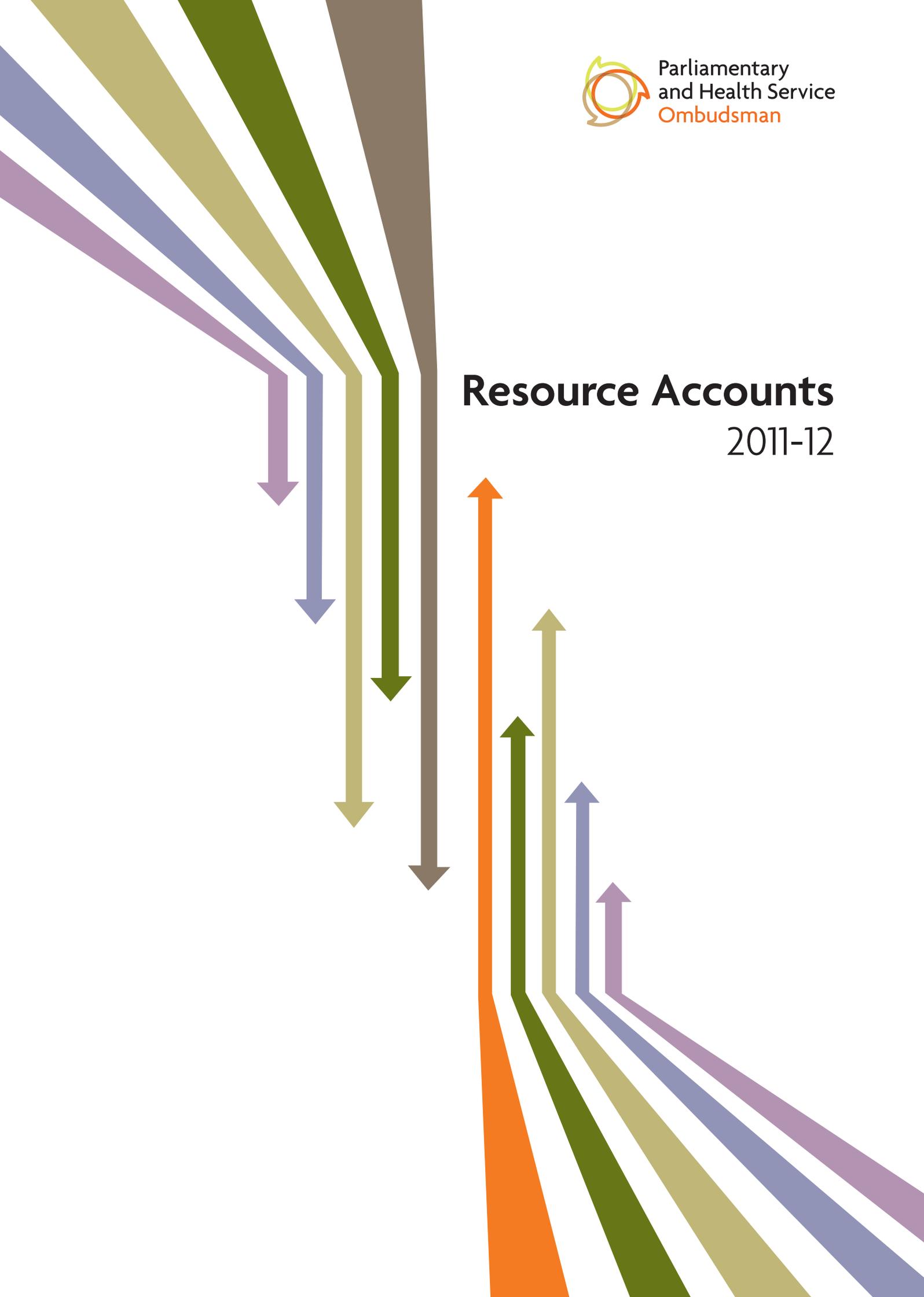


Resource Accounts

2011-12



Resource Accounts

2011-12

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Annual Report to the accounts for the year ended 31 March 2012

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 about NHS services provided by hospitals, health authorities, trusts, general practitioners, dentists, pharmacists, opticians and other healthcare practitioners. The Health Service Ombudsman can also investigate complaints about private healthcare 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 PHSO.

Role, vision and objectives

Our role

The Parliamentary and Health Service Ombudsman considers complaints that

government departments, a range of other public bodies in the UK, and the NHS in England, have not acted properly or fairly or have provided a poor service.

Our vision

To provide an independent, high-quality complaint handling service that rights individual wrongs, drives improvements in public services and informs public policy.

Our strategic objectives

PHSO has two strategic objectives, which reflect our aim and vision of providing an independent, high-quality complaint handling service that rights individual wrongs, drives improvements in public services and informs public policy.

Our two strategic objectives also reflect the dual aspect of our work: individual benefit through our core business of complaint handling; and a wider public benefit through sharing our evidence and expertise.

Individual benefit is delivered by securing good outcomes for complainants, and others who have suffered as a result of the same maladministration or poor service, through our interventions and investigations.

The wider public benefit is secured through a combination of our evidence base, our expertise in good administration and good complaint handling, and our acknowledged independence and impartiality. This mix enables us to provide authoritative evidence and expertise to support public bodies in our jurisdiction in improving their service; and on which others may draw when developing public policy.

Since April 2008 PHSO has had two strategic objectives, each with measurable outcomes:

- strategic objective 1: to provide an independent, high-quality and accessible complaint handling service that rights individual wrongs; and
- strategic objective 2: to drive improvements in public services and inform public policy.

PHSO recognises that good management of the business and of its people is at the heart of enabling successful delivery of PHSO's strategic objectives, and has summarised this as our 'enabling objective':

- enabling objective: to equip our people with the skills, knowledge, systems and resources to deliver our strategic objectives.

These objectives will continue in 2012-13, but will be subject to a review initiated by the Ombudsman, Dame Julie Mellor DBE on her appointment in January 2012.

Principal activities

The principal activities of PHSO covered by these accounts were:

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

Management commentary

Summary of the year

This year saw a change of leadership of PHSO, with the retirement of Ann Abraham and the arrival of Dame Julie Mellor as Parliamentary and Health Service Ombudsman in January 2012. By the end of March 2012, PHSO was part way through a strategy refresh project that will review our long-term objectives with a view to having in place a new Strategic Plan for 2013-17.

In terms of delivery of our business plan, 2011-12 has been a successful year for PHSO. Delivering an independent, high-quality and accessible complaint handling service for the benefit of individuals who need us is always our first objective. This year we dealt successfully with 23,889 enquiries, 6,868 of which required further detailed work, and concluded 410 investigations. Over the course of the year we again met five of our six customer service standards. These set out the time we will take to acknowledge and respond to enquiries, investigate complaints and deal with complaints about our own service. In relation to our sixth standard of completing 90% of investigations within 12 months, we achieved 79%. We reduced the number of cases on our books that we have been working on for 12 months or more to 20, well below our target of no more than 35.

The public benefit of our work comes from using our expertise to inform public policy and help drive improvements to public services. We laid and subsequently published nine reports before Parliament this year, including our first annual review of complaint handling by government departments and other public bodies within the Parliamentary Ombudsman's jurisdiction, *Responsive and Accountable?*, and our second annual review of complaint handling by the NHS in England, *Listening and Learning*. Among our other reports was

Defending the Indefensible, an investigation into a complaint about the Ministry of Defence and the Service Personnel and Veterans Agency, described by the Ombudsman as the 'worst example I have seen, in nearly nine years... of a government department getting things wrong and then repeatedly failing to put things right or learn from their mistakes.'

In addition, we took significant steps to develop the accessibility of our communications; improved our relationships with the advice and advocacy sector; developed a comprehensive strategy to improve the service we provide to the public; undertook and reported on our consultation that sought stakeholder views on allowing the public to make complaints to the Ombudsman directly, rather than requiring that their complaints be submitted via their MP; and completed our records management project, which is ensuring the ongoing efficient and secure use of our information.

Our workload and performance: facts and figures

Being accountable for our performance against the plans and targets we have set ourselves is important to us. Our 2011-12 *Corporate Business Plan* established a number of operational, financial and human resources targets. It also identified a number of objectives and deliverables for the year. These were grouped into the following five areas:

- deliver an independent, high-quality and accessible complaint handling service;
- share the evidence from our casework and use our expertise to drive improvements in public services and to inform public policy;
- plan, deliver and manage change to achieve continuous improvement;
- attract, engage positively and develop our people so that they drive the achievement of our objectives; and

- use our systems and resources to support and manage effectively the service that the Office provides to the public.

Our performance in each area is assessed below.

Deliver an independent, high-quality and accessible complaint handling service

Achieve our customer service standards

We started 2011-12 with 30 cases that we have been working on for 12 months or more, a relatively high number in relation to our total investigation workload. As reported, we met five standards relating to the time we take to acknowledge and respond to enquiries, and deal with complaints about our own service. With regard to the standard of concluding 90% of our investigations within 12 months, we achieved 79% but in doing so reduced the number of cases that we have been working on for 12 months or more in hand to 20, well below our target of no more than 35. This reflects a focus on closing some of our most complex and longstanding investigations. These included a number of clusters of complaints, each cluster being about a particular parliamentary body. With only 20 investigations more than 12 months old, this puts us in a strong position to meet all six of our service standards during 2012-13.

Enquiries

Enquiries to PHSO can be initiated by telephone, email or in writing, and our response time is monitored as part of our performance reporting framework. We met both our customer service standards for acknowledging email and written enquiries (100% in one day and two days respectively).

During the year we received 23,846 enquiries against our original planning assumption of 24,900. This was an increase of 424 (2%) on the 23,422 enquiries received in 2010-11.

Whilst the number of enquiries we received this year overall was lower than we had expected, 6,961 required a more detailed further assessment, 161 more than our planning assumption of 6,800.

Of the 23,846 enquiries we received, 6,437 related to parliamentary bodies, 14,615 were about health bodies and 2,794 were about bodies outside our jurisdiction.

During the year we closed 23,889 enquiries against our original planning assumption of 24,900. Whilst the increase was lower than expected, it was still an increase of 222 (1%) on the 23,667 enquiries closed in 2010-11 and was more than we received.

Enquiry cases are closed following decisions on whether we can accept the complaint for investigation (that is, if it is within our jurisdiction); and, if we can, whether we should, through assessment of:

- whether the body complained about has had a proper opportunity to resolve it;
- whether there is evidence of maladministration leading to an unremedied injustice;
- what benefit we can reasonably achieve for the individual or wider public by investigating; and
- whether it would be possible to resolve cases through intervention short of an investigation (a growing area of our work).

During the year, we:

- achieved 91% against our customer service standard of closing 90% of enquiries within 40 days (achieved 91% in 2010-11);
- closed 23,889 enquiries against a planning assumption of at or around 24,900 (23,667 in 2010-11);

- closed 17,021 enquiries after an initial assessment of whether the complaint could be accepted for investigation against a planning assumption of at or around 18,100 (16,971 in 2010-11);
- closed 6,868 enquiries after further detailed assessment of whether the complaint should be accepted for investigation against a planning assumption of at or around 6,800 (6,696 in 2010-11); and
- ended the year with 1,357 enquiries in hand against a forecast of at or around 1,400 (1,400¹ at 31 March 2011).

Overall, 74% of enquiries were either not properly made (that is, health cases which have not been put to PHSO in writing or, in parliamentary cases, have not been referred by an MP), or were premature, or were about a body that was outside our jurisdiction (74% in 2010-11). The high number of enquiries of this nature remains a focus of ongoing attention. We aim to ensure that people know whether PHSO is the right place for them to bring their complaints, and when is the right time to do so. We are undertaking initiatives to reduce this figure, such as analysing and discussing premature complaint levels with bodies on liaison visits, with some evidence of success. Further initiatives are planned for 2012-13 to further reduce premature complaints, including the launch of revised leaflets and letters which set out how and when we might be able to help.

However, even in not properly made or premature cases, PHSO can often offer assistance by providing a conduit between a complainant and the relevant body in order to achieve a speedy and appropriate outcome.

258 enquiries were closed in this way (99 in 2010-11).

As stated above, we aim to resolve cases through intervention short of an investigation where appropriate. During the year, we closed 491 enquiries in this way (332 in 2010-11). It is also possible that our assessment process itself can provide a remedy to an enquiry (for example, by providing an explanation being sought by a complainant) and we closed 268 enquiries in this way (273 in 2010-11).

Investigations

PHSO has a business approach that focuses on a rigorous assessment of enquiries to decide whether we could, and if so, whether we should, accept a case for investigation. This ensures that our decisions to accept cases for investigation are correct in law, consistent, speedy and strategic – in line with the Ombudsman's role as a complaint handler of last resort. Some 29% of enquiries we received will have passed through our more detailed assessment process. Of these, 6% will be accepted for investigation. More information on our business approach can be found in our combined statutory *Annual Report* for 2011-12.

During the year we:

- concluded 79% of our investigations within 12 months against our customer service standard of 90% (88% achieved in 2010-11);
- accepted 421 cases for investigation against a planning assumption of at or around 400 (403 in 2010-11);
- concluded 410 investigations against a planning assumption of at or around 405 (419 in 2010-11);

¹ This has been restated by 22 cases from 1,378 declared last year to reflect changes arising from the reopening of cases that have been the subject of an upheld complaint about us, cases reverting to 'enquiry' when an 'accept for investigation in principle' decision is reversed and other minor corrections arising from our business process.

- ended the year with 332 investigations in hand at 31 March 2012 against a forecast of at or around 320 (321² at 31 March 2011); and
- had 20 cases over 12 months old at 31 March 2012 against a target of no more than 35 (30 at 31 March 2011).

As noted above, more cases went through our more detailed assessment process this year than we expected. Also, the number of cases that were considered and accepted for investigation was 5% higher than we had expected.

We expect that improving our performance against our customer service standard of closing 90% of investigations within 12 months from the 88% achieved in 2010-11 would be a challenge and we fell short of this goal by delivering 79%. However, over the course of the year, we reduced the number of cases in hand, over 12 months to 20. In doing so, the average length of an investigation increased by 11% from 323 days to 357 days, although this mainly reflects the relative age of some of the older cases closed. Looking at our current caseload, the effect of closing these older cases has been to reduce the average age of an investigation in hand from 217 days to 152 days.

This year, we accepted eight more cases than expected against government departments and other public bodies for investigation during the year. The average length of time it took to complete an investigation increased as we worked on a number of complex investigations. In particular, we undertook three separate investigations against parliamentary bodies which, together, accounted for 24 cases. Investigations of such 'group' complaints are generally more complex and often uncover systemic failings, and usually take longer to

resolve. We completed two such investigations in 2011-12, one of which resulted in the publication of our *More Cold Comfort* report. These two investigations alone accounted for 15 individual cases, all of which took longer than 12 months to complete. Clearing these cases has reduced the average age of active parliamentary investigations in hand from 202 days at the beginning of the year to 176 days, which will put us in a better position to achieve our service standard this year. The remaining group investigation (involving nine cases) is expected to be completed in 2012-13.

We also accepted 13 more cases for investigation about the NHS than expected. These cases represent some of our most complex health casework, often involving consideration of whether a patient's death was avoidable, life could have been extended, or harm caused to patients. The average length of time it took to complete an investigation increased during the year. As for our work on parliamentary bodies, we cleared a number of health cases that we had been working on for some time which has resulted in a reduction in the average age of active health investigations in hand from 221 days at the beginning of the year to 145 days, again putting us in a better position to achieve our service standard this year.

