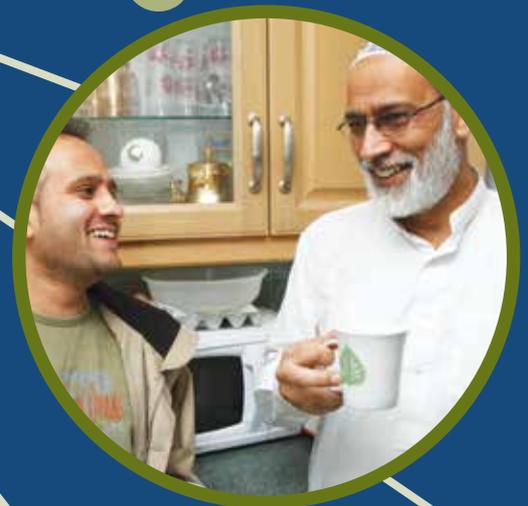


The Ombudsman's Annual Report
and Accounts 2012-13

Aiming for **impact**



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and Accounts 2012-13

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Foreword from the Ombudsman

This year, we set out to have more impact for more people. This ambition sits at the heart of our new five-year strategy, launched in November. We began by considering how complaints can make a difference and help to improve public services for everyone.

Our research, detailed on page 8, shows that most people are happy with public services. But when things go wrong, individuals need to know where and how to complain; to be listened to; and to be taken seriously. They need to feel confident that complaining will make a difference, both to their own situation and for others in future.

When mistakes happen, public services need better, swifter insight about what has gone wrong to enable them to put things right. As the failures in Mid-Staffordshire showed, boards of NHS trusts need to hear complaints and use them to make connections between incidents of poor care or service in order to spot wider problems. If boards fail to act, Parliament needs information to be able to hold them to account.

This report explains how we have prepared to help meet these needs. It sets out how we will have more impact by investigating more complaints; spotting themes and trends in complaints where needed; and doing more to share our findings with the government and the health service. To underpin these plans, we have made changes to our structure and decision making; built stronger relationships with others; and worked more closely with Parliament.



Two things have made it possible for us to start to achieve our ambition. Our reputation as a well-run organisation, providing a high-quality service, has been a strong foundation on which to build. And the skill, enthusiasm and commitment of our staff is helping to turn our aims into reality, while still meeting the needs of our customers every day. The achievements in this report belong to them.

Dame Julie Mellor, DBE
Parliamentary and Health Service Ombudsman

Our strategy 2013-18

Our vision

We want complaints to make a difference and help to improve public services for everyone.

Our vision means:

- We want everyone, whoever they are, to be confident that complaining about public services is straightforward and fair.
- When people complain about public services, we want them to be listened to, treated fairly and for mistakes to be put right.
- We want public services to learn from complaints and use them to improve the service they provide to everyone.

Parliament, government and public services all have work to do to make this vision real.

Our role

We were set up by Parliament nearly 50 years ago to help both individuals and the general public. We are not part of government or the NHS; our role is to investigate complaints that individuals have been treated unfairly or have received poor service from government departments and other public organisations and the NHS in England. We do this fairly and without taking sides.

We ask people to complain to the organisation they are unhappy about before bringing their complaint to us.

Our powers are set out in law and our service is free for everyone. The law gives us the power

to investigate and make the final decision on complaints about public services for individuals. We make recommendations on how mistakes can be put right and can ask organisations to produce action plans to show how they will implement them. If our investigations find big or repeated mistakes, we share this information with regulators to help them do their job.

We share information about our work with Parliament to help them hold government and the NHS in England to account for the service they provide and the way they handle complaints.

Our aims

To help make our vision real, our aims for the next five years are to:

1. Make it easier for people to find and use our service.
2. Help more people by investigating more complaints and providing an excellent service for our customers.
3. Work with others to use what we learn from complaints to help them make public services better.
4. Lead the way to make the complaints system better.
5. Develop our organisation so that it delivers these aims efficiently and effectively.

Introduction from the Chief Operating Officer

In September 2012, I joined an organisation which was full of ideas. Staff at all levels were taking part in discussions about our new strategy, and planning for the future. At the same time, they were delivering an excellent service for our customers.

This report tells how during the year we raised our performance and reduced our costs while increasing customer satisfaction and planning for the future. We met five of our customer service standards, missing the sixth by a narrow margin, and responded to a 13% increase in enquiries.

Our conversations with our staff throughout the year helped to shape our new strategy and plans and some of their comments are included in this report. The aims in our strategy reflect their desire for us to be better known, to help more people and to use our data and insight to greater effect. Staff were instrumental in driving this forward and their detailed review of our complaints handling process has helped us prepare for growing numbers of complaints in future. The first results of this review, which took effect in April 2013, mean a quicker, simpler way of responding to complaints. This will benefit our customers and the organisations complained about, offering a greater opportunity to share learning to help them improve.



We have begun to work differently in other ways; reviewing our systems and processes and building our profile. A new management structure will support these changes, and staff throughout the organisation have shown themselves to be both flexible and resilient as change takes place. My thanks go to them for their ongoing support and commitment to providing the very best service, both now and in the future.

This report only tells the start of the story. There is much work for us to do in the months and years ahead to achieve our ambition to have more impact for more people. We look forward to making it happen.

Helen Hughes
Chief Operating Officer

Key facts about us in 2012-13



We **investigate complaints** that people have been treated unfairly or received a poor service from government organisations and the NHS in England



We **launched a new five-year strategy** and prepared to investigate many more complaints in future

We **resolved nearly 4,500 cases**, without the need for an investigation



We **completed 384 investigations** and upheld or partly upheld 86% of them

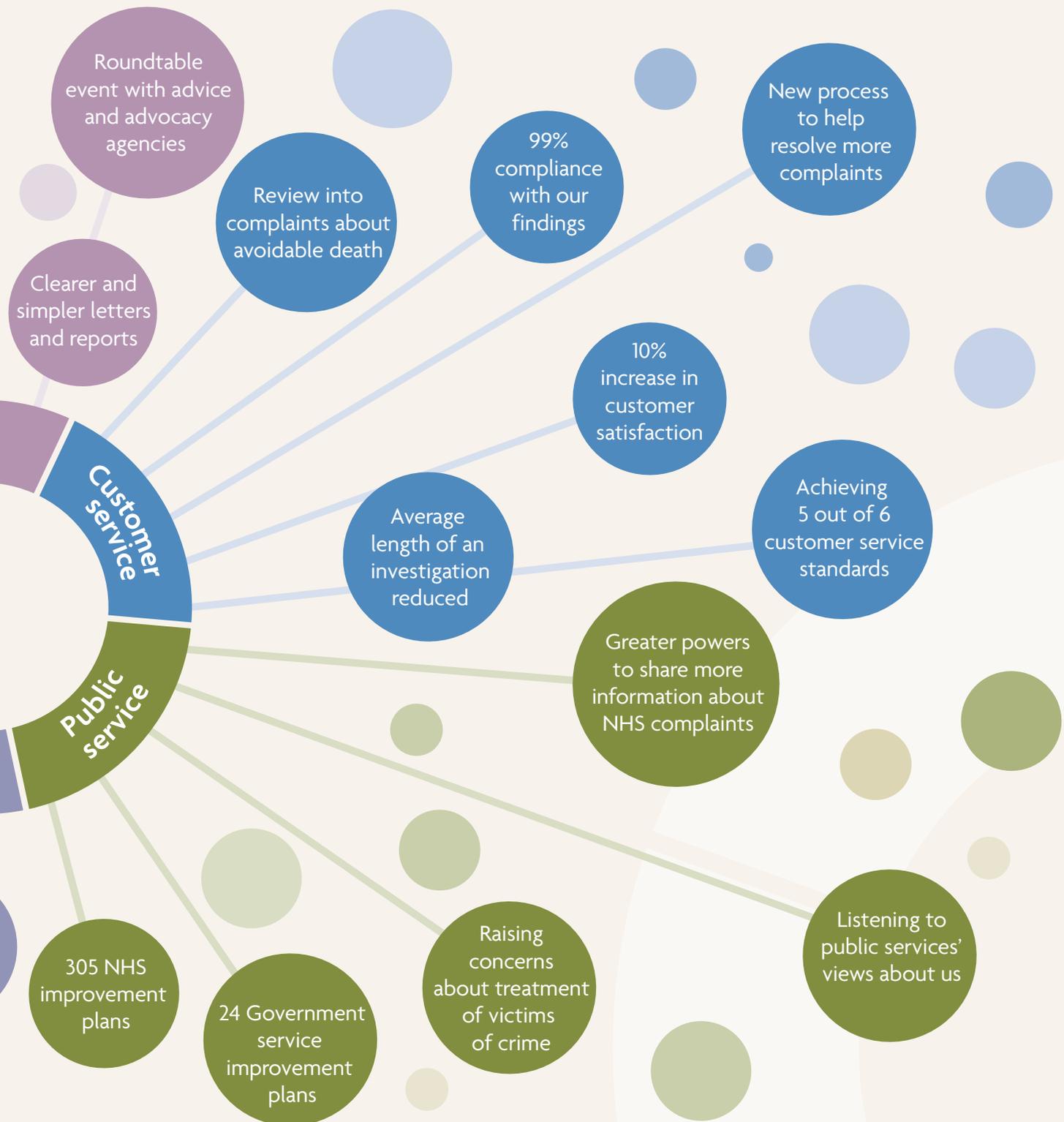


We received 26,961 enquiries - an **increase of 13%**. For most, we gave advice and helped people complain

Our year at a glance

Our new strategy sets out five aims for our work, and this report presents our achievements under each of them. As well as our ongoing work to respond to complaints and improve public services, it highlights how we have been planning for the future.





Shaping our new strategy

In 2012-13, we took a fresh look at complaints and how we work. We did research among the public and listened to our staff, Parliament, public services and other organisations. What we learned shaped our new strategy, launched in November 2012.

Our research shows that most of the public (81%) are happy with public services. But of those who wanted to complain (18%), many found it difficult or felt it didn't make a difference. Here, we highlight what the public told us about complaining about public services, along with the views of our staff, MPs and other organisations we work with.

Complaining can be hard to do



- It can be difficult to find out where to complain
- People fear that complaining will lead to a worse service
- For those who are ill, or struggling, complaining can be even harder
- Young people, those with learning difficulties and people from black and minority ethnic communities are less likely to complain

People lack confidence in complaining



- Over half of people who complained said they were not listened to or not kept up to date
- 46% felt they were not taken seriously
- 64% said they did not think their complaint would change anything
- Only a third of people who complained were happy with the outcome



'The public and our stakeholders should be made more aware about what we do'

Member of staff



‘The need for public complaints to be heard is both chronic and urgent’

Bernard Jenkin MP, Chair, Public Administration Select Committee

Our service should be better known and easier to use



- 43% of people were not told about our service when they complained
- It needs to be easier for people to contact us
- MPs want more information about our work
- We should accept complaints online via our website
- Our letters and reports should be simpler

We should share our work more widely



- Our insight can help the NHS and government improve complaints handling
- We should publish more of our investigation and themed reports
- MPs want to know more about the findings from our investigations
- There are lots of ways we can work with other organisations to help complainants
- We should make better use of data that we hold about complaints

We need to do more investigations



- Lots of complaints don't reach us: 32% of people who wanted to take their complaint further didn't do so
- Feedback from Parliament and the public has shown we need to investigate more complaints, so that people can have confidence that there is somewhere to go for an independent, final adjudication on their complaint
- Investigating more complaints will generate more insight to help public services improve
- Our investigations can take too long

We used all the feedback we received to help inform the vision, role and aims for our new strategy, which are on page 3.

Throughout this report we highlight the progress we have made and the planning we have done in the last year to make our strategy real.





Aim 1

Making it easier for people to find and use our service

In 2012-13, we handled a 13% increase in enquiries from the public. We talked to other organisations about how we can make it easier for people to complain and visited MPs' offices to find out how we can help them and their constituents in future.



Our performance

In 2012-13 more people came to us for help with their complaint than in the year before. We received 26,961 enquiries – an overall increase of 13%. Of these:

- 16,341 were about the NHS;
- 7,811 were about central government departments and organisations; and
- 2,809 were about organisations outside our jurisdiction.

The biggest percentage increase in enquiries was from people wanting to complain about government departments and organisations (21%). This was mainly due to a large number of complaints about the UK Border Agency. We also received 12% more complaints about the NHS than in the previous year, reflecting the increase in complaints received by the NHS.

Our research shows that 43% of people who complained to public services and wanted to take their complaint further were not told how to bring their complaint to us. Of the people who came to us during the year, over three quarters needed help or advice about how to make their complaint to us or other organisations. To help tackle this, we improved our information about the types of complaints we can help with and worked with other public organisations to help them do the same.

In November 2012 we hosted a roundtable event with advice and advocacy agencies to discuss working together to help the people they support. With the support of Citizens Advice, we made our leaflets available through their bureaux nationwide.

We reviewed the way we write our letters and reports and made them clearer, simpler and more consistent. As a result, the proportion of our customers taking part in our customer satisfaction survey who agree that our letters are easy to understand increased from 90% in 2011-12 to 96% in 2012-13.



‘Talking things through made the process much clearer. Thank you for your help and for the gentleness that I have received from your organisation.’

