

Resource Accounts 2006-07





Parliamentary
and Health Service
Ombudsman

Resource Accounts 2006-07

Session 2006-07

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Annual Report to the Accounts for the year ended 31 March 2007

Introduction

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

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

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

Role, vision and aims

Our role

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

Our vision

We aim to:

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

Our aims and objectives

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

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

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

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

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

Principal activities

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

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

Management commentary for 2006-07

The achievements of the past year are set out in the Office's combined statutory annual report for 2006-07, which will be laid before Parliament on 18 July 2007. The report will be available from the Stationery Office or by downloading from the Office's website (www.ombudsman.org.uk).

Our workload and performance: facts and figures

Introduction

Being accountable for our performance is important to us. In recent years, we have been working to improve our casework processes and to refine the way we record, monitor and report on the work we do. Our aim is to improve our service and to give greater consistency

and clarity to our workload and performance information. We took some significant steps towards this aim during 2006-07.

Because different reporting methodologies were being used, the figures for 2006-07 are not directly comparable with the figures reported for 2005-06. However, following the development of our performance reporting and the improvement in data quality, we are now much closer to establishing, and being accountable for, a consistent baseline of workload and performance.

Enquiries

- We received 14,510 enquiries in 2006/07; of these, 14,183 were closed during the year.

The number of contacts made to the Office has not changed significantly over the past year, but the overall number that we record as 'enquiries' is lower. That is because repeated contacts about the same complaint are no longer recorded as separate enquiries.

Investigations

- We began 2006/07 with 1,862 cases in hand (compared to 2,320 in 2005/06);
- We accepted a total of 1,682 new cases for investigation (3,162 in 2005/06);
- We completed 2,927 cases (3,633 in 2005/06);
- The number of cases accepted for investigation in hand at the end of the year was 617, a reduction of 67% on the 1,862 cases brought forward at the start of the year;
- We reduced the number of in hand investigations that were over a year old from 234 at 31 March 2006 to 73 at 31 March 2007.

The figures above show that we accepted considerably fewer cases for investigation in 2006/07 than in 2005/06. There are two main reasons for this.

First, we have introduced a more robust process for deciding whether we **could** and, if so, whether we **should** accept a case for investigation. Our aim has been 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.

Secondly, promoting better local complaints handling and resolution is one of our key objectives. Our assessment process therefore ensures that the body complained about has had an opportunity to resolve the complaint. Also, where appropriate, we ensure that the complainant has made use of any appropriate second tier complaint handler, such as the Adjudicator or the Healthcare Commission.

Before we accept a case for investigation we want to be satisfied that:

- the complaint is properly within the Ombudsman's remit and the body complained about has not been able to resolve it;
- there is evidence of maladministration leading to unremedied injustice;
- there is a reasonable prospect of a worthwhile outcome to our investigation.

We have also established a much clearer distinction between cases where we intervene to secure a positive outcome for a complainant without the need to launch an investigation, and cases where we investigate and report. Therefore, in future we will be able to report more accurately and comprehensively on those cases where our intervention short of an investigation has secured the resolution of a complaint, which is an important aspect of our work. Such cases are now recorded as concluded enquiries.

The figures above include a substantial number of cases that were initially accepted for investigation but subsequently closed as an enquiry. This is because we reassessed all cases in hand when we adopted the assessment process described above. Subsequently, 373 cases were closed as enquiries rather than as investigations.

Overall, while the number of investigations has reduced, our overall workload remains substantially unchanged as more work is being done at the enquiry stage. The changes are more of presentation than of substance.

Reports

The following reports to Parliament were published:

- Investigation into the Home Office's regulation of animal experimentation;
- Put together in haste: 'Cod Wars' Trawlermen's compensation scheme;
- Retrospective continuing care funding and redress; and
- The Parliamentary Ombudsman: Withstanding the test of time;

A further investigation is being conducted into the prudential regulation of Equitable Life, and a report will be published in 2007-08.

Other key activities

Other key activities undertaken by the Office during 2006-07 in support of its aims and objectives were:

- publishing our Principles of Good Administration and commencing development of our Principles for Remedy;
- implementation of the accommodation strategy, including refurbishment of our offices, installation of new IT equipment and a better working environment;
- launching an Equality and Diversity Strategy action plan, including training for all staff on meeting the needs of a diverse range of customers;
- working with the Department of Health to develop integrated health and social care complaints arrangements, in collaboration with the Commission for Local Administration in England; and
- continued work towards renewal of our IiP accreditation, with an interim assessment in June 2007 and a final assessment in March 2008.

Position at the end of the year

In carrying out these activities, the Office used resources of £23.043 million. After taking account of £0.364 million income appropriated in aid, the Office's net resource requirement in 2006-07 was £22.679 million. This represents an underspend of £0.962 million (4.1%) of the funds approved by Parliament in the Office's Supply Estimate arising from:

- unutilised reserves of £150k;
- the outturn of accommodation which was £360k below budget, following changes in floor space requirements;
- lower than expected costs of impairments of fixed assets; and
- reduced depreciation charges arising from the deferment of the accommodation project into 2006-07 from 2005-06.

The Office's capital expenditure during the year was £4,958 million. This was a marginal underspend of £0.036 million against the Estimate provision of £4.994 million.

These figures do not include the salary and on-costs of the Ombudsman of £0.179 million, which are funded directly from the Consolidated Fund.

The Office's net cash requirement of £26.889 million was £0.761 million below the Estimate approved by Parliament. This underspend was primarily due to the cash savings identified above.

The General Fund has increased by £4.393 million, reflecting the impact of the capitalisation of the costs of the accommodation refurbishment project, which has been substantially completed.

