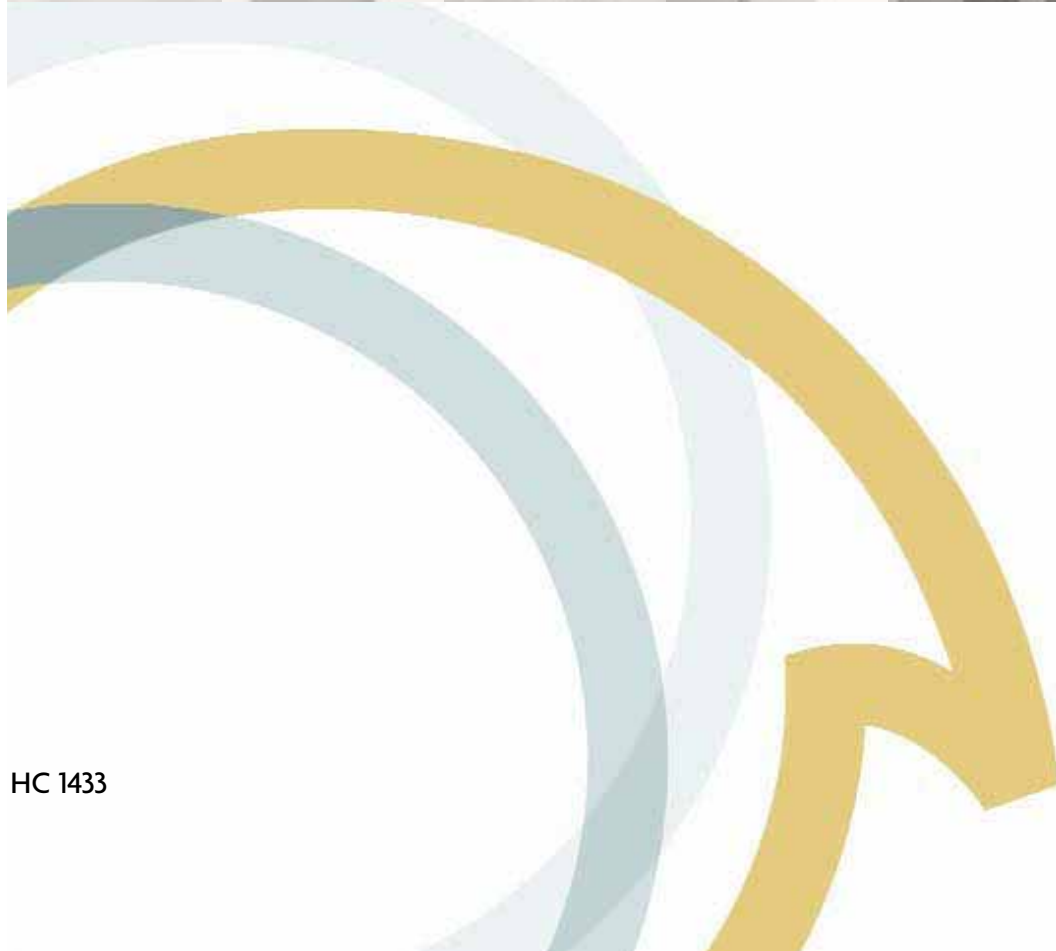


## Resource Accounts 2005 - 06





Parliamentary  
and Health Service  
Ombudsman

# Resource Accounts 2005-06

Session 2005-06

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# Annual Report to the Accounts for the year ended 31 March 2006

## Introduction

The Parliamentary Commissioner for Administration (PCA), otherwise known as the Parliamentary Ombudsman, is an independent office-holder appointed by the Crown under the Parliamentary Commissioner Act 1967 to investigate complaints about government departments, their agencies and some other public bodies in the UK. The Parliamentary Ombudsman is wholly independent of Government.

The Parliamentary Ombudsman is also currently appointed as the Health Service Commissioner for England (HSCE), an independent office-holder appointed by the Crown under the Health Service Commissioners Act 1993. The HSCE, otherwise known as the Health Service Ombudsman, is responsible for investigating complaints against NHS services provided by hospitals, health authorities, trusts, GPs, dentists, pharmacists, opticians and other health care practitioners. The Health Service Ombudsman can also investigate complaints against private health providers if treatment was funded by the NHS.

The Office of the Parliamentary Commissioner for Administration and the Health Service Commissioner for England, now known generally as the Office of the Parliamentary and Health Service Ombudsman (PHSO), exists to support the work of the Ombudsman. These accounts cover the resources and activities of the Office.

## Role, vision and aims

### Our role

The role of the Office is to provide a service to the public by undertaking independent investigations into complaints that government departments, their agencies and some other public bodies in the UK, and the National Health Service in England, have not acted properly or fairly, or have provided a poor service.

### Our vision

We aim to:

- make our service available to all who need it;
- operate open, transparent, fair, customer-focused processes;
- understand complaints and investigate them thoroughly, quickly and impartially, and secure appropriate outcomes; and
- share learning to promote improvement in public services.

## Our aims and objectives

During the financial year the Office had 2 strategic aims, each supported by 3 objectives:

Aim: to deliver a high quality complaints handling service to customers; the objectives for which are:

- to deliver a high quality service based on understanding our customers' needs and making our service accessible to all who need it;
- to maintain a high quality service by anticipating the impact of changes in customers' needs and public service policy and developing our capacity to respond; and
- to operate a high quality service by developing high performing staff and getting the best from our resources.

Aim: to contribute to improvements in public service delivery by being an influential organisation, sharing our knowledge and expertise; the objectives for which are:

- to establish a distinct and recognised role in the administrative justice landscape and regulatory environment;
- to be recognised and utilised by others as a source of expertise in good administration and complaints handling; and
- to be an authoritative voice on delivering systemic change, actively sought out by others.

## Principal activities

The principal activities of the Office covered by these accounts were:

- investigation of complaints from members of the public, referred to the Parliamentary Ombudsman by Members of the House of Commons about maladministration in government departments, their agencies and some other public bodies in the UK; and
- investigation of complaints against NHS services provided by hospitals, health authorities, trusts, GPs, dentists, pharmacists, opticians and other health care professionals.

## Management commentary for 2005-06

The achievements of the past year are set out in the Office's combined statutory annual report for 2005-06, which will be laid before Parliament on 12 July 2006. The report will be available from the Stationery Office or by downloading from the Office's website ([www.ombudsman.org.uk](http://www.ombudsman.org.uk)).

## Development and performance during the year

The Office's key performance activities during 2005-06 were as follows:

- new cases accepted for investigation totalled 3,162, a 25% decrease on the 2004-05 total of 4,189;

- 3,606 cases were reported on in year (including 1,097 continuing care cases), an increase of 25% on the 2004-05 total of 2,886 (including 339 continuing care cases);
- 21,397 enquiries and requests for information were received, compared to the 2004-05 total of 11,689;<sup>1</sup>
- most of our service standards for the time taken to investigate complaints were not met in-year due largely to the implementation of our new business approach and casework backlog at the start of the year; however our service standard for decisions made within 12 months were exceeded for Parliamentary cases (99% achieved against a target of 95%);
- caseload in hand at the end of the year was 1,849, a reduction of 20% on the 2,320 cases brought forward at the start of the year;
- the following reports to Parliament were published:
  - Tax credits: putting things right;
  - 'A debt of honour': The ex gratia scheme for British groups interned by the Japanese in the Second World War;
  - Redress in the round: remedying maladministration in central and local government - a joint investigation and report with one of the English Local Government Ombudsmen, Jerry White; and
  - Trusting in the pensions promise: Government bodies and the security of final salary occupational pensions;
- a further investigation is being conducted into the prudential regulation of Equitable Life, and a report will be published in 2006-07.

Other key activities undertaken by the Office during 2005-06 in support of its aims and objectives were:

- embedding the Office's new business approach implemented on 1 April 2005;
- further development of the new case management information technology system, which was rolled out across the Office on 4 April 2005;
- utilisation of Associate Investigators, a new flexible resource that has allowed the Office to respond appropriately to increases and decreases in complaints received and accepted for investigation;
- development of a new external communications strategy that included rebranding the organisation, relaunching the website and producing new leaflets for complainants;
- development of the accommodation strategy, including detailed planning of the work to be undertaken, and tendering of the refurbishment contract;
- a review of the Office's knowledge management procedures and processes, including further development of the Office's website and intranet, and identification of the need for a new electronic documents and records management system; and

<sup>1</sup> The figures for enquiries and requests for information received in 2005-06 and 2004-05 are not directly comparable due to changes in our procedure for reporting enquiries.

