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# Annual Report to the accounts for the year ended 31 March 2010

## 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, aims and objectives

### PHSO exists to:

Provide a service to the public by undertaking independent investigations into 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 aim and vision is:

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 which 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 which others may draw on in developing public policy.

From 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 our 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 2010-11.

## 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 provided by hospitals, health authorities, trusts, general practitioners, dentists, pharmacists, opticians and other healthcare professionals.

## Management commentary

### Summary of the year

2009-10 was a challenging year. In the early months PHSO addressed a substantial amount of work inherited from the Healthcare Commission on 31 March 2009. This was the result of changes under the *Health and Social Care Act 2008* and the introduction of a new NHS complaints system. At that time we were also building our staff capacity and capability and introducing systems to deal effectively and efficiently with an increased, and difficult to predict, volume of new cases which also resulted from the changes. Our focus was not only on the volume but also on the quality of our service to our customers. By the end of the year we had dealt successfully with 24,240 enquiries and concluded 322 investigations, meeting five of our six operational targets for the year and positioning ourselves well to meet all six of our customer service standards in 2010-11.

In addition, we published eight reports to Parliament, including three that were produced jointly with other Ombudsman schemes in the UK.

Further information on our reports to Parliament and on our other achievements in the past year can be found in our combined statutory *Annual Report* for 2009-10, which will be laid before Parliament on 14 July 2010. The report is available from The Stationery Office or by downloading from PHSO's website ([www.ombudsman.org.uk](http://www.ombudsman.org.uk)).

### 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 2009-10 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;
- capture and share the evidence from our casework and on our performance, 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 PHSO provides to the public.

Our performance in each area is assessed below.

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

#### Achieve our operational targets

The *Health and Social Care Act 2008* resulted in the introduction of a new NHS complaints system, moving from a three-stage system to a two-stage system following the abolition of the Healthcare Commission on 31 March 2009. As a consequence, PHSO's workload was expected to, and did, increase significantly. However, this increase was difficult to forecast precisely, as the planning assumption figures below demonstrate.

#### Enquiries

During the year we received 23,667 enquiries against our original planning assumption of 27,500. This was an increase of 7,350 (45%) over the 16,317 enquiries received in 2008-09 (this figure included 1,042 cases passed to PHSO from the Healthcare Commission prior to its abolition).

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. Both our service standards for acknowledging email and written enquiries (100% in one day and two days respectively) were met.

Of the enquiries we received, 8,079 related to parliamentary bodies, 12,889 were about health bodies and 2,699 were about bodies outside our jurisdiction.

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; and
- whether there is a reasonable prospect of a worthwhile outcome to an investigation.

Where possible, we seek to resolve cases through intervention short of an investigation, and this is a growing area of our work. During the year, we closed 321 enquiries in this way (108 in 2008-09).

During the year, we:

- achieved 78% against an operational target of closing 80% of enquiries within 40 days (achieved 80% in 2008-09);
- closed 24,240 enquiries against a planning assumption of at or around 27,500 (15,639 in 2008-09);
- closed 17,707 enquiries after an initial assessment of whether the complaint could be accepted for investigation against a planning assumption of at or around 21,500 (12,026 in 2008-09);
- closed 6,533 enquiries after further detailed assessment of whether the complaint should be accepted for investigation against a planning assumption of at or around 6,000 (3,613 in 2008-09); and
- ended the year with 1,600 enquiries in hand against a forecast of at or around 2,100 (2,177 at 31 March 2009 – this figure includes a net adjustment of two cases due to a small number of data errors).

Because we received fewer enquiries than we had planned for, we were able to reduce the level of work in hand at the end of the year.

At the same time, the number of enquiries received that required further, detailed assessment work comprised a much greater proportion of our incoming work than we had anticipated. The impact of this was twofold: the number of enquiries closed after a further assessment was significantly higher than expected by 533 (9%) which was an 81% increase on the number closed this way in 2008-09; and the proportion of these enquiries, which take considerably longer to conclude, constrained our ability to achieve our operational target of closing 80% of enquiries within 40 working days. Nevertheless, we were able to achieve 78% and we have positioned ourselves well to make the further improvements required to achieve our customer service standard of 90% of enquiries closed within 40 days in 2010-11.

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 (79% in 2008-09). While the 5% reduction is encouraging, this remains a cause of concern for us as 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.

### **Investigations**

In 2006-07, PHSO introduced a business approach that focused on a rigorous assessment of enquiries to decide whether we could, and if so, whether we should, accept a case for investigation. This was to ensure 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. As a consequence of this more robust process, there has been a year-on-year decline, since 2006-07, in the number of cases we accept for investigation. In 2009-10 we expected to accept about 450 cases and we are forecasting around 370 in 2010-11. However, in terms of work received, the number of enquiries grew over the same period. More information on our business approach can be found in our combined statutory *Annual Report* for 2009-10.

During the year we:

- concluded 65% of our investigations within 12 months against our operational target of 55% (72% achieved in 2008-09);
- accepted 356 cases for investigation against a planning assumption of at or around 450 (401 in 2008-09);
- concluded 322 investigations against a planning assumption of at or around 300 (713 in 2008-09);
- ended the year with 342 investigations in hand at 31 March 2010 against a forecast of at or around 450 (308 at 31 March 2009); and
- had 36 cases over 12 months old at 31 March 2010 against a target of no more than 40 (50 at 31 March 2009).

We had an operational target of concluding 55% of investigations within 12 months, which was lower than that in the previous year due to the number of cases already over 12 months old at the beginning of the year. Our performance in the year was better than expected at 65%. We reduced the number of cases in hand over 12 months old from 50 to 36 over the course of the year and we are now well positioned to improve our performance and to achieve our customer service standard of concluding 90% of

investigations within 12 months from 2010-11. This is a challenging objective, but we will strive to achieve it.

We accepted fewer than expected cases against government departments and public bodies for investigation during the year. This continues to reflect our more rigorous approach to our assessment of cases when they first come to us, together with an increase in the number of interventions short of an investigation that we are now undertaking (see above).

However, we did conclude 22 more investigations than planned in 2009-10. This higher than expected performance was due to earlier than expected benefits from work carried out during the year to identify ways to speed up the process of our investigations.

Our lower rate of acceptance of cases for investigation, together with our higher output, resulted in fewer than expected cases in hand at the end of the year.

### **Outcomes of our investigations**

During the year we:

- fully upheld 47% of complaints investigated (37% in 2008-09);
- partly upheld 25% (15% in 2008-09); and
- did not uphold the remaining 28% (48% in 2008-09).

We upheld the complaint in full or in part in:

- 80% of parliamentary investigations (60% in 2008-09); and
- 63% of health investigations (48% in 2008-09).

More information on our investigations can be found in our combined statutory *Annual Report* for 2009-10.

### **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% in 2008-09).

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.

Following the abolition of the Healthcare Commission, this year our recommendations were all made to NHS bodies or practitioners, helping to drive improvements in public services more directly. Our recommendations focused on an apology, together with 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. Other recommendations included compensation for inconvenience or distress, and compensation for financial loss.

## Complaints about us

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

- received 1,208 complaints about us (910 in 2008-09);
- resolved 1,280 (768 in 2008-09); and
- ended the year with 165 in hand (238 at 31 March 2009).

We provided a substantive response on 93% of these within 16 weeks, exceeding our customer service standard and operational target of 90% (91% in 2008-09).

Of the complaints we received about us:

- 1,065 were about our handling of enquiries (732 in 2008-09);
- 74 were about health investigations (122 in 2008-09);
- 34 were about parliamentary investigations (38 in 2008-09); and
- 35 were about requests for information under the *Freedom of Information Act 2000/Data Protection Act 1998* (18 in 2008-09).

Of the total number of complaints about us, 154 (12%) were fully or partly upheld (103 (13%) in 2008-09):

- 54 were complaints about our service (74 in 2008-09);
- 93 were about enquiry decisions (18 in 2008-09);
- 7 were about health investigation decisions (5 in 2008-09);
- none were about parliamentary investigation decisions (3 in 2008-09); and
- none were about decisions relating to requests for information under the *Freedom of Information Act 2000/Data Protection Act 1998* (3 in 2008-09).

The increase in complaints about us was an expected consequence of the increase in our overall workload following the move to the new, two-stage, NHS complaints system. The majority of the increase related to enquiries, reflecting the workload increase in this area. Complaints about our investigations fell in line with the reduced number of investigations undertaken.

Our work to improve the service we provide to the public was reflected in the decrease in the number of complaints about our service being upheld. The increase in complaints about our decisions was related largely to the increase in the volume of enquiries in 2009-10 and we expect this to improve in future.

## Judicial reviews of our decisions and actions

There were nine applications for judicial review of our decisions (seven in 2008-09) and one county court claim (none in 2008-09).

Of the judicial review applications, seven were initially refused permission to proceed and we are awaiting the court's initial decision on the other two. Of the seven refused permission, all renewed their application and five were then refused again; one of those five has now been granted a permission hearing in the Court of Appeal. We are awaiting a decision on the other two. The county court claim, relating to payment of a small sum of expenses to a complainant, was settled.

## Promote awareness of and access to our service

During the year we reviewed the accessibility of our service by:

- conducting an accessibility audit to assess how easy it is to find and use our service. This resulted in a series of recommendations to improve the way we communicate with different people, according to their particular needs. We have started to implement those recommendations, including translating our promotional material into different languages; improving the

capture of data on the use of our translation service; and working to ensure our website meets the highest accessibility standards. This work will continue into 2010-11;

- undertaking an equality and diversity assessment covering the accessibility of our complaint handling service, and raising awareness of equality and diversity issues among our casework staff. We subsequently reviewed our approach to equality and diversity in our casework and have begun implementation of recommendations;
- clarifying our approach to disability and to human rights in our casework. This included undertaking a series of actions linked to World Human Rights Day with workshops and a themed edition of our internal casework newsletter; and
- reviewing our Casework Equality and Diversity Resource Group, which highlights equality and diversity and human rights issues in our casework. The membership and focus of the group, now called The Network, was re-launched in April 2010.

