5
Policy in relation to disabled employees	5
Consultation and communication with employees	5
Losses and special payments.....	6
Going concern.....	6
Contracts with the Parliamentary and Health Service Ombudsman.....	6
Health and safety	6
Accounting developments	6
Register of interests/Gifts and hospitality.....	6
Statement of Commission's and Accounting Officer's responsibilities	7
Statement on internal control 2008/09	8
Scope of responsibility.....	8
The purpose of the system of internal control	9
Capacity to handle risk	9
The risk and control framework	9
Review of effectiveness.....	10
Balance Sheet	11
Income and Expenditure Account	12
Statement of total recognised gains and losses	13
Cash flow statement	13
Notes to the Accounts	14
1 Accounting policies	14
2 Non current assets.....	15
3 Income.....	17
4 Salaries and related costs.....	17
5 Superannuation	19
6 Accommodation	24
7 Supplies and services.....	24
8 Establishment expenses.....	24
9 Donations	24
10 Guarantees and other financial commitments	25
11 Debtors and prepayments.....	25
12 Cash at bank and in hand	25
13 Creditors.....	26
14 Reserves 2008/09.....	27
15 Notes to the statement of cash flow	27
16 Accounts approval date	28
Auditor's Report to the Commission for Local Administration in England	29

Chairman's foreword



The last year has seen significant change in the organisation and operation of the Local Government Ombudsman service (LGO). The focus of much of this activity relates to the fulfilment of the Commission's vision and public value strategy.

The principal initiative in 2008 / 2009 was the introduction of our new contact centre in April 2008. The centre is staffed by highly trained advisers who dealt with over 66,000 contacts from the public during the first year.

Although the financial constraints to which I referred in last year's Annual Accounts have required the Commission to examine new efficiency measures these have been considered only where the core business of the Ombudsman service is protected. My commentary in the Annual Report describes the resources in detail.

Income from our training courses for Councils in guidance and good complaints handling exceeded our planned target of 120 courses and there are clear signs that this service is helping to improve further the quality of complaints handling at local council level. We have also responded to the demand for more courses dealing with particular needs of specialist service areas.

Last year reference was made to the new responsibilities of the LGO arising from the Local Government and Public Involvement in Health Act 2007 (LGPIHA) and the Regulatory Reform Order 2007. Both have led to greater clarity in the Ombudsman's work and, we believe, an improved service to the public.

The overall number of Ombudsman decisions for the past twelve months was broadly in line with the previous years. The type of complaint also shows little change with housing and planning continuing to represent the highest numbers. More is said about this in the Annual Report.

The Commission's financial position remains sound. However, the grant settlement referred to in last year's Annual Report continues to present the Commission with major challenges. The budget

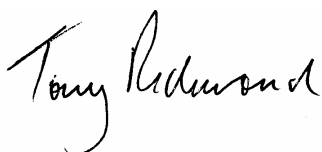
reduction planned for 2008 / 2009 was achieved by a combination of staff reductions and efficiency measures. There was an operational underspend of £229,303 at the year end which represented an efficiency saving of over 2% (4% in real terms) in comparison with 2007/08 but excluding the FRS17 Pension Fund operating deficit. This included a one-off charge arising from changes to LGPS benefits on 1 April 2008 and comprised 85% of the pension fund operating cost in the Income and Expenditure Account.

In 2009 / 2010 major investment decisions must be addressed relating to the replacement of our complaints tracking system and plant renewal at our office premises; without the availability of capital finance, this must come from revenue resources. The budget for 2009 / 2010 has, therefore, been constructed with these and our grant limit in mind. Our workforce will reduce by approximately 10% in the year in response, particularly, to budget constraints. We are clearly challenged by the capacity to deliver the service next year but the changes already alluded to we consider sufficient to meet existing standards.

Much exploratory work has been done by the Commission to cater for two possible new areas of jurisdiction: the introduction of an independent complaints handling function for the internal management of schools; and the establishment of a similar service for private sector adult social care self funders. Both Bills are now in Parliament and, subject to Royal Assent, will be operational from 2010, the first will be a phased implementation and the second in its entirety in that year.

The Commission very much welcomes the prospect of these new responsibilities and the preparatory work undertaken so far has been very much designed to work closely with these service providers to create the best possible complaints handling functions for those who make complaints against school governing bodies and adult social care providers.

We consider the last twelve months to be a period of considerable achievement in accommodating the requirements of new legislation; in meeting exacting financial restrictions; in responding to customer concerns about our service; and in researching and preparing for potential new areas of jurisdiction. We will now build the capacity to respond to these new challenges.



Tony Redmond
28 July 2009

Statutory background

The Commission for Local Administration in England (the Local Government Ombudsman Service) was established under Part III of the Local Government Act 1974 (the Act).

The Act provides for the appointment of Local Government Ombudsmen who, together with the Parliamentary Commissioner for Administration 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. Commissioners may be appointed to serve full-time or part-time, and the Secretary of State designates one as Chairman and another as Vice Chairman of the Commission. There are at present three full time Local Commissioners, details of whom are included in the Commission's annual report.

Each Local Commissioner is responsible for the investigation of complaints of injustice consequent upon maladministration by local authorities and other specified bodies. The Commission is responsible for the provision of accommodation, staff and other support services for the Local Commissioners. It produces an annual report, estimates and accounts. It divides England into the areas for which each Local Commissioner is responsible. The Commission has power to give guidance on good administrative practice. In the management of its affairs, including its financial affairs, the Commission is supported by the Secretary of the Commission and Corporate Services.