- working towards renewal of the Office's IIP accreditation.

## Position at the end of the year

In carrying out these activities, the Office used resources of £22.592 million. After taking account of £0.329 million income appropriated in aid, the Office's net resource requirement in 2005-06 was £22.263 million. This represents an underspend of £0.195 million (0.8%) of the funds approved by Parliament in the Office's Supply Estimate.

The Office's capital expenditure during the year was £1.501 million. This was an underspend of £1.499 million against the Estimate provision of £3.000 million, due to late confirmation of the capital provision for the year, which delayed the start of the major office refurbishment project. The Office has agreed with the Treasury that this underspend can be carried forward to 2006-07 to meet deferred refurbishment expenditure, subject to Parliamentary approval.

These figures do not include the salary cost of the Ombudsman of £0.155 million, which is funded directly from the Consolidated Fund.

The Office's net cash requirement of £23.558 million was £1.017 million below the Estimate approved by Parliament. This cash underspend was primarily due to the delay in the commencement of the Office's capital investment strategy.

For the first time since 2002-03, the General Fund has a positive balance. This reflects the impact of the Office's capital investment strategy, which will have a further impact in 2006-07, when the refurbishment project will be substantially completed.

## Relationships with other organisations

The Office provides services to the Scottish Public Services Ombudsman and the Public Services Ombudsman for Wales: these services include the provision of clinical advice, and the provision of a payroll function for the Public Services Ombudsman for Wales. The Office recharges for these services, and the funds recovered are disclosed as appropriations in aid in the accounts, with the exception of the Public Services Ombudsman for Wales pay costs, the costs and recovery of which are not included in the Office's Estimate.

The Office is co-located in Millbank Tower with the London office of the Commission for Local Administration in England. As a part of these co-location arrangements, some cross-charging for accommodation and shared services takes place. The related income is disclosed as appropriations in aid in the accounts.

## The future

The Office's strategy and plans for 2006-09 are set out in its rolling 3 Year Strategic Plan, and will be available from the Office's website ([www.ombudsman.org](http://www.ombudsman.org)) from 13 July 2006.

## Aims and priorities

The Office's two key aims for the period 2006-09 are:

- to deliver a high quality complaints handling service to customers; and

- to contribute to improvements in public service delivery by being an influential organisation, sharing our knowledge and expertise.

The Office's key priorities for the period 2006-09 are:

- continuously improving the quality of all our services;
- increasing the efficiency of all aspects of our core activities; and
- extending our influence with others to contribute to improvements in public service delivery.

### **Factors affecting future development, performance and position**

Up to 2004-05, the Office's funding had been sanctioned by the Treasury and approved by Parliament on an annual basis. However, from 2005-06 a three-year funding cycle has been agreed with the Treasury. The Office's Estimate for 2006-07, the second year of the current cycle, provides for a gross resource requirement of £23.193 million, and income of £0.338 million (a net resource requirement of £22.855 million). This is expected to be increased by the £0.185 million underspend from 2005-06 as set out in these accounts. This has been sanctioned by the Treasury and is subject to Parliamentary approval.

The Estimate provides for a further £3.5 million for capital expenditure, to fund the Office's capital investment strategy. This is again expected to be increased by the £1.499 million underspend from 2005-06 as set out in these accounts, which has been sanctioned by the Treasury and is subject to Parliamentary approval.

Key external factors affecting the work of the Office's future development, performance and position include:

- the Comprehensive Spending Review 2007, which will impact on the organisations about which the Ombudsman receives complaints;
- the implications of the Department of Health's White Paper 'Our health, our care, our say';
- the launch of the Victims' Code in April 2006, which provides victims of crime with a statutory entitlement to a minimum standard of service from all the criminal justice agencies: the Ombudsman will be the final arbiter for all victims who believe they have not received any aspect of the service to which they were entitled; and
- the proposed Regulatory Reform Order, which is expected to be in place by the end of 2006, the main proposal of which is to enable the Ombudsman and the three Local Government Ombudsmen in England to consult each other and work together on cases and issues that are relevant to more than one of them.

Key internal factors and plans affecting the Office's future development, performance and position include:

- improving the quality and efficiency of complaints handling: the new business approach is now embedded, and the Office aims to meet or exceed customer service standards for



complaints handling, reviewing progress on a regular basis in order to improve customer service;

- the development and publication by the Ombudsman of the Office's 'Principles of Good Public Administration' and the Office's approach to remedies and redress;
- contributing to the development by the Department of Health of fit for purpose, integrated health and social care complaints arrangements, in collaboration with the Commission for Local Administration in England;
- the capital investment strategy, and specifically the accommodation strategy, which will require decanting of all floors within Millbank Tower, and supporting teams in their delivery of the Office's key aims, while refurbishment takes place; and
- continued working towards liP reaccreditation, building on the work undertaken during 2005-06.

The Office wishes to be innovative in a number of areas and is consequently prepared to accept higher levels of risk than in the past. However, by continually reviewing and monitoring the status of its risks, the Office will proactively manage them.

## Governance and accountability arrangements

### The Advisory Board

The Ombudsman is supported by an Advisory Board of which she is Chair, the other members of which during 2005-06 were:

Trish Longdon	Deputy Ombudsman
Bill Richardson	Deputy Chief Executive
Linda Charlton	Director of Equality and Diversity
Philip Aylett	Director of Communications
Peter Chivers	Director of Strategy
Tony Redmond	External Member - Chair of the Commission for Local Administration in England
Cecilia Wells OBE	External Member

Philip Aylett was appointed Director of Communications on 6 June 2005. Peter Chivers was appointed as interim Director of Strategy on 1 May 2005. They replaced Sarah Sleet, Director of Strategy and Communications, who served on the Advisory Board until 28 April 2005, when she left the Office. Peter Chivers left the Office at the end of his appointment on 31 March 2006. Philip Aylett then became Director of Strategy and Communications from 1 April 2006.

Cecilia Wells was appointed through fair and open competition, and her remuneration is decided by the Ombudsman. Tony Redmond was appointed to the Board by the Ombudsman, and is not remunerated. Further details about remuneration are disclosed in the Remuneration Report.

## **Audit Committee**

The Audit Committee is chaired by a non-executive, Andrew Puddephatt OBE, and comprises two other non-executive members (Tony Redmond and Jeremy Kean, Finance and IT Director of the Financial Ombudsman Service) and the Ombudsman. The Committee meets at least four times a year and is tasked with supporting the Ombudsman (as Accounting Officer) and the Office's Advisory Board in monitoring the adequacy of the Office's corporate governance and internal control systems.

## **Accounting Officer**

The Ombudsman is not subject to the Government Resources and Accounts Act 2000. As a result, the Treasury has no statutory authority to appoint the Ombudsman as Accounting Officer; nor is it able to issue directions to the Ombudsman on the production or laying of the accounts, or on any other matters covered by the Act. However, in order to recognise the Ombudsman's responsibility properly to account for the resources allocated to her, the Treasury and the Ombudsman have agreed administratively that the appointment as Ombudsman brings with it the duties of Accounting Officer as laid down in Government Accounting. Her responsibilities as Accounting Officer and for the Office's system of internal control are set out on pages 16 to 20.

Accounts produced by the Office are laid before Parliament using the Ombudsman's powers to lay reports under the Parliamentary Commissioner Act 1967 and the Health Service Commissioners Act 1993.

## **Auditors**

The Comptroller and Auditor General is the auditor of the Office's accounts. As disclosed in Note 11 to the accounts, a notional cost of £45,000 was incurred on audit services provided by the Comptroller and Auditor General. No non-audit work was undertaken by the auditors.

Internal audit services during 2005-06 were provided by Deloitte & Touche LLP, and Accenture (UK) Ltd.

As far as the Ombudsman, as Accounting Officer, is aware, there is no relevant audit information of which the Office's auditors are unaware. The Ombudsman has taken all necessary steps required to make herself aware of any relevant audit information and to establish that the Office's auditors are aware of that information.

## **Directors' interests**

None of the Board members held any company directorships or had any other interests during the year that may have conflicted with their management responsibilities.