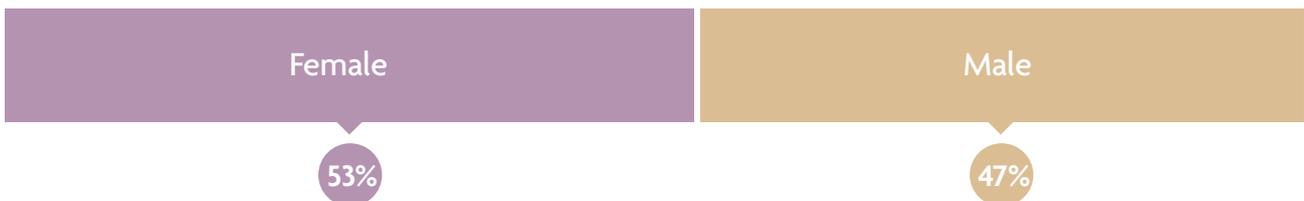
Customer

Our customers

Our rolling customer survey reveals the diversity of the people who come to us. Nearly one third of our customers tell us that they have a disability. This compares with 18% of the population as a whole and reflects the large number of complaints we receive about the NHS. This year there was a small (6%) increase in the number of people from a black, Asian and minority ethnic (BAME) background contacting

us; this is likely to be because of the rise in complaints about the UK Border Agency. A relatively small number of our customers are over 75 (6%). This might be because it's more usual for family members or carers to complain on their behalf. We will look into this to determine whether there is more we need to do to make our service accessible to this age group.

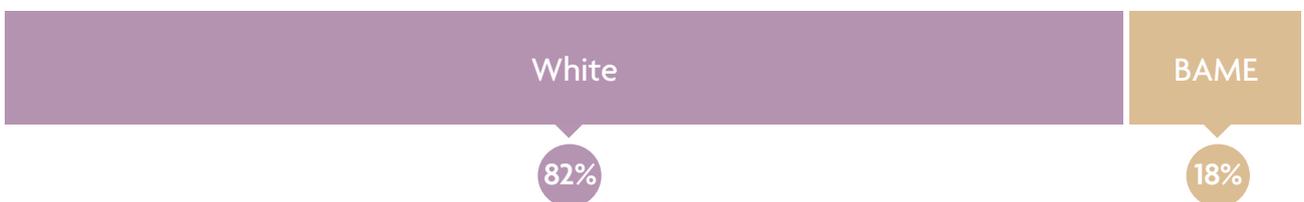
Gender



Age



Ethnicity



Disability



Planning ahead

We know from our research that there are many people who are unhappy with public services but don't bring their complaint to us. Our new complaints process, described on page 20, will help us resolve many more complaints, more quickly in future. Once this new complaints process is up and running, we will promote our work more widely to the public.

In 2012-13 we talked to MPs and their staff about how we can make it easier for them to refer complaints to us. We spent time in a number of MP constituency offices to listen and learn from MP caseworkers about their constituents' concerns and how we can help. As a result, we will be improving the information we provide to MPs and their staff, including sharing data about complaints we receive about public services in their constituencies.



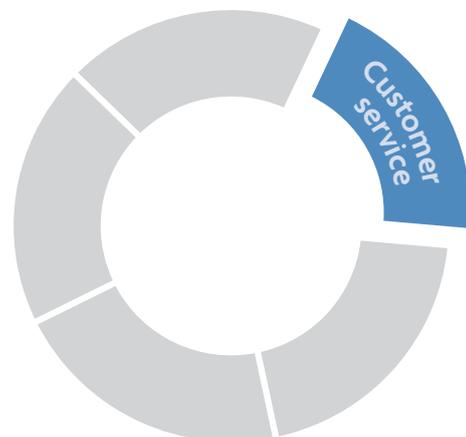
‘Any attempt to increase awareness of the Ombudsman and what she does, and to reach people who really need us, is good.’

Member of staff

Aim 2

Helping more people by investigating more complaints and providing an excellent service for our customers

We improved our performance in 2012-13, meeting five of our service standards and only narrowly missing the sixth. The average length of our investigations fell by 40 days and customer satisfaction rose by 10%. We also reviewed the way we handle complaints so that we can resolve more complaints, more quickly in future.



Helping more people by investigating more complaints and providing an excellent service for our customers

Our performance

We measure our performance by setting standards for customer service, by tracking the length of investigations and through our customer satisfaction survey.

Our customer service standards 2012-13

- ✓ Acknowledging 100% of email enquiries within one working day
- ✓ Acknowledging 100% of written enquiries within two working days
- ✓ Closing 90% of enquiries within 40 working days
- ✗ Concluding 90% of investigations within 12 months (88% concluded in this timeframe compared to 79% in 2011-12)
- ✓ Acknowledging 95% of complaints about us within five working days
- ✓ Resolving 90% of complaints about us within 16 weeks

Length of investigations

- ✓ No more than 30 investigations over 12 months old at 31 March 2013

The average length of an investigation was reduced to 317 days (compared with 357 days in 2011-12).

Compliance

In over 99% of cases organisations complied with our recommendations and resolved the complaint as we had asked them to.

Complaints about us

We received 1,004 complaints about our service or decisions we made on complaints (compared with 1,184 in 2011-12). During the year:

- We fully or partly upheld 61 complaints about our service (37%, compared to 39% in 2011-12).
- We looked at 979 complaints about our decisions (equal to 4% of all the decisions we made during the year, compared to 5% in 2011-12).
- We fully or partly upheld 103 complaints about our decisions (equal to 0.4% of all decisions we made during the year, the same as in 2011-12).

We took action to put things right where we had got things wrong. This includes apologising, giving a better explanation of our decision and in some cases agreeing to look again at our original decision.

Customer satisfaction

Our rolling customer satisfaction survey in 2012-13 shows:

- 73% of customers whose complaints didn't go forward for a full investigation were satisfied with our service - an increase of 2%; and
- 92% of customers whose complaints we investigated were satisfied with our service – an increase of 10%.

Customers who disagreed with our decision about their complaint, or who had complained about the service we gave them, were less satisfied than other customers.

- 30% of customers who complained about us said they were satisfied with our service overall - a decrease of 2%.

Learning from feedback

In response to feedback from customers, we have:

- Changed our processes, so that many more of the complaints people bring to us about the NHS and government organisations are now being investigated.
- Taken steps to improve the way we explain our decisions to customers.
- Changed our internal complaints procedure.

Judicial review

In 2012-13 there were four applications for judicial review of our decisions. All four were refused permission to proceed. One other application for review, from 2011-12, was granted permission and we successfully defended the claim. In another case, where a hearing was due to take place, both parties agreed to discontinue the claim and we accepted the complaint for investigation.

Data Protection and Freedom of Information service standards

We received 434 requests for information under the *Freedom of Information Act 2000* (FOI) and the *Data Protection Act 1998* (DPA).

- ✓ Responding to 90% of FOI requests within 20 days
- ✓ Responding to 90% of DPA requests within 40 days
- ✓ Responding to 90% of requests to review a decision within 40 days

We received 42 complaints about our decisions or service in relation to FOI and DPA requests, and we resolved 43.¹ Of these:

- 8 complaints about our decisions were fully or partly upheld; and
- 1 of 2 complaints about our service was partly upheld.



'I feel so pleased to see you have investigated thoroughly and left no stone unturned...'

Customer

¹ Some of the complaints we resolved during the year were received the year before. This is why the two numbers are different.

Helping more people by investigating more complaints and providing an excellent service for our customers

Our casework

In 2012-13 we resolved **26,358 enquiries** for customers.

1 Advising on how to complain

3,285 enquiries were about **where to complain**



We helped people whose complaint was not for us by pointing them to the right organisation for their complaint.



5,562 enquiries were about **how to complain**

We provided guidance and support on making a complaint to the NHS and government organisations.

12,622 enquiries were about **how to complain to us**



We helped people complain to us, including advice on getting an MP referral for complaints about government organisations.

4,889 enquiries needed a closer look

2 Taking a closer look to help put things right

Of the 4,889 enquiries:

3,770 were about the NHS

1,119 were about government organisations

Of these:

3,914 We concluded there was no further action for us to take.²

NHS: 3,021

Government organisations: 893

508 We put things right quickly without the need for a formal investigation.

NHS: 372

Government organisations: 136

467 We launched a formal investigation.

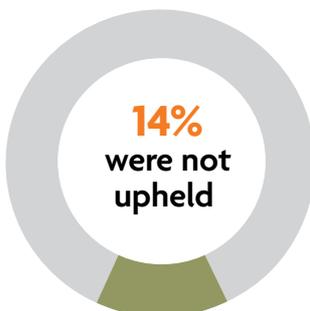
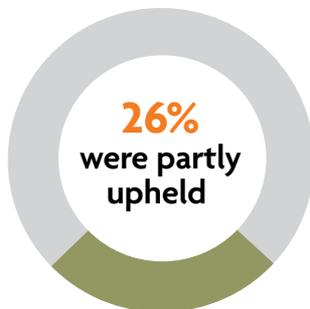
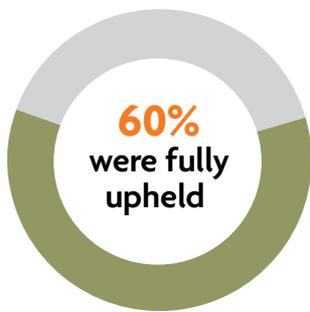
NHS: 377

Government organisations: 90

² Cases in this category include those where we found there was no case to answer, where the complaint had already been resolved, or where an investigation by us would not have achieved anything more for the complainant.

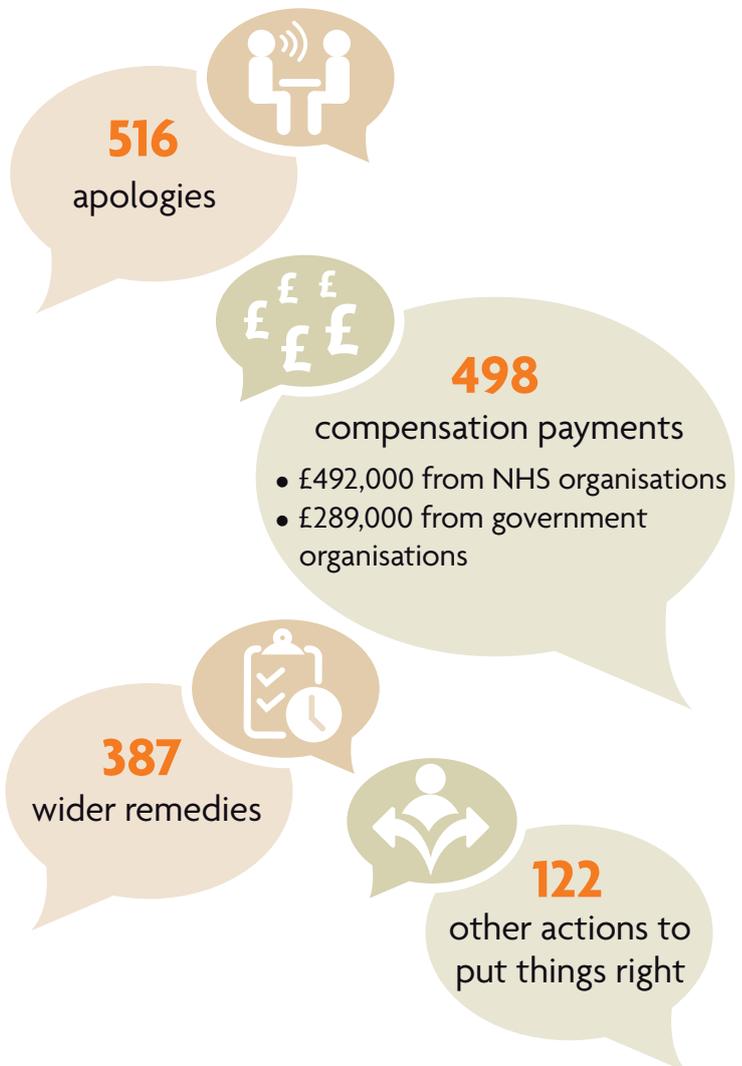
3 Investigating complaints

During the year we completed **384 investigations**,³ of which:



4 Getting things put right

At any stage, where we find that an organisation hasn't acted correctly, we ask them to **take action to put things right**. In 2012-13, we asked for:⁴



³ The number of new investigations launched and the number of investigations completed during the year are different. This is because some of the investigations we started in the year wouldn't have been completed within that same year. In addition, some of the investigations we did complete in the year would have been ones we started the year before.

⁴ Often an organisation will need to take more than one action to resolve a complaint.

Planning ahead

Investigating more complaints

Our research among the public shows a significant need for our service. To help us meet this need in future, in 2012-13 groups of our staff reviewed the way we resolve complaints. Our new complaints process, which went live in April 2013, means we will be able to investigate thousands more complaints each year.

Previously, we did a lot of preliminary work on complaints before deciding whether or not to carry out a full investigation. If we decided not to investigate a complaint, we could still provide answers and explanations, but our decisions at this stage were not formal and final findings.

Now, under our new process, complaints that meet some basic criteria will usually be investigated straight away. This means that more of our customers will have their complaints investigated and will receive an independent, formal and final ruling. The NHS, UK government departments and other public organisations will also benefit, as we will share more information about complaints with them to help them improve their service.

Our new complaints process

Access

Customers can contact us by email, by post or by phone, or be referred by MPs.



Triage

We check that the complaint is for us and that it is ready to investigate.

We then check if it can be resolved quickly without the need for an investigation.



Investigation

We tell the organisation concerned that we are investigating.

We use evidence to investigate facts and causes.

We make a judgment and inform both parties.



Action

If we uphold the complaint, we ask the organisation to take steps to resolve it, for example by providing an explanation, an apology and/or financial compensation.

We can also ask them to produce an action plan to prevent similar failings in future.



Insight

We use learning from complaints:

- to help public services improve;
- to tell Parliament why things go wrong; and
- to make the complaints system better.



Review

We consider complaints about our decisions or our service.



'I can see that we're already making a positive impact for complainants and the office ... I think this will certainly help us to provide a timely service for complainants and achieve our aim of more investigations for more people.'

Member of staff

Helping more people by investigating more complaints and providing an excellent service for our customers

Investigating the most serious cases

This year we commissioned Baroness Fritchie to conduct an independent review of our approach to complaints about deaths that may have been avoided if NHS care or treatment had been better.