In addition to addressing issues with our own performance, this year we have found that we made more recommendations for financial remedy as a result of our NHS investigations. We also made referrals, on grounds of patient safety, to professional regulators for them to consider under their fitness to practice procedures. We have faced increased challenge from some NHS providers to our findings and recommendations for remedy and this has meant some of our investigations have taken

²This has been restated by two cases from 323 declared last year to reflect changes arising from the reopening of cases that have been the subject of an upheld complaint about us and cases reverting to 'enquiry' when an 'accept for investigation in principle' decision is reversed.

longer to complete as we respond to those challenges before completing our investigation. This contributed to 39 cases going over the 12-month service standard to investigate. As a consequence, we are looking at what steps we can take this year to share information about our investigations with bodies earlier to help draw out any challenges and address these sooner. We hope this will reduce the time taken in later stages of investigation and mean we complete them in a more timely way.

Outcomes of our investigations

During the year we:

- fully upheld 60% of complaints investigated (61% in 2010-11);
- partly upheld 20% (17% in 2010-11); and
- did not uphold the remaining 20% (21% in 2010-11).

We upheld the complaint in full or in part in:

- 83% of parliamentary investigations (78% in 2010-11); and
- 79% of health investigations (79% in 2010-11).

More information on our investigations can be found in our combined statutory *Annual Report* for 2011-12.

Acceptance of our recommendations

All of the recommendations for remedy we made during the year, or which were outstanding from the previous year, have been accepted or are being considered by the body or practitioner complained about (99.8% in 2010-11).

The majority of recommendations in our parliamentary investigations were for financial compensation for inconvenience or distress, alongside an apology. Others included financial

compensation for loss, action to remedy the failure identified, and systemic remedies, for example, asking the body to carry out their own review with a view to learning lessons and preventing a recurrence of the maladministration.

The majority of recommendations in our health investigations focused on an apology and an acknowledgement by the body or practitioner concerned for the service failure or maladministration. Where we found evidence of systemic failure, we recommended that the body or practitioner should prepare an action plan saying how they intended to learn lessons arising from the complaint and what they proposed to do to prevent a recurrence of the failure. In 73% of upheld complaints, we recommended financial compensation for inconvenience or distress.

Complaints about us

For most people coming to us, our decision is the last opportunity to get things put right. We have built into our processes several checks and balances to ensure that our decisions are fair and robust. We give serious consideration to any complaints raised by our customers about our decisions and we seek to use the learning from these to improve our performance. In 2011-12 we found that 0.4% of our total decisions needed to be looked at again or required further explanation.

As a measure of the performance of our own complaint handling service, over the year we:

- received 1,184 complaints about us (1,276 in 2010-11);
- resolved 1,159 (1,297 in 2010-11); and
- ended the year with 154 in hand (129³ at 31 March 2011).

³This has been restated by 5 cases to reflect removal of cases passed for consideration but in which no substantive complaint about us could be identified on review.

We provided a substantive response on 99% of these within 16 weeks, exceeding our customer service standard and operational target of 90% (99% in 2010-11).

Each complaint about us will include a complaint about our decision and/or our service. The 1,159 complaints about us resolved covered 1,250 issues, broken down as follows:

- 130 were complaints about our service (139 in 2010-11)
- 1,066 were about enquiry decisions (1,198 in 2010-11); and
- 54 were about investigation decisions (45 in 2010-11).

Of these, 147 (11.8%) were fully or partly upheld (155 (11.2%) in 2010-11):

- 51 were complaints about our service (70 in 2010-11);
- 93 were about enquiry decisions (80 in 2010-11); and
- 3 were about investigation decisions (5 in 2010-11).

The figures above exclude complaints about our service in respect of the *Freedom of Information Act 2000* and *Data Protection Act 1998* reported below.

We have developed more robust decision making and improved the customer service in our customer services and assessment function, in part as a result of learning from the complaints we receive and this seems to be reflected in a fall in the number of complaints about us. Indeed, the number of upheld service complaints has significantly decreased, and the number of complaints we upheld about our decisions has also reduced. However, there has been an increase in complaints about the decisions we have made in respect of enquiries, and we will focus on the reasons for this in the coming year.

The number of resolved complaints about us has fallen. This is because of the focus the team have been putting on improving the service we provide to our customers. Now that customer service is embedded in how we approach review work, we expect our performance in resolving such complaint to further improve in 2012-13.

Judicial reviews of our decisions and actions

There were seven applications for judicial review of our decisions (nine in 2010-11). There was one county court claim (none in 2010-11), which was withdrawn by the claimant.

Of the judicial review applications, all seven were refused permission to proceed on first application. All claimants renewed their applications and six were then again refused after an oral hearing. One of the six was then further refused permission by the Court of Appeal. We are awaiting the oral hearing in the seventh case.

The judicial review issued in 2009 by Mencap (with the Commission for Equality and Human Rights intervening) in order to challenge and clarify the Ombudsman's approach to complaints concerning disability discrimination issues was heard over two days in November 2011. Mencap's claim was dismissed with costs and the Ombudsman's approach to dealing with disability discrimination and wider legal issues was upheld.

Finally, permission was granted in a case that had been issued in 2010-11. Most unusually, the case was adjourned for three months to see if the matter could be settled to the complainant's satisfaction without the need for a full hearing.

Extend our communication with the public to promote awareness of and access to our service

During the year we continued to seek out opportunities to inform the public about the service we provide. In particular:

- we worked with the media to gain coverage, regionally and nationally, for the increased number of reports that we published in the year. Our *Listening and Learning 2010-11* report achieved extensive coverage, including front page national newspaper coverage, as well as slots on national and regional broadcast media. Our reports on individual investigations were of particular interest to the regional media and gave us an excellent springboard to talk on regional radio and to broadcasters serving ethnic minority communities about the service we provide to the public;
- to give more impact to our two complaint handling performance reports and to make them more accessible to the public, we produced a series of short films, featuring our staff, bringing to life the individual case studies featured in the reports;
- in response to feedback from our customers and from Parliament's Health Committee, we have reviewed the way we explain our processes and how we present statistical information about our work. This makes the full range of ways that we can help people clearer and emphasises the value that we can add without conducting a formal investigation. We have also developed a suite of new leaflets for the public. They have been written with accessibility as the top priority and aim to provide a very clear, general guide to our service; and
- we launched our Facebook, Twitter and LinkedIn profiles and are now using these channels as another way of sharing information about our work.

Improve customer satisfaction with our service

During the year we developed a Customer Service Strategy, aimed at improving the service we provide to our customers. We have drawn the links from this to our wider work on our systems, processes and people. Key elements of this new approach are:

- work to build a wider knowledge and understanding of PHSO and what it can do to help across all parts of society, particularly those who are under-represented;
- a more accessible service for customers;
- fostering a better understanding of the different needs of, and empathy for, our customers amongst our staff;
- a common understanding by all staff of what good service means in practice for our customers; and
- a stronger voice for customers in the way we work.

We will be implementing much of this as part of *refresh 2012*, our strategy refresh project, which will continue into 2012-13. We have also begun to implement a number of actions to support the Customer Service Strategy and continue to improve the accessibility of our service to our customers.

We have begun to lay the foundations for further improvements in the way we communicate with our customers in 2012-13. In response to feedback from our customers and stakeholders, who told us that we could improve the way that we describe our work, we have revised the leaflets and standard letters we use in our casework to make them easier for our customers to understand. We shared the revised leaflets and letters with members of the public and customers, and listened to their feedback to ensure that the finished product will be as accessible as possible.

We will introduce the revised letters early in 2012-13. We have also begun a major project to change the language we use in our letters and reports, which will continue into 2012-13.

We have increased our use of translation and telephone interpreting services, to ensure that we can communicate with more customers who prefer to contact us in a language other than English.

We have in place a continuous programme of surveys to monitor customer satisfaction. These show that overall satisfaction with our service among enquirers remained relatively stable at 71% in 2011-12 (70% in 2010-11). Among complainants satisfaction with our investigations service remains high at 82% in 2011-12 although this is down from 88% in 2010-11; we will be monitoring this closely in 2012-13 to determine whether any action is required. However, overall satisfaction with our service among customers whose complaints went to our review stage rose from 26% in 2010-11 to 32% in 2011-12; we are considering how to further improve our performance in this area.

Customer ratings about complaints about us improved steadily across the year on all aspects as a result of a number of actions to improve communication with customers, including helping customers to articulate their complaint about us; explaining more clearly in our letters what will happen during our review of their complaint; and increasing contact with customers by telephone to discuss their complaint.

Improve our casework quality and efficiency

During the year we carried out a number of activities to improve our casework quality and efficiency including:

- completing the implementation of recommendations from our 2010-11 quality review of the interface between the assessment and investigation stages of our casework;
- undertaking two further quality reviews of our casework. We agreed recommendations for improvement following both reviews;
- sharing casework knowledge and learning with our staff through our internal newsletter *Casework News*;
- agreeing changes to how we describe our role and process in standard letters and leaflets and how we describe our decisions to customers using clearer and more empathetic language. This was in part a response to specific feedback received by the Ombudsman from external stakeholders during the year;
- delivering a programme of casework skills training for new and experienced staff;
- carrying out a review of our decisions on financial remedy that provided assurance that they are robust and consistent. We have also developed a typology of injustice to aid consistency and efficiency of decision making on remedy;
- introducing a risk-based approach to securing compliance with our recommendations, which is now reported to the Executive Board; and
- building our relationships with the Royal Colleges and working with them to improve the quality of our clinical advice, including beginning a pilot to externally validate that advice, with the support of the Royal Colleges of Physicians and Obstetricians and Gynaecologists.

Share the evidence from our casework and use our expertise to drive improvements in public services and to inform public policy

Publish a number of reports to share our learning with bodies in jurisdiction and other stakeholders

The following reports to Parliament were published in 2011-12:

- *a report by the Health Service Ombudsman for England of an investigation of a complaint about a dentist in Staffordshire (June 2011);*
- *a report by the Health Service Ombudsman for England and the Local Government Ombudsman about the care and support provided to a vulnerable person living independently in the community (July 2011);*
- *Defending the Indefensible* (September 2011) - A report by the Parliamentary Ombudsman on an investigation of a complaint about the Ministry of Defence and the Service Personnel and Veterans Agency;
- *a report by the Parliamentary and Health Service Ombudsman on complaints about disability issues (October 2011);*
- *Responsive and Accountable?* (October 2011) – the Parliamentary Ombudsman’s first report on the complaint handling performance of government departments and other public bodies within her jurisdiction;
- *Listening and Learning: The Ombudsman’s review of complaint handling by the NHS in England 2010-11* (October 2011);
- *Report by the Health Service Ombudsman for England of an investigation of a complaint about a GP in Dudley* (November 2011);

- *a report by the Health Service Ombudsman and the Local Government Ombudsman about the care and support provided to a person with Down’s syndrome (November 2011); and*
- *More Cold Comfort: how the Rural Payments Agency handled claims to the Single Payment Scheme in 2005 and 2006* (November 2011).

Responsive and Accountable? was our first report into the complaint handling performance of government departments and other public bodies. The report’s key message was that complaint handling across government is inconsistent, haphazard and unaccountable. The report was discussed with Permanent Secretaries, and the public launch of the report in Parliament brought together key stakeholders from across government, Parliament and the administrative justice system to hear the Ombudsman’s message that strong leadership is required to make the changes that are needed. In addition, the key messages were delivered at a workshop for complaint handlers from across government.

We also published our second report on the complaint handling performance of the NHS in England. This report attracted considerable media attention for the Ombudsman’s concerns that the NHS was still failing to deal adequately with the most straightforward matters.

Other notable reports published this year included *More Cold Comfort* – a second investigation into the Rural Payments Agency’s handling of the Single Payment scheme; *Defending the Indefensible* – an investigation into a complaint about the Ministry of Defence and the Service Personnel and Veterans Agency; and reports on two separate complaints about a dentist and doctor who both failed to comply with the Ombudsman’s recommendations that they put right incidents that had gone wrong at their practice – both have since complied with the recommendations.

Enhance our communication with bodies in jurisdiction, Parliament, government and professional stakeholders in order to increase our impact

We have been much more proactive in our contact with stakeholders, making particular use of workshops to engage audiences on specific themes. This has included holding a seminar for members of the Public Administration Select Committee to discuss our consultation on direct access to the Ombudsman. We also hosted a similar briefing event for members of the advice and advocacy sector to build stronger relationships and source their views on the MP filter.

Following the publication of our complaint handling performance reports, we hosted meetings of complaint handlers from across both government and the NHS to share the key messages from the reports and to ensure that learning from our casework filtered down.

This year has also seen considerable work to ensure that we understand who our stakeholders are and, have up-to-date information on how best to communicate with them. We have significantly improved the quality of the contact information we hold for our stakeholders, making our communications with them more effective and efficient.

Work with key stakeholders in order to drive improvements in public services

We shared our expertise in good administration and our learning from casework with key stakeholders by responding to a number of consultations throughout the year. These include consultations by the Law Commission, the Department of Health, the Care Quality Commission, Monitor, the General Medical Council, the Department for Work and Pensions, the Equality and Human Rights Commission and the Cabinet Office. The Ombudsman also gave evidence to the

public inquiry into the Mid Staffordshire NHS Foundation Trust.

We worked particularly closely with the Law Commission on their consultation on Public Sector Ombudsmen and with the Cabinet Office on their White Paper on Open Public Services, with a focus on promoting Ombudsman reform and improving access to justice. In addition, we provided oral evidence to the Commission on Dignity in Care for Older People to inform the Commission's recommendations and action plan and to ensure that they reflect the learning from our report *Care and Compassion?*. We also advised bodies in our jurisdiction, such as HM Courts and Tribunals Service, on high-quality complaint handling.

As part of our commitment to provide a wider public benefit from the complaints we have considered, we have also worked with individual bodies to help them improve their service to the public. This year we undertook over 50 liaison visits to NHS health providers to share learning from complaints raised with the Ombudsman. Our visits focused on those organisations with the highest numbers of complaints being received by PHSO; where we found that we were either needing to carry out more investigations to resolve matters for patients; or where we had concerns about repeat patterns in themes being raised by complainants with PHSO.

We have used these visits to share information with the bodies concerned about the numbers and types of complaints being brought to us about their services, to understand what measures they are taking locally to resolve more complaints without the need for the Ombudsman to become involved and to suggest areas where they might consider improvements. We also worked to reassure ourselves that repeat issues raised in complaints to us are being addressed locally by Trust Boards; with oversight by the Care Quality Commission where necessary.

Plan, deliver and manage change to achieve continuous improvement

Implement our 2011-15 Equality and Diversity Strategy in order to:

- *improve our understanding of the different needs of our customers so that we are able to provide an accessible and responsive service to all who need it, and*
- *build a workforce that includes a diverse range of people at all levels, reflecting the community we serve and the working populations around our sites.*

During the year, to support us in improving our understanding of the different needs of our customers, we developed a research approach to gathering data to populate the 'accessibility of our service' Key Performance Indicator, which will be rolled out in 2012-13.

We also took the following action to improve workforce diversity and build a culture that will help us to attract and retain a diverse range of people at all levels:

- improved PHSO's branding as an equal opportunity employer, mainly through additions to the PHSO website;
- explored the scope for using positive action and implemented provisions in the *Equality Act 2010* to address under-representation of black and minority groups and disabled staff in our workforce;
- undertook equality monitoring at each stage of key recruitment exercises;
- developed a Recruitment and Appointments Policy with an express commitment to take positive action, where appropriate, in order to improve workforce diversity;

- conducted our biennial People Survey with a stronger focus on equality and diversity in order to identify how we can strengthen the organisational culture in this area;
- implemented an upward mentoring pilot scheme as a positive action initiative to develop junior BME staff and provide our senior managers with new insights; and
- encouraged and provided practical support for staff from all groups to participate in our internal talent management schemes.