Following the changes to the NHS complaints system, we organised a series of regional conferences aimed at NHS complaints professionals to promote the Ombudsman's approach in handling health complaints. We provided delegates with information and answered their queries on PHSO's approach and, in support of these changes, added new online content to our website.

## Capture and share the evidence from our casework and on our performance, and use our expertise to drive improvements in public services and to inform public policy

### Publish a number of special reports to share our learning with other organisations

The following reports to Parliament were published in 2009-10:

- *Injustice unremedied: The Government's response on Equitable Life* (May 2009);
- *Report by the Public Services Ombudsman for Wales and the Health Service Ombudsman for England of an investigation of a complaint about the Welsh Assembly Government (Health Commission Wales), Cardiff and Vale NHS Trust and Plymouth Teaching Primary Care Trust* (July 2009);
- *Small mistakes, big consequences: A digest to illustrate how small mistakes made by large public bodies can have a disproportionate impact on those they are attempting to serve, and on the public purse* (November 2009);
- *Cold Comfort: the Administration of the 2005 Single Payment Scheme by the Rural Payments Agency* (December 2009);
- *Environmentally unfriendly: A report of a joint investigation by the Parliamentary Ombudsman and the Local Government Ombudsman* (January 2010);
- *'Fast and Fair?': A report by the Parliamentary Ombudsman on the UK Border Agency* (February 2010);
- *Report of two investigations by the Local Government Ombudsman for England and the Health Service Ombudsman for England: an investigation into a complaint about: Barnet and Chase Farm Hospitals NHS Trust, Barnet, Enfield and Haringey Mental Health NHS Trust and Enfield Council; and an investigation into a complaint about the London Borough of Havering and the North East London Mental Health Trust* (March 2010); and
- *The Ombudsman's assessment of the loss of personal data by a Home Office contractor* (March 2010).

In December 2009 the Ombudsman published a consultation on sharing and publishing information about health complaints. The consultation, which closed in March 2010, sought views on

sharing information about complaints more widely in order to improve healthcare. The Ombudsman's report on the consultation was published in April 2010.

### **Develop and deliver our communications capability to improve our profile and to increase the impact of the lessons from our casework**

During the year we re-structured our Communications Division and continued our programme of recruiting permanent staff, including a new Director of Communications. The new Director led on developing our new Communications Strategy, which has set the strategic direction for our internal and external communications over the next three years.

We also started to plan improvements to the way we manage stakeholder contact data and this work will continue into 2010-11.

#### **Develop our capability in respect of:**

- **building effective strategic relationships and alliances;**
- **capturing, analysing and reporting externally information on the complaint handling performance of bodies in the Ombudsman's jurisdiction; and**
- **capturing and reporting information from internal and external sources to populate our Key Performance Indicator reports.**

During the year, we developed our capability in respect of building effective strategic relationships and alliances, and reporting information on the complaint handling performance of bodies in the Ombudsman's jurisdiction. This was done through the reorganisation of the policy function within PHSO and the recruitment of a senior manager with a specific responsibility for policy and for oversight of the management of relationships with our strategic stakeholders. Our policy function is expected to be fully staffed by summer 2010.

Our work on building effective strategic relationships included the agreement of memorandums of understanding with the Care Quality Commission and with Monitor. These memorandums set out the framework for the working relationship between PHSO and the two regulators to collaborate and co-operate, where relevant and appropriate to do so, in furthering our shared aim of securing high quality healthcare, whilst respecting each other's statutory responsibilities and independence.

We have also continued to develop our research function and have reviewed and refreshed our Research Strategy for the next three years to support our new Corporate Reporting Framework. This Framework underpins all of our performance information reporting including our Key Performance Indicators.

### **Plan, deliver and manage change to achieve continuous improvement**

#### **Improve the equality of access to our service and the diversity of our workforce**

During the year, PHSO's management oversaw a number of activities designed to support our objectives of improving the equality of access to our service and the diversity of our workforce. These are reported in more detail elsewhere in this report, but include:

- undertaking an accessibility audit of our communications and an equality and diversity assessment of our complaint handling service;
- reviewing feedback from our customer satisfaction surveys;

- reviewing our Equality & Diversity Action Plan and our approach to measuring and monitoring the diversity of our staff; and
- developing the support networks available for our staff.

### **Improve our casework quality and efficiency**

We seek continuous improvement in all that we do as an organisation. During the year, we supported staff in further improving the quality of our casework by:

- implementing our Casework Skills training plan; maintaining and updating our casework policy and guidance;
- capturing and sharing learning from casework through our internal publication, *Casework News*, and through other media; and
- focusing our annual casework conference on the theme of achieving excellent customer service.

We implemented actions resulting from a review of the way we conduct investigations into complaints about the NHS. We also reviewed our casework timescales and processes for both health and parliamentary investigations, and are beginning to implement the recommendations arising with work continuing into 2010-11.

We completed two 'quality reviews': one covering cases that had been closed at further assessment because they were premature to see whether they could have been closed at an earlier stage; and the other on the length of investigations. Implementation of the recommendations from the former review is already underway.

### **Continue our Knowledge and Information Management Programme**

Getting the most from the extensive knowledge and information held both by the organisation and our staff is essential to improving the effectiveness of PHSO. To facilitate this, in 2008-09 we put in place a major development and change programme, the Knowledge and Information Management (KIM) programme. This programme, which will take a number of years to implement fully, has three main projects, all of which are continuing to progress towards delivery:

- **Records Management:** In 2009-10 we agreed a corporate records management policy and have developed guidance to support implementation of this in 2010-11, the preparatory work for which is underway. We have also commenced a major project to create a PHSO Archive, which will secure and document the history of PHSO;
- **Internet, Extranet and Intranet:** We have now completed the redesign of our new internet website to improve accessibility of information about PHSO and the service we offer our customers, for launch in early 2010-11. We have also developed a new extranet for handling our information exchanges with associate caseworkers and clinicians securely, and we have commenced preparatory work on the redesign of our intranet; and
- **Integrated Information Systems:** Having identified our system requirement, we are in the process of procuring and implementing an Electronic Document Records Management System (EDRMS) to support our records management. We have also identified a programme of enhancements required to our case management systems (including development of a new management information reporting tool) for implementation in 2010-11.

**Test and implement our new Business Continuity Management approach and continue improvements to mitigate key risks**

Our Business Continuity Management framework has been reviewed to include arrangements for our Manchester site. We have carried out audits and scenario testing, and have implemented new arrangements to access information electronically in the event of a disaster. Work to improve our information and communications technology resilience is in hand through the procurement of new services.

**Develop and implement new security policies for the protection of our information and other assets**

PHSO's security arrangements have been comprehensively reviewed during the year. We agreed a revised security policy, established a new Security Committee and drafted of new security guidance for promulgation early in 2010-11. A programme of security checks has been introduced, together with regular security reports to the Executive Board and bulletins to staff. Specific reviews and checks have been carried out on our information technology and information security arrangements to ensure that we meet appropriate standards.

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

**Implement our People Strategy including:**

- **maintaining Investors in People standards through our learning and development plan and evaluation framework;**
- **strengthening our leadership and management capability; and**
- **maximising the engagement of our people in order to contribute to the delivery of high performance and the positive culture that supports it.**

PHSO has been recognised as an Investors in People (IIP) organisation for ten years. To help us to prepare for our next formal assessment, due in 2011, we ran a 'light touch review' against the IIP Framework. This highlighted the positive work we had done in developing our People Strategy and identified areas requiring continued development, including management and leadership development and engagement – areas that we continued to emphasise throughout the year.

During the year, we continued to invest in strengthening our leadership and management capability with a focus on the development of our Senior Management Team. We also completed a second Management Development Programme and a second Aspiring to Management programme. Evaluations from both programmes indicated evidence of increased confidence and competence in demonstrating the expected management and leadership behaviours. Proposals for continued development in this area have been approved and will be rolled out in 2010-11.

We conducted our biennial survey of staff, which gave us feedback on progress with the implementation of our People Strategy. There was a high survey response rate of 83% and the level of engagement of our staff (a measure that monitors staff responses to questions around employee advocacy, commitment and discretionary effort) has risen from 67% to 79%. Overall, the survey provided a positive story with clear improvements in areas that we had focused on since the previous survey conducted in 2007. It also identified areas for continued improvement which will inform an action plan to be built into our business plans for 2010-11. In addition to the People Survey, we have continued to take the temperature and engage staff through internal communications and specific workshops in both of our locations.