The arrangements agreed between the DCLG and the Commission, with the consent of the Treasury, for the use of grant are described in a Grant Memorandum, which was brought into effect on 1 April 1999, which can be viewed on the Commission's website, www.lgo.org.uk/about-us/governance/.

The Chairman of the Commission has been designated by the Department as the Commission's Accounting Officer. His responsibilities, including responsibility for the propriety and regularity of the public finances for which he is answerable, and for the keeping of proper records, are set out in a letter from the Department, dated 25 October 1994 and in a memorandum dated 3 March 1994 from HM Treasury.

The Statement of Commission's and Chairman's responsibilities and the Accounting Officer's Statement on the System of Internal Control follow this foreword.

Format of accounts

The Commission is required by the Grant Memorandum to keep proper accounts and to prepare a statement of accounts for each financial year in a form agreed with the Secretary of State.

Audit and reporting processes

The Grant Memorandum requires that the accounts be audited by a body agreed with the Department, the appointment being reviewed periodically in open market competition. Baker Tilly UK Audit LLP are the external auditors for the Commission. Their report and opinion are attached to the accounts. When the audit is complete the auditor's report and the accounts must be submitted to the DCLG no later than 1 September following the end of the financial year.

The auditor is also required to report annually whether grant paid by the Department has been applied in accordance with arrangements agreed in the Grant Memorandum. This report is copied to the Department.

Review of performance 2008/09

The Commission's non grant income was £543,663 and was above target due to improved income from local authority training and rental sources as a result of new initiatives.

The movement in total expenditure, excluding redundancy exceptional costs, between 2007/08 and 2008/09 was a fall of £276,775. This resulted in a real unit cost reduction of £71 per case.

	£
Income and expenditure 2007/08	13,191,135
Movement on payroll costs	(338,419)
Accommodation cost increase	79,180
Other net movements	(17,536)
Exceptional redundancy provision	1,149,809
Income and expenditure 2008/09	14,064,169

Legal advice costs were lower by £8,287 than 2007/08, but this is an area where it is difficult to predict patterns of expenditure and significant variances can be experienced between years both in the number of cases and complexity of cases.

The Commission incurred legal defence costs of £107,860 (£76,352 2007/08) in litigation connected with judicial review proceedings in respect of the Ombudsmen's decisions.

The grant received in 2008/09 (£12.6m) was £251,000 (1.95%) less than in 2007/08. This decrease was in respect of the cut in funding imposed by the Treasury.

Developments in 2009/10

The Commission's agenda for the year 2009/10 is dominated by the new legislative provisions affecting the Ombudsman's jurisdiction. The Commission in response to the anticipated reduction in core funding has a programme to reduce existing staff members by

approximately 10% across the Commission. In reviewing its accommodation strategy due regard needs to be given to the projected resourcing requirements to handle the new areas of jurisdiction.

This will have an impact both on the Advice Centre in Coventry and within the investigative operations in all offices.

In preparing for the new staff substantial reorganisation will need to be made within Coventry office to provide capacity within the Advice Centre and save costs in York and London.

It is not thought likely new premises will be needed, but refurbishment and ICT infrastructure changes will be necessary and the financing put in place.

Prompt payment code

The Commission is working towards meeting the government's Prompt Payment Code which requires suppliers and clients' contractual payment terms to be honoured, dealing with payment queries promptly and ensuring any undue delay is notified to the supplier in a timely fashion.

Policy in relation to disabled employees

The Commission's offices are, as far as is reasonable and practicable, accessible for people with disabilities. An audit of the offices is carried out at least once every five years and action is taken to implement recommendations for alterations designed to help those with disabilities. Updated surveys will be undertaken to ensure, insofar as the Commission as tenant is able, that suitable measures have been taken in compliance with the Disability Discrimination Act.

The Commission's advertisements for vacancies make it clear that applications are welcome from all sections of the community; regardless of (for example) race, age, gender, sexuality or disability, and necessary arrangements are made to ensure all candidates can attend for interview.

All Commission staff have undergone training on disability awareness, and the Commission obtained an overall pass rate of 100% in the automated test set at the conclusion of the training.

Consultation and communication with employees

The Commission is committed to consulting as appropriate and maintaining communication with its staff. It recognises UNISON for consultation purposes and has established a Local Joint Committee consisting of four members of staff (elected by ballot of all staff) and four members of management, which is consulted on matters affecting staff. It further ensures

that all staff are kept informed of developments by regular briefing and communication meetings and by the issue six times a year of a staff newsletter.

Losses and special payments

During the year there were no losses of equipment. No special payments were made during the year. Two *ex gratia* payments totalling £173 were made. Special payments, *ex gratia* payments and amounts written off are duly authorised and reported to the Audit Committee.

Going concern

The balance sheet shows significant net liabilities of £11.042m. This is largely attributable to the provision for the pension fund liability of £12.875m as disclosed under FRS17 accounting rules. The pension liability has increased from its level at 31 March 2008 (£6.478m) mostly as a result of an asset deterioration of around 20%. The Commission does not consider that the pension's deficit calls into question the going concern assumption under which the accounts are prepared. The effect of the pension fund's performance in the past year is reflected in the notional charges to the Income and Expenditure account under the heading 'Pension fund operating costs'.