These are among the most serious of the complaints that we receive. We wanted to ensure that the way we handle them is effective, thorough and sensitive to the needs of families who have lost loved ones. We also wanted to help NHS organisations learn from these complaints.

We accepted all of the review's recommendations and will be taking them into account as we continue to improve our complaints processes over the next year. The review is available on our website.



Elderly couple left out in the cold

Mr and Mrs B were both in their 80s. Mrs B was also seriously ill with cancer which sadly she did not survive.

A new boiler was installed under the Department of Energy and Climate Change's Warm Front scheme, but six months later it stopped providing adequate heating and hot water. Mr B complained to the Department about the installation but got nowhere. In the meantime Mr and Mrs B endured two winters without adequate heating. Mr B said the whole thing reminded him of wartime and that his home had become a 'hell house'.

When we received Mr B's complaint our priority was to get the Department and their contractors (Carillion) to put things right before the next winter. Carillion accepted that the boiler no longer met Mr B's needs and had been fitted in the wrong place. They replaced the heating system, agreed to pay Mr B £1,500, and compensate him for redecoration costs. We criticised the Department for not acting sooner to help Mr B and they agreed to pay him £1,000.

The Department and Carillion apologised to Mr B and explained how they will work more closely together in future to resolve complaints more quickly so that other vulnerable people do not suffer in the same way.

Aim 3

Working with others and using what we learn from complaints to help them make public services better

In 2012-13 we shared findings from our investigations to help public services improve. We raised concerns about the treatment of victims of crime and warned government organisations not to cut costs by refusing to compensate individuals for mistakes.



Our performance

Our investigations can highlight systemic or deep-rooted problems with an organisation's service. Where this is the case, we set a deadline for the organisation to prepare an action plan explaining how it will address the failings in order to stop them happening again. Last year, we asked NHS organisations for 305 action plans and government organisations for 24 action plans.

If our investigation finds that an NHS trust has made big or repeated mistakes, we share our findings with the Care Quality Commission (CQC). We also ask the trust to share its action plan with the CQC. As the regulator, the CQC is responsible for checking that the trust is implementing the plan.

Warning for government departments

In October, we published our report, *A false economy*, which showed how the Planning Inspectorate had failed to pay compensation to individuals when its own errors had left them out of pocket. The report warned all public service providers not to leave members of the public bearing the financial cost when mistakes are made.

Sharing more information about complaints

In July 2012 an important change in the law came into force. This means we can now share more information with NHS organisations about the complaints we receive. This should help organisations get better at resolving complaints locally for individuals and at learning from them for the benefit of future patients. We can also share information about individual complaints more widely, for example with charities representing certain groups, where it is in the public interest for us to do so.

We are working with the Cabinet Office to secure a similar change in the law for complaints we receive about government organisations.

Action to support victims of crime

We can investigate complaints from victims of crime about the support they have received from agencies in the justice system under the Victims' Code.

In March, to coincide with the Ministry of Justice's public consultation on the Code, we raised our concerns about the impact a lack of staff awareness and understanding of the Code was having on victims of crime. We gave examples of where agencies had failed to recognise victims' most basic rights, such as being told that the charges against the defendant had changed or that an appeal was taking place. We called for the Ministry of Justice to ensure staff in the criminal justice system were aware of the Code and their responsibilities to victims of crime. Our concerns received national media attention and we were invited to speak to the All-Party Parliamentary Group on Victims and Witnesses of Crime.

When announced, we hope the final proposals will include practical measures to ensure that practitioners are aware of their responsibilities and that victims are aware of their rights.

Planning ahead

We will publish more information about our investigations in future. As well as drawing attention to individual cases that public organisations can learn from, we will continue to monitor our casework to identify signs of systemic problems that need to be addressed both within individual organisations and on a national level.



'I cannot thank you enough ... it has made me realise that I was right to complain. I would not hesitate in advising others to do so in future.'

Customer

GP practice action plan raises awareness of serious eye condition

Dr K has a history of migraines. Shortly before moving abroad, he began to experience visual disturbances in his right eye.

He visited an out-of-hours GP at a health centre in Hampshire and then went to his GP three days later. Dr K said that one of his symptoms - a partial loss of vision in his right eye - was different to his normal migraine symptoms. The GPs diagnosed ocular migraine and prescribed medication. Dr K's real problem, a detached retina later diagnosed by a consultant abroad, was far more serious so he complained to us.

We found that Dr K's retina was detached at the time of the first consultation and that neither GP had properly assessed his condition. The delayed diagnosis meant that Dr K needed extensive surgery to repair the retina and he irreversibly lost about half the sight in his right eye.

Both GPs apologised to Dr K, and the centre and the GP practice each paid him £4,000. To prevent the same failings happening again, the centre discussed the lessons learnt from Dr K's case at their clinical governance meetings which recommended that a patient must be offered an onward referral if a potentially significant diagnosis cannot be ruled out.

The GP practice drew up a 'retinal detachment action plan', which set out the symptoms that could indicate a detached retina, the risk factors, and when to make an urgent referral. They also incorporated the plan into their training programme for medical students, trainee doctors and GP registrars, and added it to the induction packs for locum GPs.

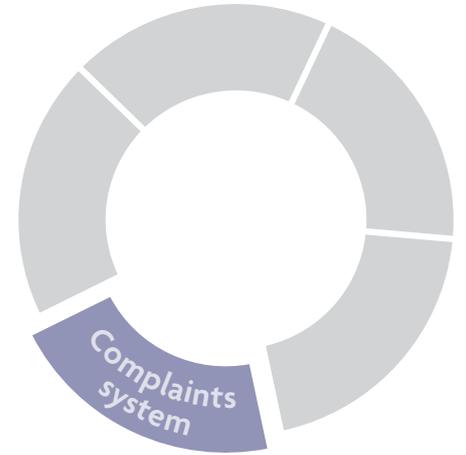


'We will publish more information about our investigations in future.'

Aim 4

Leading the way to make the complaints system better

As the NHS reforms took effect, we worked with the new NHS to promote good complaint handling. We identified how hospitals could handle complaints better following the Francis report. We developed e-learning for staff across the civil service and shared data on complaints about government departments with boards and senior civil servants.



Our performance

We published two annual reviews on complaint handling in the NHS and across government, based on evidence from our casework.

Listening and Learning analysed the complaints brought to us about the NHS, including examples of failures in communication with patients and their families, inadequate and misleading explanations and insensitivity towards vulnerable people. The report gained widespread publicity and we shared its findings at a national event for NHS complaint handlers.

In *Responsive and Accountable?*, we highlighted failings by government organisations to resolve simple mistakes and deal with complaints effectively. We showed how people had been left with no option but to escalate their complaint to us when they should have been able to get things sorted out quickly and easily.

Helping the new NHS handle complaints better

As the NHS reforms came into place, we worked to make sure that good complaint handling is part of the new NHS. This included:

- working with NHS England to develop guidance on complaint handling for the new Clinical Commissioning Groups (CCGs);
- contributing our insights into how organisations are dealing with complaints by taking part in the regional surveillance groups;
- working with Healthwatch England to help Local Healthwatch groups provide accurate public information on how to complain; and
- making contact with new health providers and sharing information about us.

Sharing information with government

For the first time, we provided the Permanent Secretary of government departments with a report on complaints received about their department and relevant agencies. The reports highlight questions boards should be asking about complaints and were shared with Sir Bob Kerslake,

Head of the Civil Service. These reports, which are now available on our website, are also a useful resource for select committees, supporting them in their role of holding ministers and the civil service to account.

We continued working with the Cross-Government Complaint Handling Forum on their response to our 2011 *Responsive and Accountable?* report. We input into new standards and a complaint resolution framework developed by the Forum to increase transparency, accountability and consistency in complaint handling. These are now being implemented across government.

We worked with the cross-government Operational Delivery Profession and government departments to develop a new e-learning module on good complaint handling. The module, launched on the Civil Service Learning Portal in March 2013, is aimed at all operational delivery staff in the civil service and will help to ensure consistent standards in complaint handling right across government.

Planning ahead

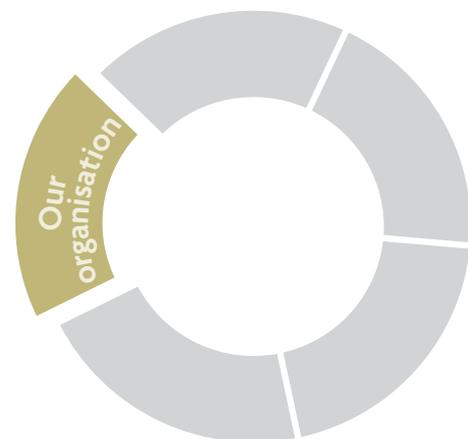
In February, Robert Francis QC published his final report into the care provided by the Mid-Staffordshire NHS Foundation Trust. The report highlighted failings by the Trust board to listen to patients and staff and to put right the things that were going wrong. After the report, we published a short summary of what we know is wrong with the hospital complaints system, based on the thousands of complaints we consider each year.

Our experience shows that trust boards need to know how many complaints are made, how lessons are learnt from complaints and what it feels like to complain. We are now finding out more about how boards deal with complaints and talking to hospital staff, patients and board members about how the complaints system can improve. We will share our findings with government, Parliament and the NHS to help make the complaint system better for patients and their families.

Aim 5

Developing our organisation so that it delivers our aims efficiently and effectively

We are changing the way we are structured and organised to help achieve our new strategy. This began in 2012-13 with a new senior team and changes to the way we make decisions. All our staff have been involved in shaping our new ways of working.



Developing our organisation so that it delivers our aims efficiently and effectively

Our performance

During the year, we changed the senior structure of the organisation. We appointed new Board members, who bring a broad mix of experience across the public and private sectors. Our new Chief Operating Officer, Helen Hughes, took up post in September and created a new Leadership Team. The Board, the COO and the Leadership Team all have different roles in making sure that the organisation is led and managed properly.

Maintaining a high-quality complaint handling service and meeting our customer service standards has been our priority as we have planned and prepared for change. Alongside their day-to-day responsibilities, over one third of our staff worked on projects linked to the development of our new five-year strategy and everyone had the opportunity to help shape our new ways of working through seminars, workshops and team discussions.

As well as informing our new strategy and ways of working, this approach has helped us provide better value for money. In 2012-13, we delivered over £600,000 of savings within our existing budget, through reviewing procurement contracts, travel costs and our use of office accommodation.

Planning ahead

Transforming the business

In January 2013, following the launch of our strategy, we set up a Business Transformation Programme. Over the next 18 months, this programme will deliver further change, including new processes for investigating more complaints in different ways; improving the way we gather and use information and data to generate insight; the systems and technology we use for receiving and handling complaints; and the way we share information and insight with others.

As part of the Business Transformation Programme, we are trialling a new Case Assessment Team, which began work in April 2013, to help test part of the new process. Working collaboratively with colleagues from across the organisation, the team is responsible for assessing complaints and deciding whether they should be investigated (shown as 'Triage' in the diagram on page 20). Working at a fast pace, and making decisions earlier in the process than before, Case Assessment Team members are providing our customers with a more timely and streamlined service, and their experience will shape the way we work in the future.



‘We can be more strategic, more purposeful, more responsive to what’s concerning people and channel our resources into where we can be most effective.’

Member of staff

Our Board and Leadership Team

In January 2013, our new unitary Board was established, chaired by the Ombudsman. The Board makes decisions about how we operate, agrees our strategy and budget and monitors our performance.

The Leadership Team leads and manages the organisation and delivers our strategic plan. It is led by the Chief Operating Officer and reports to the Board.

Membership of our current unitary Board and Audit Committee can also be found in the Governance Statement and Remuneration report.

Membership of the former Executive Board and Advisory Board (to 31 December 2012) can also be found in the Governance Statement and Remuneration report.

Directors' interests

The following interests have been declared by members of the Advisory Board (to 31 December 2012), the unitary Board (from 1 January 2013) and Audit Committee:

- Peter Freedman is a non-executive director of the Whittington Health NHS Trust.
- Gavin McBurnie is a member of Sterling Medical Chambers, which provides locum services to GP practices in the Harrogate area. Until December 2012, he also worked occasionally as a GP for Harrogate and District NHS Foundation Trust.
- Sharmila Nebhrajani is a non-executive director of the Charity Commission and the Pension Protection Fund, and is Chief Executive of the Association of Medical Research Charities. Until December 2012, she was also a non-executive director of the Food Standards Agency.
- Sir Jon Shortridge KCB is an advisory member of the Commission for Local Administration in England and chair of their audit committee. He also chairs the audit committee of the National College for Teaching and Leadership.





Unitary Board members, April 2013

- 1 **Dame Julie Mellor, DBE**
Ombudsman and Chair
- 2 **Peter Freedman**
Non-executive member
- 3 **Sharmila Nebhrajani**
Non-executive member
- 4 **Sir Jon Shortridge KCB**
Non-executive member
- 5 **Helen Walley**
Non-executive member
- 6 **Dr Tony Wright**
Transitional non-executive member

- 7 **Helen Hughes**
Chief Operating Officer,
(Chair)
- 8 **Sacha Deshmukh**
Interim Executive Director
of External Affairs and
Insight
- 9 **Gwen Harrison**
Interim Director of
Operations
- 10 **Dr Gavin McBurnie**
Interim Director of
Operations (Business
Development)
- 11 **Angela Paradise**
Interim Divisional
Corporate Resources
Director

- 12 **Rosalyn Green**
Head of HR Operations
- 13 **Anne Harding**
Legal Adviser
- 14 **Graham Payne**
Director of Finance,
Planning and Performance

Leadership Team members, April 2013



Our staff

During the year, our staff worked hard to deliver a high-quality service to our customers and helped shape our strategy and new ways of working. We supported their work through training and development and kept them informed and involved in planning for the future.