**Review our Equality & Diversity Action Plan and prioritise actions in order to improve the diversity of our workforce**

During the year we reviewed our Equality & Diversity Action Plan and identified and commenced work on six priority workstreams:

- promoting awareness of and access to our service, where we will build on the accessibility audit and customer satisfaction surveys conducted in 2009;
- reviewing our ethnicity monitoring definitions and PHSO's diversity targets, in which we have reviewed the basis on which we monitor the diversity of our staff and have established evidence-based benchmarks rather than targets. From 2010-11 we will monitor our workforce profile in order to ensure that the diversity of our workforce reflects, at all levels, the economically active populations from which we primarily draw our employees at our two sites. As at 31 March 2010, these benchmarks were:

	London & South East England		Manchester & North West England	
	Benchmark	PHSO (in post)	Benchmark	PHSO (in post)
Black Minority Ethnic (BME)	19%	17%	6%	2%
Disabled (using the DDA definition)	9%	5%*	10%	3%*

\*This reflects PHSO staff self-identifying as disabled in previous surveys

- Managing Diversity training for managers, which was delivered to most of our managers during the year;
- supporting the retention of people from diverse groups within the PHSO workforce, in which we have relaunched and refocused our Dignity at Work Network (DAWN) and our Staff Equality and Diversity Forum (SEDF);
- reviewing our recruitment & selection processes, in which we focused on implementing recommendations arising from an external review of the last major caseworker recruitment exercise we undertook as part of our Making Our Expertise Count programme; and
- making PHSO a more attractive and accessible employer, in which we introduced a new approach to advertising our caseworker posts, resulting in a positive outcome with 22% of successful applicants from a BME background.

Remaining actions from these six workstreams will continue in 2010-11 and will be included in PHSO's 2010-11 Equality & Diversity Activity Plan.

### **Develop and deliver internal communications to support organisational learning and performance**

During the year we sought to improve the quality of a range of PHSO's internal communications activities including:

- delivering a major event for all staff in April 2009, bringing together all of our staff from both sites for the first time;
- revising and improving PHSO's staff newsletter, InPHOtion; and
- using PHSO's intranet system to provide regularly scheduled updates to all staff.

We also held staff workshops on developing PHSO's organisational culture and on putting our corporate values into action, feeding messages from these back to relevant business areas for development.

### **Use our systems and resources to support and manage effectively the service that PHSO provides to the public**

**Manage our resources effectively by:**

- **meeting our financial and human resources performance targets, and**
- **implementing year three of our four-year financial strategy.**

Our detailed financial results are included in the financial statements and supporting notes.

PHSO's funding arises from a three-year settlement sanctioned by HM Treasury, with annual Estimates based on this settlement being approved by Parliament. Our current three-year settlement for the period 2008-11 was sanctioned in 2007. Subsequently, additional funding was sought and sanctioned in 2008 to address the changes in the complaints landscape arising as a result of the *Health and Social Care Act 2008*. As a result, PHSO's total gross resource funding for 2009-10 was £34.646 million, less income of £0.420 million (a net resource requirement of £34.226 million) and capital of £2.100 million.

The baseline for the capital element of PHSO's settlement was established on the basis of our four-year (2007-11) Capital Investment Strategy. The Strategy was developed following a major programme of refurbishment that was required after a period of under-investment in our infrastructure. It was based on maintaining our current, in 2006, model of information technology and on a

regular programme of accommodation refurbishment. However, in the years since the settlement was agreed, PHSO's information technology investment has increasingly moved away from desktop personal computers to server-based systems that are more cost-effective. In addition, planned investment in our Knowledge and Information Management programme will be lower than originally thought, and will take place in 2010-11. Finally, aside from refurbishment required to new premises acquired in Manchester to accommodate new staff following the move to the new two-stage NHS complaints systems, PHSO's accommodation has proved robust and has required little on-going refurbishment. As a result, PHSO expected that in 2009-10 there would be a significant underspend against the sanctioned level of capital funding for 2009-10 and, as a consequence, against that element of our non-cash resource funding provided for depreciation. This is reflected in the outturn performance against our long-standing financial targets shown below.

In summary, our performance against the financial targets in our 2009-10 Corporate Business Plan compared to budget allocations was:

- our net resource underspend of £1.192 million was outside our target limit for underspending of less than £0.500 million;
- our total capital underspend of £1.376 million was outside our target limit for underspending of £0.100 million;
- we recovered 91% of our Appropriations-in-Aid income provision in the year against our target of 100%;
- we remained within the Net Cash Requirement sanctioned by Parliament;
- we paid 99% (99% in 2008-09) of supplier invoices within our target of 30 days;
- our resource budgets were managed to within 4% of agreed allocations, exceeding our target of limiting variance to no more than 2%; capital budgets were outside the 5% tolerance at 67%; and
- our depreciation charges for the year of £1.441 million exceeded our target of maintaining our capital base by being no more than £0.200 million more than our capital investment in the year of £0.724 million (actual variance £0.717 million).

As explained above, the capital underspend was expected, as was a significant element of the net resource underspend. In addition, staffing vacancies were higher than planned during the year because it took longer than expected to recruit the staff necessary to build the capability and capacity to:

- address the increased workload following the abolition of the Healthcare Commission; and
- develop our Communications and Policy functions in order to deliver our Strategic Objectives.

Savings were also generated because work on our Knowledge and Information Management programme required less input from consultants and because implementation of our new Communications Strategy was delayed. However, the largest single element of the underspend, £0.606 million on non-cash items, related to the expected reduction in depreciation and revaluation of non-current assets.

Much of our income is derived from recovery of salaries in respect of PHSO staff seconded to other organisations. This year saw the early return of a secondee and a smaller than expected number of secondment applications resulting in a reduction in forecast income.

Over the year our staffing numbers increased by 62 full-time equivalents (fte) from 394.9 fte to 456.7 fte, mainly as a result of continued recruitment to meet the increased workload arising from the new NHS complaints system. Full year turnover was 11.8% (16% in 2008-09), which is below the average rate of turnover of 15.7% for the UK labour market and the public sector average rate of 12.6%.<sup>1</sup>

Average sick absence in 2009-10 for PHSO employees was 5 days per fte (5.6 days per fte in 2008-09), which was well within our target of no more than 6 days per fte. For PHSO, 5 days per fte equates to 4.6 days per employee, which is significantly lower than the public sector average (9.7 days per employee) and also below the private sector average (6.4 days per employee).<sup>1</sup>

### Effectively review, assess and manage risks

During the year PHSO faced a number of challenges around achieving corporate performance targets, and managing specific risks such as equality and diversity. However, overall our strategic risks have been managed and remain within the control of the organisation.

We implemented a new strategic risk model this year, which identifies key risk areas and is designed to work dynamically in recognising and addressing risks changing or emerging throughout the year. Key strategic areas are:

- overarching risks to PHSO's reputation and credibility in providing an effective Ombudsman service which delivers on its objectives;
- risks to effective governance and leadership required to manage PHSO's business effectively; and
- risks at operational infrastructure and project levels critical to the delivery of our business.

During 2009-10 we added our Spending Review 2010 project to the portfolio of PHSO's strategic risks.

### Effectively manage our Freedom of Information and Data Protection duties

During the year we received 359 requests for information under the *Freedom of Information Act 2000* and *Data Protection Act 1998* (217 were received in 2008-09) and we closed 332 (214 in 2008-09). This represented a significant increase in our workload, putting pressure on the resources available. As a result there was a fall in our throughput performance with 80% of requests being resolved within the relevant time limit (84% in 2008-09). We have conducted a review of the resources we require to undertake this work and expect to achieve improved performance of 85% of requests closed being resolved within the relevant time limit in 2010-11 with further, continuous improvement in both our approach and performance thereafter.

### The future

PHSO's strategy and plans are set out in its *Three Year Strategic Plan 2010-13* and *Corporate Business Plan 2010-11*, which are available from PHSO's website ([www.ombudsman.org.uk](http://www.ombudsman.org.uk)).

PHSO reviews and refreshes its *Three Year Strategic Plan* every year. Our objectives and priorities for the period 2010-13 are based on previous achievements, but they have been refined both in the light of our commitment to continuous improvement of our

service and also to reflect significant changes in the environment in which we work.

### Aims and objectives

PHSO's aim and vision is to provide an independent, high quality complaint handling service that rights individual wrongs, drives improvements in public services and informs public policy.

PHSO's two strategic objectives for the period 2010-13 are:

- 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.

### Other factors affecting future development, performance and position

PHSO's funding arises from a three-year settlement sanctioned by HM Treasury, with annual Estimates based on this settlement being approved by Parliament. Total gross resource funding for 2010-11 will be £34.562 million, income of £0.420 million (a net resource requirement of £34.142 million) and capital of £2.100 million.

PHSO received a 'flat-cash' settlement for the period 2008-09 to 2010-11, which means that salary increases and other inflationary pressures must be met through savings, rather than being funded through taxation.

Current capital expenditure plans indicate that in 2010-11 we will not require the full £1.200 million capital budget agreed in 2008-09. Therefore, £0.750 million of this budget has been retained in 'Unallocated Capital Provision' in our 2010-11 Estimate.

As a result of 2010-11, and prior year, capital underspends, we do not expect to fully utilise our Estimate allocation of £2.336 million for depreciation. HM Treasury have been informed that we expect to underspend against this allocation by at least £0.500 million, but we are unable to designate non-cash spend as 'Unallocated' within the Estimates system.

2010-11 is the final year of PHSO's three-year settlement. During 2009-10 PHSO began a new project, Spending Review 2010, the scope of which is to undertake a financial review of PHSO's resource and capital requirements for the spending review period 2011-15. The *Coalition Programme for Government* states that the government 'will significantly accelerate the reduction in the structural deficit over the course of a Parliament, with the main burden of deficit reduction borne by reduced spending rather than increased taxes'. PHSO is independent of government, and PHSO's funding settlement will be approved by Parliament, requiring HM Treasury sanction rather than approval. PHSO will pay due regard to the current fiscal climate in carrying out the Spending Review 2010 project.

The project will involve a detailed examination of PHSO's operational and administrative requirements for staff and other resources in the light of robust assumptions about future workload. The specific objectives of the project are to undertake:

- a review of the strategic environment in which PHSO will be operating in the spending review period, looking in particular at political, technological and economic factors;
- forecasting of PHSO's future workload, including a sensitivity assessment;

<sup>1</sup> Source: CIPD Survey July 2009 (latest available published figures).