Relationships with other organisations

The Office provides clinical advice to the Scottish Public Services Ombudsman, the Public Services Ombudsman for Wales and the Northern Ireland Ombudsman. Up to June 2006, PHSO also provided a payroll function for the Public Services Ombudsman for Wales. The Office recharges for these services, and the funds recovered are included as appropriation in aid in the accounts, with the exception of the Public Sector Ombudsman for Wales' salary costs and the Northern Ireland Ombudsman's clinical advice costs, the recovery of which were not included in the Office's Estimate.

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

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

The future

The Office's strategy and plans for 2007-10 are set out in its rolling 3 Year Strategic Plan, and are available from the Office's website (www.ombudsman.org.uk).

Aims and priorities

The Office's two key aims for the period 2007-10 are:

- to deliver a high quality complaints handling service to customers; and
- to contribute to improvements in public service delivery by being an influential organisation, sharing our knowledge and expertise.

The Office's key priorities for the period 2007-10 are:

- continuously improving the *quality* of our service;
- increasing the *efficiency* of all aspects of our core activities;
- extending our *influence* with others to help improve public service delivery.

Factors affecting future development, performance and position

The Office's funding arises from a three year settlement sanctioned by the Treasury, with annual Estimates based on this settlement being approved by Parliament. The Office's Estimate for 2007-08, the final year of the current cycle, provides for a gross resource requirement of £24.373 million, and income of £0.347 million (a net resource requirement of £24.026 million).

The Estimate provides for a further £1.5 million for capital expenditure, to fund the Office's capital investment strategy.

On 12 April 2007, Treasury Ministers sanctioned the Office's next three year funding settlement for the period 2008-09 to 2010-11. This provides for annual net resources of £24.026 million per annum and capital expenditure of £1.600 million per annum. Annual funding is subject to Parliamentary scrutiny and review through the Estimates process.

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

- changes in the health and social care complaints structure which may reposition the Ombudsman in the process;
- the Regulatory Reform Order, which will enable the Ombudsman and the three Local Government Ombudsmen in England to consult each other and work together on cases and issues that are relevant to more than one of them;
- the outcomes of the capability reviews of Government Departments, which may impact on the organisations about which the Ombudsman receives complaints;
- the restructuring or reorganisation of key government departments and/or services such as the Home Office, Ministry of Justice, or Child Support Agency etc;
- the responsibility of the NHS for the provision of healthcare in most prisons which may increase the volume of complaints to the Health Service Ombudsman; and
- the impact of the Human Rights Act on the volume and response to complaints.

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

- applying the Principles of Good Administration and Principles for Remedy in practice in our casework, our external relations/influencing strategy, our service to customers and our internal administration/management;
- improving the quality and efficiency of complaints handling: the Office aims to make progress towards achieving its three year customer service standards for complaint handling, meeting or exceeding its casework targets and developing a quality standard;
- the development and implementation of our Outreach strategy to help improve the accessibility of our service;
- the development and implementation of our Knowledge and Information Management strategy, including our records management;
- completing our reorganisation project, 'Organising for the Future', with the implementation of new organisational structures;
- investing in our people including the roll out of our management development programme, the development of a casework skills training programme, talent management and achieving IIP accreditation.

The Office 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, the Office proactively manages them.

Governance and accountability arrangements

The Office has produced a governance statement which sets out for our staff and stakeholders the basis on which the Office of the Parliamentary and Health Service Ombudsman (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 in March 2007, is available from the Office's website (www.ombudsman.org.uk).

The Advisory Board

During 2006-07, the Ombudsman was supported by an Advisory Board of which she was Chair, the other members of which were:

Cecilia Wells OBE
Tony Redmond

Trish Longdon
Bill Richardson
Linda Charlton
Philip Aylett

External Member
External Member - Chair of the Commission for Local
Administration in England
Deputy Ombudsman
Deputy Chief Executive
Director of Equality and Diversity
Director of Strategy and Communications

Cecilia Wells was appointed through fair and open competition, and her remuneration is decided by the Ombudsman. Tony Redmond was appointed to the Board by the Ombudsman, and is not

remunerated. Linda Charlton resigned her post as Director of Equality and Diversity on 31 March 2007. 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;
- Internal control and risk management arrangements.

The Advisory Board has no role in the Office'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).

Following a review of the Office's governance, the Advisory Board arrangements are to change. From 1 April 2007 the Advisory Board will comprise the Ombudsman herself (as Chair and Chief Executive in line with her statutory accountability) and four non-executive external members. The Advisory Board's four external members will be Tony Redmond and Cecilia Wells, who will continue to serve on the Advisory Board, and two new members, Linda Charlton and Paula Carter who were recruited through fair and open competition and who took up their responsibilities from 1 April 2007.

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

The Executive Board

During 2006-07, 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, the Director of Strategy and Communications and the Director of Equality and Diversity.

The Executive Board is responsible for the delivery of PHSO's strategic vision, policies and services to the public and other stakeholders.

The Executive Board meets regularly and is responsible for co-ordinating activity across the Office. 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.

Going forward, and following the resignation of Linda Charlton as Director of Equality and Diversity, the functions of her post have been assigned to other senior managers. From 1 April 2007 the Executive Board will be chaired by the Ombudsman, and comprise the Deputy Ombudsman, Deputy Chief Executive and the Director of Policy, Information and Communications.

Audit Committee

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

Accounting Officer

The Ombudsman is not subject to the Government Resources and Accounts Act 2000. As a result, the Treasury has no statutory authority to appoint the Ombudsman as Accounting Officer; nor is it able to issue directions to the Ombudsman on the production or laying of the accounts, or on any other matters covered by the Act. However, in order to recognise the Ombudsman's responsibility properly to account for the resources allocated to her, the Treasury and the Ombudsman have agreed administratively that the appointment as Ombudsman brings with it the duties of Accounting Officer as laid down in Government Accounting. Her responsibilities as Accounting Officer and for the Office's system of internal control are set out on pages 18 to 22.