Continue to develop and deliver external and internal communications to support our Equality and Diversity Strategy

To reflect the different needs of our customers, we have improved the accessibility of our external communications through:

- making reasonable adjustments for customers with disabilities;
- reviewing and improving written communication material, such as decision letters, to ensure they are clear, informative and helpful in explaining what we do and how we can help;
- making our leaflets available in 14 different languages and agreeing new accessibility guidelines on our other publications, offering them in different formats;
- introducing a minicom service;
- improving our website's visual accessibility; and
- adopting a pro-active and more customer focused approach to communicating with customers who complain about our decisions or service.

Other developments this year included the launch of our new social media communications platforms and our improved relationships with the advice and advocacy sector.

Provide practical support for the implementation of our Equality and Diversity Strategy

This year, to support the implementation of our Equality and Diversity Strategy, we have:

- undertaken a comprehensive corporate equality and diversity assessment for the first time, which will be used to inform our business planning for 2012-13;
- commissioned an external equality and diversity audit to gain assurance on progress and advice on measuring success, which will report early in 2012-13;
- agreed steps to fulfil PHSO's requirement for actions under the public sector equality duty, including the development of equality analysis guidance and equality information to be collected, used and published;
- delivered briefing sessions to our staff and managers to ensure understanding of the *Equality Act 2010* as it applies to PHSO and our equality analysis process;
- made improvements to our internal processes for agreeing and implementing reasonable adjustments for disabled staff; and
- commissioned a disability confidence development programme (from Disability Rights UK) in order to improve the way PHSO manages disability internally and to equip us better to deliver the best possible service to our customers with a disability. Delivery of the programme began in April 2012.

Develop a clear and open approach to sharing and publishing information, in order to carry out our statutory functions, live our values and meet our strategic objectives

Our Information Promise, which sets out the standards that members of the public, bodies in the Ombudsman's jurisdiction and others can expect from the Ombudsman's Office when handling, storing, protecting and sharing information came to fruition during the year. The Promise, which was the subject of a public consultation during the year, outlines how we balance the need to protect the personal and other information given to us in confidence, with the benefit of sharing that information more widely.

We received over 30 responses to the consultation from stakeholders, including bodies in jurisdiction, the advice sector, other ombudsmen and the Information Commissioner. The responses were overwhelmingly in favour of the Promise, which has been published on our website and is being implemented throughout PHSO.

Attract, engage positively and develop our people so that they drive the achievement of our objectives

Continue to implement the Office's People Strategy in order to:

- *attract and retain good quality people from a wide range of backgrounds;*
- *maximise engagement and continue to build a high performance culture; and*
- *develop the knowledge and skills of our people to support excellent customer service and good employment practice.*

In addition to the work in support of our Equality and Diversity Strategy, described above, we have:

- continued to refine and improve our online e-recruitment system to ensure accessible and efficient processes that will support high-quality and diverse appointments;
- consulted staff on what would help to strengthen the 'employee voice' within PHSO;
- undertaken our 2011 People Survey to assess the level of staff engagement against a more stretching set of questions, achieving a record 82% response rate, and an encouraging 73% engagement index score (which would have been 80% compared to 79% scored against the questions used to assess engagement in our 2009 Survey);
- agreed and commenced implementation of PHSO's response to recommendations from our successful 2010-11 Investors in People assessment, including developing a programme of 'managers' essentials' training, identifying coaching opportunities and undertaking an emotional intelligence diagnostic exercise for managers;
- undertaken successful internal programmes to support, amongst other things, the knowledge and skills of our caseworkers and customer service officers; our records management roll out; and the ongoing professional development of our specialist support staff;
- completed a review of PHSO's employment policies as a framework to encourage and maintain good employment practice; and
- strengthened our learning and development planning and evaluation framework in order to better secure return on investment and demonstrate value for money.

Continue to develop and deliver internal communications to support organisational learning and performance

Our internal communications activity during the year, included:

- delivering our annual staff event;
- launching a new intranet, which features a fresh new look, better navigation, a more dynamic homepage and multimedia content; and
- using a variety of media, including films and 'Meet the Ombudsman' Q&A sessions to introduce the new Ombudsman to staff and to communicate important corporate developments, so ensuring that messages were received at the same time by everyone.

Use our systems and resources to support and manage effectively the service that the Office provides to the public

Manage our resources effectively through meeting our financial and workforce performance targets, and implementing the first year of our 2011-15 Financial Strategy.

Financial targets and strategy

PHSO's 2011-12 funding arises from a four-year settlement sanctioned by HM Treasury, with annual Estimates based on this settlement being approved by Parliament. Our four-year settlement for the period 2011-15 was sanctioned in October 2010. In April 2011, PHSO's Executive Board agreed a Financial Strategy for the four years 2011-12 to 2014-15. It provides the framework that will support and enable the delivery of our four-year settlement, including all necessary cash savings,

whilst ensuring that PHSO can also deliver our strategic and enabling objectives effectively and efficiently. An underpinning four-year Capital Investment Strategy was also agreed.

PHSO's sanctioned 2011-12 baseline funding was amended in-year through a Supplementary

Estimate, sanctioned in January 2012. Our original Main Estimate, our Supplementary Estimate and our final, sanction baseline funding for the year were as follows (items in bold are voted funding limits):

	Main Estimate £000	Supp. Estimate £000	Revised Baseline £000
Resource DEL (Voted)	33,813	(450)	33,363
<i>Of which:</i>			
<i>Depreciation</i>	1,600	(200)	1,400
Resource DEL (Non-Voted)			
<i>Ombudsman's salary</i>	187	-	187
Total resource spending in DEL	<u>34,000</u>	<u>(450)</u>	<u>33,550</u>
Resource AME	(400)	250	(150)
Total resource for Estimate	<u>33,600</u>	<u>(200)</u>	<u>33,400</u>
Capital DEL	700	(50)	650
Total DEL	<u>34,700</u>	<u>(500)</u>	<u>34,200</u>
Net cash requirement	<u>32,913</u>	<u>(300)</u>	<u>32,613</u>

Our sanctioned 2011-12 baseline resource and capital budgets for the year were as follows (items in bold are voted budget limits):

	Main Estimate £000	Supp. Estimate £000	Revised Baseline £000
Total Net Budget:			
Resource (Voted)	33,413	(200)	33,213
<i>Resource (Non-Voted)</i>	187	-	187
Capital	700	(50)	650

We met all six of our voted funding and budget limits and all seven of the financial management targets in our Corporate Business Plan. The performance on each was as follows:

- our net resource underspend of £354k was within our target limit for underspending of less than £500k (£1,297k underspend in 2010-11). The underspend mainly comprises unused unallocated funding of £185k held in reserve; reduced spend for brought-in professional services of £104k; and expenditure offset by £64k of additional income mainly arising from the provision of more clinical advice services to other ombudsmen than was expected;
- our total capital underspend of £39k met our target limit for underspending of less than £100k (£503k underspend in 2010-11);
- we recovered 100% of retainable income due in the year meeting our target of 100%;
- we remained within the Net Cash Requirement sanctioned by Parliament;
- we paid 99.7% (99.7% in 2010-11) of supplier invoices within our target of 99% of correctly presented invoices paid within 30 days of receipt;
- our resource budgets were managed to within 1% of agreed allocations, within our target of limiting budget variances to no more than 2%; and
- our month-on-month budget forecast variances were managed to an average accuracy of 1% over the year, within our tolerance target of no more than 2%.

People measures

Information on PHSO's workforce diversity benchmarks can be found in the 'Equality and Diversity' section later in this commentary.

Looking at our workforce, over the year our staffing numbers decreased from 439.85 full-time equivalents (fte) to 433.19. Full year turnover was 9.4% (9.0% in 2010-11), PHSO's turnover this quarter is higher than the average annual turnover figures for the public sector (8.5%) but it is lower than the average employee turnover rate across the UK (12.5%), as published in 2011. ⁴

Average sick absence in 2011-12 for PHSO employees was 5.3 days per fte (6.1 days per fte in 2010-11), which was below our target of no more than 6 days per fte, and is significantly lower than the public sector average of 9.1 days per fte. ⁵

Refresh our ICT Strategy and implement agreed changes to the way in which ICT services are delivered

During the year we updated and refreshed our ICT strategy. This review followed the re-let of our ICT Infrastructure Support contract in 2010-11 and our strategy now takes into account the extra services offered by the contract. This included improved business continuity arrangements and we have now relocated our ICT system servers to an off site data centre, strengthening our business resilience and significantly improving our business continuity and disaster recovery capability. This move has the additional benefit of allowing both our London and Manchester sites, and also those staff working remotely, to operate independently. It has also removed the previous risk arising from having all our servers located in our London office.

Our refreshed ICT strategy also accommodates the infrastructure support requirements arising from PHSO's strategies on Equality and Diversity, Communications and Customer Service, with the aims and objectives of these strategies being reflected in revised ICT priorities.

⁴ Source: *CIPD Resourcing and Talent Planning Survey 2011*.

⁵ Source: *CIPD Absence Management 2011 report*.

Complete the implementation of security arrangements which protect our information and other assets and sustain the delivery of our business

This year, we introduced a protective marking scheme for our internal documents and records, and also the encryption of certain email traffic. We tightened our internet security by introducing new web filtering and email scanning devices and our security was assessed as meeting the necessary standards to enable us to be re-authorised as an organisation able to use the Government Secure Intranet.

Complete the implementation of our records management policies, systems and processes

During 2011-12, we successfully implemented a new electronic document and records management system at PHSO. This has not only changed the way in which documents and records are stored, it has also changed staff behaviours and attitudes towards the way in which we manage our information assets. We are now able to better protect the information assets that require security controls, audit the location of and access to our documents and records, and apply records management best practice to them. All corporate documents and records are stored in a corporate file plan rather than in team areas and staff have been trained in and understand the importance of records management and particularly, information as a corporate asset.

Functionally, we have set up a new information and records management function which is responsible for ensuring PHSO continues to maintain high standards in information and records management. In addition, we have established a network of local information and records advisers who work with their business areas to ensure best practice in records management.

Other work completed in this area includes a review of our records management policy, agreed retention and disposal schedules for all information assets and providing an e-learning package for all staff on records management and the use of our new system.

Publish a number of statutory and other reports

In July we published our *Annual Report, A Service for everyone*. Our objective was to produce a report that explained clearly how we can help – from re-directing people who come to us too soon or about matters not in our remit, to resolving complaints quickly where we can, through to carrying out a formal investigation in the small number of cases where this is the only way to resolve matters. We produced a short animated film, which was launched along-side the online version of the report, to give an overview of our service.

Alongside the investigation and other reports published in 2010-11, we carried out a public consultation on the approach we intended to adopt to sharing and publishing information about NHS complaints and we published the report of the Health Service Ombudsman for England's consultation on sharing and publishing information about complaints (April 2010).

The responses to this consultation demonstrated an appetite within the NHS for more information than our legislation currently permits us to disclose. As a result, we made specific proposals to the Secretary of State for Health to amend the *Health Service Commissioners Act 1993* to remove the existing constraints to allow wider information-sharing powers to support improvements in public services: a clause to that effect was included in the *Health and Social Care Act 2012*. We will be reviewing our policy on *Sharing and Publishing Information about Complaints* in light of this new provision.

The Ombudsman published her report on the consultation on direct access to the Parliamentary Ombudsman (November 2011). The report followed an extensive consultation process that was launched in June and ran until early September 2011, engaging members of the public, MPs, advice and advocacy organisations and the UK government, the report found that the overwhelming majority of respondents supported the removal of the legal requirement for complaints to the Parliamentary Ombudsman to be referred by an MP.

Of 113 responses received to the direct access consultation, 91 expressed a direct preference for removing the MP filter, with strong support for a 'dual track' approach which would allow complainants the option of either making a complaint through an MP or accessing the Parliamentary Ombudsman directly.

Freedom of Information and Data Protection Duties

During the year, we received 284 requests for information under the *Freedom of Information Act 2000* and *Data Protection Act 1998* (311 in 2010-11) and we closed 261 requests (339 in 2010-11).

We also monitor complaints relating to requests for information under the *Freedom of Information Act 2000* and *Data Protection Act 1998*. During the year we received 27 complaints (52 in 2010-11) and resolved 31 as follows:

- we fully or partly upheld 4 (13%) of the 31 complaints about decisions relating to requests for information under the *Freedom of Information Act 2000/Data Protection Act 1998* (20% in 2010-11); and

- we received no complaints about our service relating to requests for information under the *Freedom of Information Act 2000/Data Protection Act 1998* (0% in 2010-11).

Although we aim to respond to all information requests within the relevant statutory deadline, we set ourselves a target of resolving 90% within the relevant statutory deadline:

- under the *Freedom of Information Act 2000* and the *Environmental Information Regulations 2004*, the statutory time limit for responding to an information request is 20 working days from receipt of the request. We achieved 99.6% (88% in 2010-11);
- under the *Data Protection Act 1998*, the statutory time limit for responding to an information request is 40 calendar days from receipt of the request. We achieved 100% (86% in 2010-11); and
- under the Information Commissioner's guidelines, the time taken to respond to a request to review a decision should not exceed 40 working days. We achieved 100% (74% in 2010-11).

Equality and diversity

Introduction

PHSO's commitment to promoting equality and valuing diversity is expressed through:

- one of our core organisational values - Diversity - as described in the Strategic Plan and the 2011-12 Business Plan;
- PHSO's employment policies, particularly those relating to Equality and Diversity in Employment and Dignity at Work; and
- the Equality and Diversity Strategy 2011-15.

PHSO aims to be excellent in promoting equality and valuing diversity in the way we deliver our services and manage our employees. We strive to be inclusive through respecting one another, promoting and achieving equality of opportunity, valuing diversity, and providing an accessible, responsive service to our customers.

PHSO complies with the *Equality Act 2010*. The legislation states that the general public sector equality duty applies to PHSO in respect of employment and procurement matters.

Our casework functions are exempt from this general duty so that the Ombudsman's independence in decision making is not interfered with. Nonetheless, we seek to promote equal access to our service for all members of the community and tailor our service to meet people's individual needs.

PHSO's Equality and Diversity Strategy 2011-15

Our strategy sets out the following vision:

'PHSO will be an exemplar organisation, demonstrating excellence in equality and diversity issues across all areas of policy and practice, and influencing others through the high standards that we set.'

In all aspects of our work we will be:

- *accessible*
- *inclusive*
- *responsive*
- *fair.'*

This vision will be realised, over the four years of our strategy, through all of our staff working together to achieve:

1. An understanding of the different needs of PHSO's **customers** so that we are able to provide an accessible and responsive service to all who need it.
2. A PHSO workforce that includes a diverse range of **people at all levels**, reflecting the community we serve and the working populations around our sites.
3. An open and inclusive **culture** within PHSO.
4. A good **reputation** for understanding and managing equality and diversity effectively.

Equality analysis

To support the fulfilment of the public sector equality duty, we have developed and applied a methodology to conduct 'equality analysis' in order to systematically consider the effects of policies, procedures and decisions on groups of people who are protected from discrimination. This will help us to eliminate discrimination, advance equality of opportunity and foster good relations between those with and without protected characteristics.

Equality information: customers

We also fulfil the public sector equality duty by collecting and using equality information. For example, in order to understand our customers and check that we are providing an accessible and responsive service, we collect relevant

information and analyse this for patterns and any gaps.

As reported in our performance review, throughout the year we carry out customer satisfaction surveys with a random sample of our customers. In 2011-12 we surveyed 2,300 enquirers (a sample of around 10%) and 197 people whose cases we have investigated

(a sample of around 50%). As part of the surveys we collect data on gender, age, ethnicity and disability, which we then compare to the demographics of bodies in our jurisdiction to determine whether any groups are underrepresented. In 2011-12 the demographics of our enquirers were.