- a high-level review of PHSO's back-office administration and support functions, benchmarking against organisations of a similar size in the wider public sector;
- a review of PHSO's workforce requirements, ensuring that resources are matched to, and appropriate for, PHSO's strategic and business objectives;
- a review of PHSO's capital investment resulting in a Capital Investment Strategy that will ensure PHSO is equipped with the necessary tools to undertake its business effectively and efficiently;
- financial modelling of the resource consequences of the above exercises.

The Spending Review 2010 project will produce a submission for Treasury ministers containing:

- a summary of PHSO's workforce plans for the period 2011-15;
- a summary of PHSO's capital investment strategy for the period 2011-15; and
- details of PHSO's resource and capital baseline funding requirements for the period 2011-15.

Other key factors and plans affecting PHSO's future development, performance and position include:

- achieving our customer service standards;
- promoting awareness of and access to our service;
- improving customer satisfaction with our service;
- improving our casework quality and efficiency;
- publishing a number of special reports to share our learning with bodies in jurisdiction and other stakeholders;
- continuing to develop our communications capability to increase the impact of our communications;
- developing improved relations with bodies in jurisdiction, government and other professional stakeholders;
- ensuring that Members of Parliament and their staff are aware of the referral process for parliamentary complaints;
- working with key stakeholders in order to drive improvements in public services;
- continuing our Equality and Diversity Action Plan to drive improvements in the equality of access to our service and the diversity of our workforce;
- continuing our KIM programme;
- testing and implementing our new Business Continuity Management approach and continuing improvements to mitigate key risks;
- implementing new security guidance and procedures for the protection of our information and other assets;
- implementing our People Strategy and investing in our people;
- improving the diversity of our workforce at all levels; and
- developing and delivering our internal communications to support organisational learning and performance.

PHSO continues to be innovative in a number of areas and is consequently prepared to accept higher levels of risk. However, by continually reviewing and monitoring the status of its risks, PHSO proactively manages them.

### **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 Appropriations in Aid 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 Appropriations in Aid in these accounts.

The Office of the Information Commissioner leases space in Millbank Tower from PHSO.

### **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 has had no such incidents in 2009-10. However, during 2009-10 a body in our jurisdiction made PHSO aware of the loss of a number of our investigation reports provided to them in accordance with statutory requirements. Further details on this loss are provided in the Statement on Internal Control.

### **Transition to International Financial Reporting Standards**

International Financial Reporting Standards (IFRS) have been adopted across the United Kingdom public sector to ensure public sector accounts remain in line with best commercial practice for financial reporting. PHSO has chosen to adopt IFRS in accordance with the timetable for central government bodies: 2009-10 is the first year of adoption and the date of transition is 1 April 2008. Information on the financial impact of IFRS adoption is available in Note 2 to the Resource Accounts.

## Governance and accountability arrangements

The Ombudsman appears at least annually before the Public Administration Select Committee, which Parliament has chosen (through its standing orders) to be its principal liaison mechanism with the Ombudsman, to give evidence on the work of PHSO.

PHSO has produced a Governance Statement which sets out, for our staff and stakeholders, the basis on which PHSO has been established; the way in which it is governed and managed; and how it is accountable for what it does. This statement, which was reviewed and revised in February 2010, is available from PHSO's website ([www.ombudsman.org.uk](http://www.ombudsman.org.uk)).

### Accounting Officer

The Ombudsman is not subject to the *Government Resources and Accounts Act 2000*. As a result, HM Treasury has no statutory authority to appoint the Ombudsman as Accounting Officer; nor is it able to issue directions to the Ombudsman on the production or laying of the accounts, or on any other matters covered by the Act.

However, in order to recognise the Ombudsman's responsibility properly to account for the resources allocated to her, HM Treasury and the Ombudsman have agreed administratively that the appointment as Ombudsman brings with it the duties of Accounting Officer as laid down in *Managing Public Money*. Her responsibilities as Accounting Officer and for PHSO's system of internal control are set out on pages 19 to 22.

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

### Advisory Board

During 2009-10 the Ombudsman was supported by an Advisory Board, of which she was Chair. The other members of the Advisory Board were:

Cecilia Wells OBE	External Member
Paula Carter	External Member
Linda Charlton	External Member
Tony Redmond	External Member – Chair of the Commission for Local Administration in England

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

The role of the Advisory Board is to act as a 'critical friend' and provide 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;
- accountability to stakeholders, including stewardship of public funds; and
- internal control and risk management arrangements.

The Advisory Board has no role in PHSO's casework processes or decisions.

The Advisory Board has two formal sub-committees, which have key roles in supporting the effective governance of PHSO: an Audit Committee (see below) and a Pay Committee (details of which can be found in the Remuneration Report).

To reflect its advisory nature, executive officials are not members of the Advisory Board but will be in attendance at meetings to provide such corporate input as necessary.

### Audit Committee

The Audit Committee was chaired during the year by a non-executive, Andrew Puddephatt OBE, and comprises two other non-executive members (Tony Redmond and Jeremy Kean, Finance and IT Director of the Financial Ombudsman Service) and the Ombudsman.

The Committee, acting as a sub-committee of the Advisory Board, is responsible for providing advice and assurance on the adequacy and effectiveness of internal control and risk management to the Ombudsman (as Accounting Officer), the Advisory Board and the Executive Board. It also oversees internal and external audit arrangements which cover all areas of PHSO's work, including both financial and non-financial systems.

### Executive Board

During 2009-10 management of PHSO's functions and activities was exercised by an Executive Board, chaired by the Ombudsman, and comprising the Deputy Ombudsman, Deputy Chief Executive and the Director of Communications.

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 PHSO. It is the primary forum for making executive decisions about operational, resource, communications and other administrative matters in order to deliver the Strategic and Corporate 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 the Ombudsman alone.

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

## 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 £54,000 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 2009-10 were provided by KPMG 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. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

## Payment of suppliers

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 2009-10 99% of invoices were paid in accordance with this policy (99% in 2008-09).

## 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 *Disability Discrimination Act 1995*.

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, *InPHOmatation*.

The average number of people employed by PHSO in 2009-10 was 426 fte of whom 21 fte have a self-declared disability.

## Ann Abraham

Parliamentary and Health Service Ombudsman  
1 July 2010

# Remuneration report

## The Parliamentary and Health Service Ombudsman

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

The Ombudsman's remuneration and associated employer's National Insurance contributions are met directly from the Consolidated Fund, rather than Supply. These costs are disclosed as Consolidated Fund Standing Services in Notes 4 and 8.

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

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

The salary and benefits in kind of the Ombudsman were:

	2009-10		2008-09	
	Salary £000	Benefits in kind (to the nearest £100) £	Salary £000	Benefits in kind (to the nearest £100) £
Ann Abraham	170-175	10,100 <sup>2</sup>	170-175	12,200 <sup>3</sup>

The pension entitlement of the Ombudsman was (prior year comparatives provided in brackets):

	Accrued pension at pension age at 31/03/10 £000	Accrued lump sum at pension age at 31/03/10 £	Real increase in pension at pension age £000	Real increase in lump sum at pension age £000	CETV at 31/03/10 <sup>2</sup> £000	CETV at 31/03/09 £000	Real increase in CETV as funded by employer £000
Ann Abraham	60-65 (55-60)	180-185 (170-175)	2.5-5 (0-2.5)	10-12.5 (0-2.5)	1,368 (1,246)	1,246 (1,131)	73 (14)

2 Hotel accommodation near PHSO when working in the evening, early in the morning or attending evening functions in her role as Parliamentary and Health Service Ombudsman.

3 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 2010 have been correctly calculated following guidance provided by the Government Actuary's Department.

## Executive Board

During 2009-10 the Executive Board members, and their service contract commencement dates and end dates (where applicable), were:

Kathryn Hudson	Deputy Ombudsman (4 August 2008)
Bill Richardson	Deputy Chief Executive (21 July 2003)
Claire Forbes	Director of Communications (1 December 2009)
James Odling-Smee	Director of Communications (10 December 2008 – 4 December 2009)

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. Under the terms of her secondment, the Department of Health funded her salary and associated costs during 2008-09. From 1 April 2009 PHSO reimbursed the Department of Health in accordance with the rate for the Deputy Ombudsman post at that time; any additional costs associated with Kathryn Hudson's contractual terms were funded by the Department of Health. From 6 April 2010 Kathryn Hudson was appointed permanently to the post.

James Odling-Smee was appointed as Interim Director of Communications on 10 December 2008. He was contracted with PHSO through an agent. The salary disclosed below reflects payments received by James Odling-Smee from his agent, not the cost to PHSO of the contract. The cost to PHSO in 2009-10 was £122,000. PHSO did not make pension contributions in respect of the contract and therefore pension entitlement details are not provided for James Odling-Smee in the table below.

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 are given above.

As the Crown has the power to dismiss at will, the 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.