## **Treatment of pension liabilities**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a multi-employer defined benefit scheme; the defined benefit elements of the scheme are unfunded and are non-contributory except in respect of dependants' benefits. The Office is unable to identify its share of underlying assets and liabilities.

Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the scheme, the Office recognises the contributions payable for the year.

A full actuarial valuation of the PCSPS was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

### **Payment of suppliers**

The Office is committed to compliance with the Late Payment of Commercial Debt Regulations 2002. The 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 2005-06, 98.36% of invoices were paid in accordance with this policy (compared with 94.63% in 2004-05).

### **Employment policy and communications with staff**

The Office recruits on the principle of selection on merit through fair and open competition. The Office is committed to the principle of equality of opportunity and values the diversity of its staff. The Office is committed to complying with all relevant statutory requirements, including the provisions of the Disability Discrimination Act 1995. In 2005-06 a Director of Equality and Diversity was appointed, to take forward the Office's commitment to diversity. A 'Diversity Partner' has also been appointed, to bring external scrutiny to the Office's practices and provide expert advice on improvements.

The Office regularly communicates and consults through Quarterly and Annual Whitley meetings, with the Office Trade Union Side (OTUS), which represents members of the Public and Commercial Services and FDA unions. Staff involvement is also actively encouraged as part of the day-to-day process of line management, and information about current and prospective developments is widely disseminated. Further communication takes place through the regular in-house newsletter, 'Inphomation'.

**Ann Abraham**  
Parliamentary and Health Service Ombudsman

**26 June 2006**

## Remuneration Report

### The Parliamentary and Health Service Ombudsman

During the year the posts of Parliamentary Ombudsman and Health Service Ombudsman were held by one person, Ann Abraham, who was appointed as Ombudsman on 4 November 2002. One salary is paid for both posts direct from the Consolidated Fund at the same salary as if she were employed in the Civil Service as a Permanent Secretary. In practice this is currently a salary directly equivalent to that of a Group 4 High Court Judge, and is reviewed accordingly on 1 April each year.

Appointment to the office of Ombudsman is permanent. The appointee may be relieved of office by Her Majesty at her own request, or may be removed from office by Her Majesty in consequence of addresses from both Houses of Parliament, and shall in any case vacate office on completing the year of service in which she reaches 65 years of age.

Legislation will be implemented during 2006-07 which will remove the specific retirement age for the Ombudsman, and will amend the appointment provision so that future appointments to the office will be made for a single non-renewable term of not more than seven years. The legislation will incorporate a saving provision exempting the current Ombudsman.

The salary and pension entitlement of the Ombudsman for the year ended 31 March 2006 were as follows:

Name	Salary £000	Benefits in kind (to the nearest £100) £	Real increase in pension at 60 £000	Total accrued pension at 60 at 31/03/06 £000	CETV of pension at 31/03/05 £000	CETV of pension at 31/03/06 £000	Real increase in CETV as funded by employer £000
Ann Abraham	155-160	5,200*	0-2.5	37.5-40	602	786	31

The salary and pension entitlement of the Ombudsman for the year ended 31 March 2005 were as follows:

Name	Salary £000	Benefits in kind (to the nearest £100) £	Real increase in pension at 60 £000	Total accrued pension at 60 at 31/03/05 £000	CETV of pension at 31/03/04 £000	CETV of pension at 31/03/05 £000	Real increase in CETV as funded by employer £000
Ann Abraham	150-155	2,400*	0-2.5	37.5-40	555-560	610-615	15-20

\*Hotel accommodation near the Office when working in the evening or attending evening functions in her role as Parliamentary and Health Service Ombudsman. The cost of this accommodation is treated as a taxable benefit in kind.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

The CETV figures are provided by Paymaster, the Office's approved pensions administration centre, who have assured the Office that they have been correctly calculated following guidance provided by the Government Actuary's Department.

### The Advisory Board: Executive Members

During 2005-06, the executive members of the Board, and their service contract commencement dates, were as follows:

Trish Longdon	Deputy Ombudsman (4 August 2003)
Bill Richardson	Deputy Chief Executive (21 July 2003)
Linda Charlton	Director of Equality and Diversity (7 November 2000)
Philip Aylett	Director of Communications (6 June 2005)
Sarah Sleet	Director of Strategy and Communications (24 May 2004)
Peter Chivers	Director of Strategy (no service contract)

The Deputy Ombudsman and Deputy Chief Executive were permanently appointed under fair and open competition. The Director of Equality and Diversity was originally appointed, under fair and open competition, as a Director of Investigations, and was subsequently appointed as Director of Equality and Diversity.

The Director of Strategy and Communications during 2004-05, Sarah Sleet, was appointed under fair and open competition. Following Sarah Sleet's departure on 28 April 2005, Peter Chivers, previously Head of Knowledge and Information Management, became Director of Strategy on an interim basis, from 1 May 2005, until his departure from the Office on 31 March 2006.

Philip Aylett was seconded from the Cabinet Office from 6 June 2005, as Director of Communications. Following Peter Chivers' departure on 31 March 2006, Philip Aylett was appointed as Director of Strategy and Communications from 1 April 2006.

The remuneration for executive members of the Board is performance-based and is determined by a Pay Committee comprised the Ombudsman and the two external members of the Advisory Board.

The Pay Committee determines senior staff pay in accordance with the PHSO Pay Policy, the aims of which include taking into account: comparability with the Civil Service; public sector pay policy; and appropriate pay market data on external comparison.

In 2005-06 the Pay Committee determined annual bonuses based on recommendations by line managers and taking account of Government response to the Senior Salaries Review Body. The bonuses were paid on a non-consolidated, non-pensionable basis in recognition of: specific achievement and delivery during the year of key objectives; leadership demonstrated at corporate, strategic and functional levels; contribution to achieving change and continuous improvement; and demonstration of PHSO values.

The salary and pension entitlements of executive members of the Board for the year ended 31 March 2006 were as follows:

Name	Salary £000	Real increase in pension at 60 £000	Total accrued pension at 60 at 31/03/06 £000	CETV of pension at 31/03/05 £000	CETV of pension at 31/03/06 £000	Real increase in CETV as funded by employer £000
Trish Longdon <i>Deputy Ombudsman</i>	100-105	2.5-5	47.5-50	678	900	42
Bill Richardson <i>Deputy Chief Executive</i>	100-105	0-2.5	42.5-45	695	907	36
Linda Charlton <i>Director of Equality and Diversity</i>	65-70	0-2.5	22.5-25	322	435	21
Philip Aylett <i>Director of Communications</i>	50-55	0-2.5	22.5-25	370	496	34
Sarah Sleet <i>Director of Strategy and Communications</i>	5-10	0-2.5	2.5-5	44	50	3

None of the executive members of the Board received any benefits in kind.

Peter Chivers, Director of Strategy, was contracted by the Office through an agent. Total payments in respect of that contract during 2005-06 were £148,925.43 (inclusive of VAT). No pension contributions were made by the Office.

Philip Aylett's pension disclosures reflect his entitlement for the full period of his employment within the Civil Service and the Office, rather than reflecting entitlement since joining the Office.

The salary and pension entitlements of executive members of the Board for the year ended 31 March 2005 were as follows:

Name	Salary £000	Real increase in pension at 60 £000	Total accrued pension at 60 at 31/03/05 £000	CETV of pension at 31/03/04 £000	CETV of pension at 31/03/05 £000	Real increase in CETV as funded by employer £000
Trish Longdon <i>Deputy Ombudsman</i>	95-100	40-45	42.5-45	10-15	635-640	(10-15)
Bill Richardson <i>Deputy Chief Executive</i>	95-100	2.5-5	40-42.5	600-605	690-695	50-55
Sarah Sleet <i>Director of Strategy and Communications</i>	55-60	0-2.5	2.5-5	25-30	45-50	15-20

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

The CETV figures are provided by Paymaster, the Office's approved pensions administration centre, who have assured the Office that they have been correctly calculated following guidance provided by the Government Actuary's Department.