Staff numbers

In 2012-13, the number of staff employed increased from 433.2 full-time equivalents (fte) to 435.6 fte. The average number of people employed by us during the year was 435 fte. More information can be found in Note 7B to the financial statements on page 93.

The full year turnover for our workforce was 12.0% (9.4% in 2011-12). This was higher than the average annual turnover for the public sector (10.1%) but was lower than the average employee turnover rate across the UK (12.7%), as published in 2012.⁵

Performance, development and communication

Every member of staff has annual objectives, against which their performance is assessed, and annual personal development plans.

We hold an Investor In People accreditation (bronze award) and in 2012-13, we spent nearly £250,000 on learning and development for our staff. This equates to approximately £540 and, on average, 2.59 days of formal learning and development for each staff member. The money was spent on training in information technology and casework skills; supporting professional

qualifications and continuing professional development; and developing our management and leadership capacity. We also invested in equality and diversity training; information and records management; and personal effectiveness.

We communicate and consult with staff through regular Whitley meetings with the Office Trade Union Side (OTUS), which represents members of the Public and Commercial Services and First Division Association unions. We also have formal and informal channels to communicate with staff, including management and team briefings, weekly news bulletins, a staff newsletter and intranet. Throughout 2012-13 a rolling programme of projects, workshops, surgeries and staff events gave all our staff the opportunity to hear about and contribute to the development of our strategy and future plans.

Sickness absence

The average sickness absence of 7.2 days per fte for our employees was above our target of no more than 6 days per fte, but is lower than the public sector average of 7.9 days per fte.⁶ A small number of long-term absences in the past year accounted for approximately 45% of all absences, causing us to miss our target. These have been, or are being, actively managed.

⁵ Source: *CIPD Resourcing and Talent Planning Survey 2012*

⁶ Source: *CIPD Absence in Public Sector Summary 2012*.

Equality and Diversity

Diversity is one of our core values. We are committed to promoting equality of opportunity and valuing diversity as an employer and a service provider. Our Equality and Diversity Strategy 2011-15 is available on our website.

During the year, we commissioned Disability Rights UK to help design and deliver a disability confidence development programme. Over 120 staff took part in the first phase which focused on improving the experience of staff with a disability. The next phase will focus on the service we offer our customers. We also redesigned our equality and diversity induction sessions for new and existing staff, highlighting our commitment to diversity and the expectation we have of our staff to reflect that commitment in their work.

Our new corporate strategy was subject to equality analysis at early and final draft stages of its development; contributing to the strategy's commitment to make our service more available and accessible.

We benchmark the BAME and disability profile of our workforce against the economically active

populations in London and the South East and Manchester and the North West, from where we draw most of our staff. In 2012-13 we made progress in meeting these benchmarks, particularly for numbers of staff with a disability. We also monitor our workforce profile in respect of age, gender, sexual orientation and faith and belief characteristics.

Demographic information about our customers can be found on page 13.

We are committed to complying with the *Equality Act 2010*. The general public sector equality duty applies to us in respect of employment and procurement matters but our casework functions are exempt from this. We collect, hold confidentially and use equality information in the operation and development of our service.

Demographic and location	Benchmark	31 March 2013	31 March 2012
Black, Asian and Minority Ethnic (BAME):			
London and South East England	19%	19%	18%
Manchester and North West England	6%	6%	6%
Staff with a disability:*			
London and South East England	9%	10%	8%
Manchester and North West England	10%	8%	4%

*We have chosen the *Equality Act 2010*'s definition of disability for the purposes of benchmarking.

Sustainability Report

We share the public sector commitment to reducing our impact on the environment wherever we can. We aim to reduce our carbon dioxide (CO₂) emissions, particularly in the areas of energy use, resource and estate management and staff travel.

In 2012-13 we updated our Environmental Policy. Ongoing initiatives include:

- Recycling plastics, cans, paper, cardboard, general waste, and all electrical appliances at both our sites
- Recyclable cardboard cups for drinks machines and using environmentally friendly cleaning products
- Installing smart meters to provide more detailed information on electricity consumption (installation to continue in 2013-14)
- Requesting that new contractors hold ISO 14001: a standard relating to environmental management
- Switching to energy-efficient thin client desktops in London.

Our performance

We lease accommodation at The Exchange in Manchester and Millbank Tower in London. Both buildings have other tenants and are subject to shared costs. We rely on our landlords to implement and support sustainability initiatives and to provide data for monitoring success. The current recharging arrangements operated by our

landlords mean that significant elements of our emissions-generating activity are currently not reportable.

We use an external provider for rail and air tickets and for car hire for business travel. These arrangements provide standard management information on the emissions impact of each journey booked. We do not have information about the emissions impact of staff journeys using buses, taxis or private vehicles.

Costs are shown where directly attributable to us. No analysis of renewable or non-renewable energy usage is available for the energy provider.

Managing carbon dioxide emissions

Staff travel costs between London and Manchester have remained at the same level between 2011-12 and 2012-13. Our costs for building energy decreased, mainly through efficiencies and subletting.

Summary of CO₂ emissions and costs split by source

Area	CO ₂ emissions 2012-13 (tonnes)	Consumption 2012-13 (units)	Costs 2012-13 (£000)
Building energy	498,505	935,969 kWh	86
Travel related	111,654	378,870m	237
Total	610,159		323

Non-Financial Indicators: Emissions (tCO ₂)	2010-11	2011-12	2012-13
Gross emissions for Scopes 1 and 2 ⁷	639,012	597,012	498,505
Gross emissions for Scope 3 business travel ⁸	127,715	125,275	111,654
Total Greenhouse Gas Emissions	766,727	722,287	610,159

Non-Financial Indicators: Energy (kWh)	2010-11	2011-12	2012-13
Energy-Electricity–Non-renewable ⁹	1,190,933	1,111,755	928,218
Total kWh	1,190,933	1,111,755	928,218

⁷ Scope 1 – Direct Greenhouse Gas Emissions are from sources owned or controlled by the organisation. We lease our accommodation (including air conditioning) and do not own any motor vehicles.

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

⁸ Scope 3 – Other Indirect Emissions are as a consequence of our actions but occur at sources not owned or controlled by us and which are not classed as Scope 2. This covers business travel only and emission impact is determined by mileage travelled.

⁹ We are unable at present to report on renewable electricity performance as this is only reported by the energy provider on a historic basis, with the last report dated 2007. Gas and oil charges for our sites form part of the service charges and therefore usage is not currently known.

Financial Indicators (£000)	2010-11	2011-12	2012-13
Building energy	129	99	86
Business travel ¹⁰	245	233	237
Total Greenhouse Gas Emissions	374	332	323

Managing water use

Our water usage is apportioned and recharged as part of our accommodation service charge. Specific data is not available on our usage or actual cost.

Performance

We use water-saving measures, including the use of zip taps, which dispense instant hot and cold drinking water, and water-saving systems in toilet facilities.

Managing office waste

We improved our recycling performance in 2012-13. The costs and volume of our non-recycled waste form part of the accommodation service charge for both our buildings. Our recycling for both sites is reported below.

Performance

We recycle cans, plastics, paper and cardboard at both our sites and receive a report each month for each site, outlining the amount that has been recycled.

Non-Financial Indicators: (kg recycled)	2010-11	2011-12	2012-13
Gross emissions for Scope 3	n/a	23,321	37,275
Total kg recycled	n/a	23,321	37,275

¹⁰ This report includes only business travel using trains, commercial aircraft and hire cars. Travel data includes travel by all staff regardless of location, including the Ombudsman.

Governance statement

Scope of responsibility

I took up office as Parliamentary and Health Service Ombudsman (PHSO) on 3 January 2012. As Accounting Officer for PHSO at 31 March 2013, this is my review of the performance and effectiveness of governance in 2012-13.

I was appointed by the Queen following a process led by Parliament. My appointment is for a set period of seven years and I may only be removed before that time following a resolution of both Houses of Parliament.

As Ombudsman, I am solely accountable for the conduct and administration of all work carried out by PHSO and for decisions made in response to complaints. Those decisions may be judicially reviewed by application to the Courts.

I am independent of government and report directly to Parliament. I account to Parliament for PHSO's work through a published Annual Report and Accounts, which are subject to audit by the National Audit Office. I report to Parliament from time to time on individual or systemic examples of maladministration and appear at least annually before the Public Administration Select Committee.

As a matter of good practice we seek to comply with the spirit of HM Treasury's *Corporate Governance Code for Central Government Departments*. However, the constitutional nature of my role could give rise to a material departure

from the Code as I am in effect both Chair and Chief Executive of PHSO.

In 2012-13, there have been significant changes to the structure and strategic direction of PHSO. During this time, we have focused on ensuring strong governance and risk management at both board and operational level. My internal auditors review our governance and risk arrangements annually. In 2012-13 they provided an opinion of 'substantial assurance'.

Review of governance framework

In last year's Governance Statement, I said that I would review PHSO's advisory and executive governance arrangements in 2012-13 and conduct board effectiveness reviews for each of our senior governance boards and committees. These reviews took place alongside the development of our new 2013-18 Strategy, which was launched in November 2012. I wanted an appropriate governance framework that takes account of the power and accountability of my constitutional position and which:

- provides appropriate scrutiny of and challenge to decision making;
- reflects the distinction between my role as Ombudsman and my role as leader of PHSO; and
- combines a broad mix of experience and skills for robust decision making'.

Following the review, I introduced changes to PHSO's governance, which include:

- A greater separation between my role as Ombudsman and the running of the organisation through the appointment of a Chief Operating Officer (COO) as Accountable Officer, responsible for day-to-day management of PHSO. My responsibilities as Accounting Officer and the COO's responsibilities as Accountable Officer were formally agreed in line with Treasury guidance.
- Replacing the Executive Board and Advisory Board with a unitary Board (the Board), chaired by me, with non-executive and executive members. The Board sets the operating framework for PHSO, agrees strategy, budget and key policies and monitors performance. It also provides me with assurance that governance, management and control arrangements are effective.
- My stepping down as a member of the Audit Committee, while still attending meetings at the invitation of the Chair.
- Appointing the Chair of the Audit Committee as a non-executive member of the Board, with other members of the Audit Committee drawn from the non-executive members of the Board, including a qualified accountant.
- Creating a Leadership Team chaired by the COO, which reports to the Board and is responsible for leading and managing PHSO and implementing the 2013-18 Strategy and annual Business Plan. The COO and four members of the Leadership Team are executive members of the Board.
- Undertaking a review of risk following the development of our Strategy.

Under these new arrangements, my focus as Ombudsman and Chair of the Board is:

- leadership of the Board: strategy, performance and governance;

- high impact cases and sharing information about big or repeated mistakes by public services; and
- leading our work with Parliament, and others, to make the complaint system better.

The Chief Operating Officer, Helen Hughes, is the Accountable Officer and leads our organisation day to day. Her focus is:

- delivering our strategy by leading the organisation to deliver the objectives in this plan;
- the service we provide to our customers and our work to resolve and investigate complaints; and
- leading the management of our people, finances and systems.

These revised governance arrangements were endorsed by the Executive Board at its final meeting in December 2012, and by the Audit Committee in January 2013. Implementation began in 2012-13.

Significant governance issues in 2012-13

The changes in our strategy and external events during the year meant our governance arrangements needed to be robust to manage and control the following:

The report into care provided by Mid-Staffordshire NHS Foundation Trust

Following the Government's response to the publication of the final report by Robert Francis QC, we have taken part in a number of initiatives to address his recommendations and to help the NHS improve. In this, I have been careful to ensure the independence of my role is respected.

Review of our approach to complaints about avoidable deaths

Following feedback from complainants, I commissioned Baroness Fritchie, DBE to conduct an independent review of our approach to complaints about potentially avoidable deaths. We accepted all the review's recommendations and these are now being implemented.

2013-18 Strategy and Strategic Plan

Our new Strategy sets out our aim to conduct more investigations and to have greater impact on public services and the complaints system. Our five-year Strategic Plan, approved by the Board, sets out how we will deliver the Strategy. Both documents are available on our website.

Business Transformation

We established a Business Transformation Programme to help achieve the operational changes required by our Strategy and Strategic Plan. This will enable us to maintain delivery of our core service while reviewing our casework processes and building capacity in other areas.

Interim management arrangements

Our senior management structure changed as the revised governance arrangements took effect and we prepared to deliver our new Strategy. A number of posts were filled in an interim capacity, to bring in essential skills and to ensure strong management during a period of change. Permanent appointments will be made in 2013-14.

Review of effectiveness

My review of corporate governance included the Executive Board and Advisory Board; the new unitary Board; the Audit Committee and the Pay Committee.

The work and effectiveness of the Executive Board

Before the creation of the new Board in January 2013, the Executive Board provided strategic leadership to PHSO and was responsible for delivery of our service, policies and the 2012-13 business plan. It met ten times during the year and, at its final meeting in December 2012, the Executive Board agreed our revised governance arrangements.

Attendance at Executive Board meetings up to and including December 2012

Member	Executive Board meetings (10 in year)
Dame Julie Mellor, DBE (Chair)	10
Claire Forbes	9
Helen Hughes (joined September 2012)	3
Kathryn Hudson	9
Bill Richardson (retired September 2012)	7

The work and effectiveness of the Advisory Board

Before the creation of the new Board in January 2013, the Advisory Board acted as a ‘critical friend’, giving me support and advice in leadership and governance and bringing an external perspective to assist in the development of policy and practice. The Advisory Board met three times in 2012.