The Commission has a strategy in place to identify and deliver the required reduction in expenditure over the life of the current three year grant settlement period. The Commission does not consider the resourcing constraints impair its going concern status.

Contracts with the Parliamentary and Health Service Ombudsman

The financial statements include a net income transfer of £117,011 (£106,548 2007/08).

Health and safety

The number of cases referred under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) guidelines was nil. There have been no safety enforcement notices served and no convictions sustained by the Commission.

Accounting developments

There have not been any changes affecting the basis for preparing the Commission's Annual Accounts for 2008/09. Please see note 5 to the accounts for changes to the FRS17 pension disclosures.

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.

In response to a recommendation by the Commission's internal auditors KPMG an internal review of each team's hospitality register has been conducted.

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 for each financial year 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 for Local Administration in England and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and, in particular, 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 the 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.

The Principal Accounting Officer for the DCLG has designated the Chairman of the Commission as Accounting Officer for the Commission. The responsibilities of an Accounting Officer, including 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 for Local Administration in England's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

Statement on internal control 2008/09

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The accountability arrangements surrounding my role are as follows:

1. The Commission meets every eight weeks to consider the plans and strategic direction of the organisation (the Commission comprises the three Local Government Ombudsmen and the Parliamentary Ombudsman).
2. The Commission approves a rolling three year corporate plan (including a one year business plan) which forms the basis of its annual estimates. The Commission receives performance monitoring data linked to the plan and budgetary information at each of its meetings.
3. The Commission has approved a Statement of Management Responsibilities which outlines the respective roles of the Commission, individual Ombudsmen, the Deputy Chief Executive, the Deputy Ombudsmen and middle management.
4. The Deputy Chief Executive and the three Deputy Ombudsmen meet regularly to consider cross-Commission operational matters, and to formulate recommendations on policy and strategy for the Commission. I meet with the Deputies periodically to monitor implementation of Commission decisions, and to provide guidance.
5. I receive financial monitoring data monthly. I hold quarterly meetings with budget holders in each of the three offices to consider budget management.
6. The Commission has adopted Financial Regulations (the principles) and Financial Instructions (the detailed implementation). These are based on the Grant Memorandum between the Commission, the DCLG and Government Accounting. The Financial Regulations are agreed with DCLG; and any modification of the Financial Regulations requires my approval as Accounting Officer. Under the current Financial Instructions I have retained responsibility to approve acceptance of tender sums in excess of £10k.
7. The Commission has appointed an Audit Committee. It has an independent Chairman and three other members who are the Parliamentary and Health Service Ombudsman, another independent person, and myself. It considers the profile of risk in the strategic risk register and reviews the audit strategy on which the annual internal audit plan is based. Annually it receives an assurance report from the Internal Auditors on the overall

effectiveness of internal control. The Audit Committee has responsibilities concerning risk management. It considers reports on issues relating to Strategic Risks identified by the Commission, significant failures and an annual report relating to Operational Risk and project risk and maintains an overview of the Risk Management Strategy. It recommends approval of the annual accounts to the Commission.

8. I meet at regular intervals with the Deputy Director Local Democracy in the DCLG to discuss business planning, overall performance, resource management and funding. He and his officials have been provided with a copy of the Commission's Risk Strategy and Risk Registers. I meet as necessary with the Minister of State for Communities and Local Government when the Commission's grant bid is under consideration.

The purpose of the system of internal control

The system of internal control is designed to manage risk effectively rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Commission policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Commission for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The Commission has approved a Risk Management Strategy. It was revised and updated in 2007. This defines key roles and responsibilities, and how risk is managed.

The Deputy Chief Executive and the Head of Finance and Estates have experience in the area of risk management including leading on learning on good practice. They are supported in this regard by the internal auditors KPMG.

The Management Teams within the three investigative teams and Corporate Services have received training to familiarise themselves with the Strategy and the Registers.

The risk and control framework

- The Commission has overall responsibility for monitoring and reviewing risk. The Audit Committee meets three times a year. At each meeting it receives a summary of Strategic Risks, a statement of any incidents of significant operational risk management failure, and the response, and any progress with previously agreed action. It receives annually from the Deputy Chief Executive a review of the operational risk management process. Any recommendations of the Audit Committee are considered by the Commission.

- The Deputy Chief Executive has overall responsibility for the maintenance of the Strategic Risk Register and for advising the Commission and the Audit Committee on Strategic Risk. He is also responsible for the effective management of the risk management mechanisms and for risk management in relation to corporate activity; this includes maintenance of the Operational Risk Registers, project risk registers, risk management, guidance and training. He is supported in these functions by the Head of Finance and Estates.
- The Deputy Ombudsmen are responsible for risk management in relation to the operations of the local office's staff, finance and premises. They carry this out in association with local Management Teams.
- The internal audit programme for the Commission is closely based on the Strategic and Operational Risks identified in the Risk Registers.
- The main stakeholders of the Commission's activity are the public (as complainants and potential complainants), bodies within jurisdiction, the advisory sector and the government. The Commission monitors the impact of its activities on its stakeholders by maintaining data on indicators of satisfaction, by programmed customer satisfaction surveys and by considering feedback from individual stakeholders at meetings and in correspondence. Stakeholder feedback has an important influence on the development of Commission policy and strategy, and on the corporate planning process. Where the learning points relate to the management of risk, appropriate adjustments are made to the Risk Registers.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control 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 comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Commission and the Audit Committee. A plan to address any identified weaknesses and to ensure continuous improvement of the system is in place.