### Advisory Board Executive Members Service Contracts

The commencement dates of service contracts for each Executive Member are as follows:

As the Crown has the power to dismiss at will, the Executive Members are not *entitled* to a period of notice terminating their employment. However, unless their employment is terminated by agreement, they will normally be given the following period of notice:

<i>Reason for termination</i>	<i>Less than 4 years continuous service</i>	<i>More than 4 years continuous service</i>
- Retirement on age grounds	5 weeks	1 week plus 1 week for every year of continuous service (maximum 13 weeks)
- Efficiency grounds		
- Disciplinary proceedings		
- Retirement on medical grounds	9 weeks	9 weeks, or as above
- Compulsory on other grounds, not constituting grounds for summary dismissal	6 months	6 months

If a contract is terminated without the notice as stated above, having regard to the reason for such termination, compensation will be paid in accordance with the relevant provisions of the Civil Service Compensation Scheme.

The retirement age is 60. However, the retirement age is under review to take account of implementation from 1 October 2006 of the Employment (Age) Regulations.

Philip Aylett's secondment to the Office terminates on 31 March 2008, unless subsequently extended.

### The Advisory Board: Non-Executive Members

Cecilia Wells received a salary of £15,000 (2004-05, £15,846), no benefits in kind and no pension entitlement. Tony Redmond received no remuneration.

### The Audit Committee: Non-Executive Members

Andrew Puddephatt, the Chairman of the Audit Committee, received a salary of £10,000 (2004-05, £10,000), no benefits in kind and no pension entitlement. Tony Redmond and Jeremy Kean received no remuneration.

### Salary

'Salary' includes: gross salary; performance pay or bonuses, overtime; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the Office and thus recorded in these accounts.

## Benefits in kind

The monetary value of benefits in kind covers any benefit provided by the employer and treated by the Inland Revenue as a taxable emolument.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Price Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may commute some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (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 pension scheme or arrangement when the 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 disclosure applies. The CETV figures, and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the



Civil Service pension arrangements and for which the Civil Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

**Real Increases in CETV**

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

**Ann Abraham**  
**Parliamentary and Health Service Ombudsman**

**26 June 2006**

## Statement of Accounting Officer's responsibilities

The Office of the Parliamentary Commissioner for Administration and Health Service Commissioner for England (the Office) prepares resource accounts for each financial year. These are in compliance with the Government *Financial Reporting Manual* (as developed and maintained by the Treasury), detailing the resources acquired, held or disposed of during the year and the use of resources by the Office during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Office, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

The appointment as the Parliamentary Commissioner for Administration and Health Service Commissioner for England carries with it the duties of Accounting Officer for the Office, with responsibility for preparing the Office's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer has complied with the Government *Financial Reporting Manual*, and in particular:

- observes the relevant accounting and disclosure requirements, and applies suitable accounting policies on a consistent basis;
- makes judgements and estimates on a reasonable basis;
- states whether applicable accounting standards, as set out in the Government *Financial Reporting Manual*, have been followed, and discloses and explains any material departures in the accounts; and
- prepares the accounts on a going-concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Office's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Government Accounting*.

## Statement on Internal Control

### Scope of responsibility

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

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Office's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impacts should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Office for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Capacity to handle risk

As part of a review of risk management in 2005-06 the Office revised its risk management framework to ensure that it takes account of the following:

- PHSO's role, vision, values, strategic plan and business priorities;
- our business approach that emphasises quality assurance and dialogue in decision making;
- PHSO governance arrangements, in particular links with stewardship reports, internal review arrangements, and associated roles and responsibilities.

I have personal statutory authority for investigations carried out by the Office, and as its Accounting Officer have ultimate responsibility for managing risk, and responsibility for approving major decisions, taking into account the Office's risk profile or exposure.

Senior members of the Office are personally responsible for the management of key risks. In October 2005, a workshop was held with senior managers to review and agree the strategic risks facing the Office. Individual responsibility for each strategic risk is assigned to a senior manager, as risk owner, who reports quarterly to the Executive Board. The Office has also run workshops for other staff on identifying and managing risks. Additional guidance is provided, as appropriate, on implementing risk management processes and in response to new risks.

The Office wishes to be innovative in a number of areas and is consequently prepared to accept higher levels of risk than in the past. However, by continually reviewing and monitoring the status of its risks, the Office will proactively manage them.

## The risk and control framework

To support me in ensuring the effective governance of PHSO, I have appointed a non-statutory Advisory Board of which I am Chair and Chief Executive in line with my statutory accountability. During 2005-06 it also comprised five executive officials (the Deputy Ombudsman, Deputy Chief Executive, Director of Strategy, Director of Communications and Director of Diversity and Equality); and two external members who bring an external perspective to the Office's work.

The Board provides specific advice and support to me on:

- purpose, vision and values;
- strategic direction, planning and risk management;
- accountability to stakeholders, including stewardship of public funds;
- internal control arrangements.

In addition, I have also set up an Executive Board, the members of which during 2005-06 were myself as Chair and Chief Executive, the Deputy Ombudsman, the Deputy Chief Executive, the Director of Strategy, the Director of Communications and the Director of Equality and Diversity. It meets regularly and has responsibility for the delivery of the Office's strategic vision, plans and services to the public and other stakeholders. It also provides a forum for discussion of the development and co-ordination of major work programmes and provides leadership to all staff working for the Office.

Executive Board members and I also meet formally with other senior managers to steer and lead on strategically important areas of work (e.g. as the Information Strategy Steering Group).

The revised risk management framework, which was approved by the Audit Committee in October 2005 and endorsed by the Advisory Board in November 2005, sets out our risk policy, risk appetite and management approach. The framework is based around simple, non-bureaucratic processes reflecting best practice. The key aim is to encourage staff at all levels in a positive way, which supports effective delivery, innovation and improvement - within a systematic framework of analysis, evaluation and review. The framework is available to all staff on the PHSO intranet.

During 2005-06 the key strategic risks have been regularly monitored by senior management and since October 2005 risk reports have been included in the quarterly stewardship report. In this report risk owners provide an assessment of the impact and likelihood for each risk and highlight any items that need to be drawn to the attention of senior management. The strategic risk register has been closely tied to the strategic plan and business plan objectives are referenced in each risk.

In addition to progress at the strategic level, work has also been done to:

- fully embed risk management through the business planning process where risk assessments have been included in business plans;

- build risk assessment into management reports, business cases, decision making processes and papers going to the Advisory Board; and
- ensure, at an operational level, that each case is risk assessed on an ongoing basis.

Risk owners have responsibility for:

- sponsoring good risk management practices within their Directorates/areas of responsibility;
- keeping the controls, actions and deadlines to manage risks allocated to them up to date;
- reporting on these to the risk manager in advance of Advisory Board and Audit Committee meetings;
- exception reporting to the Advisory Board when risks arise requiring immediate attention; and
- submitting quarterly stewardship and year end reports to confirm that, to the best of their knowledge, risks for which they are the owner have been appropriately managed during the year or, where a key risk has crystallized, detail how the risk was managed or what other actions were taken.

At an operational level, investigators assess the risk category of each case, and follow the corresponding governance arrangements for the selected category. A risk management strategy is developed for cases which are assessed as high risk. Directors have responsibility for monitoring the management of casework risk in their Directorates and risks are also monitored by the Operations Management Team, chaired by the Deputy Ombudsman. Cases assessed as having a high risk impact are reviewed on a fortnightly basis by the Ombudsman, Deputy Ombudsman, business management team and relevant members of staff.

Current strategic risks are in the areas of:

- customer and user satisfaction - we must ensure we are delivering a good service to complainants and all other external stakeholders;
- governance and leadership - we must ensure we have clear strategic planning which is monitored and that senior managers are empowered;
- positioning and communication with stakeholders - we need to ensure that stakeholders are clear about our role and purpose to enable us to be effective in influencing;
- workforce - we must ensure we have a workforce that is skilled, adaptable, diverse and well motivated;
- stewardship of resources - we need to ensure value for money in all that we do;
- knowledge and information management - we need to ensure that we are sharing knowledge and using it effectively;
- infrastructure - we must ensure we have the appropriate infrastructure in place;
- business continuity management - we need to have contingency arrangements in place to allow the Office to deliver its services.

During the year we also reviewed our approach to internal audit and assurance work, led at Executive Board level in close conjunction with the Audit Committee. This has resulted in agreement of new arrangements to be implemented in 2006-07 including:

- recruitment of a new Risk and Assurance Manager who will manage all internal audit and risk work, and will be responsible for co-ordinating assurance required by the Ombudsman on the adequacy of internal control systems; and
- commencement of new internal audit service providers - the core of these services will in future be provided by KPMG (replacing Deloitte & Touche LLP following an external procurement), supplemented as necessary by contracting-in other audit firms to carry out audits in specialist areas.