Attendance at Advisory Board meetings up to and including November 2012

Member	Advisory Board meetings (3 in year)
Dame Julie Mellor, DBE (Chair)	3
Non-executive members	
Paula Carter	3
Linda Charlton	2
Peter Freedman (joined September 2012)	2
Sir Jon Shortridge KCB	3
Helen Walley (joined September 2012)	2
Dr Tony Wright	3

The work and effectiveness of the unitary Board

The Board was created in January 2013, replacing the Executive and Advisory Boards. It met twice in 2012-13, with one introductory session. Its work included:

- Agreeing corporate governance arrangements
- Approving PHSO's five-year strategic plan 2013-18 and providing challenge to the associated investment and savings plan
- Providing input to the Business Transformation Programme
- Reviewing corporate performance quarterly and developing a performance measures and reporting framework

- Agreeing a new approach to identifying and managing strategic risks
- Reviewing the development of the Annual Report and Accounts.

In future, the Board will be assessed on its effectiveness in the following areas:

- Foundations: shared understanding of purpose, composition, skills, relationships
- Focus: for example, strategy and policy, performance and delivery, stewardship and governance (including resources and risk management)
- Board in action: agenda, information, challenge.

Attendance at Board meetings from January to March 2013

Member	Board meetings (3 in year)*
Dame Julie Mellor, DBE (Chair)	3
Non-executive members	
Peter Freedman	3
Sharmila Nebhrajani	3
Sir Jon Shortridge KCB	3
Helen Walley	3
Dr Tony Wright (Advisory Board transitional member)	3
Executive members	
Helen Hughes, COO	3
Claire Forbes**	3
Gwen Harrison**	2
Dr Gavin McBurnie**	3
Angela Paradise**	3

* includes an introductory session.

** interim executive members, pending permanent recruitment to our new senior management structure.

The work and effectiveness of the Audit Committee

The Audit Committee provides advice and assurance to me as Accounting Officer on the adequacy and effectiveness of PHSO's internal control and risk management. It oversees internal and external audit arrangements covering all areas of work, including financial systems. Because of changes to the membership of the Audit Committee and to our governance in 2012-13, a planned review of the effectiveness of the Audit Committee was deferred until October 2013.

Its work in 2012-13 included:

- Reviewing and agreeing PHSO's risk-based audit plan for the year

- Considering the cost impact and spending assumptions of the 2013-18 Strategic Plan
- Reviewing the Resource Accounts, accounting policies and practice and providing me with assurances on statements for which I am personally accountable
- Reviewing plans for internal and external audit, the results of audit work and management responses to issues raised by audit.

For 2012-13 an Audit Plan of 12 internal audits, including one peer review, was agreed. During the year, the Committee agreed the postponement of two audits. The completed audits were:

Audit title	Assurance awarded	Provider
External Legal Services	Substantial	Peer review by the Local Government Ombudsman
SAGE 500 (Financial Management System)	Substantial	Grant Thornton
Recommendations and Outcomes Panel	Substantial	Grant Thornton
Clinical Advice Systems	Substantial	Grant Thornton
Financial and Accounting Systems	Substantial	Grant Thornton
Value for money in Operations – External Relationships	Substantial	Grant Thornton
Retention and Disposal Policies and Procedures	Substantial	Grant Thornton
Media Management	Full	Grant Thornton
Risk Management and Corporate Governance	Substantial	Grant Thornton
Stakeholder Data Management	Advisory only – no assurance rating provided	Grant Thornton

I received an assurance from the Head of Internal Audit that a satisfactory level of internal audit work was undertaken in 2012-13. Regular reports to senior management and to the PHSO Audit Committee provide independent assessment of the system of governance control and include recommendations for improvement, where appropriate. The Audit Committee also provided the Board and I with its opinion that the overall control framework, governance arrangements and risk management processes for which I am responsible are appropriate and proportionate to our needs. I note with pleasure that in all areas reviewed by internal audit, we received at least substantial or full assurance. We will continue to commission a programme of internal audits in

2013-14, and include a particular focus on ensuring that our governance and control frameworks are suitable to support our strategy.

Attendance at Audit Committee meetings

The Audit Committee has an external chair and four other members, all of whom are non-executives. Following the July 2012 meeting and with the agreement of the Chair, I stepped down as a member. This ensures my separation from the committee charged with providing me with assurance about the way PHSO is controlled and managed. I continue to attend Audit Committee meetings at the invitation of the Chair.

Member	Audit Committee meetings 2012-13 (4 in year)
Sir Jon Shortridge KCB (Chair)	4
Dame Julie Mellor, DBE (until July 2012)	2*
Brian Landers (until October 2012)**	3
Mei Sim Lai	4
Peter Freedman (from October 2012)	2
Helen Walley (from October 2012)	2

* This figure reflects my attendance as a member of the Audit Committee. I was present at one other Audit Committee meeting after stepping down as a member.

** Brian Landers resigned from the Committee during the year.

The Committee is attended by executive officials and PHSO's Head of Internal Audit (outsourced to Grant Thornton), PHSO's outsourced internal audit service provider (Grant Thornton) and the National Audit Office.

The work and effectiveness of the Pay Committee

The Pay Committee advises on pay arrangements and determines pay for senior staff (except for my pay which is set separately under statutory arrangements). In 2013-14, under the revised governance arrangements, the Pay Committee will be replaced with a Remuneration Committee. In 2012-13, its work included:

- Considering reports on staff pay below senior level
- Considering a review of pay policy
- Endorsing and agreeing performance pay awards
- Agreeing pay for senior staff (reflecting current pay freeze).

Attendance at Pay Committee meetings

I chair the Pay Committee and two non-executive members of the Board are members. Executive officials were present at the meeting to provide advice but were absent for decisions affecting them personally.

Member	Pay Committee meeting (1 in year)
Dame Julie Mellor, DBE (Chair)	1
Paula Carter	1
Linda Charlton	1

Risk management

As Ombudsman I have personal statutory authority for our casework and as Accounting Officer I have ultimate responsibility for managing risk and approving major decisions. In 2012-13, PHSO's risk management framework covered:

- Our role, vision, values, strategic plan and business priorities
- Our business approach; emphasising quality assurance and dialogue in decision making
- Our governance arrangements and links with our Corporate Performance Reporting Framework and internal review arrangements.

Our Finance Code promotes sound financial management and efficient use of resources. Comprehensive budget delegation arrangements are in place.

Senior managers act as individual risk owners for each strategic risk and provide quarterly assurance reports on the management of the risks for which they are responsible. These risks were included in our strategic risk register and covered:

- Customer and user satisfaction
- Corporate governance and leadership
- Communications and external risks
- Workforce
- Equality and Diversity
- Stewardship of resources
- Information and records management
- Tools for the job
- Security
- Business continuity management
- Strategy Development Programme and, subsequently, the Business Transformation Programme.

Review of effectiveness

In 2012-13 we developed our 2013-18 Strategy and began to implement some of the changes required to help us achieve our Strategy. This included changes to our governance and entailed a reliance on a number of interim appointments to senior positions (in transition to a new structure). At the same time, we continued to deliver and improve our service to customers, successfully meeting five out of six of our service standards (marginally missing the sixth). The internal audit which covered risk management in the year also indicated that risk management arrangements remained effective throughout the year. These outcomes demonstrate the commitment of staff across my Office and a clear focus on performance and risk management.

In 2012-13 we began a review of our strategic risks to ensure they were in line with our 2013-18 Strategy and were being managed effectively and proportionately under the revised governance arrangements. As we make further changes in 2013-14, we will need to continue to carefully manage the risks which come with making significant changes which ensure high standards of service to customers are maintained and improved. We will therefore continue to develop and strengthen our risk management systems in 2013-14.

Information and data

During 2012-13, the Executive Board, unitary Board and Leadership Team were provided with management information and supporting data to inform decision making. Quality controls are in place to ensure the accuracy of this data: principally, peer and management review, effective records management and periodic review through internal and external audit.

We seek to be fully compliant with the *Data Protection Act 1998* (DPA) and information about our response to data requests is on page 17. We handle over 75,000 documents each year, many of which contain personal and sensitive data.

Maintaining the security of this information is essential to our work and the management of information is a strategic risk, reviewed regularly by the Board.

Personal data related incidents

We take our responsibility for holding personal data securely very seriously. As Senior Information Risk Owner (SIRO), our Chief Operating Officer is responsible for ensuring that information risks are managed and that our culture values, protects and uses information for the public good. Our commitment to this is set out in our *Information Promise*, available on our website. Serious personal data incidents are escalated to the SIRO who ensures that appropriate action is taken, mitigations are put in place and any lessons are learnt and applied.

All data security incidents are reported to the Head of Information and Records Management (IRM) who manages them in accordance with Information Commissioner guidelines. All incidents are recorded and shared quarterly with the Security and Information Assurance Committee.

During 2012-13 we reported five incidents to the Information Commissioner's Office (ICO). While two remain outstanding with the ICO, three were found to 'require no further action' because of our response to the incidents or because of the nature of the information. One incident was reported separately to the ICO by a complainant. Here, the ICO found that no regulatory action was needed because of the remedial steps we had taken. Unlike government departments, we are not required to report significant personal data incidents to the Cabinet Office.

We continue to raise awareness of data security with our staff. An Information Assurance programme, planned for 2013-14, includes training staff and revising existing processes to ensure we are fully compliant with the DPA.

Since the end of the financial year, and prior to the publication of this Statement one other incident took place. This was the loss of information supplied by an organisation in my jurisdiction and is the subject of ongoing management action.

Fraud

PHSO has a Fraud Policy and associated Fraud Response Plan in place. During 2012-13 no action was required under the Fraud Policy.

**Dame Julie Mellor, DBE
Parliamentary and Health Service Ombudsman**

24 June 2013

Resource Accounts 2012-13



The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Office of the Parliamentary and Health Service Ombudsman for the year ended 31 March 2013. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Office of the Parliamentary and Health Service Ombudsman as at 31 March 2013 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with HM Treasury's 2012-13 Government Financial Reporting Manual.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury's 2012-13 Government Financial Reporting Manual; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

26 June 2013

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Foreword

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 Parliamentary and Health Service Ombudsman. These accounts, which are laid before Parliament under the *Parliamentary Commissioner Act 1967* and *Health Service Commissioners Act 1993*, cover the resources and activities of PHSO for the period 1 April 2012 to 31 March 2013.

The Parliamentary and Health Service Ombudsman

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 organisations in the UK. The Parliamentary Ombudsman is wholly independent of government.

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

The Parliamentary and Health Service Ombudsman is appointed for a term of seven years and will retain office throughout unless removed by a resolution of both Houses of Parliament.

Accounting Officer and Accountable Officer

The Parliamentary and Health Service Ombudsman and PHSO are not subject to the *Government Resources and Accounts Act 2000*, which only applies to government departments. Hence the Treasury has no statutory locus to appoint the Ombudsman as Accounting Officer; nor is it able to issue directions to the Ombudsman on the production or laying of 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 of Dame Julie Mellor, DBE, as Ombudsman brings with it the duties of Accounting Officer as relevant to a Crown Servant independent from government. These responsibilities are set out on page 55.

With effect from 3 September 2012, the Ombudsman appointed Helen Hughes, Chief Operating Officer, as Accountable Officer for the Office of the Parliamentary and Health Service Ombudsman (PHSO). The appointment carries with it the responsibility for ensuring that resources authorised by Parliament and sums to be paid out of the Consolidated Fund in respect of the work of the Ombudsman and administered by PHSO are used for the purposes approved by Parliament. The Accountable Officer's responsibilities are contained in a Memorandum (available on request), but in general requires the Accountable Officer to observe the same general requirements as are on the Accounting Officer, and to ensure that PHSO's officers also abide by them.

Accountability to Parliament

The Parliamentary and Health Service Ombudsman is accountable directly to Parliament with regard to the effective discharge of her statutory role and the effective use of the resources provided to her. Oversight of the work of the Ombudsman is undertaken by the Public Administration Select Committee.

Principal activities

The principal activities covered by these accounts were:

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

Information on PHSO's performance in respect to these activities can be found on pages 2 to 31.

PHSO Board

Details of the membership of PHSO's unitary Board (from 1 January 2013) can be found on page 32 and in the Governance Statement.

Details of PHSO's Executive Board and Advisory Board (to 31 December 2012) can be found on pages 64 to 71 and in the Governance Statement.

Relationships with other organisations

PHSO is independent of government but maintains working relationships with different government organisations that provide resources and support for the Ombudsman's work, in accordance with the intentions of Parliament. The responsibilities of these organisations and the responsibility of the Ombudsman to demonstrate proper accountability for the public monies provided to her are set out in a Statement of Responsibilities, last updated and agreed in October 2011.

Relationship with government organisations in the Statement of Responsibilities

Organisation	Nature of relationship
Cabinet Office	Ombudsman Champion and provider of oversight of civil service and government departments
Department of Health	Oversight of NHS governance and NHS complaints system
Ministry of Justice	Oversight of the administrative justice and tribunals landscape
HM Treasury	Providing access to and sanction of monies from Parliament via the Consolidated Fund

The Statement of Responsibilities is available on request.

Relationships with other ombudsmen

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

PHSO employs clinical professionals, and engages additional professionals as required, over a range of medical specialties to provide clinical advice to inform its work. Access to these clinical advice resources is provided to the Scottish Public Services Ombudsman, the Public Services Ombudsman for Wales, the Northern Ireland Ombudsman and the Office of the Ombudsman in Ireland. PHSO recharges for these services, and the funds recovered are included as income in these accounts.

Relationships with other organisations

PHSO is co-located with two organisations in Millbank Tower: the London office of the Local Government Ombudsman for England, and the Green Investment Bank Plc which took up occupation during the year. As a part of these co-location arrangements, some cross-charging for shared services takes place. The related income is disclosed as income in these accounts.

PHSO's auditors

The Comptroller and Auditor General is the auditor of PHSO's accounts. As disclosed in Note 9 to the accounts, a notional cost of £42,000 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 2012-13 were provided by Grant Thornton UK LLP.