Enquirers 2011-12 (2010-11 in brackets)

		Health	Parliamentary	Out of jurisdiction	All
Gender	Male	41% (42%)	57% (59%)	51% (59%)	46% (48%)
	Female	59% (58%)	43% (41%)	49% (41%)	54% (52%)
Ethnicity	White*	89% (90%)	86% (89%)	89% (78%)	88% (89%)
	BME	11% (10%)	14% (11%)	11% (22%)	12% (11%)
Disability**	Yes	36% (39%)	28% (30%)	38% (34%)	34% (36%)
	No	64% (61%)	72% (70%)	62% (66%)	66% (64%)
Age	18-34	12% (12%)	16% (17%)	16% (14%)	13% (14%)
	35-54	42% (40%)	50% (43%)	39% (41%)	44% (41%)
	55-74	40% (41%)	30% (36%)	38% (35%)	38% (39%)
	75+	6% (7%)	4% (4%)	7% (9%)	6% (6%)

* White includes white minority ethnic groups.

** self-recognised disability.

The demographic differences between our health and parliamentary enquirers are explained by the different customer bases of the NHS and the government departments and agencies that we receive most complaints about (Jobcentre Plus, HM Revenue & Customs, the Child Support Agency, UK Border Agency and HM Courts and Tribunals Service account for over half of all parliamentary complaints). The sample size for people whose cases we have investigated is too small to provide a meaningful analysis at this level.

We do not currently collect or publish information on other protected characteristics as the numbers responding would be too small for any meaningful analysis.

Equality information: workforce

We also collect, and hold confidentially, information on our staff in order to do statistical checks that we are achieving our aim of having a diverse workforce that reflects the communities we service and the working populations around our two office sites in London and Manchester.

As at 31 March 2012 the headline demographics of our staff against these benchmarks were:

	London and South East England			Manchester and North West England		
	Benchmark	PHSO (in post)		Benchmark	PHSO (in post)	
		31 March 2012	31 March 2011		31 March 2012	31 March 2011
Black and Minority Ethnic (BME)	19%	18%	19%	6%	6%	5%
Disabled (using the DDA definition)	9%	8%	7%*	10%	4%	3%*

* These figures reflect PHSO staff self-identifying as disabled.

Other than for employing staff with disabilities in our Manchester office, we are on track with our benchmarks. However, when this is broken down by staff pay band, there are clearly further areas for improvement in achieving diversity at all levels, particularly in senior management.

Corporate equality and diversity assessment and priorities for 2012-13

In October 2011 we undertook a wide review of progress. Achieving our equality and diversity objectives and the results of this in-house assessment have helped us to decide what actions need to be included in our 2012-13 business plans. We have also had an audit undertaken by external experts as highlighted in the *Governance Statement*.

As a result of these reviews, our equality and diversity priorities during this business year are:

- improving the accessibility of our service;
- identifying and responding to equality and human rights issues in our casework;
- delivering a development programme to build disability confidence in our managers and staff programme; and
- improving diversity in management roles.

To monitor our success, we will also be putting in place appropriate equality and diversity measures.

Sustainability

Introduction

PHSO shares the public sector commitment to reducing the impact of our business on the environment wherever possible and practicable. We continuously seek to reduce our carbon dioxide (CO₂) emissions in ways that will also improve the economy and efficiency of our business. Our particular areas of focus are energy and resource management of our estate and staff travel, which are key drivers of our CO₂ emissions.

Our initiatives include:

- installation of recycling points in our offices in London and Manchester; items recycled include paper, cans, plastics, cardboard, batteries and light bulbs;
- implementation of LED lighting, which is more energy-efficient, when we have carried out office refurbishments;
- office lighting at both sites is controlled by movement sensors, so lights automatically switch off after periods of inactivity;
- use of 'zip taps' to provide hot and cold drinking water;
- recycling of office furniture where appropriate and possible; and
- the installation of water saving systems in toilet facilities.

PHSO leases accommodation on two sites: The Exchange in Manchester and Millbank Tower in London. Both buildings are shared with other tenants and are subject to shared costs. We therefore rely in large part on the landlords of both buildings to implement and/or support sustainability initiatives and to provide some or all of the monitoring data required to measure success. Current recharging arrangements operated by the two landlords mean that

significant elements of our emissions-generating activity are not currently reportable. We continue to work with our landlords to improve future reporting on the sustainability of the business. Costs are shown where details are directly attributable to PHSO. No analysis of renewable / non-renewable energy usage is available from the energy provider.

PHSO staff use an external provider for the purchase of rail and air tickets and for car hire bookings required for business travel. These arrangements provide for industry-agreed management information on the emissions impact of each staff journey booked through the system. However, equivalent information in respect of staff journeys using buses, taxis or private vehicles is not currently available. We are looking at ways of capturing this information in future.

Specific performance information for PHSO for 2011-12 follows (compared to 2010-11 where available).

Managing carbon dioxide emissions

Summary of CO₂ emissions and costs split by source

Area	CO ₂ emissions 2011-12 (tonnes)	Consumption 2011-12 (units)	Costs 2011-12 (£000)
Building energy	597,012	1,111,755 kWh	99
Travel related	155,905	538,583m	233
Total	752,917	n/a	332

<i>Non—Financial Indicators: Emissions (tCO₂)</i>	2010-11	2011-12
Gross emissions for Scopes 1 and 2 ⁶	639,012	597,012
Gross emissions for Scope 3 business travel ⁷	127,715	155,905
Total Greenhouse Gas Emissions	766,727	752,917

<i>Non—Financial Indicators: Energy Consumed⁸ (kWh)</i>	2010-11	2011-12
Energy - Electricity – Non-renewable	1,190,933	1,111,755
Total kWh	1,190,933	1,111,755

<i>Financial Indicators (£000)</i>	2010-11	2011-12
Building energy Scope 2	129	99
Business travel Scope 2	245	233
Total Greenhouse Gas Emissions	374	332

⁶ Scope 1 – Direct Greenhouse Gas Emissions are from sources owned or controlled by the organisation. PHSO leases its accommodation (including air conditioning) and does not own any motor vehicles.

Scope 2 – Indirect Greenhouse Gas Emissions arise from the purchases of electricity, gas and oil. We only report on usage, consumption and costs where PHSO is invoiced directly by the energy supplier. PHSO also incurs energy charges in respect of shared areas in jointly-occupied buildings but these charges are an apportioned element of the service charges and specific usage data for PHSO is not available. We are also not able to report on fugitive emissions from air conditioning units, which are owned by the landlords and are included in the service charge.

⁷ Scope 3 – Other indirect emissions are as a consequence of our actions but occur at sources not owned or controlled by us and which are not classed as Scope 2. For PHSO this covers business travel only and emission impact is determined by mileage travelled. This report includes only business travel using trains, commercial aircraft and hire cars. Travel data includes travel by all staff regardless of location and by the Ombudsman herself.

⁸ PHSO is unable at present to report on renewable electricity performance as this is only reported by the energy provider on a historic basis, with the last report dated 2007. Gas and oil charges for sites form part of the service charges and therefore usage is not currently known.

Performance

There has been no significant change in financial and CO₂ output between 2010-11 and 2011-12.

Managing water use

PHSO's water usage is apportioned and recharged as part of the service charge for our leased accommodation, but specific data is not available on PHSO's usage or actual cost.

Performance

At Millbank Tower we have implemented several water saving measures including the installation of water saving systems in gents' facilities and the use of zip taps, which dispense hot and cold drinking water instantly, minimising the amount of water the office uses.

Managing office waste

The costs and volume of PHSO's non-recycled waste also form part of the accommodation service charges for both of our buildings. Since 2011-12, reporting on the recycled waste element has been separately identified and is reported below for both sites:

Performance

We installed recycling points for cans, plastics, paper and cardboard in London in May 2011. The Manchester office already had cans, plastics and paper recycling prior to May 2011. We receive a report each month covering each site individually that outlines the amount that has been recycled.

<i>Non—Financial Indicators: (kg recycled)</i>	2010-11	2011-12
Gross emissions for Scope 3	n/a	35,675
Total kg recycled	n/a	35,675

Other items of interest

Relationships with other organisations

PHSO provides clinical advice to the Scottish Public Services Ombudsman, the Public Services Ombudsman for Wales and the Northern Ireland Ombudsman. PHSO recharges for these services, and the funds recovered are included as income in these accounts.

PHSO is co-located in Millbank Tower with the London office of the Local Government Ombudsman for England. As a part of these co-location arrangements, some cross-charging for shared services takes place. The related income is disclosed as income in these accounts.

Personal data related incidents

The Cabinet Office's *Interim Progress Report on Data Handling Procedures* introduced a requirement to report significant personal data related incidents within the *Management Commentary*, in categories designated by the Cabinet Office.

PHSO seeks to be fully compliant with the *Data Protection Act 1998* and treats the management of its information assets as part of its portfolio of strategic risks. Information security remained a key area of focus under our Corporate Business Plan 2011-12 and we are doing a significant amount of work to improve our information and records management and assurance. PHSO has resources in place to handle routine issues arising from individual data requests under the *Data Protection Act 1998*.

Any potential data security incidents are reported to the security officer and appropriate action is taken to manage them, in accordance with Information Commissioner guidelines. Actions are also taken to reduce the risk of similar incidents occurring in the

future. During 2011-12 PHSO had one reportable incident, a letter containing detailed personal information about a complainant was incorrectly sent to them at a previous address, which we have been unable to recover. Actions have been taken as appropriate, including an apology to the complainant and the body they had complained about.

Auditors

The Comptroller and Auditor General is the auditor of PHSO's accounts. As disclosed in Note 9 to the accounts, a notional cost of £50,000 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 2011-12 were provided by Grant Thornton UK LLP.

As far as the Ombudsman, as Accounting Officer, is aware, there is no relevant audit information of which PHSO'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 PHSO's auditors are aware of that information.

Directors' interests

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

The Ombudsman is an ex officio member of the Commission for Local Administration in England, also known as the Local Government Ombudsman for England (LGO). PHSO and LGO undertake joint working and collaboration across a wide range of areas and initiatives.

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. PHSO 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, PHSO recognises the contributions payable for the year.

A full actuarial valuation of the PCSPS was carried out as at 31 March 2007. The full actuarial valuation of the PCSPS that was to be carried out as at 31 March 2012 has been deferred pending decisions in respect of the reforms of public sector pension schemes. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Payment of suppliers

PHSO 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 2011-12, 99.7% of invoices were paid in accordance with this policy (99.7% in 2010-11).

Employment policy and communications with staff

PHSO recruits on the principle of selection on merit through fair and open competition. PHSO is committed to the principle of equality of opportunity, and values the diversity of its staff. PHSO is committed to complying with

all relevant statutory requirements, including the provisions of the *Equality Act 2010*. The average number of people employed by PHSO in 2011-12 was 422 fte, of whom 30 fte have a self-declared disability.

PHSO 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.

The future

Ann Abraham retired as Parliamentary and Health Service Ombudsman in January 2012. Her successor, Dame Julie Mellor, DBE commenced her role as Parliamentary and Health Service Ombudsman in January following Ann's retirement.

The new Ombudsman is undertaking a strategy refresh programme to review the direction and requirements for PHSO's future. Called *refresh 2012*, the project will deliver a new four-year corporate strategy aimed at delivering more impact for more people. The strategy will reflect new directional aims for PHSO agreed by the Executive Board. These are to:

- enhance and improve the delivery of individual benefit through high-quality casework and effective and efficient casework process;
- increase PHSO's delivery of public benefit;
- increase significantly the public's and other stakeholders' awareness and understanding of PHSO's role; and
- expand PHSO's influencing role in order to help shape law and policy that make it easier for people to get access to administrative justice.

The *refresh 2012* project will help us to turn these aims into reality. It will inform our medium to long-term planning to ensure we are best placed to deliver our core role. The initial stage of the project will be a diagnostic and research process, involving listening to the views of staff, customers, bodies in jurisdiction, MPs and other stakeholders to better understand future priorities. This will result in our new corporate strategy, which we aim to publish before the end of 2012. It will provide the framework for implementation actions, beginning in 2012-13 and continuing into the next business year.

Whilst this project continues, PHSO's vision remains to provide an independent, high-quality complaint handling service that rights individual wrongs, drives improvements in public services and informs public policy. Its two strategic objectives are still:

- to provide an independent, high-quality and accessible complaint handling service that rights individual wrongs; and
- to drive improvements in public services and inform public policy.

Our corporate developmental objectives for 2012-13 are:

- to develop PHSO's strategy to deliver more impact for more people and fulfil the Ombudsman's directional aims;
- to enhance and improve the delivery of individual benefit through high-quality casework;
- to increase the public benefit of our work by: informing systematic change to public services; driving change to improve access to justice and increasing understanding of our role; and
- to continue to develop and improve our organisational governance, capability and capacity.

PHSO's strategy and plans are set out in our Four Year Strategic Plan 2011-15 and Corporate Business Plan 2012-13, which are available from our website www.ombudsman.org.uk.

Other factors affecting future development, performance and position

The new Ombudsman has undertaken a review of the structure of her Executive Board. Following this review, further structural changes are expected.

PHSO's resource requirements for the year will remain within the four-year financial settlement sanctioned by HM Treasury for the period 2011-15, with annual Estimates based on this settlement approved by Parliament.

The sanctioned settlement is based on four further years of 'flat cash', meaning that all salary increases and other inflationary pressures must be met through savings, rather than being funded through taxation. The Ombudsman has agreed with HM Treasury, a one-off reduction in funding of £150k in 2012-13 in line with other government departments. Meeting the terms of this settlement will require cumulative efficiency and productivity savings of 12.7% (£4.300 million) by 2014-15 and will also require PHSO to absorb expected increases in workload (subject to certain caveats on exceptional increases).

Total gross resource funding for 2012-13 will be £34.100 million, income of £0.250 million (a net resource requirement of £33.850 million) and capital of £0.725 million, including a planned carry forward from 2011-12 through the Budget Exchange process.

Dame Julie Mellor, DBE
Parliamentary and Health Service
Ombudsman
21 June 2012

Remuneration report

The Parliamentary and Health Service Ombudsman

During the year the posts of Parliamentary Ombudsman and Health Service Ombudsman were held by two people. Ann Abraham, who was appointed as Ombudsman on 4 November 2002, left the position on 2 January 2012. The second post holder, Julie Mellor, was appointed as Ombudsman on 3 January 2012 and was in post at the end of the financial year. One salary is paid for both posts direct from the Consolidated Fund. For Ann Abraham, this was a salary directly equivalent to that of a Group 4 High Court judge, reviewed accordingly on 1 April each

year. The salary for Julie Mellor was agreed by a resolution of the House of Commons on 18 July 2012.

Following the retirement of Ann Abraham, the appointment to the Office of Ombudsman is now restricted by statute to a seven year appointment. 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.

The salary and benefits in kind of the new Ombudsman were (full year equivalents, where applicable, are provided in brackets):

	2011-12		2010-11	
	Salary	Benefits in kind	Salary	Benefits in kind
	£000	(to the nearest £100) £	£000	(to the nearest £100) £
Julie Mellor	35-40 (150-155)	-	-	-

Prior to taking up her post, Julie Mellor attended PHSO's offices for one month in order to undertake handover activities. For this, she was paid a taxable honorarium in line with her current salary, of £12,700 to reflect the time commitment required.