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

Auditors

The Comptroller and Auditor General is the auditor of the Office's accounts. As disclosed in Note 9 to the accounts, a notional cost of £45,000 was incurred on audit services provided by the Comptroller and Auditor General. No non-audit work was undertaken by the auditors.

Internal audit services during 2006-07 were provided by KPMG LLP (UK).

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

Directors' interests

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

Treatment of pension liabilities

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

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

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

Payment of suppliers

The Office is committed to compliance with the Late Payment of Commercial Debt Regulations 2002. The payment policy is to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods or services or the presentation of a valid invoice, whichever is the later. During 2006-07, 99.56% of invoices were paid in accordance with this policy (compared with 98.36% in 2005-06).

Employment policy and communications with staff

The Office recruits on the principle of selection on merit through fair and open competition. The Office is committed to the principle of equality of opportunity and values the diversity of its staff. The Office is committed to complying with all relevant statutory requirements, including the provisions of the Disability Discrimination Act 1995. In 2005-06 a Director of Equality and Diversity was appointed, to take forward the Office's commitment to diversity and she continued in post throughout 2006-07. Following work with a 'Diversity Partner' (Pearn Kandola), who brought external scrutiny to the Office's practices and provided expert advice on improvements, an exercise was conducted to procure expert external support for the development of good practice in the Office (including the delivery of training). This resulted in the appointment of Michelle Deeks who commenced work in January 2007. Following work done to establish and plan the office's approach to Equality and Diversity, the Director post ceased from 1 April 2007 and the functions have been transferred to a new role of Director of People and Organisational Development.

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

The average number of people employed by PHSO in 2006/07 was 293 (FTE) of which 8.4 (FTE) were disabled.

Remuneration Report

The Parliamentary and Health Service Ombudsman

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

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

Legislation 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 pension entitlements of the Ombudsman for the year ended 31 March 2007 were as follows:

Name	Salary £000	Benefits in kind (to the nearest £100) £	Real increase in pension at 60 £000	Total accrued pension at 60 at 31/03/06 £000	CETV of pension at 31/03/06 £000	CETV of pension at 31/03/07 £000	Real increase in CETV as funded by employer £000
Ann Abraham	155-160	6,300*	0-2.5	40-42.5	786	833	19

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

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

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

The CETV figures are provided by Paymaster, the Office's Approved Pensions Administration Centre, who have assured the Office that they have been correctly calculated following guidance provided by the Government Actuary's Department.

Executive Board

During 2006-07, the Executive Board members, and their service contract commencement dates, were as follows:

Trish Longdon	Deputy Ombudsman (4 August 2003)
Bill Richardson	Deputy Chief Executive (21 July 2003)
Linda Charlton	Director of Equality and Diversity (7 November 2000 to 31 March 2007)
Philip Aylett	Director of Strategy and Communications (6 June 2005)

The Deputy Ombudsman and Deputy Chief Executive were permanently appointed under fair and open competition.

Linda Charlton was originally appointed, under fair and open competition, as a Director of Investigations, and was subsequently appointed on 1 August 2005 as Director of Equality and Diversity and a member of the Executive Board. She resigned on 31 March 2007, and was subsequently appointed as an Advisory Board member from 1 April 2007 following fair and open competition.

Philip Aylett was seconded from the Cabinet Office from 6 June 2005, as Director of Communications, and appointed as Director of Strategy and Communications from 1 April 2006. From 1 April 2007 he became Director of Policy Information and Communications and on 1 June 2007, transferred permanently from the Cabinet Office to PHSO.

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

The Pay Committee determines senior staff pay in accordance with the PHSO Pay Policy, the aims of which include taking into account: comparability with the Civil Service; public sector pay policy; and appropriate pay market data on external comparison. No members of the Executive Board received a bonus in 2006-07.

In 2006-07 the Pay Committee also considered and endorsed annual bonuses for staff below Executive Board level based on recommendations by line managers and taking account of the criteria set out in PHSO's Pay Policy. The bonuses were paid on a non-consolidated, non-pensionable basis in recognition of: specific achievement and delivery during the year of key objectives; leadership demonstrated at corporate, strategic and functional levels; contribution to achieving change and continuous improvement; and demonstration of PHSO values.

Office of the Parliamentary and Health Service Ombudsman

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The salary and pension entitlements of members of the Executive Board for the year ended 31 March 2007 were as follows:

Name	Salary £000	Real increase in pension at 60 £000	Total accrued pension at 60 at 31/03/07 £000	CETV of pension at 31/03/06 £000	CETV of pension at 31/03/07 £000	Real increase in CETV as funded by employer £000
Trish Longdon <i>Deputy Ombudsman</i>	100-105	2.5-5	52.5-55	900	984	37
Bill Richardson <i>Deputy Chief Executive</i>	100-105	0-2.5	47.5-50	907	969	30
Linda Charlton <i>Director of Equality and Diversity</i>	75-80	2.5-5	25-27.5	435	490	46
Philip Aylett <i>Director of Strategy and Communications</i>	75-80	3.5-4	27.5-30	496	595	80

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

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

Name	Salary £000	Real increase in pension at 60 £000	Total accrued pension at 60 at 31/03/06 £000	CETV of pension at 31/03/05 £000	CETV of pension at 31/03/06 £000	Real increase in CETV as funded by employer £000
Trish Longdon <i>Deputy Ombudsman</i>	100-105	2.5-5	47.5-50	678	900	42
Bill Richardson <i>Deputy Chief Executive</i>	100-105	0-2.5	42.5-45	695	907	36
Linda Charlton <i>Director of Equality and Diversity</i>	65-70	0-2.5	22.5-25	322	435	21
Philip Aylett <i>Director of Communications (from 6 June 2005)</i>	50-55	0-2.5	22.5-25	370	496	34

The CETV figures are provided by Paymaster, the Office's Approved Pensions Administration Centre, who have assured the Office that they have been correctly calculated following guidance provided by the Government Actuary's Department.