A new Finance Code was issued during 2005-06, with the aim of supporting good corporate governance and control through promoting sound financial management and efficient use of resources. Budget delegation arrangements have also been revised and strengthened. A new Procurement Code was issued during 2005-06, and a new Procurement Team established.

### **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 executive managers within the Office 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 Board, the Audit Committee and a plan is in place to address weaknesses and ensure continuous improvement of the system.

The Board has a sub-committee, the Audit Committee, comprising an external Chair, two further external members and myself. The Audit Committee is responsible for providing advice and assurance on the adequacy and effectiveness of internal control and risk management. It also oversees internal and external audit arrangements, which cover all areas of the Office's work, including both financial and non-financial systems.

During the year, Deloitte & Touche LLP completed a full programme of internal audit work. In their annual report, they said that PHSO has 'an adequate and effective system of risk management, control and governance which provides reasonable assurance regarding the effective and efficient achievement of the organisation's objectives'.

A significant amount of work has been carried out internally to address the weaknesses and recommendations raised in individual audits and to confirm that PHSO has not been exposed to unacceptable risk in these areas.

Deloitte & Touche LLP's report on the Office's risk management arrangements completed in April 2006 gave a 'substantial' level of assurance on the adequacy and effectiveness of Corporate Governance and Risk Management. Further action on risk management and other governance issues will be supported in 2006-07 by our newly appointed Risk and Assurance Manager.

Previous deficiencies, identified during 2003-04, in the procedures for pensions administration were addressed during 2004-05. However, early in 2005-06 further weaknesses were identified in this area. Immediate action was taken to address the key issues involved and to put in place controls which will ensure that systems are operated effectively in the future. This area has since been re-audited and has now received substantial assurance.

In addition to work by Deloitte & Touche LLP, we also contracted with Accenture to carry out a detailed audit of our Operational Performance Management Information. This concluded that the basic system is sound, but that weaknesses exist in compliance with some input requirements, for example on the risk assessment of cases; and that better use could be made of our case management system. A priority programme of work is currently being implemented to address these weaknesses and opportunities.

There have been no other material internal control issues.

**Ann Abraham**  
Parliamentary and Health Service Ombudsman

**26 June 2006**

Office of the Parliamentary Commissioner for Administration and Health Service Commissioner for England

#### THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Office of the Parliamentary Commissioner for Administration and Health Service Commissioner for England (Office of the Parliamentary and Health Service Ombudsman) for the year ended 31 March 2006. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Office Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

#### Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury guidance. I also report whether 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Office of the Parliamentary and Health Service Ombudsman has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 16 to 20 reflects the Office of the Parliamentary and Health Service Ombudsman's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Office of the Parliamentary and Health Service Ombudsman's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Annual Report, the unaudited part of the Remuneration Report, and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

#### Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant



estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Office of the Parliamentary and Health Service Ombudsman's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### Opinions

In my opinion:

- the financial statements give a true and fair view of the state of the Office of the Parliamentary and Health Service Ombudsman's affairs as at 31 March 2006 and of the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury guidance; 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.

I have no observations to make on these financial statements.

John Bourn  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London, SW1W 9SP

**30 June 2006**

## Statement of Parliamentary Supply

## Summary of Resource Outturn

	Note	2005-06						2004-05	
		Estimate			Outturn			Net total outturn compared to Estimate: saving/ (excess) £000	Outturn £000
		Gross expenditure £000	A in A £000	Net Total £000	Gross expenditure £000	A in A £000	Net Total £000		
Request for Resources	3	22,787	329	22,458	22,592	329	22,263	195	19,203
<b>Total Resources</b>		<b>22,787</b>	<b>329</b>	<b>22,458</b>	<b>22,592</b>	<b>329</b>	<b>22,263</b>	<b>195</b>	<b>19,203</b>
Non Operating Cost A in A		-	-	-	-	-	-	-	-

## Net Cash Requirement 2005-06

	Note	2005-06		2004-05	
		Estimate £000	Outturn £000	Net total outturn compared to Estimate: saving/ (excess) £000	Outturn £000
Net Cash Requirement	5	24,575	23,558	1,017	19,764

## Summary of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income related to the Office and is payable to Consolidated Fund:

	Note	2005-06 Forecast		2005-06 Outturn	
		£000	£000	£000	£000
		Income	Receipts	Income	Receipts
Total	6	-	-	73	73

## Explanation of the variation between Estimate and Outturn (net cash requirement):

The Estimate provided for capital expenditure of £3,000,000, a large proportion of which was intended to support the Office's refurbishment project. The project was delayed pending funding discussions with the Treasury, which deferred the consultation and planning process, resulting in capital expenditure of only £1,501,000 during 2005-06, and a saving against the Net Cash Requirement.

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**Operating Cost Statement for the year ended 31 March 2006**

	Note	<b>2005-06</b>	<b>2004-05</b>
		£000	Restated £000
<b>Administration costs:</b>			
Staff costs	10	12,907	10,373
Other Admin Costs	11	9,840	9,307
<b>Gross administration costs</b>		<b>22,747</b>	<b>19,680</b>
Operating income	12	(402)	(366)
<b>Net administration costs</b>		<b>22,345</b>	<b>19,314</b>
<b>Net operating cost</b>	<b>4A</b>	<b>22,345</b>	<b>19,314</b>
<b>Net resource outturn</b>	<b>4A</b>	<b>22,263</b>	<b>19,203</b>

All income and expenditure are derived from continuing operations.

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**Statement of Recognised Gains and Losses for the year ended 31 March 2006**

	<b>2005-06</b>	<b>2004-05</b>
	£000	£000
Net gain/(loss) on revaluation of tangible fixed assets	5	25
<b>Recognised gains and losses for the financial year</b>	<b>5</b>	<b>25</b>

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The notes on pages 28 to 43 form part of these financial statements

## Balance Sheet as at 31 March 2006

	Note	31 March 2006		31 March 2005	
		£000	£000	£000	£000
<b>Fixed assets:</b>					
Tangible assets	13		2,594		2,315
Intangible assets	14		821		659
			<u>3,415</u>		<u>2,974</u>
<b>Current assets:</b>					
Debtors	15	1,237		1,376	
Cash at bank and in hand	16	<u>178</u>		<u>512</u>	
		1,415		1,888	
<b>Creditors (amounts falling due within one year)</b>	17	(1,929)		(2,789)	
<b>Net current liabilities</b>			<u>(514)</u>		<u>(901)</u>
<b>Total assets less current liabilities</b>			<u>2,901</u>		<u>2,073</u>
<b>Creditors (amounts falling due in more than one year)</b>	17	(999)		(1,090)	
<b>Provisions for liabilities and charges</b>	18	<u>(1,218)</u>		<u>(1,576)</u>	
			<u>(2,217)</u>		<u>(2,666)</u>
			<u>684</u>		<u>(593)</u>
<b>Taxpayers' equity</b>					
General fund	19		316		(958)
Revaluation reserve	20		<u>368</u>		<u>365</u>
			<u>684</u>		<u>(593)</u>

Ann Abraham  
Parliamentary and Health Service Ombudsman

26 June 2006

## Cash Flow Statement for the year ended 31 March 2006

		<b>2005-06</b>	<b>2004-05</b>
	Note	£000	£000
Net cash outflow from operating activities	21A	(22,138)	(17,715)
Capital expenditure and financial investment	21B	(1,500)	(2,160)
Payments of amounts due to the Consolidated Fund	21D	(44)	(77)
Financing	21C	23,349	20,306
<b>Increase/(decrease) in cash in the period</b>		<b>(333)</b>	<b>354</b>

## Statement of operating costs by Office aims and objectives

	2005-06			2004-05		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
<b>Objective 1: PCA</b>						
To deal with all complaints referred to the Parliamentary Commissioner for Administration impartially, objectively, effectively and expeditiously	9,695	(174)	9,521	8,240	(155)	8,085
<b>Objective 2: HSCE</b>						
To deal with all complaints referred to the Health Service Commissioner for England impartially, objectively, effectively and expeditiously	13,052	(228)	12,824	11,440	(211)	11,229
<b>Net operating cost</b>	<b>22,747</b>	<b>(402)</b>	<b>22,345</b>	<b>19,680</b>	<b>(366)</b>	<b>19,314</b>

Costs relating specifically to PCA or HSCE are attributed directly to those areas. Administration and central services costs are apportioned to PCA and HSCE in accordance with the Office's management accounting procedures. The primary cost driver used for apportioning these indirect costs is personnel numbers.