The Risk Management Strategy and Strategic Risk assessment is reviewed annually by the Audit Committee. The internal auditors conduct a review of risk validation bi-annually. No significant internal control issues have been identified in 2008/09, either through internal reviews or by the audit process. Minor issues have been addressed with appropriate action during the year.

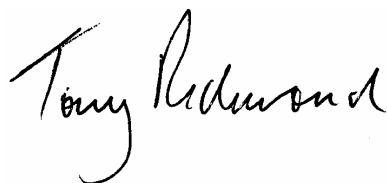


Tony Redmond
Accounting Officer

Balance Sheet

As at 31 March 2009

	Note	2009		2008	
		£	£	£	£
Non Current Assets					
Tangible assets	2.1	1,099,931		1,032,117	
Less: depreciation		(705,178)	<u>394,753</u>	(596,789)	<u>435,328</u>
Intangible assets	2.2	566,806		523,096	
Less: amortisation		(346,911)	<u>219,895</u>	(274,747)	<u>248,349</u>
Current Assets					
Debtors and prepayments	11	1,775,320		717,966	
Short term investments		967,620		1,252,704	
Cash at bank and in hand	12	<u>149,562</u>		<u>143,850</u>	
		<u>2,892,502</u>		<u>2,114,520</u>	
Current Liabilities					
Creditors	13.1	<u>(1,377,918)</u>		<u>(864,297)</u>	
Net Current Assets					
			<u>1,514,584</u>		<u>1,250,223</u>
Creditors due over 1 year	13.2	(296,696)		(330,667)	
Provision for pension liability	5.4g	(12,875,000)	<u>(13,171,696)</u>	(6,478,000)	<u>(6,808,667)</u>
Total Net (Liability)					
			<u>(11,042,464)</u>		<u>(4,874,767)</u>
Financed by:					
Income and expenditure reserve	14	1,217,887		919,556	
Fixed assets reserve	14	614,649		683,677	
Pension reserve	5.4g	(12,875,000)		(6,478,000)	
Total reserves			<u>(11,042,464)</u>		<u>(4,874,767)</u>



T Redmond
Chairman
Approved on 28 July 2009




Stephen Jones
Head of Finance & Estates

Income and Expenditure Account

For the year ended 31 March 2009

	Note	2009		2008	
		£	£	£	£
Income	3				
Government grant			13,749,809		12,851,000
Interest			67,775		94,420
Other income			<u>475,888</u>		<u>379,971</u>
Total income			<u>14,293,472</u>		<u>13,325,391</u>
Expenditure					
Salary and related expenses	4.1	10,507,917		9,696,527	
Pensions	5.3	10,260		9,986	
Accommodation related costs	6	1,739,832		1,660,652	
Travel and subsistence		170,838		216,993	
Supplies and services	7	680,116		666,175	
Establishment expenses	8	491,054		459,654	
Agency services and consultants' fees		354,551		396,419	
Research and publicity		<u>109,601</u>	<u>14,064,169</u>	<u>84,729</u>	<u>13,191,135</u>
Operating surplus for the year			<u>229,303</u>		<u>134,256</u>
Pension fund operating costs					
Expected return on employer assets	5.4h	2,415,000		2,261,000	
Interest on pension liability	5.4h	(2,836,000)		(2,262,000)	
Past service (cost)/gain	5.4h	(585,000)		0	
Pension contributions in excess of Service costs	5.4i) 5.4j)	<u>325,000</u>	<u>(681,000)</u>	<u>28,000</u>	<u>27,000</u>
Total (deficit)/surplus for the year			<u>(451,697)</u>		<u>161,256</u>



T Redmond
Chairman
Approved on 28 July 2009



Stephen Jones
Head of Finance & Estates

Statement of total recognised gains and losses

For the year ended 31 March 2009

	Note	2009	2008
		£	£
Operating (deficit) surplus		(451,697)	161,256
Pension fund actuarial (loss)/gain	L(i)	<u>(5,716,000)</u>	<u>3,943,000</u>
Total		<u>(6,167,697)</u>	<u>4,104,256</u>

Cash flow statement

For the year ended 31 March 2009

	Note	2009	2008
		£	£
Net cash (out)/in flow from operating activities	15.2	(235,623)	422,332
Return on investments and servicing of finance			
Interest received		67,775	94,420
Capital expenditure			
Payments to acquire fixed assets	15.3	(111,524)	(461,174)
Management of liquid resources			
Net decrease/(increase) in short term deposits		285,084	(287,903)
Increase/(decrease) in cash	15.4	<u>5,712</u>	<u>(232,325)</u>

Notes to the Accounts

31 March 2009

1 Accounting policies

1.1 Accounting convention

The accounts are prepared under the historical cost convention. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 2006 and accounting standards issued and adopted by the Accounting Standards Board as far as those requirements are appropriate. The accounts are drawn up in a form agreed with the DCLG and approved by the Treasury, and should be read in conjunction with the annual report.

1.2 Government grants

The Commission was funded from the revenue support grant, which was paid in 12 monthly instalments by the Department. From 2009/10 payment will be made through the grant-in-aid regime.

1.3 Value added tax

The Commission is VAT registered. Recoverable VAT is a debtor in the accounts.

1.4 Corporation tax

The Commission is exempt from charge to Corporation Tax.

1.5 Pension contributions

The Commission's policy is to provide full accounting entries and disclosures in the notes to the accounts in accordance with FRS17.