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

Treatment of pension liabilities

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

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

A full actuarial valuation of the PCSPS was carried out as at 31 March 2007. The full actuarial valuation of the PCSPS that was to be carried out as at 31 March 2012 has been deferred pending decisions in respect of the reforms of public sector pension schemes. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk). In April 2012 monthly pension scheme member contributions increased for the majority of civil servants. Following consultation with the civil service trade unions further increases have been decided for 2013-14. The Cabinet Office will hold separate discussions with the trade unions about further changes to contribution rates for 2014-15.

Personal data related incidents

Details of personal data related incidents can be found in the Governance Statement on page 48.

Payment of suppliers

PHSO is committed to compliance with the *Late Payment of Commercial Debt Regulations 2002*. The payment policy is to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods or services or the presentation of a valid invoice, whichever is the later. During 2012-13, 99.9% of invoices were paid in accordance with this policy (99.7% in 2011-12).

Management commentary

Review of financial performance in 2012-13

PHSO has a four-year flat-cash settlement, of which 2012-13 is the second year. This settlement requires PHSO to absorb cost pressures from inflation and other sources and meet reasonable increases in demand for its services. PHSO has in place a strategy for delivering the necessary efficiency and procurements savings and increases in productivity.

In 2012-13, PHSO delivered savings and underspending totalling £434k (1.3%) against its Resource Departmental Expenditure Limit (Resource DEL) for 2012-13 (see 'Funding' below) whilst: meeting all inflationary pressures; delivering savings of £661k; addressing a greater than expected increase of 13% in people accessing our service; meeting all but one of our customer service standards, and coming close on the remaining standard; and broadly maintaining customer satisfaction levels.

The following table details our outturn position.

Comparison of 2012-13 outturn with the 2012-13 Estimate

	2012-13		Saving	
	Estimate	Outturn	£000	%
Resource Departmental Expenditure Limit (voted)	33,413	32,995	418	1.3
Resource Departmental Expenditure Limit (non-voted) ¹¹	187	171	16	8.6
Resource Departmental Expenditure Limit	33,600	33,166	434	1.3
Resource Annually Managed Expenditure (Resource AME)	260	209	51	19.5
Capital Departmental Expenditure Limit ¹²	725	692	33	4.6
Net Cash Requirement	32,383	32,193	190	5.7

¹¹ Non-voted funding is provided from central budgets that are out of PHSO's direct control in respect of the Ombudsman's salary and on-costs.

¹² Outturn shown excludes £338k in respect of the write-down of non-current assets, which is reported as 'income' in the *Statement of Parliamentary Supply* giving an outturn of £354k. Inclusion here would disguise PHSO's actual capital investment expenditure for the year.

Of the voted Resource DEL underspend of £418k:

- £205k relates to unutilised contingency reserves (£135k cash, £70k non-cash);
- £125k relates to an unspent allocation for potential restructuring costs, where the final sum required in 2012-13 did not crystallise until late March; and
- £88k relates to underspending of internal budget allocations for operational expenditure and income.

The Resource AME underspend of £51k arose from non-utilisation of funding provided for accounting provisions.

Financial management targets

We met all six of our financial management targets for the year as follows:

Service Standard/Target	2012-13 Outturn	2011-12 Outturn
We will not exceed the limits on our funding for 2012-13 sanctioned and voted by Parliament	Achieved	Achieved
In addition we will:		
limit any net resource (voted Resource DEL) underspend to less than £500k;	£418k	£354k
limit any capital budget underspend to less than £100k; ¹³ and	£33k	£39k
recover 100% of income due for the year.	100%	100%
We will pay 99% of correctly presented supplier invoices within 30 days of receipt.	99.9%	99.7%
During 2012-13 we will deliver cashable savings of at least £400k (see 'Savings' following)	£661k	

¹³ Budget for the year was £725k in line with the Capital DEL excluding any capital income.

Savings

PHSO set itself the target of delivering £400k of cashable savings in 2012-13, achieving £661k as follows:

Source	2012-13 Outturn	2011-12 Outturn
New and re-let contract procurement	£67k ¹⁴	£116k
Travel ticket purchases	£78k	£118k
Other purchasing	£28k	£32k
Business process efficiencies	£488k ¹⁵	Not available
Total	£661k	-

Income

PHSO generated income of £643k in 2012-13 (£248k in 2011-12). Of this, £196k was in respect of recharged costs for access to PHSO employed and commissioned clinical advisers and some shared accommodation expenses recovered from other ombudsmen; £311k was rental income arising from the sublet of one floor of our London accommodation to the Green Investment Bank PLC; and £134k in recovered salaries in respect of PHSO employees seconded to other organisations. Miscellaneous receipts totalled £2k.

We aim to sublet a further floor of our London accommodation in 2013-14, which will bring in additional rental income.

Capital expenditure

PHSO invested £692k in 2012-13. Of this, the majority related to IT equipment (£322k) and software licences (£286k), moving to 'thin client' technologies and upgrading to Windows 7 and Office 2010 in support of our ongoing continuous improvement investment programme.

During the year, we sublet one floor of our London accommodation which resulted in a permanent impairment of the value of refurbishments relating to the floor requiring a write-off of £336k. In line with the requirements of Consolidated Budgeting, this reduction in the net book value of our non-current assets is recorded as 'income' when reporting the outturn of our Capital DEL (see 'funding' below and Note 2.2 to the Accounts) resulting in a reported outturn of £371k net investment expenditure for 2012-13.

¹⁴ These are the savings relevant to 2012-13, savings over the full life of the new/re-let contracts total £281k (2011-12 £993k).

¹⁵ Business process efficiencies mainly include the reduction in direct and associated costs of accommodation arising from sub-letting of surplus accommodation. In addition, significant savings were achieved on information and communications technology services, business rates and printing.

Capital employed

Net capital employed by PHSO decreased in line with the ongoing depreciation of refurbishment and furniture assets purchased as part of the 2006 major refurbishment of our London offices in Millbank Tower. With leases due to expire at the end of 2018, and with accommodation still in good repair and fit for purpose, it is unlikely that a significant refurbishment will be undertaken.

£336k of the reduction in our net capital employed related to writing down the value of refurbishment non-current assets in respect of accommodation sub-let to a third party who have conducted refurbishments of their own.

The following table summarises the movements in assets and liabilities since 2010-11:

	31 March 2011	31 March 2012	31 March 2013
	£000	£000	£000
Assets			
Non-current Assets			
Property, Plant & Equipment:	5,308	4,348	3,203
Furniture & Fittings	1,038	886	672
Information Technology	678	688	654
Office Machinery	158	43	47
Refurbishment	3,299	2,731	1,801
Assets in Course of Construction	135	-	29
Intangible Assets:	279	285	443
Software and Other Licences	279	285	443
Current Assets	1,472	1,443	1,729
Liabilities			
Current Liabilities	(2,134)	(2,474)	(2,606)
Provisions	(679)	(521)	(730)
Other Liabilities	(476)	(405)	(334)
Net Capital Employed	3,770	2,676	1,705

Financial position

The Statement of Financial Position shows that, as of 31 March 2013, the total assets less the total liabilities of PHSO were £1,705k, which is £971k lower than at 31 March 2012.

Non-current assets decreased by £987k, mainly due to the ongoing impact of depreciation on our long-term refurbishment and related furniture items. Otherwise, the position in respect of information technology non-current assets was broadly static, due to the ongoing programme of refreshing equipment, and software increased as a result of the on-off exercise to upgrade to Windows 7 and Office 2010.

Current assets increased by £286k, mainly due to accrued staff restructuring costs and an increase in the accrual for untaken leave due to staff as at 31 March.

Total liabilities increased by £270k, mainly due to the inclusion of additional dilapidation provisions for our London accommodation.

Funding

PHSO receives its funding from Estimates that are sanctioned by HM Treasury and approved by a vote of Parliament. Our funding comprises four elements:

- Voted Resource DEL, which includes the cash funding required to pay for the day-to-day operational expenditure of PHSO. Resource DEL also includes non-cash funding in respect of depreciation and similar accounting items and cash funding in respect of working capital movements;
- Non-voted Resource DEL, which includes the notional funding required to pay for the salary (and on-costs) of the Ombudsman, which is directly funded separately;
- Voted Resource AME, which includes the non-cash funding required to create, increase or utilise accounting provisions for the year; and
- Voted Capital DEL, which includes the cash funding required to pay for investment in non-current assets.

During the course of the year, there is an opportunity to amend the original Estimate voted by Parliament by means of a Supplementary Estimate. PHSO used this facility in 2012-13 to adjust for newly identified provisions required in respect of its London accommodation and additional income from the sub-letting of accommodation.

PHSO's 2012-13 funding was as follows:

	Main Estimate £000	Supp Estimate £000	Revised Estimate £000
Resource DEL (Voted)	33,813	(400)	33,413
<i>Of which:</i>			
Depreciation	1,600	155	1,755
Resource DEL (Non-Voted)			
Ombudsman's salary ¹⁶	187	-	187
Total resource spending in DEL	34,000	(400)	33,600
Resource AME	(400)	660	260
Total resource for Estimate	33,600	260	33,860
Capital DEL	725	-	725
Total DEL	34,325	260	34,585
Net Cash Requirement¹⁷	32,938	(555)	32,383

Dame Julie Mellor, DBE
Parliamentary and Health Service Ombudsman.

24 June 2013

¹⁶ This is a continuation of previous provision. The current Ombudsman's salary of £152k plus on-costs of £19k totals £171k.

¹⁷ Net Cash Requirement comprises Resource DEL (voted) excluding depreciation plus Capital DEL. Resource AME and Resource DEL (non-voted) are non-cash items.

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, Dame Julie Mellor, DBE, who was appointed as Ombudsman by the Queen following a parliamentary-led process, and then ratified by Parliament. One salary is paid for both posts direct from the Consolidated Fund. The salary for Julie Mellor was agreed by a resolution of the House of Commons on 18 July 2011.

The appointment to the Office of Ombudsman is now restricted by statute to a seven-year appointment. The appointee may be relieved of Office by Her Majesty at her own request, or may be removed from Office by Her Majesty in consequence of addresses from both Houses of Parliament.

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

	2012-13		2011-12	
	Salary £000	Benefits in kind £000	Salary £000	Benefits in kind £000
Julie Mellor	150-155	-	35-40 (150-155)	-

The pension entitlement of the Ombudsman was:

	Accrued pension at age at 31/03/13 £000	Accrued lump sum at pension age at 31/03/13 £000	Real increase in pension at age £000	Real increase in lump sum at pension age £000	CETV at 31/03/12 £000	CETV at 31/03/13 ¹⁸ £000	Real increase in CETV as funded by employer £000
Julie Mellor	15-20	n/a	15-20	n/a	10-15	225-230	140-145

¹⁸ The CETV (cash equivalent transfer values) figures and other pension disclosures are provided by MyCSP, PHSO's authorised pensions administration centre, which has assured PHSO that the figures for the year ended 31 March 2013 have been correctly calculated following guidance provided by the Government Actuary's Department.

PHSO Boards executive members

During 2012-13, PHSO management and governance structure was revised and is more fully explained in the Governance Statement within this report. The Executive Board and the Advisory Board both ceased as of 31 December 2012. A Unitary Board (the Board) chaired by the Ombudsman including both executive and non-executive members was created commencing 1 January 2013.

Executive Board Members

		Commencement date	End date
Kathryn Hudson	Deputy Ombudsman	4 August 2008	31 December 2012
Bill Richardson	Deputy Chief Executive	21 July 2003	30 September 2012
Claire Forbes	Director of Communications	1 December 2009	31 December 2012
Helen Hughes	Chief Operating Officer	1 October 2012	31 December 2012
Angela Paradise	Interim Divisional Corporate Resources Director	23 October 2012	31 December 2012

Unitary Board Members

Claire Forbes	Director of Communications	1 January 2013	30 April 2013
Helen Hughes	Chief Operating Officer	1 January 2013	n/a
Angela Paradise	Interim Divisional Corporate Resources Director	1 January 2013	29 May 2013
Gavin McBurnie	Interim Director of Operations (Business Development)	1 January 2013	n/a
Gwen Harrison	Interim Director of Operations	1 January 2013	n/a

All Board members were appointed under fair and open competition. Gavin McBurnie and Gwen Harrison were appointed through internal competition on an interim basis.

Kathryn Hudson was seconded from the Department of Health from 4 August 2008. From 6 April 2010 Kathryn Hudson was appointed permanently to the post. She left PHSO on 30 December 2012.

After a period of handover, Claire Forbes left PHSO on 23 May 2013.

No performance-based remuneration for permanent and seconded executive members was undertaken by the Pay Committee during the year in line with public sector pay policy.

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

Executive members' service contracts

The commencement dates of service contracts for each executive member are given above.

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

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

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

With effect from 1 October 2006, the standard retirement age was increased from 60 to 65 for all staff and this has been implemented. However, members of the PCSPS have a reserved right to draw on their pensions from age 60. This can be done whilst remaining in employment. A departure before age 65 would be classed as a resignation as staff are not legally able to retire until age 65.