## Notes to the resource accounts

### 1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2005-06 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Office for the purpose of giving a true and fair view has been selected. The Office's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

#### 1.2 Tangible fixed assets

Tangible fixed assets have been stated at current cost using appropriate indices. Expenditure on tangible fixed assets of over £1,000 is capitalised. Assets costing less than £1,000 may be capitalised providing they are capital in nature and there are enough to be worth more than £1,000 in total. On initial recognition fixed assets are measured at cost including any costs, such as installation costs, that are directly attributable to bringing them into working condition for their intended use.

Balance sheet values for tangible and intangible fixed assets are based on a review of values as at the balance sheet date.

#### 1.3 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives.

Asset lives are normally in the following ranges:

Furniture and Fittings	10 years
IT Software and Equipment	3 to 5 years
Office Machinery	5 years
Refurbishment Costs	the lesser of 10 years or the lease term
Search Engine	2 years

The useful economic life of office refurbishment is nominally the same as that for furniture and fittings. However, if refurbishment relates to a leased property its life will be the lesser of 10 years or the term remaining until the expiry of the lease.

#### 1.4 Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year. Software licenses are amortised over the shorter of the term of the licence and the useful economic life.

#### 1.5 Operating income

Operating income is income which relates directly to the operating activities of the Office. It principally comprises charges for services provided to the Scottish and Welsh Ombudsmen. It also includes miscellaneous monies received during the year. The Office has Parliamentary approval to treat only income from the Local Government, Scottish and Welsh Ombudsmen as Appropriations in Aid; all other income is recorded as Consolidated Fund Extra Receipts (CFERs) and paid to the Consolidated Fund in the succeeding year in accordance with normal practice.

## 1.6 Administration expenditure

The Operating Cost Statement reflects only administration costs, as the Office does not incur programme expenditure. Administration costs reflect the costs of running the Office. These include both administrative costs and associated operating income. Income is analysed in the notes between that which, under the administrative cost-control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not.

## 1.7 Capital charge

A charge, reflecting the cost of capital utilised by the Office, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for cash balances held with the Paymaster General and CFER creditors, where the charge is nil.

## 1.8 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and largely non-contributory. These provisions are described in note 3. The Office recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from the employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

The Parliamentary Commissioner for Administration and Health Service Commissioner for England (the Ombudsman) is a member of the PCSPS.

## 1.9 Provisions

The Office provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 2.2 per cent in real terms.

## 1.10 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Office discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise all items (which arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Government Financial Reporting Manual to be noted in the resource accounts.

## 1.11 Value Added Tax (VAT)

The Office is not registered for VAT, and prepares its accounts on a VAT-inclusive basis.

## 1.12 Early departure costs

The Office is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Office provides in full for the cost when the early retirement programme has been announced and is binding on the Office. The Office may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments.

## 1.13 Operating leases

Lease rentals paid under operating leases are charged to the operating cost statement as the related benefit is incurred. In accordance with UITF Abstract 28 - *Operating Lease Incentives*, all incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net payment agreed for the use of the leased asset, irrespective of the incentive's nature or form or timing of payments. There were no finance leases.



### 1.14 Financial instruments

Cash is the Office's only financial instrument.

## 2 Changes to estimation technique

### 2.1 Discount Rates

As noted in 1.9 above, provisions have been calculated using a discount rate of 2.2%. Last year this rate was 3.5%

### 2.2 Impact of changes in estimating technique

The decrease in discount rate has resulted in an additional £10,290.40 provision for early departure costs.

### 3 Analysis of net resource outturn by section

	2005-06					2004-05	
	Outturn			Estimate		Net total outturn compared with Estimate	Prior year outturn
	Admin £000	Gross resource expenditure £000	A in A £000	Net Total £000	Net Total £000		
Request for Resources 1	22,592	22,592	329	22,263	22,458	195	19,203
<b>Resource Outturn</b>	<b>22,592</b>	<b>22,592</b>	<b>329</b>	<b>22,263</b>	<b>22,458</b>	<b>195</b>	<b>19,203</b>

The variance between the Estimate and outturn for the Request for Resources is 0.8% of the Estimate.

Detailed explanations for the variances, where required, are given in the Operating and Financial Review.

### 4 Reconciliation of outturn to net operating cost and against administration budget

#### A) Reconciliation of net resource outturn to net operating cost

	Note	2005-06			2004-05
		Outturn £000	Estimate £000	Outturn compared with Estimate £000	Outturn £000
Net resource outturn	3	22,263	22,458	195	19,203
Non-supply income (CFERs)	6	(73)	-	73	(40)
Non-Supply Expenditure: Consolidated Fund standing services	19	155	157	2	151
<b>Net operating cost</b>		<b>22,345</b>	<b>22,615</b>	<b>270</b>	<b>19,314</b>

#### B) Outturn against final Administration Budget

	2005-06		2004-05
	Budget £000	Outturn £000	Outturn £000
Gross Administration Budget	22,787	22,592	19,529
Income allowable against the Administration Budget	(329)	(329)	(326)
<b>Net outturn against final Administration Budget</b>	<b>22,458</b>	<b>22,263</b>	<b>19,203</b>

## 5 Reconciliation of resources to cash requirement

	Note	2005-06		Net total outturn compared to Estimate saving/ (excess) £000
		Estimate	Outturn	
		£000	£000	
<b>Resource outturn</b>	3	<b>22,458</b>	<b>22,263</b>	<b>195</b>
<b>Capital:</b>				
Acquisition of fixed assets:	13&14	3,000	1,501	1,499
Investments		-	-	-
<b>Non-operating A in A:</b>				
Proceeds of fixed asset disposals		-	(1)	1
<b>Accruals adjustments:</b>				
Non-cash items	11	(1,283)	(1,213)	(70)
Changes in working capital other than cash	21A	-	462	(462)
Changes in creditors falling due after more than one year	21A	-	91	(91)
Use of provision	18	400	455	(55)
<b>Net cash requirement</b>		<b>24,575</b>	<b>23,558</b>	<b>1,017</b>

The Estimate provided for capital expenditure of £3,000,000, a large proportion of which was intended to support the Office's refurbishment project. The project was delayed pending funding discussions with the Treasury, which deferred the consultation and planning process, resulting capital expenditure of only £1,501,000 during 2005-06.

## 6 Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Office and is payable to the Consolidated Fund.

(Cash receipts are shown in *italics*)

	Note	2005-06 Forecast		2005-06 Outturn	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Operating income and receipts - excess A in A		-	-	71	71
Other operating income and receipts not classified as A in A		-	-	1	1
<b>Subtotal</b>		-	-	72	72
Non-operating income and receipts - excess A in A	8	-	-	-	-
Other non-operating income and receipts not classified as A in A	9	-	-	1	1
<b>Total income payable to the Consolidated Fund</b>		-	-	73	73

## 7 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2005-06	2004-05
		£000	£000
Gross Operating Income	12	402	366
Income authorised to be appropriated-in-aid		329	326
<b>Operating income payable to the Consolidated Fund</b>	6	<b>73</b>	<b>40</b>

**8 Non-operating income - Excess A in A**

	2005-06	2004-05
	£000	£000
Proceeds on disposal of fixed assets	-	-

**9 Non-operating income not classified as A in A**

	Income	Receipts
	£000	£000
Proceeds on disposal of tangible fixed assets	1	1

**10 Staff numbers and related costs****A) Staff costs comprise:**

	2005-06			2004-05
	Permanently Employed Staff £000	Others £000	Total £000	Restated* £000
Wages and salaries	8,730	1,466	10,196	8,667
Social security costs	808	11	819	588
Other pension costs	1,716	21	1,737	967
<b>Sub total</b>	<b>11,254</b>	<b>1,498</b>	<b>12,752</b>	<b>10,222</b>
Ombudsman's Salary <i>Consolidated Fund Standing Services</i>	155	-	155	151
<b>Total gross costs</b>	<b>11,409</b>	<b>1,498</b>	<b>12,907</b>	<b>10,373</b>
Less recoveries in respect of outward secondments	-	(109)	(109)	(12)
<b>Total net costs**</b>	<b>11,409</b>	<b>1,389</b>	<b>12,798</b>	<b>10,361</b>

\*In prior years, Early Retirement costs of £679,090 were included within Staff Costs. For 2005-06, Early Retirement costs are disclosed with Other Administration costs. In prior years, recoveries in respect of outward secondments was not netted off Staff Costs. For 2005-06, they have been netted off.