1.6 Non current assets

The Commission writes off in the year of acquisition any individual expenditure of less than £5,000 on capital equipment and furnishings. Capital assets with a purchase cost of at least £5,000 are depreciated over their useful economic life by equal annual instalments, the first instalment being charged in the year of bringing the asset into use and no charge being made in the year of disposal. The Commission deems personal computer hardware as short life assets with immaterial residual value. These purchases are written off to revenue in the year of acquisition.

The Commission has determined that the following rates of depreciation will apply:

Land and buildings	over residual life of lease	
Furniture and equipment	over five years:	20.00%
Computer hardware	over four years:	25.00%

1.7 Intangible assets

The Commission has determined that the following rates of depreciation will apply:

Computer software	over five years:	20.00%
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1.8 Stock

Consumable stocks are low and these are written off in the year of purchase.

2 Non current assets

2.1 Tangible assets (land, building and operational non-current fixed assets)

The Commission capitalises expenditure on its leased buildings incurred in bringing the asset into use and on subsequent improvements. Depreciation is charged on a straight line basis over the residual life of the asset, ie up to the date of lease break or expiry. For the London premises this will be for a period of 10 years, 2003-13. For the York and Coventry premises this will be for a period of 14 years, 2002-15, with the initial depreciation in 2002/03 and the last due in 2015/16. Subsequent capitalisation will be depreciated using a straight line methodology for the remaining period of its useful life.

2.1 Tangible assets (continued)

	Property plant and equipment			Total
	Land and buildings	Furniture and equipment	Hardware computer assets	
Cost	£	£	£	£
At the start of the year	591,322	331,327	109,468	1,032,117
Disposals	0	0	0	0
Additions	0	0	56,284	56,284
Payments on account	0	11,530	0	11,530
At the end of the year	591,322	342,857	165,752	1,099,931
Accumulated depreciation				
At the start of the year	254,300	270,480	72,009	596,789
Disposals	0	0	0	0
Charge for the year	60,106	21,726	26,557	108,389
At the end of the year	314,406	292,206	98,566	705,178
Net book value at 31 March 2009	276,916	50,651	67,186	394,753
Net book value at 31 March 2008	337,022	60,847	37,459	435,328

2.2 Intangible assets

Computer Software		Total
Cost		£
At the start of the year		523,096
Additions		43,710
At the end of the year		566,806
Accumulated amortisation		
At the start of the year		274,747
Charge for the year		72,164
At the end of the year		346,911
Net book value at 31 March 2009		219,895
Net book value at 31 March 2008		248,349

3 Income

The primary income of the Commission is grant received from the DCLG. Other income is derived from training delivered to local authorities and rental income from sub tenancies in the Commission's London and Coventry offices.

4 Salaries and related costs

4.1 Employment costs

	2009	2008
	£	£
Local Government Ombudsmen and employees' remuneration and other costs comprise:		
Salaries	7,095,328	7,302,692
Employer's superannuation contributions	1,472,058	1,495,459
Employer's National Insurance contributions	576,996	607,890
Redundancy costs (NB 13.1(a)) ¹	1,149,809	126,708
Other costs	<u>213,726</u>	<u>163,778</u>
Total	<u>10,507,917</u>	<u>9,696,527</u>

¹ Total redundancy costs were £1,149,809 of which £207,119 were settled during the year. The balance of £942,690 remains outstanding at the year end.

4.2 Pay ranges

The numbers of Local Commissioners and employees whose emoluments at 31 March 2009 exceed £30,000 were:

	2009	2008
£30,001 - £40,000	69	81
£40,001 - £50,000	32	24
£50,001 - £60,000	10	11
£60,001 - £70,000	1	1
£70,001 - £80,000	1	1
£80,001 - £90,000	3	3
£90,001 - £100,000	0	0
£100,001 - £110,000	0	0
£110,001 - £120,000	0	0
£120,001 - £130,000	2	2
£130,001 - £140,000	0	0
£140,001 - £150,000	0	0
£150,001 - £160,000	0	0
£160,001 - £170,000	0	1
£170,001 - £175,000	1	0
Total	119	124

4.3 Highest paid official

The emoluments of the Chairman of the Commission, the highest paid individual in the Commission for 2008/09 were as follows:

Mr Redmond 1 April 2008 to 31 March 2009 – £170,200 (2008 – £165,042)

4.4 Number of staff

The number of full-time equivalent staff employed at the end of the financial year was 191, compared with 209 at the beginning of the year. Of these, 96 were involved in investigative work, 33 were professional and 62 support. The average full-time equivalent of the staff in post was 192 (2007/08 – 205).

4.5 Senior staff emoluments

Senior employee	Salary for year ended 31/3/09 £'000s	Real increase in pension and lump sum at age 65		Total accrued pension at 65 and related lump sum £'000s	CETV at 31/3/09 £'000s	CETV at 31/3/08 £'000s	Real increase in CETV after adjustment for inflation and changes in market investment factors 2008/09 £'000s
		2008/09 £'000s	2008/09 £'000s				
Tony Redmond	170-175	0-5 -5-10	95-100 Lump sum 280-285	2222	2,101	3	
Jerry White	125-130	0-5 -0-5	65-70 Lump sum 190-195	1623	1,532	5	
Anne Seex	125-130	0-5 -0-5	40-45 Lump sum 115-120	856	790	17	
Nigel Karney	85-90	-0-5 -5-10	35-40 Lump sum 110-115	888	859	-21	
Peter MacMahon	80-85	-0-5 -5-10	35-40 Lump sum 100-105	822	794	-18	
Neville Jones	80-85	-0-5 -5-10	35-40 Lump sum 100-105	785	759	-17	
Michael King	70-75	0-5 -0-5	15-20 Lump sum 50-55	278	265	-6	