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:

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

If a contract is terminated without the notice 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 scheme have a reserved right to draw on their pensions from age 60. This can be done whilst remaining in employment or not. A departure before age 65 would be classed as a resignation as they will not be legally able to retire until age 65.

The Advisory Board: Non-Executive Members

Cecilia Wells received a salary of £15,000 (2005-06, £15,000) with no benefits in kind and no pension entitlement. Tony Redmond received no remuneration.

The Audit Committee: Non-Executive Members

Andrew Puddephatt, the Chair of the Audit Committee, received a salary of £10,000 (2005-06, £10,000) with no benefits in kind and no pension entitlement. Tony Redmond and Jeremy Kean received no remuneration.

Salary

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

Benefits in kind

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

Civil Service Pensions

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

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

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

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

Cash Equivalent Transfer Values

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

Real Increases in CETV

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



Ann Abraham
Parliamentary and Health Service Ombudsman

June 2007

Statement of Accounting Officer's responsibilities

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

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

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

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

- observes the relevant accounting and disclosure requirements, and applies suitable accounting policies on a consistent basis;
- makes 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 the Office's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Government Accounting*.

Statement on Internal Control

Scope of responsibility

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

The 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 departmental 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 2007 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Capacity to handle risk

The Office has a risk management framework in place, which has been revised 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;
- PHSO governance arrangements, in particular links with stewardship reports, internal review arrangements, and associated roles and responsibilities.

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

Senior members of the Office are personally responsible for the management of key risks. 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. The Office has also rolled out risk registers at a local level to support the management of the strategic risks, as well as providing additional guidance as appropriate on the implementation of risk management processes.

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

The risk and control framework

To support me in ensuring the effective governance of PHSO, of which I am Chair and Chief Executive, I have appointed a non-statutory Advisory Board in line with my statutory accountability. During 2006-07 the Advisory Board comprised myself, two external members who bring an external perspective to the Office's work and four executive officials: the Deputy Ombudsman, Deputy Chief Executive, the Director of Strategy and Communications and the Director of Equality and Diversity. During 2006-07 I decided to appoint two further external members to bring in-depth knowledge on organisational development/change management and communications/marketing. The new appointees took up their posts on 1 April 2007. From that date and in line with the purpose of Advisory Board meetings, members of the Executive Board will usually attend but will not be members.

The Advisory Board provides specific advice and support to me on:

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

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).

In addition, I have also set up an Executive Board, the members of which, during 2006-07, were myself as Chair and Chief Executive, the Deputy Ombudsman, the Deputy Chief Executive, the Director of Strategy and Communications, and the Director of Equality and Diversity. It meets regularly and has responsibility for the delivery of the Office's strategic vision, plans and services to the public and other stakeholders. It also provides a forum for discussion on the development and co-ordination of major work programmes and provides leadership to all staff working for the Office.

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

The risk management framework, which was approved by the Audit Committee and the Advisory Board in November 2005, sets out our risk policy, risk appetite and management approach. The framework is based around simple, non-bureaucratic processes reflecting best practice. The key aim is to encourage staff 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 2006-07 the key strategic risks have been regularly monitored by senior management with risk reports being included in the quarterly stewardship report. In this report risk owners provide an assessment of the impact and likelihood for each risk and highlight any items that need to be drawn to the attention of senior management and the PHSO Boards. The strategic

risk register has been closely aligned to the strategic plan and business plan objectives are referenced in each risk.

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

- fully embed risk management through the business planning process where risk assessments have been included in the business plans and with the development of subsidiary risk registers to underpin strategic risk management;
- build risk assessments into management reports, business cases, decision making processes and papers going to the Boards;
- embed risk at an operational level, to ensure that each case is risk assessed on an ongoing basis with a clear action plan to mitigate that risk; and
- ensure the provision of a local resource, within the planned restructuring of our operational division, to lead on corporate responsibilities in that area, including risk and audit.

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 manager in advance of Executive Board and Audit Committee meetings;
- exception reporting to the Executive Board when risks arise requiring immediate attention; and
- submitting quarterly stewardship and year-end reports to confirm that, to the best of their knowledge, risks for which they are the owner, have been appropriately managed during the year or, where a key risk has 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 Management Team, chaired by the Deputy Ombudsman. Cases assessed as having a high risk impact are reviewed on a monthly basis by the Ombudsman, Deputy Ombudsman, Business Management Team and relevant members of staff.

Current strategic risks are in the areas of:

- customer and user satisfaction - we must ensure that we are delivering a good service to complainants and all other external stakeholders;

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

During the year the new Risk and Assurance Manager has taken up his post and has been co-ordinating all internal audit activity, as well as the Office's risk management and business continuity arrangements. This year has also seen the first year of KPMG LLP providing internal audit services.

A new Finance Code was issued during 2005-06 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 and the procurement team which was established in 2005-06 is completely embedded.

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 of the executive managers within the office who have a 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 Boards, the Audit Committee and a plan to address the weaknesses and ensure continuous improvement of the system in place.

The Audit Committee is responsible for providing advice and assurance on the adequacy and effectiveness of internal control and risk management. It also oversees internal and external audit arrangements, which cover all areas of the Office's work, both financial and non-financial systems. During the year PHSO contributed to HM Treasury's consultation on the revised Audit Committee handbook and will be considering the implications of the recently published final version on our own arrangements.

During 2006-07, KPMG LLP completed a wide programme of internal audit work giving a 'full' level of assurance to both the audit of our financial and accounting systems and of our payroll systems. A significant amount of work has been carried out internally to address the weaknesses and recommendations raised in individual audits and to confirm that PHSO has not

been exposed to unacceptable risk in these areas. In addition to this we plan to develop our in-house skills base to enable internal reviews to be undertaken with sufficient rigour to support the overall audit opinion in the areas covered by KPMG. We will also consider the need for other external reviews and audits where specialist skills are required (e.g. health and safety) to provide additional assurance as required.