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

	2009-10		2008-09	
	Salary	Benefits in kind (to the nearest £100)	Salary	Benefits in kind (to the nearest £100)
	£000	£	£000	£
Kathryn Hudson (Deputy Ombudsman)	135-140 <sup>4</sup>	–	85-90 (125-130)	–
Bill Richardson (Deputy Chief Executive)	135-140 <sup>5</sup>	1,400 <sup>6</sup>	115-120	700 <sup>6</sup>
Claire Forbes (Director of Communications)	25-30 (80-85)	–	n/a	n/a
James Odling-Smee (Interim Director of Communications)	90-95 (140-145)	–	60-65 (85-90)	–

The pension entitlement of members of the Executive Board was (prior year comparatives provided in brackets):

	Accrued pension at age pension age at 31/03/10	Accrued lump sum at pension age at 31/03/10	Real increase in pension at pension age	Real increase in lump sum at pension age	CETV at 31/03/10 <sup>7</sup>	CETV at 31/03/09	Real increase in CETV as funded by employer
	£000	£	£000	£000	£000	£000	£000
	Kathryn Hudson	45-50 (40-45)	n/a (n/a)	2.5-5 (0-2.5)	n/a (n/a)	986 (909)	909 (844)
Bill Richardson	60-65 (50-55)	175-180 (160-165)	5-7.5 (0-2.5)	15-17.5 (2.5-5)	1,352 (1,182)	1,182 (1,056)	123 (30)
Claire Forbes	0-5 (n/a)	n/a (n/a)	0-2.5 (n/a)	n/a (n/a)	5 (n/a)	– (n/a)	4 (n/a)

4 This includes a performance bonus, relating to 2008-09, of £10,000. Salary reimbursed by PHSO to the Department of Health totalled £100,000.

5 This includes a performance bonus, relating to 2008-09, of £10,000.

6 Hotel accommodation near PHSO when working late in the evening, early in the morning or attending evening functions in his role as Deputy Chief Executive and, in 2009-10, provided as a result of December and January's heavy snow to ensure he was able to attend key meetings.

7 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 2010 have been correctly calculated following guidance provided by the Government Actuary's Department.

### The Advisory Board: non-executive members

Cecilia Wells, Paula Carter and Linda Charlton each received a salary of £15,000 (2008-09: £15,000) with no benefits in kind and no pension entitlement. Tony Redmond received no remuneration.

Following completion of two terms as an Advisory Board member, Cecilia Wells stood down with effect from 31 March 2010. Dr Tony Wright was appointed to the Advisory Board with effect from 1 June 2010.

### The Audit Committee: non-executive members

Andrew Puddephatt, the Chair of the Audit Committee, received a salary of £10,000 (2008-09: £10,000) with no benefits in kind and no pension entitlement. Tony Redmond and Jeremy Kean received no remuneration.

Following completion of two terms in post, Andrew Puddephatt stood down with effect from 31 March 2010. The new Chair of the Audit Committee is Sir Jon Shortridge, who was appointed from 1 April 2010.

### Salary

'Salary' includes: gross salary; performance pay or bonuses; 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.

### 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 changes in the Retail Price Index (RPI). 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 updated in line with RPI. 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](http://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.

### **Real increase in cash equivalent transfer values**

This reflects the increase in CETV 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.

### **Ann Abraham**

Parliamentary and Health Service Ombudsman  
1 July 2010

# 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), detailing 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, operating costs applied to objectives, 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*.

# Statement on internal control

## Scope of responsibility

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

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of PHSO's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PHSO for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

## Capacity to handle risk

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 routine corporate performance reports, 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.

Senior members of PHSO are personally responsible to me for the management of key risks. Individual responsibility for each strategic risk is assigned to a senior manager, as risk owner, who reports quarterly to the Executive Board and Audit Committee (a sub-committee of the Advisory Board). To support the management of strategic risk, PHSO also manages local risks alongside the management of activities in the business plans.

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 our 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, PHSO will proactively manage them.

## The risk and control framework

To support me in ensuring the effective governance of PHSO, of which I am Chair and Chief Executive, I have appointed a non-statutory Advisory Board in line with my statutory accountability. The Advisory Board has two sub-committees: the Audit Committee comprising an external Chair, two further external members and myself; and the Pay Committee comprising myself and two of the Advisory Board members. The Pay Committee provides advice on pay arrangements and determines the pay of

senior staff (except my own which is covered by statutory arrangements). During 2009-10 a new external Chair of the Audit Committee was successfully recruited, who took up post on 1 April 2010, succeeding the previous Chair who had completed his term of office.

In addition, I have an Executive Board, the members of which, during 2009-10, were myself as Chair and Chief Executive, the Deputy Ombudsman, the Deputy Chief Executive, and the Director of Communications. The Executive Board meets regularly and has responsibility for the delivery of PHSO's strategic vision, plans and services to the public and other stakeholders. It also provides a forum for discussion on the development and co-ordination of major work programmes, and provides leadership to all staff working for PHSO.

The Executive Board also steers and provides leadership on strategically important areas of work for PHSO, for example acting as Programme Board for the Knowledge and Information Management programme.

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 2009-10 we have kept our strategic risks under review to ensure that they remain the appropriate focus of risk management for PHSO. As a result, the Executive Board decided that Spending Review 2010, our project to secure a financial settlement with the Treasury for 2011-12 to 2013-14, should be added to the list of strategic risks.

During the year, the key strategic risks continued to be regularly monitored (and where appropriate, recalibrated) by senior management with risk reports being included in the quarterly performance reporting arrangements. 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. The strategic risk register has been closely aligned to the *Strategic Plan*, and strategic objectives are referenced in each risk.

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

- audit the Delegation Scheme which was introduced during 2007-08 to ensure that the authority, delegated by the Ombudsman for decisions made on her behalf on casework matters, was exercised correctly;
- embed risk at the level below the strategic risks, with local risks being managed alongside the management of business plan activities within our status reporting application;
- put in place procurement and contract frameworks with specific risk management requirements for PHSO contract management; and
- implement 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.

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;
- exception 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 investigators assess the risk category of each case, and follow corresponding governance arrangements for the selected category. A risk management strategy is developed for all cases that are assessed as either medium or high risk. All risk assessments and mitigating actions are documented on the case management system (Visualfiles) and are reviewed during the five key stages of a case. Directors have a responsibility for monitoring the management of casework risk in their directorates and risks are also monitored by the Operations Directors Meeting, chaired by the Deputy Ombudsman. Cases assessed as having a high risk impact are reviewed on a monthly basis by the Ombudsman, Deputy Ombudsman, Ombudsman's Casework Team and relevant members of staff.

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 management forms a core theme of our KIM programme and PHSO has resources in place to handle routine issues arising from individual data requests under the *Data Protection Act 1998*. During 2009-10 a body in our jurisdiction made PHSO aware of the loss of a number of our investigation reports provided to them in accordance with statutory requirements. The loss of documents was reported to the Information Commissioner by the body and no further action was required by him. Subsequently, most of the documents were recovered and the rest were confirmed as having been destroyed. On being informed of the incident PHSO's Executive Board instigated a review of our procedures for providing the reports. As a result of this, a number of enhanced controls have been introduced into our administrative procedures to ensure that our statutory duties in respect of reporting the outcomes of our investigations are managed robustly.

Following the end of the 2009-10 financial year but before the resource accounts were laid before Parliament, PHSO's Executive Board were made aware of a further security breach by a member of PHSO's staff involving third party personal data. On being informed of the breach the Executive Board took appropriate actions to mitigate the risks from the breach and the documents concerned were recovered. The breach was reported to the Information Commissioner and we are working with his office to ensure that any lessons are learnt and that our controls to prevent a recurrence are robust.

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 – 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;
- 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;
- knowledge and information management – we need to ensure that we are sharing knowledge and using it effectively. Our KIM programme also represents a significant investment of PHSO's resources both financial and human and we need to ensure the programme is effectively managed to deliver the benefits we expect. The NAO have undertaken work auditing PHSO's financial statements: they included a sample of KIM Programme transactions and found no evidence of either expenditure errors or incorrect accounting treatments;
- 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;
- business continuity management – we need to have contingency arrangements in place to allow PHSO to continue to deliver its services in all circumstances; and
- Spending Review 2010 – we must ensure that we have the resources necessary to deliver our business objectives 2011-14.

During the year the Risk and Assurance Manager has continued to co-ordinate all internal audit activity, as well as PHSO's risk management and business continuity arrangements. KPMG LLP provided internal audit services under a one-year extension to a previous three-year contract. This contract came to an end on 31 March 2010, and a plan was agreed with the Audit Committee to ensure that PHSO can continue to ensure comprehensive internal audit coverage for 2010-11 and beyond. This will include the procurement of the services of contracted audit support, and the provision of a qualified Head of Internal Audit as the Risk and Assurance Manager. Until the contracted audit support is in place at the end of September 2010 the Risk and Assurance Manager will lead delivery of the 2010-11 Audit Plan, and manage delivery thereafter.

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.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within PHSO who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Advisory Board and the Audit Committee, and plans are in place to address recommendations and any weaknesses identified to ensure continuous improvement.

The Audit Committee is responsible for providing advice and assurance on the adequacy and effectiveness of internal control and risk management. It also oversees internal and external audit arrangements, which cover all areas of PHSO's work, both financial and non-financial systems.

During 2009-10 KPMG LLP completed a programme of internal audit work, giving a 'full' level of assurance to our financial and accounting systems and a 'full' level of assurance to our payroll and pensions systems.

KPMG's report on PHSO's corporate governance and risk management arrangements, completed in January 2010, gave a 'substantial' level of assurance on the adequacy and effectiveness of the systems of internal control.

During 2009-10 other reviews carried out by KPMG were:

- Compliance with the Delegation Scheme (assurance rating: Substantial);
- Clinical Advice and Associate Caseworkers (assurance rating: Substantial);
- Business Continuity Management (assurance rating: Substantial);
- Programme and Project Management (assurance rating: Substantial); and
- Information and Communications Technology (ICT) value for money (this review did not attract an assurance rating but KPMG considered that PHSO was receiving above average value for money and that the associated ICT strategy appeared sensible for the organisation provided costs and risks continued to be managed).