Notes:

1. *Salary.* Salary includes gross salary, contractual overtime, SSP, SMP, weighting allowances, recruitment and retention allowances and any other taxable benefit specified in the contract of employment as being pensionable.
2. *Pension benefits.* Pension benefits are provided through the Local Government Pension Scheme (LGPS), of which the Commission for Local Administration in England is an admitted member. This is a statutory scheme administered on behalf of the Commission by the LPFA. It is a defined benefit scheme which provides benefit on a final salary basis at normal retirement age. Benefits up to 31/3/08 accrue at the rate of one eightieth of pensionable salary for each year of service. In addition a lump, tax free, sum, based on three times the annual pension entitlement is also payable. Individual members pay contributions at variable rate and banded according to pay rate

between 5.8% - 7.5% of pensionable earnings. Employer contributions in 2008/09 represented 21.9% of pensionable pay.

3. There were significant changes to the LGPS scheme from 1 April 2008 changing the accrual rate proportion, basis of calculation, discontinuation of an automatic lump sum, commutation between benefits payable and optional lump sum, employee contribution banding rates and changes to other benefits all of which may have a positive impact on the scheme's viability and cost to employers.
4. The Commission does not offer nor provide any benefits-in-kind to Commissioners or employees of the Commission.
5. *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 of 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.

5 Superannuation

- 5.1 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.
- 5.2 The Commission paid employer's superannuation contributions to this scheme at the rate of 21.9% pensionable remuneration on behalf of both Local Commissioners and staff to a total of £1,472,058 during 2008/09 (£1,508,774 in 2007/08). The employer's contribution rate is fixed following actuarial assessments every three years. The last assessment, which reviewed the position of the Fund at 31 March 2007 and resulted in the rate of 21.9%, effective from 1 April 2008.
- 5.3 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 London Pensions Fund Authority. 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 income and expenditure account, the total payment during 2008/09 amounting to £10,260 (£9,986 in 2007/08).

5.4 Disclosures as required by FRS 17. Following the publication of a Financial Reporting Exposure Draft (FRED) in May 2006, the UK Accounting Standards Board (ASB) issued an amendment to Financial Reporting Standard FRS17 in December 2006 replacing the existing disclosures with those of the International Accounting Standard IAS19. The amendments came into force for accounting periods beginning on or after 6 April 2007, and are now therefore effective. The tables and notes were provided by the LPFA actuaries.

- a) The Commission for Local Administration in England is an admitted body to the London Pensions Fund Authority which is part of the Local Government Pension Scheme, a defined benefit statutory scheme.
- b) The latest formal valuation of the London Pensions Fund Authority Pension Fund for funding purposes was as at 31 March 2007.
- c) The age profile of the active membership is rising.

d) Financial assumptions

Year ended:	31 March 2009 % pa	31 March 2008 % pa
Inflation/pension increase rate	3.1	3.6
Salary increase rate	4.6	5.1
Expected return on assets	6.4	7.0
Discount rate	6.9	6.9

e) Breakdown of the expected return on assets by category

Year ended:	31 March 2009 % pa	31 March 2008 % pa
Equities	7.0	7.5
Target return funds	5.5	6.3
Alternative assets	6.0	6.7
Cash	4.0	4.8

f) Fair value of employer assets

	31 March 2009 % pa	31 March 2008 % pa
Equities	15,749	20,335
Bonds	2,763	6,571
Property	6,907	6,118
Cash	2,210	1,021
Total	27,629	34,045

The above asset values as at 31 March 2009 are at bid value as required under FRS17. Please note that in previous accounting periods, the value of assets may have been reported at mid-market value. If the assets were valued at mid-market prices last year, the move to bid value will result in an actuarial loss in the revenue accounts.

We were not provided with details of the difference between mid market and bid value of assets for the fund as a whole by the Administering Authority. Accordingly, we estimated the bid value of assets by applying an adjustment of -0.47% to the employer's mid market value asset share as at 31 March 2009.

g) Balance sheet

Year ended:	31 March 2009	31 March 2008
	£(000)	£(000)
Fair value of employer assets	27,629	34,045
Present value of funded liabilities ¹	(40,504)	(40,523)
Net (under)/over-funding in funded plans	(12,875)	(6,478)
Present value of unfunded liabilities ²	-	-
Unrecognised past service cost	-	-
Net (liability)	(12,875)	(6,478)
Amount in the balance sheet		
Liabilities	12,875	6,478
Assets		
Net (liability)	(12,875)	(6,478)

¹ The actuary is satisfied that the approach used leads to an estimated liability comprising of approximately £28,495,000, £4,395,000 and £7,614,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2009. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, I am satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

² For unfunded liabilities as at 31 March 2009, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensions are married (or cohabiting) at death and that their spouse (cohabiting partner) receives a pension between 37.5% and 50% of the member's pension at the date of the member's death (spouses pension as a proportion of members pension is now dependent on the member's pre and post April 2008 service).