KPMG's report on PHSO's corporate governance and risk management arrangements, completed in March 2007, gave a 'substantial' level of assurance on the adequacy and effectiveness of the systems of internal control. There were five medium and low priority recommendations, compliance with which will be taken forward by senior managers and the Risk and Assurance Manager.

The one report to receive limited assurance during the year was on our Corporate Performance Management systems. We acted immediately to introduce additional clarity to our business recording systems which has led to improved activity and performance reporting. We are continuing to develop a framework of targets and measures that will help us improve our performance in key areas. Findings in this audit were linked to weaknesses found in our Operational Performance Management Information System during a special audit during 2005-06 by Accenture (reported in last year's SIC). We have focused throughout the year on improving procedures and compliance in this area, linked to changes in our IT systems and I am confident that the weaknesses identified have been or are being addressed.

There have been no other material internal control issues.



Ann Abraham
Parliamentary and Health Service Ombudsman

June 2007

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

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

I certify that I have audited the financial statements of the Office of the Parliamentary Commissioner for Administration and Health Service Commissioner for England (Office of the Parliamentary and Health Service Ombudsman) for the year ended 31 March 2007 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash flow Statement and the Statement of Operating Costs by Office Aims and 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

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises a Management Commentary and a Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Office of the Parliamentary and Health Service Ombudsman has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Office of the Parliamentary and Health Service Ombudsman's circumstances, consistently applied and adequately disclosed.

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

Opinions**Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Office of the Parliamentary and Health Service Ombudsman's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information given within the Annual Report, which comprises a Management Commentary and a Remuneration Report, is consistent with the financial statements.

Audit 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.

Report

I have no observations to make on these financial statements.



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

June 2007

Statement of Parliamentary Supply

Summary of Resource Outturn 2006-07

	Note	2006-07						2005-06	
		Estimate			Outturn			Net total outturn compared to Estimate: saving/ (excess) £000	Outturn £000
		Gross expenditure £000	A in A £000	Net Total £000	Gross expenditure £000	A in A £000	Net Total £000		
Request for Resources	3	24,047	406	23,641	23,043	364	22,679	962	22,263
Total Resources		24,047	406	23,641	23,043	364	22,679	962	22,263
Non Operating Cost A in A		-	5	(5)	-	-	-	(5)	-

Net Cash Requirement 2006-07

	Note	2006-07			2005-06
		Estimate £000	Outturn £000	Net total outturn compared to Estimate: saving/ (excess) £000	Outturn £000
Net Cash Requirement	5	27,650	26,889	761	23,558

Summary of income payable to the Consolidated Fund

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

	Note	Forecast 2006-07		Outturn 2006-07	
		£000	£000	£000	£000
		Income	Receipts	Income	Receipts
Total	6	-	-	5	5

Explanations of variances between Estimate and outturn are given in Note 3 and in the Management Commentary.

Office of the Parliamentary and Health Service Ombudsman

Resource Accounts 2006-07

Operating Cost Statement for the year ended 31 March 2007

	Note	2006-07	2005-06
		£000	Restated £000
Administration costs:			
Staff costs	8	13,458	12,907
Other Admin Costs	9	9,764	9,840
Gross administration costs		23,222	22,747
Operating income	10	(369)	(402)
Net administration costs		22,853	22,345
Net operating cost		22,853	22,345
Net resource outturn		22,679	22,263

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses for the year ended 31 March 2007

	2006-07	2005-06
	£000	£000
Net gain/(loss) on revaluation of tangible fixed assets	12	5
Net gain/(loss) on the revaluation of Pensions Provision	11	-
Recognised gains and losses for the financial year	23	5

The notes on pages 31 to 45 form part of these financial statements

Balance Sheet as at 31 March 2007

	Note	31 March 2007		31 March 2006	
		£000	£000	£000	£000
Fixed assets:					
Tangible assets	11		6,354		2,594
Intangible assets	12		638		821
			<u>6,992</u>		<u>3,415</u>
Current assets:					
Debtors	13	968		1,237	
Cash at bank and in hand	14	391		178	
		<u>1,359</u>		<u>1,415</u>	
Creditors (amounts falling due within one year)	15	(1,597)		(1,929)	
Net current liabilities			<u>(238)</u>		<u>(514)</u>
Total assets less current liabilities			<u>6,754</u>		<u>2,901</u>
Creditors (amounts falling due after more than one year)	15	(825)		(999)	
Provisions for liabilities and charges	16	(844)		(1,218)	
			<u>(1,669)</u>		<u>(2,217)</u>
			<u>5,085</u>		<u>684</u>
Taxpayers' equity					
General fund	17		4,709		316
Revaluation reserve	18		376		368
			<u>5,085</u>		<u>684</u>



Ann Abraham
Parliamentary and Health Service Ombudsman

June 2007

Cash Flow Statement for the year ended 31 March 2007

		2006-07	2005-06
	Note	£000	£000
Net cash outflow from operating activities	19	(22,110)	(22,138)
Capital expenditure and financial investment	19	(4,958)	(1,500)
Net Payments of amounts due to the Consolidated Fund	19	(68)	(44)
Financing	19	27,349	23,349
Increase/(decrease) in cash in the period		213	(333)

Statement of operating costs by Office aims and objectives for the year ended 31 March 2007

	2006-07			2005-06		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Objective 1: PCA						
To deal with all complaints referred to the Parliamentary Commissioner for Administration impartially, objectively, effectively and expeditiously	12,209	(187)	12,022	9,695	(174)	9,521
Objective 2: HSCE						
To deal with all complaints referred to the Health Service Commissioner for England impartially, objectively, effectively and expeditiously	11,013	(182)	10,831	13,052	(228)	12,824
Net operating cost	23,222	(369)	22,853	22,747	(402)	22,345

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

The application of resources year-on-year will vary in accordance with the nature and number of PCA and HSCE complaints.