Executive members' remuneration and pension entitlements

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

	2012-13			2011-12		
	Salary £000	Bonus £000	Benefits in kind £000 ¹⁹	Salary £000	Bonus £000	Benefits in kind £000 ¹⁹
Kathryn Hudson (Deputy Ombudsman)	195-200 (130-135)	-	0.6	130-135	-	0.3
Bill Richardson (Deputy Chief Executive)	70-75 (130-135)	-	0.2	130-135	-	0.3
Claire Forbes (Director of Communications)	90-95	-	-	90-95	-	-
Helen Hughes (Chief Operating Officer)	75-80 (130-135)	-	-	-	-	-
Gavin McBurnie (Interim Director of Operations – Business Development)	30-35 (95-100)	-	-	-	-	-
Gwen Harrison (Interim Director of Operations)	30-35 (80-85)	-	-	-	-	-
Angela Paradise (Interim Divisional Corporate Resources Director)	110-115 (245-250)	-	-	-	-	-
Band of highest-paid Director's Total remuneration	130-135	-	-	130-135	-	-
Median total ²⁰	36.5			36.5		
Ratio	3.6			3.6		

Kathryn Hudson's salary includes £96k in respect of a compensation agreement on departure as at 31 December 2012. This payment has been excluded from the comparator in the table above because, as a one-off payment, it would give an overstated salary comparator. The payment was in respect of compensation to reflect the abolition of Kathryn Hudson's role of Deputy Ombudsman and the creation of the role of Chief Operating Officer in PHSO's new governance structure. The new structure was announced in March 2012 and discussions then commenced on a payment in lieu of redundancy. The amount was agreed in principle early in 2012-13 to be paid following the arrival of the new Chief Operating

¹⁹ Benefits in kind mainly consisted of hotel accommodation near PHSO's office on Millbank when working late, attending evening functions in an official capacity, or attending an early morning meeting or event.

²⁰ Excluding Angela Paradise's annualised contract fee as this would distort the year on year comparator.

Officer in September 2012 and a suitable period of handover of duties. Separately, Kathryn Hudson obtained the role of Parliamentary Commissioner for Standards through open competition in the Summer of 2012; her successful appointment to this role was approved by the House of Commons on 12 September 2012.

Angela Paradise's 2011-12 salary costs have been annualised in the table above. She acted as the Interim Divisional Corporate Resources Director (ending May 2013) and member of the PHSO Board as a paid contractor and has confirmed that her remuneration is subject to appropriate tax arrangements. She received no bonuses or benefits in kind. There are no pension liabilities arising from this arrangement.

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

PHSO did not operate bonus-related Director remuneration in 2011-12 or 2012-13.

The pension entitlement of executive members was:

	Accrued pension at age at 31/03/13 £000	Accrued lump sum at pension age at 31/03/13 £000	Real increase in pension at pension age £000	Real increase in lump sum at pension age £000	CETV at 31/03/12 ²¹ £000	CETV at 31/03/13 ²² £000	Real increase in CETV as funded by employer £000
Kathryn Hudson	60-65	n/a	2.5-5	n/a	1,088	1,184	73
Bill Richardson	65-70	200-205	0-2.5	0-2.5	1,529	1,594	(1)
Claire Forbes	5-10	n/a	0-2.5	n/a	49	72	14
Helen Hughes	10-15	n/a	0-2.5	n/a	156	163	(2)
Gwen Harrison	30-35	90-95	0-2.5	2.5-5	494	546	26
Gavin McBurnie	5-10	n/a	0-2.5	n/a	55	83	22

²¹ The opening CETV value shown in this year's report will differ to the amount shown as the closing CETV value in last year's report because the factors used in the CETV calculation have been revised during this year.

²² The CETV figures and other pension disclosures are provided by MyCSP, PHSO's authorised pensions administration centre, which has assured PHSO that the figures for the year ended 31 March 2013 have been correctly calculated following guidance provided by the Government Actuary's Department.

PHSO Boards non-executive members

During 2012-13 the non-executive members and their contract commencement dates and end dates (where applicable), were:

Advisory Board members

	Commencement date	End date
Paula Carter ²³	1 April 2007	31 March 2013
Linda Charlton ²³	1 April 2007	31 March 2013
Tony Wright	1 June 2010	31 December 2012
Peter Freedman ²⁴	1 September 2012	31 December 2012
Helen Walley ²⁴	1 September 2012	31 December 2012

Unitary Board Members

	Commencement date	End date
Sir Jon Shortridge KCB	1 January 2013	n/a
Tony Wright ²⁵	1 January 2013	31 May 2013
Peter Freedman	1 January 2013	n/a
Helen Walley	1 January 2013	n/a
Sharmila Nebhrajani	1 January 2013	n/a

²³ Continued advisory support until 31 March 2013.

²⁴ Unitary Board transitional member.

²⁵ Advisory Board transitional member.

The salary and benefits in kind of non-executive members were (full year equivalents, where applicable, are provided in brackets):

	2012-13		2011-12	
	Salary £000	Benefits in kind £000 ²⁶	Salary £000	Benefits in kind £000 ²⁶
Paula Carter	15-20	-	15-20	-
Linda Charlton	15-20	2.0	15-20	4.2
Sir Jon Shortridge KCB	15-20	1.5	15-20	1.3
Tony Wright	15-20	0.7	15-20	0.3
Peter Freedman	5-10 (10-15)	-	-	-
Helen Walley	5-10 (10-15)	0.4	-	-
Sharmila Nebhrajani	0-5 (10-15)	-	-	-

Non-executive Board member's remuneration is decided by the Ombudsman. No members receive a pension entitlement.

Paula Carter and Linda Charlton were appointed for three years in 2007 following open competition and reappointed from 1 April 2010 for a further three years. Tony Wright joined the Advisory Board on the invitation of the Ombudsman. Peter Freedman, Helen Walley and Sharmila Nebhrajani were all appointed in 2012-13 following open competition.

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

²⁶ Includes travel and accommodation costs when attending official meetings.

The Audit Committee: non-executive members

Audit Committee members are appointed for three years, after which they can apply for reappointment. During 2012-13 the Audit Committee members, and their contract commencement dates and end dates (where applicable), were:

	Commencement date	End date
Sir Jon Shortridge KCB (Chair)	1 April 2010	n/a
Mei Sim Lai	1 April 2011	n/a
Brian Landers	1 December 2010	31 December 2012
Peter Freedman	1 September 2012	n/a
Helen Walley	1 September 2012	n/a

Sir Jon Shortridge, Peter Freedman and Helen Walley are also non-executive Board members and receive a combined remuneration for both roles, which is shown in the remuneration for the Board.

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

	2012-13		2011-12	
	Salary £000	Benefits in kind £000 ²⁷	Salary £000	Benefits in kind £000 ²⁷
Mei Sim Lai	5-10	-	5-10	0.2
Brian Landers	5-10	0.1	5-10	0.2

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

Brian Landers was appointed with effect from 1 December 2010. Mei Sim Lai was appointed to the Audit Committee on 1 April 2011.

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

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

²⁷ Includes travel costs when attending official meetings.

Explanation of terms used in the Remuneration Report

Salary

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

Benefits in kind

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to that in which they become payable. Bonuses reported in 2012-13 relate to performance in 2011-12, and the comparative bonuses reported for 2011-12 relate to performance in 2010-11.

Civil service pensions

Pension benefits are provided through the civil service pension arrangements. From 30 July 2007 scheme members may be in one of four defined benefit schemes: either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits being met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with pensions increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at between 1.5% and 3.9% of pensionable earnings for classic and between 3.5% and 5.9% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with the benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with pensions increase legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the *Finance Act 2004*.

The partnership pension account is a stakeholder pension arrangement. The employers make a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further

0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

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

Cash equivalent transfer values (CETVs)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

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

Real increase in cash equivalent transfer values

This reflects the increase in CETVs that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Audit of the Remuneration Report

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

Dame Julie Mellor, DBE
Parliamentary and Health Service Ombudsman

24 June 2013

Statement of Accounting Officer's responsibilities

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

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of PHSO, the net resource outturn, net operating cost, changes in taxpayers' equity, and cash flows for the financial year.

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

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

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

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

Statement of Parliamentary Supply

Summary of Resource Outturn 2012-13

2012-13								2011-12	
Estimate				Outturn				Voted outturn compared to Estimate: saving/ (excess) £000	Outturn £000
Note	Voted £000	Non- Voted £000	Total £000	Voted £000	Voted £000	Total £000			
Departmental Expenditure Limit									
- Resource	2	33,413	187	33,600	32,995	171	33,166	418	33,197
- Capital		725	-	725	354	-	354	371	611
Annually Managed Expenditure									
- Resource		260	-	260	209	-	209	51	(158)
- Capital		-	-	-	-	-	-	-	-
Total Budget		34,398	187	34,585	33,558	171	33,729	840	33,650
Total Resources		33,673	187	33,860	33,204	171	33,375	469	33,039
Total Capital		725	-	725	354	-	354	371	611
Total		34,398	187	34,585	33,558	171	33,729	840	33,650

Net Cash Requirement 2012-13

		2012-13			2011-12
	Note	Estimate £000	Outturn £000	Net total outturn compared to Estimate: saving/ (excess) £000	Outturn £000
Net Cash Requirement	4	32,383	32,193	190	31,861

For Estimates purposes, all PHSO income and expenditure is classified as Programme. The Statement Of Parliamentary Supply does not therefore report against an Administration Cost Limit.

Explanations for variances between Estimate and outturn are given in Note 2.1 and in the Management Commentary.

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

Capital outturn includes £338k writedown of disposals. Actual spend during the year was £692k.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

		2012-13	2011-12
	Note	£000	£000
Administration costs			
Staff costs	7	21,505	21,619
Other costs	9	12,513	11,821
Gross costs		34,018	33,440
Operating income	10	(643)	(248)
Net costs		33,375	33,192
Net operating cost		33,375	33,192
Other comprehensive expenditure			
Net gain/(loss) on revaluation of property, plant and equipment	11	-	5
Other comprehensive expenditure		-	5
Total comprehensive expenditure for the year ended 31 March 2013		33,375	33,197

All operations are continuing.

Statement of Financial Position as at 31 March 2013

		31 March 2013	31 March 2012
	Note	£000	£000
Non-current assets			
Property, plant and equipment	11	3,203	4,348
Intangible assets	12	443	285
Total non-current assets		3,646	4,633
Current assets			
Trade and other receivables	14	1,658	1,375
Cash and cash equivalents	15	71	68
Total current assets		1,729	1,443
Total assets		5,375	6,076
Current liabilities			
Trade and other payables	16	(2,466)	(2,338)
Other liabilities	16	(140)	(136)
Total current liabilities		(2,606)	(2,474)
Non-current assets less net current liabilities		2,769	3,602
Non-current liabilities			
Provisions	17	(730)	(521)
Other liabilities	16	(334)	(405)
Total non-current liabilities		(1,064)	(926)
Assets less liabilities		1,705	2,676
Taxpayers' equity			
General Fund		1,245	2,201
Revaluation Reserve		460	475
Total taxpayers' equity		1,705	2,676

Dame Julie Mellor, DBE

Parliamentary and Health Service Ombudsman

24 June 2013

Following the change in its accounting policy, the revaluation reserve will be a reducing balance as Non-Current Assets are disposed of or written down.

Statement of Cash Flows for the year ended 31 March 2013

		2012-13	2011-12
	Note	£000	£000
Cash flows from operating activities			
Net operating cost	7,9,10	(33,375)	(33,192)
Adjustments for non-cash transactions	9	2,032	1,636
(Increase)/decrease in trade and other receivables	14	(283)	52
Increase/(decrease) in trade payables	16	61	269
“Less movements in payables/receivables relating to items not passing through the Statement of Comprehensive Net Expenditure”	16	1	(26)
Use of provisions	17	(105)	(160)
Net cash outflow from operating activities		(31,669)	(31,421)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(406)	(471)
Purchase of intangible assets	12	(286)	(154)
Net cash outflow from investing activities		(692)	(625)
Cash flows from financing activities			
From the Consolidated Fund (Supply): current year		32,197	31,886
From the Consolidated Fund (Non-Supply)	7	171	188
Net financing		32,368	32,074
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		7	28
Payments of amounts due to the Consolidated Fund	16	(4)	(5)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	15	3	23
Cash and cash equivalents at the beginning of the period	15	68	45
Cash and cash equivalents at the end of the period	15	71	68

Statement of Changes in Taxpayers' Equity for the Year ended 31 March 2013

		General Fund	Revaluation Fund	Total Reserves
	Note	£000	£000	£000
Balance at 31 March 2011		3,243	527	3,770
Net Parliamentary Funding - drawn down		31,886	-	31,886
Net Parliamentary Funding - deemed		40	-	40
Consolidated Fund Standing Services	7	188	-	188
Supply payable adjustment	16	(65)	-	(65)
CFERs payable to the Consolidated Fund	16	(6)	-	(6)
Comprehensive net expenditure for the year	3	(33,192)	-	(33,192)
Non-cash charges - auditor's remuneration	9	50	-	50
Net gain/(loss) on revaluation of property, plant and equipment	11	5	-	5
Net gain/(loss) on revaluation of intangible assets	12	-	-	-
Transfers between reserves		52	(52)	-
Balance at 31 March 2012		2,201	475	2,676
Net Parliamentary Funding - drawn down		32,197	-	32,197
Net Parliamentary Funding - deemed		65	-	65
Consolidated Fund Standing Services	7	171	-	171
Supply payable adjustment	16	(69)	-	(69)
CFERs payable to the Consolidated Fund	16	(2)	-	(2)
Comprehensive net expenditure for the year	2	(33,375)	-	(33,375)
Non-cash charges - auditor's remuneration	9	42	-	42
Net gain on revaluation of property, plant and equipment	11	-	-	-
Transfers between reserves		15	(15)	-
Balance at 31 March 2013		1,245	460	1,705

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

The Revaluation Reserve records the unrealised gain or loss on revaluation of assets. As from 2012-13 assets are held at cost as a basis for Fair Value.

Notes to the Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM comply with IFRS as adapted or interpreted for the public sector context.

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

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

1.1 Accounting convention

These accounts have been prepared under the historical cost convention as a proxy for fair value for property, plant and equipment. In line with Audit Committee agreement, property, plant & equipment (1.8) and intangible assets (1.9) are no longer revalued.