Please note the liabilities as at 31 March 2009 are based on the current benefit structure of the LGPS. The liabilities include an allowance in respect of retrospective changes to member benefits that came into effect on 1 April 2008 as follows:

- £400,000 in respect of the extension of the death grant upon death after retirement to 10 times the pension less the total pension payments already paid; and
- £134,000 in respect of the extension of the eligibility criteria for dependants' pensions upon death to include a nominated cohabitee.

The effect of these changes comes through as a past service cost item in the revenue account.

h) Recognition in the profit or loss

Year ended:	31 March 2009		31 March 2008	
	£(000)	% of pay	£(000)	% of pay
Current service cost ³	1,053	15.2	1,461	19.6
Interest cost	2,836	41.1	2,262	30.4
Expected return on employer assets	(2,415)	(35.0)	(2,261)	(30.3)
Past service cost*	585	8.5	-	-
Losses on curtailments and settlements	95	1.4	18	0.2
Total	2,154	31.2	1,480	19.9
Actual return on plan assets	(7,213)		(722)	

³ The service cost figures include an allowance for administration expenses of 0.5% of payroll.

* The past service cost figure for this year includes £51,000 in respect of efficiency and other early retirements and £534,000 in respect of retrospective changes to member benefits that came into effect on 1 April 2008 as referred to in table g).

i) Reconciliation of defined benefit obligation

Year ended:	31 March 2009	31 March 2008
	£(000)	£(000)
Opening defined benefit obligation	40,523	41,601
Current service cost	1,053	1,461
Interest cost	2,836	2,262
Contributions by members	488	447
Actuarial (gains)	(4,042)	(3,910)
Past service costs/(gains)	585	-
Losses on curtailments	95	18
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(1,034)	(1,356)
Closing defined benefit obligation	40,504	40,523

j) Reconciliation of fair value of employer assets

Year ended:	31 March 2009	31 March 2008
	£(000)	£(000)
Opening fair value of employer assets	34,045	31,153
Expected return on assets	2,415	2,261
Contributions by members	488	447
Contributions by the employer	1,473	1,507
Contributions in respect of unfunded benefits	-	-
Actuarial (losses)/gains	(9,758)	33
Assets distributed on settlements	-	-
Assets acquired in a business combination	-	-
Exchange differences	-	-
Unfunded benefits paid	-	-
Benefits paid	(1,034)	(1,356)
Closing fair value of employer assets	27,629	34,045

The value of employer contributions to the pension scheme in the period are included as an expense within Salary and related expenses in the Income and Expenditure Account. However, under FRS17, the current service cost to be charged to the Income and Expenditure Account is based on actuarial assumptions and may differ from the actual contributions paid. As such, an adjustment is required for the difference between the current service cost and losses on curtailments as calculated by the scheme actuary and the actual value of contributions paid and accrued in the period.

k(i) Amounts for the current and previous accounting periods

Year ended:	31 March 2009	31 March 2008
	£(000)	£(000)
Fair value of employer assets	27,629	34,045
Present value of defined benefit obligation	(40,504)	(40,523)
(Deficit)	(12,875)	(6,478)
Experience (losses)/gains on assets	(9,758)	33
Experience gains/(losses) on liabilities	-	(1,810)

k(ii) Year ended:	31 March 2007	31 March 2006	31 March 2005
	£(000)	£(000)	£(000)
Fair value of employer assets	31,153	27,292	21,707
Present value of defined benefit obligation	(41,601)	(40,904)	(33,181)
(Deficit)	(10,448)	(13,612)	(11,474)
Experience gains on assets	270	3,522	601
Experience (losses)/gains on liabilities	(1)	4	(244)

Amount recognised in statement of total recognised gains and losses (STRGL)

L(i) Year ended:	31 March 2009	31 March 2008
	£(000)	£(000)
Actuarial (losses)/gains	(5,716)	3,943
Increase/(decrease) in irrecoverable surplus from membership	-	-
Actuarial (losses)/gains recognised in STRGL	(5,716)	3,943
Cumulative actuarial (losses)	(6,006)	(290)

L(ii) Year ended:	31 March 2007	31 March 2006	31 March 2005
	£(000)	£(000)	£(000)
Actuarial gains/(losses)	2,810	(1,452)	(5,591)
Increase/(decrease) in irrecoverable surplus from membership	-	-	-
Actuarial gains/(losses) recognised in STRGL	2,810	(1,452)	(5,591)
Cumulative actuarial (losses)	(4,233)	(7,043)	(5,591)

Please note that the cumulative actuarial gains and losses are based on actuarial gains and losses from the 2004/05 accounting period onwards.

The LPFA prepares its own scheme statements.

The next triennial re-evaluation is due in 2010/11 (31 March 2010) and if current trends remain unchanged a further significant rise in employer's contributions is likely with effect from 1 April 2011.

6 Accommodation

	2009	2008
	£	£
Repairs and maintenance	34,099	16,472
Gas, water, electricity and cleaning	130,666	122,372
Rents and rates	1,545,991	1,460,058
Health and safety	13,979	24,383
Other expenses	15,097	37,367
	1,739,832	1,660,652

7 Supplies and services

Included within the supplies and services are fees earned by external auditors

	2009	2008
	£	£
External audit fees	8,750	8,470

8 Establishment expenses

	2009	2008
	£	£
Computers	365,066	252,211
Computer software	72,164	69,032
Training	53,824	138,411
	491,054	459,654

9 Donations

The Commission does not make donations to charity.