Notes to the resource accounts

1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2006-07 Government Financial Reporting Manual (FRM) issued by HM Treasury. The accounting policies contained in the FRM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FRM also requires the Office to prepare 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 the Office's Aim and Objectives* and supporting notes analyse the Office's income and expenditure by the objectives agreed with Parliament.

Where the FRM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Office for the purpose of giving a true and fair view has been selected. The Office's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

1.2 Tangible fixed assets

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

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

1.3 Depreciation

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

Asset lives are normally in the following ranges:

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

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

1.4 Intangible fixed assets

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

1.5 Operating income

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

1.6 Administration expenditure

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

1.7 Capital charge

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

1.8 Pensions

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

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

1.9 Provisions

The Office provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 2.2 per cent in real terms. The Pensions Provisions rate was 2.8% during the year. However PES (2007)02 requires this to be changed to 1.8% on 31/03/07.

1.10 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Office discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Government Accounting.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.11 Value Added Tax (VAT)

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

1.12 Early departure costs

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

1.13 Operating leases

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

2 Changes to estimation technique

2.1 Discount Rates

As noted in 1.9 above, pensions provisions have been re-calculated as at 31/3/07 using a discount rate of 1.8%. Last year this rate was 2.8%.

2.2 Impact of changes in estimating technique.

The decrease in discount rate has resulted in an additional £11k provision for early departure costs.

3 Analysis of net resource outturn by section

	2006-07						2005-06
	Outturn			Net Total £000	Estimate Net Total £000	Net total outturn compared with Estimate £000	Prior year outturn £000
	Admin £000	Gross resource expenditure £000	A in A £000				
Request for Resources	23,043	23,043	364	22,679	23,641	962	22,263
Resource Outturn	23,043	23,043	364	22,679	23,641	962	22,263

The underspend is mainly attributable to lower than expected spends relating to accommodation, depreciation, impairments and unutilised reserves.

Detailed explanations for the variances, where required, are given in the Management Commentary.

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

A) Reconciliation of net resource outturn to net operating cost

	Note	2006-07			2005-06
		Outturn £000	Estimate £000	Outturn compared with Estimate £000	Outturn £000
Net resource outturn	3	22,679	23,641	962	22,263
Non-supply income (CFERs)	6	(5)	-	5	(73)
Non-Supply Expenditure: Consolidated Fund Standing Services	17	179	180	1	155
Net operating cost		22,853	23,821	968	22,345

B) Outturn against final Administration Budget

	2006-07		2005-06
	Budget £000	Outturn £000	Outturn £000
Gross Administration Budget	24,047	23,043	22,592
Income allowable against the Administration Budget	(406)	(364)	(329)
Net outturn against final Administration Budget	23,641	22,679	22,263

5 Reconciliation of resources to cash requirement

	Note	2006-07		Net total outturn compared to Estimate saving/ (excess) £000
		Estimate £000	Outturn £000	
Resource outturn	3	23,641	22,679	962
Capital:				
Acquisition of fixed assets:	11&12	4,999	4,957	42
Non-operating A in A:				
Proceeds of fixed asset disposals		(5)	-	(5)
Accruals adjustments:				
Non-cash items	9	(1,385)	(1,680)	295
Changes in working capital other than cash	19	-	204	(204)
Changes in creditors falling due after more than one year	19	-	174	(174)
Use of provision (cash only)	16	400	560	(160)
Excess cash receipts surrenderable to the Consolidated Fund	6	-	(5)	5
Net cash requirement		27,650	26,889	761

The Estimate provided for costs of £962k, which did not materialise in year.

6 Analysis of income payable to the Consolidated Fund

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

(Cash receipts are shown in *italics*)

	Note	Forecast 2006-07		Outturn 2006-07	
		Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts - excess A in A		-	-	-	-
Other operating income and receipts not classified as A in A		-	-	5	5
Subtotal		-	-	5	5
Non-operating income and receipts - excess A in A		-	-	-	-
Other non-operating income and receipts not classified as A in A		-	-	-	-
Total income payable to the Consolidated Fund		-	-	5	5

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

	Note	2006-07 £000	2005-06 £000
Operating Income	10	369	402
Income authorised to be appropriated-in-aid		364	329
Operating income payable to the Consolidated Fund	6	5	73

8 Staff numbers and related costs

A) Staff costs comprise:

	2006-07			2005-06
	Permanently Employed Staff £000	Others £000	Total £000	Total £000
Wages and salaries	10,013	539	10,552	10,196
Social security costs	859	5	864	819
Other pension costs	1,853	10	1,863	1,737
Sub total	12,725	554	13,279	12,752
Ombudsman's Salary <i>Consolidated Fund Standing Services</i>	179	-	179	155
Total gross costs	12,904	554	13,458	12,907
Less recoveries in respect of outward secondments	-	(143)	(143)	(109)
Total net costs	12,904	411	13,315	12,798

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

For 2006-07, employers' contributions of £1,800,905 were payable to the PCSPS (2005-06 £1,537,190) at one of four rates in the range of 17.1 to 25.5% of pensionable pay, based on salary bands (the rates in 2005-06 were between 15.2 and 24.6%). The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2005-06 and will remain unchanged until 2008-09. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £47,573.51 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3,548.02, 0.8% of pensionable pay (2005-06: £4,004, 0.8%), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £4,484. Contributions prepaid at that date were nil.