The salary and benefits in kind of the outgoing Ombudsman were (full year equivalents, where applicable, are provided in brackets):

	2011-12		2010-11	
	Salary	Benefits in kind	Salary	Benefits in kind
	£000	(to the nearest £100) £	£000	(to the nearest £100) £
Ann Abraham	130-135 (170-175)	9,100	170-175	13,500

The pension entitlement of the new Ombudsman was:

	Accrued pension at age at 31/03/12 £000	Accrued lump sum at pension age at 31/03/12 £000	Real increase in pension at pension age £000	Real increase in lump sum at pension age £000	CETV at 31/03/11 £000	CETV at 31/03/12 ⁹ £000	Real increase in CETV as funded by employer £000
Julie Mellor	0.5	n/a	0-2.5	n/a	0	9	9

The pension entitlement of the outgoing Ombudsman was:

	Accrued pension at age at 31/03/12 £000	Accrued lump sum at pension age at 31/03/12 £000	Real increase in pension at pension age £000	Real increase in lump sum at pension age £000	CETV at 31/03/11 ¹⁰ £000	CETV at 02/01/12 ¹¹ £000	Real increase in CETV as funded by employer £000
Ann Abraham	65-70	195-200	0-2.5	0-2.5	1,364	1,464	38

Executive Board

During 2011-12 the Executive Board members, and their service contract commencement dates and end dates (where applicable), were:

		Commencement date	End date
Kathryn Hudson	Deputy Ombudsman	4 August 2008	n/a
Bill Richardson	Deputy Chief Executive	21 July 2003	n/a
Claire Forbes	Director of Communications	1 December 2009	n/a

⁹ The CETV figures and other pension disclosures are provided by Paymaster, PHSO's authorised pensions administration centre, which has assured PHSO that the figures for the year ended 31 March 2012 have been correctly calculated following guidance provided by the Government Actuary's Department.

¹⁰ The opening CETV figures and other pension disclosures are provided by Paymaster, PHSO's authorised pension administration centre, which has assured PHSO that the figures for Ann Abraham until she left on the 2 January 2012 have been correctly calculated following guidance provided by the Government Actuary's Department.

¹¹ The CETV figures and other pension disclosures are provided by Paymaster, PHSO's authorised pensions administration centre, which has assured PHSO that the figures for Ann Abraham until she left on 2 January 2012 have been correctly calculated following guidance provided by the Government Actuary's Department.

Bill Richardson and Claire Forbes were permanently appointed under fair and open competition.

Kathryn Hudson was seconded from the Department of Health from 4 August 2008. From 6 April 2010 Kathryn Hudson was appointed permanently to the post.

The remuneration for permanent and seconded members of the Executive Board is performance-based and is determined by a Pay Committee comprising the Ombudsman and two external members of the Advisory Board.

The Pay Committee determines senior staff pay in accordance with PHSO's 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.

Executive Board members' service contracts

The commencement dates of service contracts for each Executive Board member as shown before.

As the Crown has the power to dismiss at will, Executive Board 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:

Reason for termination	Less than four years' continuous service	More than four years' continuous service
Retirement on age grounds	Five weeks	One week plus one week for every year of continuous service (maximum 13 weeks)
Efficiency grounds		
Disciplinary proceedings		
Retirement on medical grounds	Nine weeks	Nine weeks, or as above
Compulsory on other grounds, not constituting grounds for summary dismissal	Six months	Six months

If a contract is terminated without the notice period 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.

With effect from 1 October 2006 the standard retirement age was increased from 60 to 65

for all staff and this has been implemented. However, members of the PCSPS have a reserved right to draw on their pensions from age 60. This can be done whilst remaining in employment. A departure before age 65 would be classed as a resignation as they will not be legally able to retire until age 65.

Executive Board members' remuneration and pension entitlements

The salary and benefits in kind of members of the Executive Board were (full year equivalents, where applicable, are provided in brackets):

	2011-12			2010-11		
	Salary	Bonus	Benefits in kind (to the nearest £100) ¹²	Salary	Bonus	Benefits in kind (to the nearest £100)
	£000	£000	£	£000	£000	£
Kathryn Hudson (Deputy Ombudsman)	130-135	-	300	130-135	-	200
Bill Richardson (Deputy Chief Executive)	130-135	-	300	130-135	-	500
Claire Forbes (Director of Communications)	90-95	-	-	90-95	-	400
Band of highest paid Director's Total Remuneration	130-135	-	-	130-135	-	-
Median Total	36.642	-	-	36.642	-	-
Ratio	3.6	-	-	3.6	-	-

The total remuneration of the highest paid Director is shown in comparison to the median remuneration across all PHSO staff, excluding the highest Director, and non employees as at the 31 March of the respective financial year. This shows a ratio of 3.6 times for both financial year. The comparator for 2010-11 is estimated on available data.

No director received a bonus in 2010-11 or 2011-12.

¹²Benefits in kind mainly consisted of hotel accommodation near PHSO's office on Millbank when working late, attending evening functions in an official capacity, or attending an early morning meeting or event.

The pension entitlement of members of the Executive Board was:

	Accrued pension at age at 31/03/12 £000	Accrued lump sum at pension age at 31/03/12 £000	Real increase in pension at pension age £000	Real increase/decrease in lump sum at pension age £000	CETV at 31/03/11 ¹³ £000	CETV at 31/03/12 ¹⁴ £000	Real increase/decrease in CETV as funded by employer £000
Kathryn Hudson	55-60	n/a	0-2.5	n/a	977	1,043	33
Bill Richardson	65-70	200-205	0-(2.5)	0-(2.5)	1,415	1,518	(18)
Claire Forbes	0-5	n/a	0-2.5	n/a	16	30	9

The Advisory Board: non-executive members

During 2011-12 the Advisory Board members, and their contract commencement dates and end dates (where applicable), were:

	Commencement date	End date
Paula Carter	1 April 2007	n/a
Linda Charlton	1 April 2007	n/a
Tony Wright	1 June 2010	n/a

¹³The opening CETV value shown in this year's report will differ to the amount shown as the closing CETV value in last year's report because the factors used in the CETV calculation have been revised during the year.

¹⁴The CETV figures and other pension disclosures are provided by Paymaster, PHSO's authorised pensions administration centre, which has assured PHSO that the figures for the year ended 31 March 2012 have been correctly calculated following guidance provided by the Government Actuary's Department.

The salary and benefits in kind of members of the Advisory Board were (full year equivalents, where applicable, are provided in brackets):

	2011-12		2010-11	
	Salary £000	Benefits in kind (to the nearest £100) £	Salary £000	Benefits in kind (to the nearest £100) £
Paula Carter	15	-	15	-
Linda Charlton	15	4,200	15	4,500 ¹⁵
Tony Wright	15	300	13 (15)	-

Advisory Board member remuneration is decided by the Ombudsman. No Advisory Board members receive a pension entitlement.

Paula Carter and Linda Charlton were appointed for three years in 2007 following fair and open competition and reappointed from 1 April 2010 for a further three years.

Tony Wright joined the Advisory Board on the invitation of the Ombudsman.

Brief biographies of serving Advisory Board members are available on PHSO's website (www.ombudsman.org.uk).

The Audit Committee: non-executive members

Audit Committee members are appointed for three years after which they can apply for re-appointment. During 2011-12 the Audit Committee members, and their contract commencement dates and end dates (where applicable), were:

	Commencement date	End date
Sir Jon Shortridge (Chair)	1 April 2010	n/a
Mei Sim Lai	1 April 2011	n/a
Brian Landers	1 December 2010	n/a

The salary and benefits in kind of members of the Audit Committee were (full year equivalents, where applicable, are provided in brackets):

	2011-12		2010-11	
	Salary £000	Benefits in kind (to the nearest £100) £	Salary £000	Benefits in kind (to the nearest £100) £
Sir Jon Shortridge	10	1,300	10	800
Mei Sim Lai	7	200	-	-
Brian Landers	7	200	2(7)	-

¹⁵ The benefits in kind figure for 2010-11 reflects actual amount paid rather than estimated.

Audit Committee member remuneration is decided by the Ombudsman. No Audit Committee members receive a pension entitlement.

Brian Landers was appointed with effect from 1 December 2010, (full year effect shown in brackets). Mei Sim Lai was appointed to the Audit Committee on 1 April 2011.

Appointments to the Audit Committee are for three years and follow fair and open competition.

Brief biographies of serving Audit Committee members are available on PHSO's website (www.ombudsman.org.uk).

Explanation of terms used in the Remuneration Report

Salary

'Salary' includes: gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by PHSO and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefit provided by PHSO and treated by HM Revenue & Customs as a taxable emolument.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to that in which they become payable. The bonuses reported in 2011-12 relate to performance in 2010-11, and the comparative bonuses reported for 2010-11 relate to performance in 2009-10.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007 scheme members may be in one of four defined benefit schemes: either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits being met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with pensions increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an 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**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years, initial 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. **Classic plus** is essentially a hybrid with the benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with pensions increase legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the *Finance Act 2004*.

The **partnership** pension account is a stakeholder pension arrangement. The employers make 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 panel of three providers. 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).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash equivalent transfer values (CETVs)

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 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 figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

The actuarial factors used in the calculation of CETVs were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index to the Consumer Prices Index as the measure used to up-rate Civil Service pensions.

Real increase in cash equivalent transfer values

This reflects the increase in CETVs that is funded by the employer. It does not include the increase in accrued pension due to inflation or 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.

Audit of the Remuneration Report

In accordance with the requirements of Schedule 7A of the *Companies Act 1985* (as amended), only certain sections of the Remuneration Report have been subject to full external audit. These comprise the tables on salary and pension entitlements.

Dame Julie Mellor, DBE
Parliamentary and Health Service
Ombudsman

21 June 2012

Statement of Accounting Officer's responsibilities

The Office of the Parliamentary Commissioner for Administration and Health Service Commissioner for England (PHSO) prepares resource accounts for each financial year. These are in compliance with the *Government Financial Reporting Manual* (as developed and maintained by HM Treasury), and detail the resources acquired, held or disposed of during the year and the use of resources by PHSO 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 PHSO, the net resource outturn, net operating cost, changes in taxpayers' equity, 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 PHSO, with responsibility for preparing PHSO'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 judgments 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 PHSO's assets, are set out in the *Accounting Officers' Memorandum* issued by HM Treasury and published in *Managing Public Money*.

Governance Statement

Introduction

I took up my office as Parliamentary and Health Service Ombudsman on 3 January 2012, prior to which the role was undertaken by Ms Ann Abraham who retired on 2 January 2012. As Accounting Officer for PHSO at 31 March 2012, this statement records my review of the governance of PHSO based on evidence of performance and effectiveness throughout 2011-12.

I can confirm that Ms Abraham has seen this statement and also that continuity of the role of Accounting Officer was maintained with an effective handover and transition from Ms Abraham to me. The governance framework set out below has not changed throughout the year and consequently references to arrangements I have in place should be read as operating in the same way during Ms Abraham's term of Office.

Governance framework

PHSO has in place a governance framework document that sets out for our staff and stakeholders the basis on which the Office has been established; the way in which it is governed and managed; and how it is accountable for what it does. This statement includes relevant extracts from that document and demonstrates how the requirements of the framework have been met during 2011-12.

During my initial period of Office, I have initiated a review of PHSO's strategy (*refresh 2012*) which will impact on the Office's future direction. I have also reviewed the top management structure of PHSO to ensure that this can support me in managing and delivering the new strategy when agreed. As a consequence of this, I have announced a number of changes that will affect PHSO's governance in the future. These changes are

set out later in this statement, but principally concern the appointment of a Chief Operating Officer for the organisation, which will necessitate other changes. There will be further work in the next financial year to determine any additional changes that I may wish to make to maintain effective governance of PHSO.

My accountability as the Ombudsman

In common with my predecessors, I was appointed by the Queen on the recommendation of the Prime Minister. I am independent of government and have statutory responsibilities and powers to report directly to Parliament. My appointment is for a set period of seven years. I may only be removed before that time following a resolution of both Houses of Parliament.

My appointment as Ombudsman carries with it the responsibilities of Accounting Officer for PHSO under administrative arrangements agreed with the Treasury. As Accounting Officer, I have personal responsibility for maintaining a sound system of internal control that supports the achievement of PHSO's policy, aims and objectives; ensuring the regularity and propriety of the Office's activities and resources used, and for effective financial and internal control systems; whilst safeguarding public funds and PHSO assets. This is in accordance with the responsibilities assigned to me in *Managing Public Money*, to the extent that they are appropriate to me as an Office holder independent of Government.

As the Ombudsman I account to Parliament for the activities of PHSO through a statutory Annual Report. I also produce Resource Accounts under arrangements agreed with the Treasury, which are subject to audit by the National Audit Office. Both the Annual Report and the Resource Accounts are published.

I report annually on the general discharge of my functions, on the standards of service provided to complainants, and on the use of public money. I report specifically from time to time on individual and/or systemic examples of maladministration. I appear at least annually before the Public Administration Select Committee, which Parliament has chosen (through its Standing Orders) to be its principal liaison mechanism with me, to give evidence on the work of my Office.

As Ombudsman I am solely responsible and accountable for the conduct and administration of all work carried out by PHSO and for the decisions made in each case. My decisions and those made on my behalf by my staff may be judicially reviewed by application to the courts.

The relationship between the Ombudsman and government was set out in a *Statement of Responsibilities*, which was agreed by my predecessor with the then Head of the Home Civil Service, and the Permanent Secretaries of the Treasury, the Department of Health, and the Ministry of Justice. This remains in force and will be updated during 2012-13 to reflect changes in signatories and accountabilities where appropriate.

As a public sector organisation my Office seeks to comply with the spirit of the *'Corporate Governance Code for Central Government Departments'*, published by HM Treasury. However, given that we are independent of government, we treat the Code as good practice. The constitutional nature of my role gives rise to a material departure from it. I am

currently, both Chair and Chief Executive of the Organisation. In practice, this means that I chair the Executive Board and my Advisory Board. I have decided that the executive and advisory governance arrangements will be reviewed during 2012-13 to ensure that we achieve maximum benefit from the independent scrutiny, that a non-executive board affords, while preserving the unique nature of my role in law. We will also conduct board effectiveness reviews for each of PHSO's senior governance boards and committees.

The Advisory Board

To enhance the governance of the Office, improve the transparency with which it operates and bolster the independence of the role, my predecessor appointed a non-statutory Advisory Board. From my appointment I have continued with this arrangement. The Advisory Board comprises myself (as Chair and Chief Executive in line with my statutory accountability); and three non-executive external members. Its work is governed by its Terms of Reference.

The role of the Advisory Board is to act as a 'critical friend' to give support and advice to the Ombudsman in providing leadership and good governance of PHSO; and to bring an external perspective to assist in the development of policy and practice. The Advisory Board provides specific advice and support on:

- purpose, vision and values;
- strategic direction and planning;

Present	23/5/11	03/8/11	22/9/11	01/11/11	01/02/12
Dame Julie Mellor, DBE			✓*		✓
Ann Abraham	✓	✓	✓	✓	
Paula Carter	✓	✓	✓	✓	✓
Linda Charlton	✓	✓	✓	✓	✓
Tony Wright	✓	✓	✓	✓	✓

* in attendance to observe

- accountability to stakeholders, including stewardship of public funds; and
- internal control and risk management arrangements.

The Advisory Board has no role in casework processes or decisions. The Advisory Board has two formal sub-committees, that have key roles in supporting the effective governance of PHSO: the Audit Committee and the Pay Committee.

Review of the work and effectiveness of the Advisory Board

During the course of 2011-12 the Advisory Board has met five times. Attendance of its members as set out on the previous page.

In addition to executive officials, all Advisory Board meetings have been attended by the Chair of the Audit Committee.

The business of the Advisory Board has included:

- review, advice and assurance on PHSO's strategy and business plan;
- review of key activities and events affecting the Office;
- review of PHSO's business performance and performance against its strategic KPIs and PIs;
- review of key policy and risk areas including equality and diversity, and communications;
- discussion on my strategic review (*refresh 2012*);

- annual report from the chair of the Audit Committee on its work, the effectiveness of the Committee and the level of assurance on the effectiveness of PHSO's systems and controls.

The Audit Committee

The Audit Committee is responsible for providing advice and assurance to me as the Accounting Officer and the Executive Board on the adequacy and effectiveness of PHSO's internal control and risk management. It also oversees internal and external audit arrangements that cover all areas of PHSO's work, including both financial and non-financial systems. It has four members: an external Chair, myself and two further external members. Membership of the Audit Committee will be reviewed in 2012-13 as part of the wider changes in governance, and in light of feedback from current Audit Committee members that their organisational awareness needs to be improved so that their effectiveness in their role can be further enhanced.