10 Guarantees and other financial commitments

Annual commitments under non-cancellable operating leases as at 31 March 2009 are set out below:

	2009	2008
	£	£
Expiring:		
Within one year	0	0
Within one to five years	565,463	0
After five years	267,030	832,493
	832,493	832,493

Other commitments relating to 2009/10 purchase orders, including cancellable operating leases, within one year are £76,354 (£110,343: 2007/08).

11 Debtors and prepayments

	2009	2008
	£	£
DCLG grant (a)	1,149,809	-
Sundry debtors	121,132	132,342
Recoverable VAT	88,508	90,953
Season ticket and travel advances to staff	54,972	60,107
Franking machines	4,686	5,743
Prepayments	356,213	428,821
	1,775,320	717,966

(a) Accrual in respect of redundancy programme.

12 Cash at bank and in hand

	2009	2008
	£	£
Cash in hand	313	459
Cash at bank	149,249	143,391
	149,562	143,850

13 Creditors

13.1 Creditors less than one year

	2009	2008
	£	£
Trade creditors	107,510	202,380
Sundry creditors	6,076	5,854
Tax and National Insurance	0	200,515
Pension	0	161,994
Accruals (a)	1,159,092	177,181
Receipts in advance	71,269	82,402
Accrued rents – (b)	33,971	33,971
	1,377,918	864,297

a) Accrual in respect of redundancy programme £942,690

The Chairman's foreword describes the staff reduction requirement and the likely level of staff redundancy arising from the reduction in grant settlements and as a result of changes to initial service contact provisions.

13.2 Creditors greater than one year

	2009	2008
	£	£
Accrued rents – (b)	296,696	330,667
	296,696	330,667

b) Accrued rents

The Commission was granted a nine month rent free period on its new premises at Millbank Tower as part of the negotiated settlement for the 15 year lease which commenced on 3 February 2003. The Commission, in accordance with UK GAAP, has apportioned the benefit over the lifetime of the lease. Notional reversed credits to the income and expenditure account will be posted for the period of the rent free period.

Less than one year	–	£33,971
Between one and five years	–	£135,884
Greater than five years	–	£160,812

14 Reserves 2008/09

	Fixed asset reserve £	I&E reserve £	Pension reserve £	Total £
Balance brought forward 1 April	683,677	919,556	(6,478,000)	(4,874,767)
Transfer from FA reserve to I&E reserve	(69,028)	-	-	(69,028)
Fixed assets reserve movement	-	69,028	-	69,028
Pension surplus for the year	-	-	-	-
Pension fund actuarial loss	-	-	(6,397,000)	(6,397,000)
Surplus/(deficit) for the year	-	229,303	-	229,303
Balance carried forward 31 March	614,649	1,217,887	(12,875,000)	(11,042,464)

The transfer to General I&E reserve from the fixed asset reserve represents the amount of grant resources used to finance the acquisition of fixed assets described in note 2 to the accounts. The General I & E reserve only attaches to operating surpluses and deficits excluding any pension fund operating costs.

15 Notes to the statement of cash flow

15.2 Reconciliation of operating deficit to net cash outflow from operating activities

	2009 £	2008 £
Net operating surplus/(deficit) for the year	229,303	134,256
Interest	(67,775)	(94,420)
Depreciation	108,389	135,139
Amortisation	72,164	69,034
Loss on disposal of assets	0	0
(Increase)/decrease in debtors	(1,057,354)	2,929
Increase/(decrease) in creditors	479,650	175,394
Net cash flow from operating activities	(235,623)	422,332

15.3 Cash flow from acquisition of assets

	2009 £	2008 £
Fixed assets acquired	111,524	461,174

15.4 Reconciliation of net cash flow to movement in net funds

	2009	2008
	£	£
Increase/(decrease) in cash	5,712	(232,325)
(Decrease)/increase in short term deposits	(285,084)	287,903
Cash inflow from new debt	-	-
Cash outflow from debt repaid	-	-
Change in net funds resulting from cash flows	(279,372)	55,578
Net funds as at 1 April	1,396,554	1,340,976
Net funds as at 31 March	1,117,182	1,396,554

15.5 Analysis of changes in net funds

	31 March 2008	Cash flow	31 March 2009
	£	£	£
Cash in hand	143,850	5,712	149,562
Short term deposits	1,252,704	(285,084)	967,620
Overdraft	-	-	-
Debt	-	-	-
	1,396,554	(279,372)	1,117,182

16 Accounts approval date

The Financial Statements were approved by the Commission for Local Administration in England on 28 July 2009.

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

We have audited the financial statements on pages 11 to 28 under paragraph 4.3 of the Grant Memorandum effective from 1 September 1999. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 14 and 15.

This report is made solely to the Commission. Our audit work has been undertaken so that we might state to the Commission those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Commission for our audit work, for this report or for the opinions that we have formed.

Respective Responsibilities of the Commission, the Chairman and Auditors

As described on page 7, the Commission and Chairman are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is our responsibility to form an independent opinion, based on our audit, on those statements and on the regularity of the financial transactions included in them and to report our opinion to you. We carry out our audit in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We review whether the statement on pages 8 to 10 reflects the Commission's compliance with Treasury's guidance "Corporate governance: statement on internal control". We report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Commission and the Chairman in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied, and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error or by fraud or other irregularity, and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Commission for Local Administration in England as at 31 March 2009 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with section 4 of the Grant Memorandum agreed between the Commission and the Department for Communities and Local Government, effective from 1 September 1999; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Baker Tilly UK Audit LLP

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28 July 2009