A significant amount of work has been carried out internally to address any weaknesses and recommendations raised in individual audits and to confirm that PHSO has not been exposed to unacceptable risk in these areas. We continue to consider the need for other external reviews and audits where specialist skills are required.

Between 1 April 2010 and the date of laying the accounts, PHSO has made no substantive changes to the governance arrangements, risk management arrangements and control systems audited by KPMG during 2009-10, other than the implementation of audit recommendations. There is no evidence that these arrangements and systems have ceased to operate effectively.

As reported last year, during 2008-09 we discovered a suspected fraud. We placed the matter in the hands of the Metropolitan Police who successfully prosecuted the individual during 2009-10. As a result he was given a custodial sentence and ordered to repay all the funds stolen. We have put recovery action in-hand. A special review of relevant guidance and controls was undertaken during 2008-09 by KPMG LLP at PHSO's request. This review provided 'substantial' assurance that the systems and controls were adequate and proportionate. Recommendations made by KPMG LLP to further strengthen those controls and mitigate the risk of further instances of fraud have been implemented.

## Ann Abraham

Parliamentary and Health Service Ombudsman

1 July 2010

# 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 2010. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayer's Equity, the Statement of Operating Costs by Strategic Objectives 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 the financial statements in accordance with applicable law and 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 Office of the Parliamentary and Health Service Ombudsman's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Office of the Parliamentary and Health Service Ombudsman; and the overall presentation of the financial statements.

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

## Opinion on regularity

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

## 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 2010 and of its net cash requirement, net resource outturn, net operating cost, operating costs applied to strategic objectives, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with HM Treasury guidance.

## 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 guidance; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

## Amyas C E Morse

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
5 July 2010

# Parliamentary and Health Service Ombudsman Resource Accounts 2009-10

## Statement of Parliamentary Supply

### Summary of resource outturn 2009-10

	Note	2009-10						2008-09	
		Estimate			Outturn			Net total outturn compared to estimate: saving/ (excess)	Outturn
		Gross expenditure	A in A	Net total	Gross expenditure	A in A	Net total		
£000	£000	£000	£000	£000	£000	£000	£000		
Request for resources*	3	34,646	420	34,226	33,417	383	33,034	1,192	25,917
<b>Total resources</b>		<b>34,646</b>	<b>420</b>	<b>34,226</b>	<b>33,417</b>	<b>383</b>	<b>33,034</b>	<b>1,192</b>	<b>25,917</b>
Non-operating cost Appropriations in Aid (A in A)		-	-	-	-	-	-	-	-

Outturn for 2009-10 has been presented in line with International Financial Reporting Standards (IFRS). The Estimate provision was based on United Kingdom Financial Reporting Standards and has not been restated. Explanations for variances between Estimate and outturn are given in Note 3 and in the Management Commentary.

### Net cash requirement 2009-10

	Note	2009-10			2008-09	
		Estimate	Outturn	Net total outturn compared to estimate: saving/ (excess)	Outturn	
		£000	£000	£000	£000	
Net Cash Requirement	5	34,226	32,628	1,678	25,248	

### Summary of income payable to the Consolidated Fund

In addition to Appropriations in Aid, the following income related to PHSO and is payable to the Consolidated Fund:

	Note	Forecast 2009-10		Outturn 2009-10	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Total	6	-	-	16	16

The notes on pages 30 to 44 form part of these financial statements.

## Operating cost statement for the year ended 31 March 2010

		2009-10	2008-09
	Note	£000	Restated £000
<b>Administration costs</b>			
Staff costs	8	20,785	14,702
Other administration costs	9	12,825	11,786
<b>Gross administration costs</b>		<b>33,610</b>	<b>26,488</b>
Operating income	10	(399)	(432)
<b>Net administration costs</b>		<b>33,211</b>	<b>26,056</b>
<b>Net operating cost</b>		<b>33,211</b>	<b>26,056</b>

All operations are continuing.  
 Figures for 2008-09 have been re-stated in line with IFRS.

The notes on pages 30 to 44 form part of these financial statements.

## Statement of financial position as at 31 March 2010

	Note	31 March 2010		31 March 2009 Restated		1 April 2008 Restated	
		£000	£000	£000	£000	£000	£000
<b>Non-current assets</b>							
Property, plant and equipment	11	6,028		6,595		6,443	
Intangible assets	12	250		306		519	
<b>Total non-current assets</b>			<b>6,278</b>		<b>6,901</b>		<b>6,962</b>
<b>Current assets</b>							
Trade and other receivables	14	1,428		1,281		1,300	
Cash and cash equivalents	15	37		144		122	
<b>Total current assets</b>			<b>1,465</b>		<b>1,425</b>		<b>1,422</b>
<b>Total assets</b>			<b>7,743</b>		<b>8,326</b>		<b>8,384</b>
<b>Current liabilities</b>							
Trade and other payables	16	(1,785)		(1,866)		(1,581)	
Other liabilities	16	(92)		(213)		(191)	
<b>Total current liabilities</b>			<b>(1,877)</b>		<b>(2,079)</b>		<b>(1,772)</b>
<b>Non-current assets less net current liabilities</b>			<b>5,866</b>		<b>6,247</b>		<b>6,612</b>
<b>Non-current liabilities</b>							
Provisions	17	(947)		(1,195)		(1,145)	
Other liabilities	16	(546)		(617)		(688)	
<b>Total non-current liabilities</b>			<b>(1,493)</b>		<b>(1,812)</b>		<b>(1,833)</b>
<b>Assets less liabilities</b>			<b>4,373</b>		<b>4,435</b>		<b>4,779</b>
<b>Taxpayers' equity</b>							
General Fund			3,783		3,957		4,333
Revaluation Reserve			590		478		446
<b>Total taxpayers' equity</b>			<b>4,373</b>		<b>4,435</b>		<b>4,779</b>

Figures for 31 March 2009 and 1 April 2008 have been re-stated in line with IFRS.

A revised statement of financial position has not been presented as the impact of applying IFRS was limited as shown in the Statement of Changes in Taxpayers' Equity.

**Ann Abraham**

**Parliamentary and Health Service Ombudsman**

**1 July 2010**

The notes on pages 30 to 44 form part of these financial statements.

## Statement of cash flows for the year ended 31 March 2010

		2009-10	2008-09
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating cost	4	(33,211)	(26,056)
Adjustments for non-cash transactions	9	1,814	2,020
(Increase)/decrease in trade and other receivables	14	(147)	19
Increase/(decrease) in trade payables	16	(232)	327
<i>Less</i> movements in payables relating to items not passing through the Operating Cost Statement	16	117	59
Use of provisions	17	(371)	(265)
<b>Net cash outflow from operating activities</b>		<b><u>(32,030)</u></b>	<b><u>(23,896)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(608)	(1,318)
Purchase of intangible assets	12	(157)	(131)
<b>Net cash outflow from investing activities</b>		<b><u>(765)</u></b>	<b><u>(1,449)</u></b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply): current year		32,507	25,270
From the Consolidated Fund (Non-Supply)	8	193	190
<b>Net financing</b>		<b><u>32,700</u></b>	<b><u>25,460</u></b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>			
Payments of amounts due to the Consolidated Fund	16	(12)	(93)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	15	<b><u>(107)</u></b>	<b><u>22</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>	15	<b><u>144</u></b>	<b><u>122</u></b>
<b>Cash and cash equivalents at the end of the period</b>	15	<b><u>37</u></b>	<b><u>144</u></b>

The notes on pages 30 to 44 form part of these financial statements.

## Statement of changes in taxpayers' equity for the year ended 31 March 2010

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 31 March 2008</b>		<b>4,660</b>	<b>446</b>	<b>5,106</b>
Changes in accounting policy: adoption of IFRS		(327)	-	(327)
<b>Restated balance at 1 April 2008</b>		<b>4,333</b>	<b>446</b>	<b>4,779</b>
<b>Changes in taxpayers' equity for 2008-09</b>				
Net gain/(loss) on revaluation of property, plant and equipment	11	-	51	51
Net gain/(loss) on revaluation of intangible assets	12	-	-	-
Non-cash charges – cost of capital	9	173	-	173
Non-cash charges – auditor's remuneration	9	62	-	62
Consolidated Fund Standing Services	8	190	-	190
Transfers between reserves		19	(19)	-
Effect of changes under IFRS	2	39	-	39
Net operating cost for the year	4	(26,095)	-	(26,095)
<b>Total recognised income and expense for 2008-09</b>		<b>(25,612)</b>	<b>32</b>	<b>(25,580)</b>
Net Parliamentary Funding – drawn down		25,270	-	25,270
Net Parliamentary Funding – deemed		120	-	120
Supply payable adjustment	16	(142)	-	(142)
CFERs payable to the Consolidated Fund	16	(12)	-	(12)
<b>Balance at 31 March 2009</b>		<b>3,957</b>	<b>478</b>	<b>4,435</b>
<b>Changes in taxpayers' equity for 2009-10</b>				
Net gain/(loss) on revaluation of property, plant and equipment	11	(1)	108	107
Net gain/(loss) on revaluation of intangible assets	12	-	33	33
Non-cash charges - cost of capital	9	150	-	150
Non-cash charges – auditor's remuneration	9	54	-	54
Consolidated Fund Standing Services	8	193	-	193
Transfers between reserves		29	(29)	-
Net operating cost for the year	4	(33,211)	-	(33,211)
<b>Total recognised income and expense for 2009-10</b>		<b>(32,786)</b>	<b>112</b>	<b>(32,674)</b>
Net Parliamentary Funding – drawn down		32,507	-	32,507
Net Parliamentary Funding – deemed	16	142	-	142
Supply payable adjustment	16	(21)	-	(21)
CFERs payable to the Consolidated Fund	16	(16)	-	(16)
<b>Balance at 31 March 2010</b>		<b>3,783</b>	<b>590</b>	<b>4,373</b>

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.