The Audit Committee's work is covered by an Audit Charter, that includes the Committee's Terms of Reference.

Review of the work and effectiveness of the Audit Committee

The Committee has met four times during the year (as required). Attendance of its members has been as follows:

Present	16/5/11	22/6/11	15/11/11	30/01/12
Sir Jon Shortridge (Chair)	✓	✓	✓	✓
Dame Julie Mellor, DBE				✓
Ann Abraham	✓	✓	✓	
Mei Sim Lai	✓	✓	✓	✓
Brian Landers	✓	✓	✓	✓

During the year, the Committee has also been attended by executive officials (including the Risk and Assurance Manager - PHSO's Head of Internal Audit - who has direct access to the Ombudsman and Audit Committee Chair as required); PHSO's outsourced internal audit service provider (Grant Thornton); and the National Audit Office.

Throughout the year the Audit Committee continued to provide valuable insight and effective support to PHSO. The Committee continued to monitor the adequacy and robustness of our corporate governance and control systems through:

- offering objective advice on issues concerning the risk, control and governance of the organisation and associated assurances provided by internal and external audit and other processes;
- challenging constructively executive decisions to ensure that these represent the best outcome and achieve value for money in the light of the available evidence; and
- supporting me and my predecessor directly as Accounting Officer to ensure good judgment has been exercised.

Over the course of 2011-12 the work of the Audit Committee has included:

- review and agreement of PHSO's risk-based audit plan for the year and review of its audit needs assessment;
- review and agreement of a new assurance map setting out where the Ombudsman can seek and obtain assurance related to key areas of risk;

- review of risk management policies and practices throughout PHSO;
- review of the Resource Accounts, accounting policies and practice relevant to the organisation (including compliance with *Managing Public Money*), and provided assurances to the Ombudsman on statements for which I am personally accountable;
- review of the plans of internal and external audit, including assessing priorities and promotion of understanding of the role of audit within PHSO;
- the results of audit work including: individual audits (including value for money audits), progress, follow-up and management letters;
- the adequacy of management responses to issues raised by internal and external audit and actions taken;
- review of internal audit arrangements
- monitoring the cost and performance of the internal and external audit service.

For 2011-12 an audit plan of 12 internal audits and a follow-up review was agreed. The Committee was able to comment on a range of assurance areas that encompassed assignments reflecting our strategic risks and the full range of our corporate aims and objectives.

The Audit Committee considered all 12 completed audit reports and the follow-up review. Of the 12 reports presented to the Committee, five were awarded full assurance, four were awarded substantial assurance and

three were graded as having limited assurance. The full set of assignments, together with the assurance awarded and the provider, is set out in the table below.

Title of Audit Assignment	Assurance Awarded	Provider
Learning and Development VFM	Limited	Grant Thornton
Procurement and purchasing processes	Substantial	Grant Thornton
Delegation Scheme	Substantial	Grant Thornton
HR Management Information	Full	Grant Thornton
Financial and Accounting Systems and Payroll	Substantial	Grant Thornton
Risk Management and Corporate Governance	Full	Grant Thornton
ICT Contract Management	Full	Grant Thornton
Complaints about us	Full	Grant Thornton
Review of Customer Services	Full	Grant Thornton
Business Continuity Management	Substantial	Grant Thornton
Stakeholder Database	Limited	Grant Thornton
Equality and Diversity – Measures of Success 2011-2015	Limited	Schneider Ross
Detailed follow up of the ICO Data Protection Audit 2010-11	An assurance grade was not awarded for this assignment	Interim Risk and Assurance Manager

In key areas around governance, risk, information and business management, assurances provided have generally been satisfactory. Recommendations made are being acted on. The position on the three audits awarded limited assurance is as follows:

- Learning and Development Value for Money:** The key issue here was that while the auditors recognised that delivery of training in PHSO was effective, they were concerned that there was limited assurance they could give on controls in place to ensure economy and efficiency. The Executive Board considered this finding and agreed actions to enable us to monitor, evidence and evaluate more closely the achievement of efficiency and economy;

- Stakeholder Database:** The key issue here was that while the auditors acknowledged a number of areas of good practice in PHSO's procurement and deployment of a stakeholder database, they also found that the governance of the project had not been well designed, and consequently there had been delays in delivery. As a result, they were only able to provide limited assurance. The Executive Board accepted this finding and agreed a number of specific measures to ensure successful delivery and that lessons are learnt for the future.
- Equality and Diversity – Measures of Success 2011-15:** The key issue here was that while the auditors observed that PHSO has a stronger platform for development than they had seen in other organisations, 'limited

assurance' reflected our position against our ambition to be exemplary. The Executive Board agreed with this conclusion, which was in line with our internal risk assessment rating of 'amber' from a management review of progress on implementing our Equality and Diversity Strategy. The Executive Board welcomed the report's recommendations and felt that they provided us with a clear framework to enable us to move towards the commitment in our strategy to be an exemplar in Equality and Diversity practice by 2015.

In relation to external audit, the National Audit Office, (NAO), continued to provide PHSO with an effective service of auditing the Resource Accounts and contributing views on the effectiveness of other audit work and controls.

The key external audit outcome from the year in relation to assurance provided to me was the unqualified opinion from the Comptroller and Auditor General on PHSO's 2011-12 Resource Accounts.

During the year the Committee were also involved in a number of activities to progress the continuous improvement of PHSO's audit and assurance services and the Committee's effectiveness. These included:

- reviewing our Audit Charter, Audit Committee Terms of Reference and also the Audit Strategy to ensure that they continued to meet the needs of the organisation; and
- an Audit Committee effectiveness Workshop which was facilitated by the NAO. This made a number of recommendations to improve the links between the Committee, the PHSO Advisory Board and the Executive Board. The recommendations were accepted and are in the process of being implemented.

In terms of assurance, the Head of Internal Audit has provided an opinion to me and the Audit Committee that a satisfactory level of internal audit work was undertaken in 2011-12 to allow a reasonable conclusion to be drawn on the adequacy and effectiveness of PHSO's control, governance and risk management processes. There were no qualifications to their opinion.

The Audit Committee has also provided to me and the Advisory Board an opinion in its annual report that 'the Accounting Officer can be satisfied that the overall control framework, governance arrangements and risk management processes for which she is responsible are appropriate to her needs'.

For the future there are two important developments to record.

First, during the course of the year PHSO reviewed the future management and approach to the delivery of internal audit, in the light of difficulties in finding a permanent replacement of suitable quality for the current Risk and Assurance Manager, who left PHSO in May 2012. Following consultation with the Audit Committee, the decision was taken to fully outsource the internal audit service. Grant Thornton will provide the Head of Internal Audit with effect from 1 April 2012. Changes to the Audit Charter and other documents are in hand, alongside agreement of new contractual terms, performance indicators and protocols with Grant Thornton.

Secondly, as part of my review of governance, I have decided to make a change to Audit Committee membership. A particular feature of the Committee is that the Ombudsman herself is currently a member, whereas typically, such Committees are comprised of independent members. I have decided that there should be a clear distinction between myself and those charged with providing assurance to me on the way that the Office is controlled and managed.

Consequently, I have decided in discussion with the Audit Committee Chair to step down from membership of the Committee at an appropriate point during 2012-13. I will continue to attend Committee meetings at the invitation of the Chair. The membership of the Committee will be reviewed to ensure that it continues to have the knowledge and expertise to fulfil its function.

The Pay Committee

The Pay Committee is responsible for providing advice on pay arrangements in PHSO, and specifically for determining the pay of senior staff (except for my pay, which is set separately under statutory arrangements). Its membership is me (as Chair) and two of the external members of the Advisory Board.

Review of the work and effectiveness of the Pay Committee

The Committee has met twice during the year and its meetings have been minuted. Attendance of its members has been as follows:

Present	03/8/11	30/3/12
Dame Julie Mellor, DBE		✓
Ann Abraham	✓	
Paula Carter	✓	✓
Linda Charlton	✓	✓

Executive officials have been present during discussions to provide advice, but have been absent for decisions affecting them personally.

During the course of the year, the Committee has:

- considered reports on the pay of staff below senior staff level, including the negotiated resolution of a pay dispute concerning pay progression during the current pay freeze across the public sector;

- considered a review of pay policy;
- endorsed and agreed of performance pay awards; and
- agreed pay for senior staff (reflecting the pay freeze currently in place).

The Executive Board

An Executive Board, chaired by me, and comprising the Deputy Ombudsman, Deputy Chief Executive and the Director of Communications, exercises management of PHSO's functions and activities. The Executive Board is responsible for the delivery of PHSO's strategic vision, policies and services to the public and other stakeholders.

The Executive Board meets regularly and is responsible for co-ordinating activity across the organisation. It is the ultimate forum (supported appropriately by other groups) for making executive decisions about operational, resource, communications and other administrative matters in order to deliver the Strategic and Corporate Business Plans, and for monitoring performance. The role of the Executive Board in decision making carries a recognition that on occasion there will be some issues for which the decision-maker is me alone as Ombudsman.

Executive Board members also meet formally with other senior managers, corporately and in their divisions, to steer and lead on strategically important areas of work.

In addition to their corporate responsibilities, the Deputy Ombudsman, Deputy Chief Executive and the Director of Communications are accountable for delivery of specific functions for which they have line management and decision-making responsibility:

- Deputy Ombudsman** - leads Operational teams responsible for delivery of casework and customer service - comprising a Director of Customer Services and

Assessment, Investigations Directors, a Director of Clinical Advice, and a Director of Outcomes and Learning, casework staff, internal and external clinical advisers and support staff. The Deputy Ombudsman is supported in managing delivery of her functions through an Operations Directors Meeting (ODM).

- **Deputy Chief Executive** – leads Corporate Resources teams responsible for delivering financial, facilities, ICT, information and records management, and human resource services and systems comprising: Director of Finance Planning and Performance, Director of People and Organisational Development, Director of Service Delivery, Head of HR Operations, Head of Information and Records Management, and other professional, specialist and support staff. The Deputy Chief Executive is supported in managing delivery of corporate services through the Corporate Resources Management Team (CRMT).
- **Director of Communications** – leads the teams responsible for media and communications, and public affairs comprising: a Head of Media and Communications, a Head of Public Affairs,

and other professional, specialist and support staff.

The Executive Board members have a specific responsibility to act if they believe that I as Ombudsman am acting illegally or in gross violation of my duties. This responsibility is intended to provide an explicit and transparent assurance to Parliament and the public that the high standards of my Office will be protected.

Review of the work and effectiveness of the Executive Board

The Executive Board has met 21 times during the year and its decision making and quarterly meetings have been minuted. 12 of these meetings have been formal decision making meetings; 5 have been to provide input to key corporate strategies and initiatives to help inform analysis and the development of options for consideration and decision making; and 4 have been quarterly meetings to review and provide assurance on delivery of PHSO's business plans. These meetings have been central to the governance of the organisation in holding itself accountable for the work we do and the proper use of the public resources assigned to it. Attendance of members has been as follows:

	Decision making (Number of meetings 12)	Discussion (Number of meetings 5)	Quarterly (Number of meetings 4)
Present	Number of meetings attended	Number of meetings attended	Number of meetings attended
Dame Julie Mellor, DBE	3	1	1
Ann Abraham	9	4	3
Claire Forbes	12	4	3
Kathryn Hudson *	8	4	3
Bill Richardson	10	5	4

* Absent on jury service for some meetings

Where Executive Board members were unable to attend a meeting a nominated deputy attended for them.

During the year the Executive Board provided effective strategic leadership to enable the organisation to deliver the 2011-12 Business Plan. Executive Board members have provided regular assurance on the effectiveness of delivery of the areas of the Business Plan for which they are personally accountable. The *Annual Report of Performance*, included in these Accounts, sets out the detail of the achievement that this represents.

Following my appointment I have set out my new direction for PHSO that enables us to combine our high-quality casework with greater external influence in those areas where our experience can inform the service improvement. To this end I have put in hand a project to review the Office's future approach (*refresh 2012*) with a view to publishing a PHSO Corporate Strategy by the end of 2012.

At the same time I have reviewed the top management structure of PHSO to ensure this reflects the leadership required to deliver the new direction for the Office and how I propose to carry out the role of Ombudsman. As a consequence of this I have decided to create a new key role of Chief Operating Officer (COO), to whom will be delegated internal management of PHSO. The management structure underneath this role will be determined during 2012-13 once the new strategy is clearer and the COO has joined PHSO. A transition plan is being put in place to ensure that these changes are managed well and that good governance is maintained in the meantime.

Risk management and assessment

PHSO has a risk management framework in place to take into account:

- PHSO's role, vision, values, strategic plan and business priorities;

- our business approach that emphasises quality assurance and dialogue in decision making; and
- PHSO's governance arrangements, in particular links with our Corporate Performance Reporting Framework, internal review arrangements, and associated roles and responsibilities.

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

Individual responsibility for each strategic risk is assigned to a senior manager, who acts as the risk owner. They are required to provide quarterly assurance reports to me and the Executive Board that the risk(s) for which they are responsible are being effectively managed, regularly monitored and proportionate mitigation actions are in place. 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 and the PHSO Boards.

PHSO's risk management framework 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 to manage risk 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 2011-12 PHSO's risk management framework was reviewed and updated to reflect emerging good practice elsewhere around the assignment of appropriate risk appetites to individual strategic risks.

Throughout PHSO, risk owners have a 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 and Assurance Manager in advance of Executive Board and Audit Committee meetings;
- assurance reporting to the Executive Board on progress on achieving Divisional plans, taking into account any risks requiring immediate attention; and
- submitting quarterly 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 crystallised, detail how the risk was managed or what other actions were taken.

At an operational level we have risk management arrangements in place whereby investigators initially assess the risk category of each case, and follow corresponding governance arrangements for the selected category. However, we are keen to ensure that these are sufficient and that up-to-date case specific risk management information is documented and actively reviewed at each level. We are therefore reviewing our casework risk management arrangements and we expect to consider findings in early 2012-13.

Risk appetite

As is appropriate for a public body, there are areas where PHSO is not prepared to take risks, such as with the stewardship of resources and the robust management of the organisation. At the same time, in the context of the core

business, PHSO wishes to be innovative and is consequently prepared to accept higher levels of risk. By continually reviewing and monitoring the status of its risks, these are proactively managed.

Review of effectiveness of risk management

During 2011-12 we have kept our strategic risks under review to ensure that they remain the appropriate focus of risk management for PHSO. The strategic risk register has been closely aligned to the *Strategic Plan*, and strategic objectives are referenced in each risk.

Current strategic risks are in the areas of:

- customer and user satisfaction – we must ensure that we are delivering a good service to complainants and all other external stakeholders;
- corporate governance and leadership – we must ensure that we have clear strategic planning, adequate internal controls in place and that senior managers are empowered;
- communications and external risks – we need to ensure that stakeholders (both internal and external) are clear about our role and purpose to enable us to be effective in influencing. We also need to ensure we can respond appropriately to any changes in the external environments that affect us;
- workforce – we must ensure we have a workforce that is skilled, adaptable, diverse and motivated;
- equality and diversity – we must ensure that we have an accessible service and a diverse workforce to meet the needs of our diverse range of customers;
- stewardship of resources – we need to ensure regularity, propriety and value for money in all that we do;

- information and records management – we need to ensure that we have effective records management policies, procedures and controls that enable us to meet our legal obligations, facilitate the delivery of our business, and provide clarity to our customers and stakeholders on the way we handle and safeguard the information we hold;
- tools for the job – we must ensure we have the appropriate infrastructure in place;
- security – we must ensure that we have a safe and secure working environment for all staff and that PHSO assets are managed appropriately; and
- business continuity management – we need to have contingency arrangements in place to allow PHSO to continue to deliver its services in all circumstances.