\*\*£163,143 of staff costs have been capitalised, and are not included in the totals above.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Office is unable to identify its share of underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2005-06, employers' contributions of £1,537,190 were payable to the PCSPS (2004-05 £943,575) at one of four rates in the range of 15.2 to 24.6% of pensionable pay, based on salary bands (the rates in 2004-05 were between 12 and 18.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2006-07, the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%. The contribution rates are set to meet the cost of the benefits accruing during 2005-06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employer's contributions of £46,926 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £4,004, 0.8% of pensionable pay (2004-05: £3,200, 0.8%), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were £5,755. Contributions prepaid at that date were nil.

## B) Average number of persons employed

The average number of whole-time equivalent persons employed, including senior management and the Ombudsman, during the year was as follows:

	2005-06				2004-05
	Senior Management	Other Permanent Staff	Others	Total	Total
	Number	Number	Number	Number	Number
Parliamentary Commissioner for Administration	1	82	5	88	81
Health Service Commissioner for England	1	109	5	115	111
Corporate Management Group	4	60	13	77	66
<b>Total</b>	<b>6</b>	<b>251</b>	<b>23</b>	<b>280</b>	<b>258</b>

## 11 Other administration costs

	Note	2005-06		2004-05
		£000	£000	Restated* £000
<b>Rentals under operating leases:</b>				
accommodation		2,579		2,617
other operating leases		43		38
			2,622	
<b>Non-cash items:</b>				
depreciation and amortisation of fixed assets:				
tangible fixed assets	13	673		575
intangible fixed assets	13	174		22
revaluation losses		215		61
loss on disposal of fixed assets	13	4		10
cost of capital charge		5		(20)
provisions				
provided in year	18	323		982
unused provision reversed	18	(226)		(67)
auditor's remuneration and expenses		45		50
			1,213	
<b>Other expenditure</b>			6,005	5,039
<b>Total other administration costs</b>			<b>9,840</b>	<b>9,307</b>

\*In prior years, Early Retirement costs of £679,090 were included within Staff Costs. For 2005-06, Early Retirement costs are disclosed with Other Administration costs.

**11 Other administration costs (continued)**

i) Other expenditure comprises:

	2005-06	2004-05
	£000	Restated £000
External professional advice (casework related)	949	392
Associate investigators	490	129
Professional services	310	293
Consultancy	588	725
Information and communications technology	928	822
Accommodation costs	1,079	757
Recruitment & training	471	849
Travel, subsistence and hospitality	221	203
Publicity	60	123
Stationery and Postage	307	223
Other	602	523
<b>Total</b>	<b>6,005</b>	<b>5,039</b>

ii) The total of non-cash transactions included in the Reconciliation of operating cost to operating cash flows (Note 21A) is as follows:

	2005-06	2004-05
	£000	£000
Other administration costs - non-cash items (as above)	1,213	1,613
Non-Cash Use of Provision	-	17
<b>Total non-cash transactions</b>	<b>1,213</b>	<b>1,630</b>

iii) Auditors have received no remuneration for non-audit work.

iv) Accommodation cost, disclosed under rentals under operating leases, includes service charges which are integral to the lease and the cost of the building rates. The amounts disclosed at Note 24 - Commitments under leases - against land and buildings however, only includes the cost of long-term rental contracts.

**12 Income**

	2005-06	2004-05
	£000	£000
Recovery of direct and overhead costs from the:		
Public Services Ombudsman for Wales	65	249
Scottish Public Services Ombudsman	86	17
Commissioner for Local Administration in England	75	60
Information Commissioner's Office	165	-
Other miscellaneous operating receipts	11	40
	<b>402</b>	<b>366</b>

## 13 Tangible fixed assets

	Furniture and fittings	IT equipment	Office machinery	Refurbish- ment	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At 1 April 2005	1,922	1,515	96	2,341	44	5,918
Additions	294	162	104	91	421	1,072
Disposals	(85)	(66)	(21)	(108)	-	(280)
Reclassifications	-	-	-	-	-	-
Revaluations	17	(242)	(1)	-	-	(226)
<b>At 31 March 2006</b>	<b>2,148</b>	<b>1,369</b>	<b>178</b>	<b>2,324</b>	<b>465</b>	<b>6,484</b>
<b>Depreciation</b>						
At 1 April 2005	1,301	540	60	1,702	-	3,603
Charged in the year	186	260	20	207	-	673
Disposals	(83)	(65)	(21)	(108)	-	(277)
Revaluations	12	(120)	(1)	-	-	(109)
<b>At 31 March 2006</b>	<b>1,416</b>	<b>615</b>	<b>58</b>	<b>1,801</b>	<b>-</b>	<b>3,890</b>
<b>NBV at 31 March 2006</b>	<b>732</b>	<b>754</b>	<b>120</b>	<b>523</b>	<b>465</b>	<b>2,594</b>
NBV at 31 March 2005	621	975	36	639	44	2,315

## Analysis of significant movements on tangible fixed assets

The Estimate provided for capital expenditure of £3,000,000, a large proportion of which was intended to support the Office's refurbishment project. The project was delayed pending funding discussions with the Treasury, which deferred the consultation and planning process, resulting in capital expenditure on tangible fixed assets of only £1,072,000 during 2005-06.

Losses on revaluation in 2005-06 total £215,000 (2004-05, £10,000). This was due to a sharp drop in revaluation indices for IT equipment and Intangible Fixed Assets (purchased software licences) as provided by the Office for National Statistics.

## 14 Intangible fixed assets

	Purchased software licences
	£000
<b>Cost or valuation</b>	
At 1 April 2005	708
Additions	429
Disposals	-
Revaluations	(125)
<b>At 31 March 2006</b>	<b>1,012</b>
<b>Amortisation</b>	
At 1 April 2005	49
Charged in the year	174
Disposals	-
Revaluations	(32)
<b>At 31 March 2006</b>	<b>191</b>
<b>NBV at 31 March 2006</b>	<b>821</b>
NBV at 31 March 2005	659

**15 Debtors**

	<b>2005-06</b>	<b>2004-05</b>
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade debtors	330	238
Deposits and advances	84	56
Prepayments	823	1,082
	<b>1,237</b>	<b>1,376</b>

**16 Cash at bank and in hand**

	<b>2005-06</b>	<b>2004-05</b>
	£000	£000
Balance at 1 April	512	158
Net change in cash balances:	(334)	354
<b>Balance at 31 March</b>	<b>178</b>	<b>512</b>
The following balances at 31 March are held at:		
Office of HM Paymaster General	167	509
Cash in hand	11	3
<b>Balance at 31 March</b>	<b>178</b>	<b>512</b>

**17 Creditors**

	<b>2005-06</b>	<b>2004-05</b>
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade creditors	480	1,094
Taxation and social security creditor	481	375
Rent accrual	87	83
Accruals and Deferred Income	630	725
Amounts issued from the Consolidated Fund for supply but not spent at year end	178	469
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	73	43
Receivable	-	-
<b>Sub total</b>	<b>1,929</b>	<b>2,789</b>
<b>Amounts falling due after more than one year:</b>		
Rent Accrual	999	1,090
<b>Total</b>	<b>2,928</b>	<b>3,879</b>



## 18 Provisions for liabilities and charges

	2005-06			2004-05
	Early retirement and pension commitments £000	Legal claims £000	Other £000	Total £000
Balance at 1 April	1,058	229	289	1,576
Provided in the year	131	170	22	323
Provisions not required written back	-	(130)	(96)	(226)
Provisions utilised in the year	(415)	-	(40)	(455)
Unwinding of discount	-	-	-	-
<b>Balance at 31 March</b>	<b>774</b>	<b>269</b>	<b>175</b>	<b>1,218</b>

## Early retirement and pension commitments

The Office meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Office provides for this in full when the early retirement programme becomes binding on the Office by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 per cent in real terms.