The notes on pages 30 to 44 form part of these financial statements.

**Statement of operating costs by strategic objectives for the year ended 31 March 2010**

	2009-10			2008-09 Restated		
	Strategic objectives		Total	Strategic objectives		Total
	1	2		1	2	
	£000	£000	£000	£000	£000	£000
Gross expenditure	30,533	3,077	33,610	22,785	3,703	26,488
Income	(362)	(37)	(399)	(372)	(60)	(432)
<b>Net expenditure</b>	<b>30,171</b>	<b>3,040</b>	<b>33,211</b>	<b>22,413</b>	<b>3,643</b>	<b>26,056</b>
<b>Total assets</b>	<b>7,034</b>	<b>709</b>	<b>7,743</b>	<b>7,162</b>	<b>1,164</b>	<b>8,326</b>

Strategic objective 1: To provide an independent, high quality and accessible complaint handling service that rights individual wrongs  
 Strategic objective 2: To drive improvements in public services and inform public policy

The notes on pages 30 to 44 form part of these financial statements.

# 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 2009-10 *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 which 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 two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the Net Resource Requirement and the Net Cash Requirement. The Statement of Operating Cost by Strategic Objectives and supporting notes analyse PHSO's income and expenditure by PHSO objectives.

### IFRS 1 – first time adoption

PHSO has adopted IFRS in accordance with the timetable stipulated by HM Treasury, and the date of transition is 1 April 2008. *IFRS 1 First time adoption of International Financial Reporting Standards* allows entities adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the year of transition (that is, 2009-10). PHSO has elected not to take any exemptions.

#### 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 treat the following income as Appropriations in Aid:

- 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 (known as Appropriations in Aid) 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 Appropriations in Aid 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 Operating Cost Statement, between 'administration' and 'programme' expenditure. However, all PHSO's funding is classified as 'administration' and therefore no such analysis is provided.

#### 1.5 Capital charge

A charge reflecting the cost of capital utilised by PHSO is included in operating costs. The charge is calculated at the real rate set by HM Treasury, currently 3.5% (2007-08: 3.5%), on the average carrying amount of all assets less liabilities, except for cash balances with the Office of the Paymaster General and amounts to be surrendered to the Consolidated Fund, where the charge is nil.

#### 1.6 Pensions

Past and present employees of PHSO are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which are described in Note 8. The 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.

#### 1.7 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.

#### 1.8 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.

#### 1.9 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. All non-property operational assets are deemed to be short-life or low-value assets and are therefore valued on the basis of depreciated replacement cost as an approximation of fair value.

## 1.10 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.

## 1.11 Depreciation

Property, plant and equipment are depreciated at rates calculated to write them down to the 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.

## 1.12 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.

## 1.13 Provisions

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

## 1.14 Value added tax

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

## 1.15 Accounting estimates

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

## 1.16 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.

## 2 First time adoption of International Financial Reporting Standards

	General Fund	Revaluation Reserve	Total Reserves
	£000	£000	£000
<b>Taxpayers' equity at 31 March 2008 under UK Generally Accepted Accounting Practice</b>	<b>4,660</b>	<b>446</b>	<b>5,106</b>
Adjustments for:			
IAS19 Employee Benefits – accrued benefits	(327)	-	(327)
<b>Taxpayers' equity at 1 April 2008 under IFRS</b>	<b>4,333</b>	<b>446</b>	<b>4,779</b>
			£000
<b>Net operating cost for 2008-09 under UK Generally Accepted Accounting Practice</b>			<b>26,095</b>
Adjustments for:			
Movement in accrued employee benefits – 2008-09			(39)
<b>Net operating cost for 2008-09 under IFRS</b>			<b>26,056</b>

The adoption of IFRS has no impact on the cash position of PHSO. No reconciliation is therefore required for prior year cashflow.

## 3 Analysis of net resource outturn by section

	2009-10				Estimate	Net total outturn compared with Estimate	2008-09
	Outturn		Estimate				
	Admin	Gross resource expenditure	A in A	Net total	Net total		Prior year outturn
	£000	£000	£000	£000	£000	£000	£000
Request for Resources*	33,417	33,417	383	33,034	34,226	1,192	25,917
<b>Resource outturn</b>	<b>33,417</b>	<b>33,417</b>	<b>383</b>	<b>33,034</b>	<b>34,226</b>	<b>1,192</b>	<b>25,917</b>

Spending is 3.5% lower than Estimate provision.

Non-cash items total £1.814 million, which is £0.606 million less than the Estimate provision of £2.420 million. This underspend is largely due to capital expenditure in both 2008-09 and 2009-10 falling in line with a reduced requirement, and depreciation charges therefore being lower than expected.

Net cash resource spend totals £31.220 million, which is £0.586 million (1.8%) less than the Estimate provision of £31.806 million. Detailed explanations for the variances are given in the Management Commentary.

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

#### 4 Reconciliation of net resource outturn to net operating cost and against Administration Budget

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

	Note	2009-10			2008-09
		Outturn	Estimate	Outturn compared with Estimate	Restated
		£000	£000	£000	Outturn £000
Net resource outturn	3	33,034	34,226	1,192	25,917
IFRS adjustment - movement in accrued staff benefits					(39)
Non-supply income	6	(16)	-	16	(12)
Non-supply expenditure: Consolidated Fund Standing Services	8	193	187	(6)	190
Net operating cost		<u>33,211</u>	<u>34,413</u>	<u>1,202</u>	<u>26,056</u>

##### B) Outturn against final Administration Budget

	2009-10		2008-09
	Budget	Outturn	Restated
	£000	£000	£000
Gross Administration Budget	34,646	33,417	26,298
Income allowable against the Administration Budget	(420)	(383)	(420)
Net outturn against the Administration Budget	<u>34,226</u>	<u>33,034</u>	<u>25,878</u>

Figures for 2008-09 have been restated in line with IFRS.

## 5 Reconciliation of net resource outturn to net cash requirement

	Note	2009-10		Net total outturn compared to Estimate saving/ (excess) £000
		Estimate	Outturn	
		£000	£000	
Resource outturn	3	34,226	33,034	1,192
Capital:				
Acquisition of property, plant and equipment	11	2,100	567	1,533
Acquisition of intangible assets	12	-	157	(157)
Accruals adjustments:				
Non-cash items	9	(2,420)	(1,814)	(606)
Changes in working capital other than cash	14 & 16	-	242	(242)
Changes in payables falling due after more than one year	16	-	71	(71)
Use of provision	17	400	371	29
<b>Net Cash Requirement</b>		<b>34,306</b>	<b>32,628</b>	<b>1,678</b>

## 6 Analysis of income payable to the Consolidated Fund

In addition to Appropriations in Aid, the following income relates to PHSO and is payable to the Consolidated Fund:

(Cash receipts are shown in italics)

	Forecast 2009-10		Outturn 2009-10	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income and receipts: excess A in A	-	-	-	-
Other operating income and receipts not classified as A in A	-	-	16	<i>16</i>
<b>Sub total</b>	-	-	<b>16</b>	<b><i>16</i></b>
Non-operating income and receipts: excess A in A	-	-	-	-
Other non-operating income and receipts not classified as A in A	-	-	-	-
<b>Total income payable to the Consolidated Fund</b>	-	-	<b>16</b>	<b><i>16</i></b>

## 7 Reconciliation of income recorded within the operating cost statement to operating income payable to the Consolidated Fund

	Note	2009-10	2008-09
		£000	£000
Operating income	10	399	432
Income authorised to be appropriated-in-aid		383	420
<b>Operating income payable to the Consolidated Fund</b>	6	<b>16</b>	<b>12</b>

## 8 Staff numbers and related costs

### A) Staff costs

	2009-10			2008-09 Restated
	Permanently employed staff £000	Others £000	Total £000	Total £000
Wages and salaries	14,090	2,716	16,806	11,741
Social security costs	1,087	43	1,130	799
Other pension costs	2,606	50	2,656	1,972
<b>Sub total</b>	<b>17,783</b>	<b>2,809</b>	<b>20,592</b>	<b>14,512</b>
Ombudsman's salary: Consolidated Fund Standing Services	193	-	193	190
<b>Total gross costs</b>	<b>17,976</b>	<b>2,809</b>	<b>20,785</b>	<b>14,702</b>
Recoveries in respect of outward secondments	(135)	-	(135)	(142)
<b>Total net costs</b>	<b>17,841</b>	<b>2,809</b>	<b>20,650</b>	<b>14,560</b>

Figures for 2008-09 have been restated in line with IFRS.