During the year the organisation effectively managed a number of specific risks that arose. These included:

- the transition to my tenure as Ombudsman;
- the transfer to off site hosting of our IT servers;
- the continuing delivery of our Equality and Diversity Strategy; and
- the management of a pay dispute with one of the trade unions representing staff.

In addition, work was done to:

- undertake a risk assessment of the impact of the *Bribery Act 2010* for PHSO;
- undertake through our internal auditors a review of *PHSO's Risk Management and Corporate Governance*;
- complete and maintain an assurance map for PHSO to identify the assurances required by the Ombudsman and other Executive Board members and how these are achieved; and

- continue a system of regular reviews of casework to ensure it is compliant with the Casework Quality Framework we introduced at the end of 2008-09.

A Finance Code is in place and this continues to support good corporate governance and control through promoting sound financial management and efficient use of resources. Comprehensive budget delegation arrangements are in place. During 2011-12 PHSO implemented the latest HM Treasury accounting requirements to ensure that appropriate arrangements and controls are in place to enable Clear Line of Sight (CLOS) limits for our financial management.

Information and data

During 2011-12 the Executive Board have been provided with a full range of management information and supporting data to inform our decision making. As part of the process for supplying reports and corporate papers to the Executive Board, a number of quality controls are in place to ensure a high standard of accuracy and reliance can be placed upon their contents. These controls are principally based upon peer and management review, effective records management, and periodic review through internal and external audit.

PHSO seeks to be fully compliant with the *Data Protection Act 1998* and treats the management of its information assets as part of its portfolio of strategic risks. As an organisation we deal with over 75,000 documents annually that contain personal data. Because of the nature of our work, and the large volumes of personal data we handle, maintaining the security and integrity of the personal data is at the heart of our core business, policies and processes. Information security remained a key area of focus under our *Corporate Business Plan 2011-12* and a significant amount of work is being done to improve our information and records management and assurance. PHSO

has resources in place to handle routine issues arising from individual data requests under the *Data Protection Act 1998*.

The Office has also undertaken a public consultation on our Information Promise which sets out how we will treat and protect the third party information for which we are responsible. The outcome of the consultation has been considered by the Executive Board and as a result PHSO's Information Promise has been agreed together with an associated, revised Publication Scheme which is now live on our website.

Any potential data security incidents are reported to the Security Officer and appropriate action is taken to manage them, in accordance with Information Commissioner guidelines. Actions are also taken to reduce the risk of similar incidents occurring in the future.

Given the large amount of personal data that we deal with, it is possible that even with the stringent controls we have in place there will be the potential for data security incidents to arise. During 2011-12 PHSO had one reportable incident - a letter containing detailed personal information about a complainant was incorrectly sent to them at a previous address, which we have been unable to recover. Actions have been taken as appropriate including an apology to the complainant and the body they had complained about, and work with our staff to minimise the risks of sensitive letters being wrongly addressed.

Apart from that there were no other reportable matters during 2011-12. However, since the end of the financial year and prior to the Publication of the Resource Accounts and this Governance Statement, two other data incidents have occurred which are the subject of ongoing management action.

Fraud

The Office has a comprehensive Fraud Policy, and associated Fraud Response Plan, in place. During 2011-12 no instances arose requiring action under the Fraud Policy.

Dame Julie Mellor, DBE
Parliamentary and Health Service
Ombudsman

21 June 2012

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 and Health Service Ombudsman for the year ended 31 March 2012. The financial statements comprise: the Statement of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Office of the Parliamentary and Health Service Ombudsman as at 31 March 2012 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the 2011-12 version of the *Government Financial Reporting Manual*.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse **25 June 2012**

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria,
London
W1W 9SP

Statement of Parliamentary Supply Summary of Resource Outturn 2011-12

2011-12								2010-11	
Estimate				Outturn			Voted outturn compared to Estimate: saving/ (excess) £000	Outturn £000	
Note	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000			
Departmental Expenditure Limit									
- Resource	2	33,363	-	33,363	33,009	-	33,009	354	33,084
- Capital		650	-	650	611	-	611	39	847
Annually Managed Expenditure									
- Resource		(150)	-	(150)	(158)	-	(158)	8	(239)
- Capital		-	-	-	-	-	-	-	-
Total Budget		33,863	-	33,863	33,462	-	33,462	401	33,692
Non-Budget									
- Resource		-	187	187	-	188	188	-	193
Total		33,863	187	34,050	33,462	184	33,650	401	33,885
Total Voted Resources		33,213	-	33,213	32,851	-	32,849	362	32,845
Total Capital		650	-	650	611	-	611	39	847
Total		33,863	-	33,863	33,462	-	33,462	401	33,692

Explanations for variances between Estimate and Outturn are given in note 2.1 and the Management Commentary.

For Estimates purposes, all PHSO's spend is classified as Programme. The Statement of Parliamentary Supply does not therefore report against an Administration Cost Limit.

Figures in the areas outlined in bold are voted totals subject to Parliamentary control.

Net Cash Requirement 2011-12

2011-12				2010-11
Note	Estimate £000	Outturn £000	Net total outturn compared to Estimate: saving/ (excess) £000	Outturn £000
Net Cash Requirement	4	32,613	752	32,185

Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
Administration costs			
Staff costs	7	21,619	21,325
Other administration costs	9	11,821	12,016
Gross administration costs		33,440	33,341
Operating income	10	(248)	(310)
Net administration costs		33,192	33,031
Net operating cost		33,192	33,031
Other comprehensive expenditure			
Net gain/(loss) on revaluation of property, plant and equipment	11	5	11
Other comprehensive expenditure		5	11
Total comprehensive expenditure for the year ended 31 March 2012		33,197	33,042

All operations are continuing.

Statement of Financial Position as at 31 March 2012

		31 March 2012	31 March 2011
	Note	<u>£000</u>	<u>£000</u>
Non-current assets			
Property, plant and equipment	11	4,348	5,308
Intangible assets	12	285	279
Total non-current assets		4,633	5,587
Current assets			
Trade and other receivables	14	1,375	1,427
Cash and cash equivalents	15	68	45
Total current assets		1,443	1,472
Total assets		6,076	7,059
Current liabilities			
Trade and other payables	16	(2,338)	(2,023)
Other liabilities	16	(136)	(111)
Total current liabilities		(2,474)	(2,134)
Non-current assets less net current liabilities		3,602	4,925
Non-current liabilities			
Provisions	17	(521)	(679)
Other liabilities	16	(405)	(476)
Total non-current liabilities		(926)	(1,155)
Assets less liabilities		2,676	3,770
Taxpayers' equity			
General Fund		2,201	3,243
Revaluation Reserve		475	527
Total taxpayers' equity		2,676	3,770

Dame Julie Mellor, DBE
Parliamentary and Health Service Ombudsman
21 June 2012

Statement of Cash Flows for the year ended 31 March 2012

		2011-12	2010-11
	Note	£000	£000
Cash flows from operating activities			
Net operating cost	3	(33,192)	(33,031)
Adjustments for non-cash transactions	9	1,636	1,566
(Increase)/decrease in trade and other receivables	14	52	10
Increase/(decrease) in trade payables	16	269	37
“Less movements in payables/receivables relating to items not passing through the Statement of Comprehensive Net Expenditure”	16	(26)	(10)
Use of provisions	17	(160)	(239)
Net cash outflow from operating activities		(31,421)	(31,667)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(471)	(548)
Purchase of intangible assets	12	(154)	(158)
Net cash outflow from investing activities		(625)	(706)
Cash flows from financing activities			
From the Consolidated Fund (Supply): current year		31,886	32,204
From the Consolidated Fund (Non-Supply)	7	188	193
Net financing		32,074	32,397
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		28	24
Payments of amounts due to the Consolidated Fund	16	(5)	(16)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund			
	15	23	8
Cash and cash equivalents at the beginning of the period	15	45	37
Cash and cash equivalents at the end of the period	15	68	45

Statement of Changes in Taxpayers' Equity for the Year ended 31 March 2012

	General Fund	Revaluation Reserve	Total Reserves
Note	£000	£000	£000
Balance at 31 March 2010	3,783	590	4,373
Net Parliamentary Funding - drawn down	32,204	-	32,204
Net Parliamentary Funding - deemed	21	-	21
Consolidated Fund Standing Services	7	-	193
Supply payable adjustment	16	-	(40)
CFERs payable to the Consolidated Fund	16	-	(7)
Comprehensive net expenditure for the year	3	-	(33,031)
Non-cash charges - auditor's remuneration	9	-	50
Net gain/(loss) on revaluation of property, plant and equipment	11	11	7
Transfers between reserves	74	(74)	-
Balance at 31 March 2011	3,243	527	3,770
Net Parliamentary Funding - drawn down	31,886	-	31,886
Net Parliamentary Funding - deemed	40	-	40
Consolidated Fund Standing Services	7	-	188
Supply payable adjustment	16	-	(65)
CFERs payable to the Consolidated Fund	16	-	(6)
Comprehensive net expenditure for the year	3	-	(33,192)
Non-cash charges - auditor's remuneration	9	-	50
Net gain on revaluation of property, plant and equipment	11	-	5
Transfers between reserves	52	(52)	-
Balance at 31 March 2012	2,201	475	2,676

The General Fund serves as the operating fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

The Revaluation Reserve records the unrealised gain or loss on revaluation of assets.

Notes to the Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM comply with IFRS as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of PHSO for the purpose of giving a true and fair view has been selected. The particular policies adopted by PHSO are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the preparation of one additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the Net Resource Requirement and the Net Cash Requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment.

1.2 Financing

PHSO is primarily resourced by funds approved by the House of Commons through the annual *Appropriation Act*. Resources are drawn down each month to meet expenditure requirements and are credited to the General Fund.

1.3 Operating income

Operating income relates directly to the operating activities of PHSO. PHSO has Parliamentary approval to retain the following income:

- income for services provided to: the Scottish Public Services Ombudsman; the Public Services Ombudsman for Wales; and the Northern Ireland Ombudsman;
- income from sharing accommodation with and providing corporate services to the Local Government Ombudsman for England and the Information Commissioner; and
- recoveries in respect of outward secondments.

The level of income that PHSO may use in support of its activities is approved by the House of Commons in the *Appropriation Act*. Income earned in excess of the approved level, or income of a type for which PHSO does not have Parliamentary approval, cannot be used in support of PHSO's activities and is required to be paid over to the Consolidated Fund as excess income in accordance with *Managing Public Money*.

1.4 Administration and programme expenditure

Most organisations whose funds are approved by the House of Commons are required to provide an analysis, in their Statement of Comprehensive Net Expenditure, between 'administration' and 'programme' expenditure. However, all PHSO's funding is classified as programme and therefore no such analysis is provided.

1.5 Pensions

Past and present employees of PHSO are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS), which are described in Note 8. These defined benefit schemes are unfunded and are non-contributory except in respect of dependents' benefits. PHSO recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from 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. In respect of the defined contribution element of the schemes, PHSO recognises the contributions payable for the year.

1.6 Early departure costs

PHSO is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. PHSO provides in full for the cost when the early retirement programme has been announced and is binding on PHSO.

1.7 Operating leases

The total cost of operating leases is expensed in equal instalments over the life of the lease. In accordance with Standards Interpretations Committee Interpretation 15: Operating Leases - Incentives, lease incentives (such as rent-free periods) are considered an integral part of the net cost of the lease and are recognised over the full lease term.

1.8 Property, plant and equipment

Expenditure on property, plant and equipment of £1,000 or more is capitalised. Assets costing less than £1,000 may be capitalised providing they are capital in nature and there are enough assets to be worth more than £1,000 in total.

On initial recognition, assets are measured at cost including any costs, such as installation costs, directly attributable to bringing them into working condition. All property, plant and equipment is reviewed annually for impairment and is carried at fair value.

1.9 Intangible assets

Expenditure on intangible assets, which are software licences and the associated costs of implementation, is capitalised when the cost is £1,000 or more. Intangible assets are reviewed annually for impairment and are valued on the basis of amortised replacement cost as an approximation of fair value.

1.10 Depreciation

Property, plant and equipment is depreciated at rates calculated to write assets down to their estimated residual value on a straight-line basis over their estimated useful lives. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

Asset lives are normally in the following ranges:

- furniture and fittings – ten years;
- IT software and equipment – three to five years;
- office machinery – five years; and
- refurbishment – the lesser of ten years or the lease term.

1.11 Financial instruments

PHSO does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables, payables, cash and cash equivalents (Notes 14 to 16). Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that PHSO will be unable to collect an amount due in accordance with the agreed terms.

1.12 Provisions

PHSO provides for legal or constructive obligations which are of uncertain timing or amount at the Statement of Financial Position 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 HM Treasury discount rate.

1.13 Value added tax

PHSO is not registered for value added tax (VAT) and these accounts are prepared on a VAT-inclusive basis.

1.14 Accounting estimates

No significant accounting estimates or judgments were made by PHSO in preparing these accounts.

1.15 Going concern

The Parliamentary Commissioner for Administration, otherwise known as the Parliamentary Ombudsman, is an independent office-holder appointed by the Crown under the *Parliamentary Commissioner Act 1967*. The Parliamentary Ombudsman is also currently appointed as the Health Service Commissioner for England, an independent office-holder appointed by the Crown under the *Health Service Commissioners Act 1993*. PHSO exists to support the work of the Ombudsman and, in her opinion, as long as the provisions of the *Parliamentary Commissioner Act 1967* and the *Health Service Commissioners Act 1993* apply, it is appropriate for PHSO to continue to support her work and for PHSO's accounts to be prepared on a going concern basis.

1.16 Clear Line of Sight

The Clear Line of Sight Project has resulted in a number of changes to the way the Resource Accounts have been prepared, in particular the format of the Statement of Parliamentary Supply has been amended so it is consistent with the 2011-12 Estimate. The changes include classifying resource and capital spend as falling within DEL (Departmental Expenditure Limit) or AME (Annually Managed Expenditure) and reporting control totals on a net basis. Revisions have also been made to notes 2 to 5 of the accounts to reflect the new presentation of the Statement of Parliamentary Supply. There has been no restatement of prior year figures as a consequence of these changes.

1.17 Impending Application of newly issued Accounting Standards not yet Effective

There were no new Standards issues for 2011-12 and not applied which would materially affect PHSO's financial statements. PHSO has also not adopted any standards early.

2. Net outturn

2.1 Analysis of net resource outturn by section

	2011-12				2010-11	
	Outturn		Estimate		Net total outturn compared with Estimate £000	Prior year outturn £000
	Gross resource expenditure £000	Income £000	Net total £000	Net total £000		
Departmental Expenditure Limit						
Voted Annual Resource Costs *	33,252	243	33,009	33,363	354	33,084
Annually Managed Expenditure						
Voted Release of Early Departure Provision	(158)	0	(158)	(150)	(8)	(239)
Non Budget						
Ombudsman's Salary	188	0	188	187	(1)	193
Total	33,282	243	33,039	33,400	361	33,038

Net resource outturn totals £33.039 million, which is £0.361 million less than the Estimate provision of £33.400 million. Detailed explanations for the variances are given in the Management Commentary. This outturn is 1% of Estimated provision.

* To undertake the work of the Parliamentary Commissioner for Administration and for the Health Service Commissioner for England

2.2 Analysis of net capital outturn by section

	2011-12				2010-11	
	Outturn		Estimate		Net total outturn compared with Estimate £000	Prior year outturn £000
	Gross resource expenditure £000	Income £000	Net total £000	Net total £000		
Departmental Expenditure Limit						
Voted						
Annual Capital Costs	625	14	611	650	39	847
Annually Managed Expenditure						
Voted						
None	0	0	0	-	0	0
Non Budget						
Non Budget Expenditure	0	0	0	-	0	0
Total	625	14	611	650	39	847

Capital spending is 6% lower than the Estimate Provision.