B) Average number of persons employed

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

	2006-07				2005-06
	Senior Management Number	Other Permanent Staff Number	Others Number	Total Number	Total Number
Parliamentary Commissioner for Administration	1	94	11	106	88
Health Service Commissioner for England	1	88	14	103	115
Corporate Management Group	3	68	13	84	77
Total	5	250	38	293	280

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9 Other administration costs

	Note	2006-07		2005-06
		£000	£000	£000
Rentals under operating leases:				
accommodation		2,492		2,579
other operating leases		248		43
			2,740	
Non-cash items:				
depreciation and amortisation of fixed assets:				
tangible fixed assets	11	782		673
intangible fixed assets	12	267		174
revaluation losses		84		215
loss on disposal of fixed assets		204		4
cost of capital charge		75		5
provisions				
provided in year	16	309		323
unused provision reversed	16	(86)		(226)
auditor's remuneration and expenses		45		45
			1,680	
Other expenditure			5,344	6,005
Total other administration costs			9,764	9,840

i) Other expenditure comprises:

	2006-07	2005-06
	£000	£000
External professional advice (casework related)	1,342	949
Associate investigators	247	490
Professional services	287	310
Consultancy	97	588
Information and communications technology	1,271	928
Accommodation costs	730	1,079
Recruitment & training	443	471
Travel, subsistence and hospitality	131	221
Publicity	57	60
Stationery and Postage	221	307
Other	518	602
Total	5,344	6,005

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

iii) Accommodation cost, disclosed under rentals under operating leases, includes service charges which are integral to the lease and the cost of the building rates. The amounts disclosed at Note 22 - Commitments under leases - against land and buildings however, only include the cost of long-term rental contracts.

10 Income

	2006-07	2005-06
	£000	£000
Recovery of direct and overhead costs from the:		
Public Services Ombudsman for Wales	42	65
Scottish Public Services Ombudsman	86	86
Commissioner for Local Administration in England	35	75
Information Commissioner's Office	152	165
Recoveries in respect of outward secondments to other organisations	49	-
Other miscellaneous operating receipts	5	11
	369	402

11 Tangible fixed assets

	Furniture and fittings	IT equipment	Office machinery	Refurbish- ment	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2006	2,148	1,369	178	2,324	465	6,484
Additions	526	150	531	3,669	27	4,903
Disposals	(1,215)	(374)	(32)	(1,931)	-	(3,552)
Revaluations	26	(74)	(7)	-	-	(55)
Reclassifications	-	-	-	280	(349)	(69)
At 31 March 2007	1,485	1,071	670	4,342	143	7,711
Depreciation						
At 1 April 2006	1,416	615	58	1,801	-	3,890
Charged in the year	169	260	38	315	-	782
Disposals	(1,076)	(360)	(31)	(1,821)	-	(3,288)
Revaluations	9	(34)	(2)	-	-	(27)
At 31 March 2007	518	481	63	295	-	1,357
NBV at 31 March 2007	967	590	607	4,047	143	6,354
NBV at 31 March 2006	732	754	120	523	465	2,594

Analysis of significant movements on tangible fixed assets

High levels of additions and disposals in year are as a result of the accommodation program which has now been substantially completed.

12 Intangible fixed assets

	Purchased software licences
	£000
Cost or valuation	
At 1 April 2006	1,012
Additions	54
Disposals	-
Reclassifications	69
Revaluations	(66)
At 31 March 2007	1,069
Amortisation	
At 1 April 2006	191
Charged in the year	267
Disposals	-
Revaluations	(27)
At 31 March 2007	431
NBV at 31 March 2007	638
NBV at 31 March 2006	821

13 Debtors

	2006-07	2005-06
	£000	£000
Amounts falling due within one year:		
Trade debtors	70	330
Deposits and advances	91	84
Prepayments	807	823
	968	1,237

14 Cash at bank and in hand

	2006-07	2005-06
	£000	£000
Balance at 1 April	178	512
Net change in cash balances	213	(334)
Balance at 31 March	391	178
The following balances at 31 March are held at:		
Office of HM Paymaster General	361	167
Cash in hand	30	11
Balance at 31 March	391	178

15 Creditors

	2006-07	2005-06
	£000	£000
Amounts falling due within one year:		
Trade creditors	389	480
Taxation and social security creditor	475	481
Rent accrual	4	87
Accruals and Deferred Income	338	630
Amounts issued from the Consolidated Fund for supply but not spent at year end	386	178
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	5	73
Receivable	-	-
Sub total	1,597	1,929
Amounts falling due after more than one year:		
Rent Accrual	825	999
Total	2,422	2,928

16 Provisions for liabilities and charges

	2006-07			2005-06	
	Early departure costs £000	Legal claims £000	Other £000	Total £000	Total £000
Balance at 1 April	774	269	175	1,218	1,576
Provided in the year	203	101	5	309	323
Provisions not required written back	-	(35)	(51)	(86)	(226)
Provisions utilised in the year	(373)	(175)	(60)	(608)	(455)
Unwinding of discount	-	-	11	11	-
Balance at 31 March	604	160	80	844	1,218

Early retirement and pension commitments

The Office meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Office provides for this in full when the early retirement programme becomes binding on the Office by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.8 per cent in real terms. This percentage changed to 1.8 per cent on 31/03/07.

Legal Claims

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

Other

i) During 2003-04 a provision of £266,666 was made, in accordance with FRS12, for the future impairment of a significant number of the assets classified as fixtures and fittings. Of this, £17,980 was utilised in 2004-05. A later than expected start to the Refurbishment Project has meant that some of the assets provided for are still in use at the balance sheet date. Where the net book value of the provided for assets is lower than the provision for those assets, due to depreciation and revaluation in year, the difference has been treated as a provision reversed unused. In 2006-07, of the remainder of the provision, £152,537, £48,873 was utilised in year with £39,957 reversed, leaving a balance of £64,027 to be utilised during 2007-08.

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ii) During 2003-04 OPHSO detected significant issues with the quality of work carried out by the previous pensions administrator and management team. An independent review of all current employees and leavers in 2003-04 (296 cases) discovered shortcomings in the previous pension administration work. A provision of £65,000 was made in 2003-04 in relation to 21 cases recognised as having potential higher values and a further provision of £12,000 was recognised in 2005-06. All cases with potential higher values have now been concluded and no further provision is required.