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-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2009-10 employers' contributions of £2,570,516 were payable to the PCSPS (2008-09: £1,909,844) 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. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 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 £33,099 were paid to one or more of a panel of three appointed stakeholder pension providers (2008-09: £37,947). 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 £2,920, 0.8% of pensionable pay (2008-09: £2,939, 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 £3,315. 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:

	2009-10				2008-09
	Senior management	Other permanent staff	Others	Total	Total
<b>Objective 1:</b> To provide an independent, high quality and accessible complaint handling service that rights individual wrongs	3	344	40	387	252
<b>Objective 2:</b> To drive improvements in public services and inform public policy	1	32	6	39	41
<b>Total</b>	<b>4</b>	<b>376</b>	<b>46</b>	<b>426</b>	<b>293</b>

## 9 Other administration costs

	Note	2009-10		2008-09
		£000	£000	£000
<b>Cash items</b>				
External professional advice (casework-related)		769		851
Associate investigators		145		235
Professional services		303		342
Consultancy		726		378
Information and communications technology		1,467		1,245
Recruitment and training		914		1,147
Travel, subsistence and hospitality		462		221
Publicity		124		222
Stationery and postage		336		256
Accommodation costs		2,095		1,860
Accommodation operating leases		2,874		2,383
Other operating leases		79		61
Other		717		565
			11,011	
<b>Non-cash items</b>				
Depreciation and amortisation of fixed assets:				
Property, plant and equipment	11	1,228		1,075
Intangible assets	12	213		290
Revaluation losses		(1)		34
Loss on disposal of fixed assets		47		71
Cost of capital charge		150		173
Auditor's remuneration and expenses		54		62
Provisions:				
Provided in year	17	123		349
Provisions not required written back	17	-		(34)
			1,814	
<b>Total</b>			<b>12,825</b>	<b>11,786</b>

Auditors have received no remuneration for non-audit work.

## 10 Income

	2009-10	2008-09
	£000	£000
Recovery of direct and overhead costs from the:		
Local Government Ombudsman for England	33	37
Public Services Ombudsman for Wales	84	84
Scottish Public Services Ombudsman	54	81
Northern Ireland Ombudsman	8	17
Information Commissioner's Office	69	64
Recoveries in respect of outward secondments	135	142
Other miscellaneous operating receipts	16	7
<b>Total</b>	<b>399</b>	<b>432</b>

## 11 Property, plant and equipment

	Furniture and fittings	Information technology	Office machinery	Refurbish- ment	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2009	1,839	1,149	755	5,796	33	9,572
Additions	120	413	10	23	1	567
Disposals	(21)	(15)	(13)	-	(21)	(70)
Revaluations	19	221	16	-	-	256
Reclassifications	1	4	21	-	(12)	14
<b>At 31 March 2010</b>	<b>1,958</b>	<b>1,772</b>	<b>789</b>	<b>5,819</b>	<b>1</b>	<b>10,339</b>
Depreciation						
At 1 April 2009	615	662	355	1,345	-	2,977
Charged in the year	175	279	156	618	-	1,228
Disposals	(19)	(14)	(9)	-	-	(42)
Revaluations	7	130	11	-	-	148
<b>At 31 March 2010</b>	<b>778</b>	<b>1,057</b>	<b>513</b>	<b>1,963</b>	<b>-</b>	<b>4,311</b>
Net book value:						
<b>at 31 March 2010</b>	<b>1,180</b>	<b>715</b>	<b>276</b>	<b>3,856</b>	<b>1</b>	<b>6,028</b>
at 31 March 2009	1,224	487	400	4,451	33	6,595

All property, plant and equipment held at 31 March 2010 are owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third party assets.

	Furniture and fittings	Information technology	Office machinery	Refurbish- ment	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2008	1,539	1,020	711	5,217	90	8,577
Additions	280	404	17	493	33	1,227
Disposals	(28)	(229)	-	(1)	(1)	(259)
Revaluations	48	(48)	27	-	-	27
Reclassifications	-	2	-	87	(89)	-
<b>At 31 March 2009</b>	<b>1,839</b>	<b>1,149</b>	<b>755</b>	<b>5,796</b>	<b>33</b>	<b>9,572</b>
Depreciation						
At 1 April 2008	485	648	201	800	-	2,134
Charged in the year	142	246	142	545	-	1,075
Disposals	(25)	(205)	-	-	-	(230)
Revaluations	13	(27)	12	-	-	(2)
At 31 March 2009	615	662	355	1,345	-	2,977
Net book value:						
at 31 March 2009	1,224	487	400	4,451	33	6,595
at 1 April 2008	1,054	372	510	4,417	90	6,443

All property, plant and equipment held at 31 March 2009 are owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third party assets.

## 12 Intangible assets

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

	£000
<b>Cost or valuation</b>	
At 1 April 2009	1,211
Additions	157
Disposals	(80)
Revaluations	185
Reclassifications	(14)
<b>At 31 March 2010</b>	<b>1,459</b>
<b>Amortisation</b>	
At 1 April 2009	905
Charged in the year	213
Disposals	(61)
Revaluations	152
<b>At 31 March 2010</b>	<b>1,209</b>
Net book value:	
<b>at 31 March 2010</b>	<b>250</b>
at 31 March 2009	306

All intangible assets held at 31 March 2010 are owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third party assets.

	£000
<b>Cost or valuation</b>	
At 1 April 2008	1,176
Additions	131
Disposals	(41)
Revaluations	(55)
Reclassifications	-
<b>At 31 March 2009</b>	<b>1,211</b>
<b>Amortisation</b>	
At 1 April 2008	657
Charged in the year	290
Disposals	-
Revaluations	(42)
<b>At 31 March 2009</b>	<b>905</b>
Net book value:	
<b>at 31 March 2009</b>	<b>306</b>
at 31 March 2008	519

All intangible assets held at 31 March 2009 are owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third party assets.

### 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

	31 March 2010	31 March 2009	1 April 2008
	£000	£000	£000
<b>Amounts falling due within one year</b>			
Trade receivables retainable	72	69	14
Trade receivables payable to the Consolidated Fund	-	10	91
Deposits and advances	135	242	312
Prepayments and accrued income	1,221	960	883
<b>Total</b>	<b>1,428</b>	<b>1,281</b>	<b>1,300</b>

### 15 Cash and cash equivalents

	2009-10	2008-09	
	£000	£000	
Balance at 1 April	144	122	
Net change in cash and cash equivalent balances	(107)	22	
<b>Balance at 31 March</b>	<b>37</b>	<b>144</b>	
	£000	£000	£000
The following balances are held at:			
Office of HM Paymaster General	33	141	115
Cash equivalents and cash in hand	4	3	7
<b>Total</b>	<b>37</b>	<b>144</b>	<b>122</b>

## 16 Trade payables and other current liabilities

	31 March 2010	31 March 2009 Restated	1 April 2008 Restated
	£000	£000	£000
<b>Amounts falling due within one year</b>			
Trade payables	31	304	400
Taxation and social security	392	320	254
Other payables	294	226	-
Accruals and deferred income	1,052	1,004	834
Rent-free period accrual	71	71	71
Amounts issued from the Consolidated Fund for supply but not spent at year end	21	142	120
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:			
Received	16	2	2
Receivable	-	10	91
<b>Sub total</b>	<b>1,877</b>	<b>2,079</b>	<b>1,772</b>
<b>Amounts falling due after more than one year</b>			
Rent-free period accrual	546	617	688
<b>Total</b>	<b>2,423</b>	<b>2,696</b>	<b>2,460</b>

Figures for 1 April 2008 and 31 March 2009 have been restated in line with IFRS.

## 17 Provisions for liabilities and charges

	2009-10				2008-09	2007-08
	Early departure costs	Legal claims	Other	Total	Total	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	1,052	68	75	1,195	1,145	844
Provided in the year	123	-	-	123	349	724
Provisions not required written back	-	-	-	-	(34)	(151)
Provisions utilised in the year	(303)	(68)	-	(371)	(265)	(272)
Unwinding of discount	-	-	-	-	-	-
<b>Balance at 31 March</b>	<b>872</b>	<b>-</b>	<b>75</b>	<b>947</b>	<b>1,195</b>	<b>1,145</b>

### 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.

### 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 2010, 31 March 2009 or 1 April 2008.

## 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 2010	31 March 2009 Restated	1 April 2008 Restated
	£000	£000	£000
Buildings:			
Not later than one year	-	-	-
Later than one year and not later than five years	1,552	1,878	-
Later than five years	23,084	22,598	24,157
	<u>24,636</u>	<u>24,476</u>	<u>24,157</u>
Other:			
Not later than one year	15	-	-
Later than one year and not later than five years	101	158	204
Later than five years	-	-	-
	<u>116</u>	<u>158</u>	<u>204</u>

Figures for 31 March 2009 and 1 April 2008 have been restated to show the full cost of the commitment over the life of the lease. Figures published in prior year resource accounts showed the cost of the commitment over the following year.

## 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 was committed are:

	31 March 2010	31 March 2009 Restated	1 April 2008 Restated
	£000	£000	£000
Not later than one year	1,071	308	282
Later than one year and not later than five years	1,277	2,373	2,375
Later than five years	7,179	7,363	8,333
	<b>9,527</b>	<b>10,044</b>	<b>10,990</b>

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

Figures for 31 March 2009 and 1 April 2008 have been restated to show the full cost of the commitment over the life of the lease. Figures published in prior year resource accounts showed the cost of the commitment over the following year.

## 21 Contingent liabilities disclosed under IAS 37

PHSO has the following contingent liabilities:

	2009-10	2008-09
	£000	£000
Legal cases against PHSO	-	10
	-	10

## 22 Losses and special payments

	2009-10		2008-09	
	No. of cases	£000	No. of cases	£000
Total	49	136	39	263

No individual cases in either 2009-10 or 2008-09 exceeded £250,000.

## 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 (LGO) undertake joint working and collaboration across a wide number of areas and initiatives.

The Deputy Ombudsman, Kathryn Hudson, was seconded from the Department of Health from 1 August 2008. She was appointed permanently to the post of Deputy Ombudsman on 6 April 2010.

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

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

## 24 Post balance sheet events

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. It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension scheme that the Parliamentary and Health Service Ombudsman provides to employees. In the Ombudsman's opinion there have been no other events since 31 March 2010 that would affect the financial statements.



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