3. Reconciliation of outturn to net operating cost

		2011-12			2010-11
		Outcome	Estimate	Outturn compared with Estimate	Outturn
Note		£000	£000	£000	£000
	Total resource outturn in Statement of Parliamentary Supply				
	Budget	33,009	33,363	354	32,845
	Non-Budget	188	187	(1)	193
	Non-supply income	(5)	-	5	(7)
	Net operating cost	33,192	33,550	358	33,031

4. Reconciliation of Net Cash Requirement to increase/ (decrease) in cash

	2011-12	2010-11
	£000	£000
Net Cash Requirement	(31,861)	(32,185)
From the Consolidated Fund (Supply) - current year	31,886	32,204
Amounts due to the Consolidated Fund received and not paid over	3	5
Amounts due to the Consolidated Fund received in the prior year and paid over	(5)	(16)
Increase/(decrease) in cash(2)	23	8

5. Analysis of income payable to the Consolidated Fund

In addition to income retained by PHSO, the following income relates to PHSO and is payable to the Consolidated Fund (Cash receipts are shown in italics).

Note	Forecast 2011-12		Outturn 2011-12	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income outside the ambit of the Estimate	-	-	5	1
“Other operating income and receipts not classified as Excess cash surrenderable to the Consolidated Fund”	-	-	-	-
Total income payable to the Consolidated Fund	-	-	5	1

6. Statement of Operating Costs by Operating Segment

For internal reporting purposes PHSO's resource costs are broken down on a 'divisional' basis, and further classified by expenditure type.

The divisional heads of Operations, Communications and Corporate Resources are all members of PHSO's Executive Board, while all teams reported under 'Others' report directly to the Ombudsman. The main activities carried out by the four groups are as follows:

- Operations: responsible for the delivery of casework and customer service;
- Communications: responsible for media and communications, and public affairs;
- Corporate Resources: responsible for delivering financial, facilities, ICT, knowledge and information management and human resources services and systems;
- Others: a variety of activities including the Legal Adviser; the Ombudsman's Private Office, Casework and Policy teams; and centrally met costs, such as maternity leave and losses.

Only the Operations Division is classified as a 'segment' as per the criteria of IFRS8; the other divisional results are disclosed in order to allow reconciliation back to the full cost of PHSO for 2011-12.

Staff costs (including on-costs such as pensions and National Insurance), general budgets (including travel and subsistence expenses), the direct costs of our casework and related income are allocated for internal management reporting purposes as follows:

	Operations £000	Communications £000	Corporate Resources £000	Others £000	Total £000
2011-12					
Staff costs	14,897	890	4,003	1,617	21,407
General budgets	288	40	95	61	484
Professional advice - casework	320	-	-	116	436
Associate caseworkers	36	-	-	-	36
External complaints reviewers	-	-	-	146	146
Income	(185)	-	(16)	(47)	(248)
Total	15,356	930	4,082	1,893	22,261
PHSO overhead costs					10,931
Total					33,192
2010-11					
Staff costs	14,916	772	3,745	1,699	21,132
General budgets	262	20	107	55	444
Professional advice - casework	318	-	-	210	528
Associate caseworkers	85	-	-	-	85
External complaints reviewers	-	-	-	96	96
Income	(131)	-	(2)	(82)	(215)
Total	15,450	792	3,850	1,978	22,070
PHSO overhead costs					10,961
Total					33,031

The majority of PHSO's overhead costs, such as accommodation costs, telephones and staff learning and development are managed centrally. PHSO does not reallocate these costs to the other divisions on a headcount or other basis. PHSO operates across two sites - approximately two thirds of our staff are based in London, and one third in Manchester. However, PHSO operates as one office: staff in London and Manchester do the same work and receive the same corporate services. PHSO does not, therefore, report internally, or allocate overheads, on the basis of location.

6.1 Reconciliation between Operating Segments and Statement of Parliamentary Supply

	Operations £000	Communications £000	Corporate Resources £000	Others £000	PHSO Overhead £000	Total £000
2011-12						
Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment	15,356	930	4,082	1,893	10,931	33,192
Reconciling items:						
Non - Supply Income	5					5
Expenditure - Ombudsman				(188)		(188)
Total	15,361	930	4,082	1,705	10,931	33,009
2010-11						
Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment	15,447	792	3,846	1,977	10,969	33,031
Reconciling items:						
Non - Supply Income	6				1	7
Expenditure - Ombudsman				(193)		(193)
Total	15,453	792	3,846	1,784	10,970	32,845

7. Staff numbers and related costs

A) Staff costs comprise:

	2011-12		2010-11	
	Permanently employed staff £000	Others £000	Total £000	Total £000
Wages and salaries	15,749	1,461	17,210	16,938
Social security costs	1,271	9	1,280	1,225
Other pension costs	2,930	11	2,941	2,969
Sub total	19,950	1,481	21,431	21,132
Ombudsman's salary: Consolidated Fund Standing Services	188	-	188	193
Total gross costs	20,138	1,481	21,619	21,325
Less recoveries in respect of outward secondments	(43)	-	(43)	(80)
Total net costs	20,095	1,481	21,576	21,245

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but PHSO is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

For 2011-12 employers' contributions of £2,900,348 were payable to the PCSPS (2010-11: £2,899,722) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 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. Employers' contributions of £36,976 were paid to one or more of a panel of three appointed stakeholder pension providers (2010-11: £34,995). Employers' 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, employers' contributions of £2,114, 0.8% of pensionable pay (2010-11: £2,963, 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 Statement of Financial Position date were £2,202. Contributions prepaid at that date were nil.

B) Average number of persons employed

The average number of full-time equivalent persons employed, including the Ombudsman, during the year was as follows:

	2011-12			2010-11
	Senior management	Other permanent staff	Others	Total
Full-time equivalent	4	399	19	422
				430

8. Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	Number of exit packages 2011-12			2010-11
	Compulsory Redundancies	Other departments	Total	
< £10,000	-	2	2	3
£10,001-£25,000	-	1	1	2
£25,001-£50,000	-	-	-	1
£50,001-£100,000	-	-	-	1
£100,001-£150,000	-	-	-	-
£150,001-£200,000	-	-	-	-
Total number of exit packages	-	3	3	7
Total resource cost (£000)	-	23	23	169

No redundancy or early retirement costs have been paid in 2011-12. Payments when made are in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the *Superannuation Act 1972*. Other departure costs have been paid in accordance with the terms of compromise agreements between PHSO and individual staff members.

Exit costs are accounted for in full in the year of departure. Where PHSO has agreed early retirements, the additional costs are met by PHSO and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

9. Other administration costs

	Note	2011-12		2010-11
		£000	£000	£000
Cash items				
External professional advice (casework-related)		582		625
Associate caseworkers		36		85
Professional services		340		191
Consultancy		275		640
Information and communications technology		1,479		1,676
Recruitment and training		467		483
Travel, subsistence and hospitality		434		391
Publicity		174		105
Stationery and postage		236		269
Accommodation costs		2,532		2,273
Accommodation operating leases		2,934		2,895
Other operating leases		44		45
Other		652		772
			10,185	
Non-cash items				
Depreciation and amortisation of fixed assets:				
Property, plant and equipment	11	1,422		1,334
Intangible assets	12	147		125
Revaluation losses		1		32
Loss on disposal of fixed assets		14		54
Auditor's remuneration		50		50
Provisions:				
Provided in year	17	2		-
Provisions not required written back	17	-		(29)
			1,636	
Total			11,821	12,016

Auditors have received no remuneration for non-audit work.

10. Income

	2011-12	2010-11
Note	£000	£000
Recovery of direct and overhead costs from the:		
Local Government Ombudsman for England	13	24
Public Services Ombudsman for Wales	89	80
Scottish Public Services Ombudsman	73	22
Northern Ireland Ombudsman	21	25
Office of the Ombudsman Ireland	2	-
Information Commissioner's Office	2	72
Recoveries in respect of outward secondments	43	80
Other miscellaneous operating receipts	5	7
Total	248	310

11. Property, plant and equipment

	Furniture and fittings £000	Information technology £000	Office machinery £000	Refurbishment £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2011	1,948	1,879	743	5,786	135	10,491
Additions	24	311	5	131	-	471
Disposals	(46)	(113)	(202)	(1)	-	(362)
Revaluations	20	(9)	(27)	-	-	(16)
Reclassifications	-	135	-	-	(135)	-
At 31 March 2012	1,946	2,203	519	5,916	-	10,584
Depreciation						
At 1 April 2011	910	1,201	585	2,487	-	5,183
Charged in the year	178	433	112	699	-	1,422
Disposals	(39)	(112)	(196)	(1)	-	(348)
Revaluations	11	(7)	(25)	-	-	(21)
At 31 March 2012	1,060	1,515	476	3,185	-	6,236
Net book value:						
at 31 March 2012	886	688	43	2,731	-	4,348
at 31 March 2011	1,038	678	158	3,299	135	5,308

All property, plant and equipment held at 31 March 2012 is owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third party assets. Property, plant and equipment is valued using Office for National Statistics indices. Refurbishment assets are not revalued as they are classified as operating leases.

	Furniture and fittings £000	Information technology £000	Office machinery £000	Refurbishment £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2010	1,957	1,771	788	5,819	1	10,336
Additions	47	389	32	86	135	689
Disposals	(35)	(228)	(128)	(119)	-	(510)
Revaluations	(21)	(53)	50	-	-	(24)
Reclassifications	-	-	1	-	(1)	-
At 31 March 2011	1,948	1,879	743	5,786	135	10,491
Depreciation						
At 1 April 2010	778	1,057	513	1,963	-	4,311
Charged in the year	174	409	141	610	-	1,334
Disposals	(32)	(229)	(108)	(86)	-	(455)
Revaluations	(10)	(36)	39	-	-	(7)
At 31 March 2011	910	1,201	585	2,487	-	5,183
Net book value:						
at 31 March 2011	1,038	678	158	3,299	135	5,308
at 31 March 2010	1,180	715	276	3,856	1	6,028

All property, plant and equipment held at 31 March 2011 was owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third party assets. Property, plant and equipment is valued using Office for National Statistics indices. Refurbishment assets are not revalued as they are classified as operating leases.

12. Intangible assets

Intangible assets are purchased software licences and the associated implementation costs.

	£000
Cost or valuation	
At 1 April 2011	1,573
Additions	154
Disposals	-
Revaluations	(7)
Reclassifications	-
At 31 March 2012	1,720
Amortisation	
At 1 April 2011	1,294
Charged in the year	147
Disposals	-
Revaluations	(6)
At 31 March 2012	1,435
Net book value:	
at 31 March 2012	285
at 31 March 2011	279

All intangible assets held at 31 March 2012 are owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third party assets. Intangible assets are valued using Office for National Statistics indices.

	£000
Cost or valuation	
At 1 April 2010	1,459
Additions	158
Disposals	-
Revaluations	(44)
Reclassifications	-
At 31 March 2011	1,573
Amortisation	
At 1 April 2010	1,209
Charged in the year	125
Disposals	-
Revaluations	(40)
At 31 March 2011	1,294
Net book value:	
at 31 March 2011	279
at 31 March 2010	250

All intangible assets held at 31 March 2011 are owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third party assets. Intangible assets are valued using Office for National Statistics indices.

13. Financial instruments

As the cash requirements of PHSO are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of similar size. The majority of financial instruments relate to contracts for non-financial items in line with PHSO's expected purchase and usage requirements and PHSO is therefore exposed to little credit, liquidity or market risk.

14. Trade receivables and other current assets

	£000	£000
Amounts falling due within one year		
Trade receivables within one year	60	65
Receivables payable to the Consolidated Fund	2	2
Deposits and advances within one year	138	156
Prepayments and accrued income within one year	1,175	1,204
Total	1,375	1,427

15. Cash and cash equivalents

	2011-12 £000	2010-11 £000
Balance at 1 April	45	37
Net change in cash and cash equivalent balances	23	8
Balance at 31 March	68	45

	31 March 2012 £000	31 March 2011 £000
The following balances at 31 March were held:		
Cash at bank	65	40
Cash in hand and cash equivalents	3	5
Total	68	45

16. Trade payables and other current liabilities

	31 March 2012	31 March 2011
	£000	£000
Amounts falling due within one year		
Trade payables	196	237
Taxation and social security	486	439
Other payables	295	284
Accruals and deferred income	1,355	1,056
Rent-free period accrual	71	71
Amounts issued from the Consolidated Fund for supply but not spent at year end	65	40
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received:	4	5
Receivable	2	2
Sub total	2,474	2,134
Amounts falling due after more than one year		
Rent-free period accrual	405	476
Total	2,879	2,610

17. Provisions for liabilities and charges

	2011-12			2010-11	
	Early departure costs £000	Legal claims £000	Other £000	Total £000	Total £000
Balance at 1 April	604	-	75	679	947
Provided in the year	2	-	-	2	-
Provisions not required written back	-	-	-	-	(29)
Provisions utilised in the year	(160)	-	-	(160)	(239)
Unwinding of discount	-	-	-	-	-
Balance at 31 March	446	-	75	521	679

Early retirement and pension commitments

PHSO 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. PHSO provides for this in full when the early retirement programme becomes binding on PHSO by establishing a provision for the estimated payments with all payments bar one finalising in the financial year 2015-16.

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 PHSO.

Other

PHSO is contractually obliged to restore the floors currently occupied in the Exchange Building, Manchester, to their condition prior to our refurbishment work, at the end of the lease. The above liability represents management's best estimate of the likely cost of this work.

18. Capital commitments

There were no contractual capital commitments as at 31 March 2012 or 31 March 2011.

19. Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the lease expires.

	31 March 2012	31 March 2011
	£000	£000
Buildings		
Not later than one year	2,579	2,523
Later than one year and not later than five years	11,925	11,695
Later than five years	5,015	7,410
Total	19,519	21,628
Other		
Not later than one year	102	40
Later than one year and not later than five years	36	13
Later than five years	-	-
Total	138	53

20. Other financial commitments

PHSO has entered into non-cancellable contracts (which are not leases or PFI contracts) for the service and maintenance of information technology equipment and the service of its leased buildings. The total payments to which PHSO is committed are:

	31 March 2012	31 March 2011
	£000	£000
Not later than one year	1,994	474
Later than one year and not later than five years	5,352	2,555
Later than five years	967	6,297
Total	8,313	9,326

PHSO has not entered into any financial guarantees or indemnities, nor provided any letters of comfort.

21. Contingent liabilities disclosed under IAS 37

PHSO has the following contingent liabilities:

	2011-12	2010-11
	£000	£000
Legal cases against PHSO	-	25

22. Losses and special payments

	2011-12		2010-11	
	No. of cases	£000	No. of cases	£000
Total	36	46	31	187

No individual cases in either 2011-12 or 2010-11 exceeded £250,000.

Losses and special payments include compromise agreements, special payments and minor accounting adjustments.

23. Related-party transactions

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

PHSO and the Local Government Ombudsman for England undertake joint working and collaboration across a wide number of areas and initiatives.

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

Neither the outgoing Ombudsman nor any other members of the Executive Board or key managerial staff have undertaken any material transactions with PHSO during the reporting period. Prior to taking up her post, the new Ombudsman attended PHSO's offices for one month in order to undertake handover activities. For this, she was paid a taxable honorarium of £12,700 to reflect the time commitment required.

24. Events after the Reporting Period

In accordance with the FReM, the Ombudsman is required to consider the impact of events since the closing date of the Statement of Financial Position and up to the date on which the accounts are authorised for issue, which is interpreted as the date the accounts are laid before Parliament. In the Ombudsman's opinion there have been no events since 31 March 2012 that would affect the financial statements.

Parliamentary and Health Service Ombudsman

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