17 General Fund

The General Fund represents the total assets less liabilities to the Office, to the extent that the total is not represented by other reserves.

	2006-07		2005-06	
	£000	£000	£000	£000
Balance at 1 April		389		(958)
Net Parliamentary Funding				
Drawn down	27,170		23,194	
Deemed	105		469	
		27,275		23,663
Consolidated Fund Standing Services		179		155
Year end adjustment:				
Supply creditor - current year		(386)		(178)
Net transfer from operating activities				
Net operating cost	(22,853)		(22,345)	
CFERs repayable to the Consolidated Fund	(5)		(73)	
Non cash charges		(22,858)		(22,418)
Cost of capital	75		5	
Auditor's remuneration	45		45	
		120		50
Transfer from Revaluation Reserve		1		2
Change in Pension Liability		(11)		-
Balance at 31 March		4,709		316

Opening Balance as at 1 April 2006 includes a liability of £73k now recognised as not due to the Consolidated Fund.

18 Revaluation Reserve

	2006-07	2005-06
	£000	£000
Balance at 1 April	368	365
Arising on revaluation during the year (net)	7	5
Transfer to general fund in respect of realised element of revaluation reserve	1	(2)
Balance at 31 March	376	368

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

19 Notes to the Consolidated Cash Flow Statement

A) Reconciliation of operating cost to operating cash flows

		2006-07	2005-06
	Note	£000	£000
Net operating cost		22,853	22,345
Adjustments for non-cash transactions	9	(1,680)	(1,213)
Increase/(decrease) in debtors		(269)	(139)
(Increase)/decrease in creditors falling due within one year		332	860
Less movements in creditors relating to items not passing through the OCS			
Consolidated Fund creditor		208	(291)
CFERs received and receivable		(68)	30
Increase/(decrease) in creditors falling due after one year		174	91
Use of provisions	16	608	455
Less use of provisions non-cash items		(48)	-
Net cash outflow from operating activities		22,110	22,138

B) Analysis of capital expenditure and financial investment

		2006-07	2005-06
		£000	£000
Tangible fixed asset additions		4,904	1,072
Intangible fixed asset additions		54	429
Proceeds on disposal of fixed assets		-	(1)
Net cash outflow from investing activities		4,958	1,500

C) Analysis of financing

		2006-07	2005-06
	Note	£000	£000
From the Consolidated Fund (Supply) - current year	17	27,170	23,194
From the Consolidated Fund (non-Supply) - Standing Services	17	179	155
Net financing		27,349	23,349

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

		2006-07	2005-06
	Note	£000	£000
Net cash requirement		(26,889)	(23,558)
From the Consolidated Fund (Supply) - current year	19	27,170	23,194
Amounts due to the Consolidated Fund - received in prior year and paid over		(73)	(43)
Amounts due to the Consolidated Fund - received and not paid over	6	5	73
Increase/(decrease) in cash		213	(334)

20 Notes to the Statement of Operating Costs by Aim and Objectives

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

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

21 Capital commitments

	2006-07	2005-06
	£000	£000
Contracted capital commitments at 31 March 2007 for which no provision has been made	1,075	48

22 Commitments under leases

Operating leases

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

	2006-07	2005-06
	£000	£000
Obligations under operating leases comprise:		
Land and buildings		
Expiry within 1 year	52	320
Expiry after 1 year but not more than 5 years		-
Expiry thereafter	2,957	2,293
	<u>3,009</u>	<u>2,613</u>
Other:		
Expiry within 1 year	51	16
Expiry after 1 year but not more than 5 years	172	22
Expiry thereafter	-	-
	<u>223</u>	<u>38</u>

Lease payments on land and buildings expiring after 5 years represents the annualised rental payments on Millbank Tower after accounting for the rent free period disclosed at Note 15.

Finance leases

There were no finance leases as at 31 March 2007.

23 Other financial commitments

The Office has entered into non-cancellable contracts (which are not leases or PFI contracts) for the provision of service and maintenance of IT equipment. The payments to which the Office is committed during 2006-07, analysed by the period during which the commitment expires, are as follows:

	2006-07	2005-06
	£000	£000
Expiry within 1 year	382	39
Expiry after 1 year but not more than 5 years	731	656
Expiry thereafter	-	-
	1,113	695

24 Financial Instruments

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

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

Liquidity Risk

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

Interest Rate Risk

The Office is not exposed to any interest rate risk.

Foreign Currency Risk

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

25 Contingent liabilities disclosed under FRS12

There are five legal cases currently in progress regarding decisions taken by the Ombudsman in response to complaints received. The total estimated liability for costs which may be recoverable by the litigants is £75,000. During the year an injury benefit claim was received from an ex-employee, the value of which is yet to be confirmed. There is a possibility of the claim being as high as £600,000.

26 Contingent liabilities not required to be disclosed under FRS 12 but included for Parliamentary reporting and accountability purposes

The Office has no contingent liabilities that are not required to be disclosed under FRS 12 but should be included for Parliamentary reporting and accountability purposes.

27 Losses and special payments

Special Payments

	2006-07		2005-06	
	No. of cases	£000	No. of cases	£000
Total	40	165	32	332

No individual cases in either 2006-07 or 2005-06 exceeded £250,000.

28 Related-party transactions

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

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

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

Income received from the CLAE is disclosed in Note 10. All income receivable in year was received. Cash payments to CLAE during 2006-07 totalled £249,897.16, £18,049.08 was owed to CLAE as at 31 March 2007.

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

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

29 Post Balance Sheet Events

In accordance with the requirements of FRS21, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date the accounts are laid before Parliament. These accounts will be laid before Parliament on 18 July 2007.

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