## Legal Claims

The above liability is based on management's best estimate of amounts likely to be paid with respect to legal costs awarded against the Office.

## Other

i) During 2003-04 a provision of £266,666 was made, in accordance with FRS12, for the future impairment of a significant number of the assets classified as fixtures and fittings. Of this, £17,980 was utilised in 2004-05. A later than expected start to the Refurbishment Project has meant that some of the assets provided for are still in use at the balance sheet date. Where the net book value of the provided for assets is lower than the provision for those assets, due to depreciation and revaluation in year, the difference has been treated as a provision reversed unused. The remainder of the provision, £152,537, will be utilised during 2006-07.

ii) As reported in the Statement on Internal Control, during 2003-04 OPHSO detected significant issues with the quality of work carried out by the previous pensions administrator and management team. An independent review of all current employees and leavers in 2003-04 (296 cases) discovered shortcomings in the previous pension administration work. A provision of £65,000 was made in 2003-04 in relation to 21 cases recognised as having potential higher values. This provision has now been fully utilised. A further provision of £12,000 has been recognised in respect of two cases where the financial implications were identified in 2005-06.

**19 General Fund**

	2005-06		2004-05	
	£000	£000	£000	£000
Balance at 1 April		(958)		(1,551)
Net Parliamentary Funding				
Drawn down	23,194		20,210	
Deemed	469		25	
		23,663		20,235
Consolidated Fund Standing Services		155		151
Supply creditor		(178)		(469)
Net transfer from operating activities				
Net operating cost	(22,345)		(19,314)	
CFERs repayable to the Consolidated Fund	(73)		(40)	
Non cash charges		(22,418)		(19,354)
Cost of capital	5		(21)	
Auditor's remuneration	45		50	
		50		29
Transfer from Revaluation Reserve		2		1
<b>Balance at 31 March</b>		<b>316</b>		<b>(958)</b>

**20 Revaluation Reserve**

	2005-06	2004-05
	£000	£000
Balance at 1 April	365	339
Arising on revaluation during the year (net)	5	27
Transfer to general fund in respect of realised element of revaluation reserve	(2)	(1)
<b>Balance at 31 March</b>	<b>368</b>	<b>365</b>

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

## 21 Notes to the Consolidated Cash Flow Statement

### A) Reconciliation of operating cost to operating cash flows

		<b>2005-06</b>	<b>2004-05</b>
	Note	£000	£000
Net operating cost		22,345	19,314
Adjustments for non-cash transactions	11	(1,213)	(1,630)
Increase/(decrease) in debtors		(139)	655
(Increase)/decrease in creditors falling due within one year		860	(1,957)
Less movements in creditors relating to items not passing through the OCS			
Consolidated Fund creditor		(291)	444
CFERs received and receivable		30	(34)
Balances due to the Public Services Ombudsman for Wales		-	(55)
Increase/(decrease) in creditors falling due after one year		91	82
Use of provisions	18	455	896
<b>Net cash outflow from operating activities</b>		<b>22,138</b>	<b>17,715</b>

### B) Analysis of capital expenditure and financial investment

		<b>2005-06</b>	<b>2004-05</b>
	Note	£000	£000
Tangible fixed asset additions	13	1,072	1,478
Intangible fixed asset additions	14	429	685
Proceeds on disposal of fixed assets		(1)	(3)
<b>Net cash outflow from investing activities</b>		<b>1,500</b>	<b>2,160</b>

### C) Analysis of financing

		<b>2005-06</b>	<b>2004-05</b>
	Note	£000	£000
From the Consolidated Fund (Supply) - current year	19	23,194	20,210
From the Consolidated Fund (non-Supply) - Standing Services	19	155	151
Cash drawn down on behalf of the Public Services Ombudsman for Wales		-	(55)
<b>Net financing</b>		<b>23,349</b>	<b>20,306</b>

### D) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

		<b>2005-06</b>	<b>2004-05</b>
	Note	£000	£000
Net cash requirement		(23,558)	(19,764)
From the Consolidated Fund (Supply) - current year	19	23,194	20,210
Cash drawn down on behalf of the Public Services Ombudsman for Wales		-	(55)
Amounts due to the Consolidated Fund - received in prior year and paid over		(43)	(77)
Amounts due to the Consolidated Fund - received and not paid over	6	73	40
<b>Increase/(decrease) in cash</b>		<b>(334)</b>	<b>354</b>

## 22 Notes to the Statement of Operating Costs by Aim and Objectives

The Office's capital is employed exclusively for administration purposes. Its distribution amongst objectives is therefore not markedly different from the proportion of the related gross administration cost.

Administration costs and income have been attributed to objectives in accordance with the Office's management accounting practices.

## 23 Capital commitments

	2005-06	2004-05
	£000	£000
Contracted capital commitments at 31 March 2006 for which no provision has been made	48	-

## 24 Commitments under leases

### Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2005-06	2004-05
	£000	£000
<b>Obligations under operating leases comprise:</b>		
Land and buildings		
Expiry within 1 year	320	372
Expiry after 1 year but not more than 5 years	-	111
Expiry thereafter	2,293	1,883
	<b>2,613</b>	<b>2,366</b>
Other:		
Expiry within 1 year	16	12
Expiry after 1 year but not more than 5 years	22	27
Expiry thereafter	-	-
	<b>38</b>	<b>39</b>

Lease payments on land and buildings expiring after 5 years represents the annualised rental payments on Millbank Tower after accounting for the rent free period disclosed at Note 17.

### Finance leases

There were no finance leases as at 31 March 2006.

## 25 Other financial commitments

The Office has entered into non-cancellable contracts (which are not leases or PFI contracts) for the provision of service and maintenance of IT equipment. The payments to which the Office is committed during 2005-06, analysed by the period during which the commitment expires, are as follows:

	2005-06	2004-05
	£000	£000
Expiry within 1 year	39	164
Expiry after 1 year but not more than 5 years	656	553
Expiry thereafter	-	-
	<u>695</u>	<u>717</u>

## 26 Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which it is financed, the Office is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies.

The Office has no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Office in undertaking its activities.

### Liquidity Risk

The Office's net revenue resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure. The Office is not therefore exposed to significant liquidity risk.

### Interest Rate Risk

The Office is not exposed to any interest rate risk.

### Foreign Currency Risk

The Office's exposure to foreign currency risk is insignificant. The Office undertakes a very small number of low value transactions in foreign currency.

## 27 Contingent liabilities disclosed under FRS12

There are five legal cases currently in progress regarding decisions taken by the Ombudsman in response to complaints received. The total estimated liability for costs which may be recoverable by the litigants is £60,000.

## 28 Losses and special payments

### Special Payments

	2005-06		2004-05	
	No. of cases	£000	No. of cases	£000
Total	<u>32</u>	<u>332</u>	<u>7</u>	<u>208</u>

No individual cases in either 2005-06 or 2004-05 exceeded £250,000.

## 29 Related-party transactions

The Office contracts with a number of 'External Professional Advisers', who are experts in their field and provide specialist advice, including advice on clinical matters, to the Office when required regarding investigated complaints. The Public Services Ombudsman for Wales and the Scottish Public Services Ombudsman contract with the Office for the services of these External Professional Advisers in accordance with their respective service level agreements. The cost of these services to the Office is recovered, and is disclosed as Appropriations-in-Aid in these resource accounts.

The Office and the Commission for Local Administration in England (CLAE) undertake joint working and collaboration across a wide number of areas and initiatives.

In February 2003 the CLAE co-located with the Office in Millbank Tower. As part of the co-location arrangements the two bodies have exchanged areas of accommodation within Millbank Tower to develop closer working relationships, particularly between their corporate service functions.

Income received from the CLAE is disclosed in Note 12. All income receivable in year was received.

Cash payments to CLAE during 2005-06 totalled £339,790. £33,532 was owed to CLAE as at 31/03/06, and has since been paid.

In addition, the Office has a small number of transactions with other government departments, and health service bodies.

Other than as noted above, neither the Ombudsman nor any members of the management group or key managerial staff have undertaken any material transactions with the Office during the reporting period.

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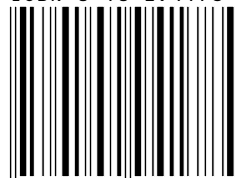
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