1.2 Financing

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

1.3 Operating income

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

- income for services provided to: the Scottish Public Services Ombudsman, the Public Services Ombudsman for Wales, and the Northern Ireland Ombudsman;
- income from sharing accommodation with and providing corporate services to the Local Government Ombudsman for England and other public sector bodies;
- recoveries in respect of outward secondments;
- sub-letting accommodation on the Ombudsman's estate; and
- monies received from sale of goods or services and recovery of costs or miscellaneous income.

The level of income that PHSO may use in support of its activities is set out in its Estimate. Income earned in excess of the approved level, or income of a type for which PHSO does not have Parliamentary approval, cannot be used in support of PHSO's activities and is required to be paid over to the Consolidated Fund as excess income in accordance with Consolidated Budget Guidance.

1.4 Administration and programme expenditure

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

1.5 Pensions

Past and present employees of PHSO are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS), which are described in Note 7. These defined benefit schemes are unfunded and are non-contributory except in respect of dependents' benefits. PHSO recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution element of the schemes, PHSO recognises the contributions payable for the year.

1.6 Early departure costs

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

1.7 Operating leases

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

1.8 Property, plant and equipment

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

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

1.9 Intangible assets

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

1.10 Depreciation

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

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

1.11 Financial instruments

PHSO does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables, payables, cash and cash equivalents (Notes 13 to 15). Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that PHSO will be unable to collect an amount due in accordance with the agreed terms.

1.12 Provisions

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

1.13 Value added tax

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

1.14 Accounting estimates

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

1.15 Going concern

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

1.16 Impending Application of newly issued Accounting Standards not yet Effective

There were no new Standards issues for 2012-13 not applied that would materially affect these accounts.

2. Net outturn

2.1 Analysis of net resource outturn by section

	2012-13			2011-12		
	Outturn			Estimate		
	Gross resource expenditure £000	Income £000	Net total £000	Net total £000	Net total outturn compared with Estimate £000	Prior year outturn £000
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure	33,638	643	32,995	33,413	418	33,009
<i>Of which</i>						
A Programme	33,638	643	32,995	33,413	418	33,009
Non Voted expenditure	171	-	171	187	16	188
<i>Of which</i>						
B Ombudsmans salary & social security	171	-	171	187	16	188
Total	33,809	643	33,166	33,600	434	33,197
Spending in Annually Managed Expenditure (AME)						
Voted expenditure	209	-	209	260	51	(158)
<i>Of which</i>						
C Use of Provision	209	-	209	260	51	(158)
Total for Estimate	34,018	643	33,375	33,860	485	33,039

Net resource outturn totals £33.375 million, which is £0.485 million less than the Estimate provision of £33.860 million. Detailed explanations for the variances are given in the Management Commentary. This outturn is 1.5% of Estimated provision.

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

2.2 Analysis of net capital outturn by section

	2012-13			2011-12	
	Outturn		Estimate	Net total outturn compared with Estimate £000	Prior year outturn £000
	Gross resource expenditure £000	Income £000	Net total £000		
Spending in Departmental Expenditure Limit (CDEL)					
Voted expenditure	692	338	354	725	371
<i>Of which</i>					
Annual Capital Costs	692	338	354	725	371
Total for Estimate	692	338	354	725	371

Capital outturn includes £338k writedown of disposals reported as income. Actual spend during the year was £692k.

Capital spending is 5% lower than the Estimate provision.

3. Reconciliation of resource outturn to net operating cost

			2012-13	2011-12
		Note	Outturn £000	Outturn £000
Total resource outturn in Statement of Parliamentary Supply	Budget	SoPS	33,204	33,009
	Non-Budget	7	171	188
Non-supply income		5	-	(5)
Net operating cost			33,375	33,192

4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimates £000	Outturn £000	Net total outturn compared with Estimate: savings/ (excess) £000
Resource Outturn	2.1	33,860	33,375	485
Capital Outturn	2.2	725	354	371
Accruals to cash adjustments:				
<i>Adjustment to remove non-cash items:</i>				
Depreciation	11 & 12	(1,755)	(1,341)	(414)
New provisions and adjustments to previous provisions	17	(660)	(314)	(346)
Supported capital expenditure (revenue)			-	-
Other non-cash items	9 & SoPS	(187)	(210)	23
<i>Adjustments to reflect movements in working balances</i>				
Increase/(decrease) in debtors	14		283	(283)
(Increase)/decrease in creditors	16		(61)	61
movements in payables/receivables relating to items not passing through Statement of Comprehensive Net Expenditure	16		2	(2)
Use of provisions	17	400	105	295
Net Cash Requirement		32,383	32,193	190

5. Analysis of income payable to the Consolidated Fund

In addition to income retained by PHSO, the following income relates to PHSO and is payable to the Consolidated Fund

(Cash receipts are shown in italics)

	Note	Forecast 2012-13		Outturn 2012-13	
		Income £000	Receipts £000	Income £000	Receipts £000
Operating income outside the ambit of the Estimate	10	-	2	0	2
“Other operating income and receipts not classified as Excess cash surrenderable to the Consolidated Fund”		-	-	-	-
Total income payable to the Consolidated Fund		-	2	0	2

6. Statement of Operating Costs by Operating Segment

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

'The divisional heads of Operations, Communications and Corporate Resources are all members of the PHSO Board. The main activities carried out by the four groups are as follows:

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

Only the Operations Division is classified as a 'segment' as per the criteria of IFRS 8; the other divisional results are disclosed in order to allow reconciliation back to the full cost of PHSO for 2012-13.'

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

	Operations £000	Communications £000	Corporate Resources £000	Others £000	Total £000
2012-13					
Staff costs	14,237	1,100	3,551	2,431	21,319
General budgets	246	30	70	31	377
Professional advice - casework	354	-	-	116	470
Associate caseworkers	64	-	-	-	64
External complaints reviewers	-	-	-	113	113
Income	(186)	-	(323)	(134)	(643)
Total	14,715	1,130	3,298	2,557	21,700
PHSO overhead costs					11,675
Total					33,375

6. Statement of Operating Costs by Operating Segment

	Operations £000	Communications £000	Corporate Resources £000	Others £000	Total £000
2011-12					
Staff costs	14,897	890	4,003	1,617	21,407
General budgets	288	40	95	61	484
Professional advice - casework	320	-	-	116	436
Associate caseworkers	36	-	-	-	36
External complaints reviewers	-	-	-	146	146
Income	(185)	-	(16)	(47)	(248)
Total	15,356	930	4,082	1,893	22,261
PHSO overhead costs					10,931
Total					33,192

The majority of PHSO's overhead costs, such as accommodation costs, telephones and staff learning and development, are managed centrally. PHSO does not reallocate these costs to the other divisions on a headcount or other basis.

Based in London, and one third in Manchester. However, PHSO operates as one office: staff in London and Manchester do the same work and receive the same corporate services. PHSO does not, therefore, report internally, or allocate overheads, on the basis of location.

6.1 Reconciliation between Operating Segments and Statement of Parliamentary Supply

	Operations £000	Communications £000	Corporate Resources £000	Others £000	PHSO Overhead £000	Total £000
2012-13						
Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment	14,715	1,130	3,298	2,557	11,675	33,375
Reconciling items:						
Non - Supply Income						-
Expenditure - Ombudsman	-			(171)		(171)
Total	14,715	1,130	3,298	2,386	11,675	33,204
2011-12						
Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment	15,356	930	4,082	1,893	10,931	33,192
Reconciling items:						
Non-Supply Income	5					5
Expenditure - Ombudsman				(188)		(188)
Total	15,361	930	4,082	1,705	10,931	33,009

7. Staff numbers and related costs

A) Staff costs comprise:

	2012-13		2011-12	
	Permanently employed staff £000	Others £000	Total £000	Total £000
Wages and salaries	16,139	918	17,057	17,210
Social security costs	1,293	6	1,299	1,280
Other pension costs	2,971	7	2,978	2,941
Sub total	20,403	931	21,334	21,431
Ombudsman's salary:				
Consolidated Fund Standing Services	171	-	171	188
Total gross costs	20,574	931	21,505	21,619
Less recoveries in respect of outward secondments	(134)	-	(134)	(43)
Total net costs	20,440	931	21,371	21,576

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

For 2012-13 employers' contributions of £2,942,550 were payable to the PCSPS (2011-12: £2,900,348) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £26,483 were paid to one or more of a panel of three appointed stakeholder pension providers (2011-12: £27,212). Employers' contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employers' contributions of £1,914, 0.8% of pensionable pay (2011-12: £2,114, 0.8%), were payable to the PCSPS to cover the cost of the future provision of lump-sum benefits on death-in-service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £2,129. Contributions prepaid at that date were nil.

B) Average number of persons employed

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

	2012-13			2011-12	
	Senior management	Other permanent staff	Others	Total	Total
Full time equivalent	5	415	15	435	422

The number of full time equivalent persons employed as at 31 March 2013 were 435.

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

Exit package cost band	Number of exit packages 2012-13			2011-12	
	Compulsory Redundancies	Other departures	Total	Total	
<£10,000	-	-	-	2	
£10,001 - £25,000	-	2	2	1	
£25,001 - £50,000	-	1	1	-	
£50,000 - £100,000	-	1	1	-	
£101,000 - £150,000	-	-	-	-	
£150,000 - £200,00	-	-	-	-	
Total number of exit packages	-	4	4	3	
Total resource cost (£000)	-	155	155	23	

No redundancy or early retirement costs have been paid in 2012-13. Payments when made are in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Other departure costs have been paid in accordance with the terms of compromise agreements between PHSO and individual staff members.

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

9. Other administration costs

		2012-13		2011-12
	Note	£000	£000	£000
Cash items				
External professional advice (casework-related)		583		582
Associate caseworkers		64		36
Professional services		356		340
Consultancy		745		275
Information and communications technology		1,264		1,479
Recruitment and training		324		467
Travel, subsistence and hospitality		357		434
Publicity		141		174
Stationery and postage		239		236
Accommodation costs		2,372		2,532
Accommodation operating leases		3,212		2,934
Other operating leases		37		44
Other		787		652
			10,481	
Non-cash items				
Depreciation and amortisation of fixed assets:				
Property, plant and equipment	11	1,215		1,422
Intangible assets	12	126		147
Revaluation losses				1
Loss on disposal of fixed assets		338		14
Auditor's remuneration		42		50
Other		(3)		
Provisions:				
Provided in year	17	314		2
Provisions not required written back	17	-		-
			2,032	
Total			12,513	11,821

Auditors have received no remuneration for non-audit work.

10. Income

	2012-13	2011-12
Note	£000	£000
Recovery of direct and overhead costs from the:		
Local Government Ombudsman for England	5	13
Public Services Ombudsman for Wales	103	89
Scottish Public Services Ombudsman	69	73
Northern Ireland Ombudsman	15	21
Office of the Ombudsman Ireland	4	2
Rental income	311	2
Recoveries in respect of outward secondments	134	43
Other miscellaneous operating receipts	2	5
Total	643	248

11. Property, plant and equipment

	Furniture and fittings £000	Information Technology £000	Office machinery £000	Refurbish- ment £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2012	1,946	2,203	519	5,916	-	10,584
Additions	9	322	18	28	29	406
Disposals	(135)	(432)	(8)	(648)	-	(1,223)
Revaluation	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
At 31 March 2013	1,820	2,093	529	5,296	29	9,767
Depreciation						
At 1 April 2012	1,060	1,515	476	3,185	-	6,236
Charged in year	171	354	14	676	-	1,215
Disposals	(83)	(430)	(8)	(366)	-	(887)
Revaluation	-	-	-	-	-	-
At 31 March 2013	1,148	1,439	482	3,495	-	6,564
Carrying amount as at 31 March 2013	672	654	47	1,801	29	3,203
Carrying amount as at 31 March 2012	886	688	43	2,731	-	4,348

All property, plant and equipment held at 31 March 2013 is owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third-party assets.

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

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

12. Intangible assets

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

	<u>£000</u>
Cost or valuation	
At 1 April 2012	1,720
Additions	286
Disposals	(355)
Revaluation	-
Reclassifications	-
At 31 March 2013	<u>1,651</u>
Amortisation	
At 1 April 2012	1,435
Charged in year	126
Disposals	(353)
Revaluation	-
At 31 March 2013	<u>1,208</u>
	<u>443</u>
Carrying amount as at 31 March 2012	<u>285</u>

All intangible assets held at 31 March 2013 are owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third party assets.

	<u>£000</u>
Cost or valuation	
At April 2011	1,573
Additions	154
Disposals	-
Revaluation	(7)
Reclassifications	-
At 31 March 2012	<u>1,720</u>
Amortisation	
At 1 April 2011	1,294
Charged in year	147
Disposals	-
Revaluation	(6)
At 31 March 2012	<u>1,435</u>
Carrying amount as at 31 March 2012	<u>285</u>
Carrying amount as at 31 March 2011	<u>279</u>

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

13. Financial instruments

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

14. Trade receivables and other current assets

	31 March 2013	31 March 2012
	£000	£000
Amounts falling due within one year		
Trade receivables within one year	134	60
Receivables payable to the Consolidated Fund	-	2
Deposits and advances	129	138
Prepayments and accrued income	1,395	1,175
Total	1,658	1,375

15. Cash and cash equivalents

	2012-13	2011-12
	£000	£000
Balance at 1 April	68	45
Net change in cash and cash equivalent balances	3	23
Balance at 31 March	71	68
The following balances at 31 March were held:		
Government Banking Service	69	65
Cash in hand and cash equivalents	2	3
Total	71	68

16. Trade payables and other current liabilities

	31 March 2013	31 March 2012
	£000	£000
Amounts falling due within one year		
Trade payables	90	196
Taxation and social security	418	486
Other payables	304	295
Accruals and deferred income	1,652	1,355
Rent-free period accrual	71	71
Amounts issued from the Consolidated Fund for supply but not spent at year end	69	65
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	2	4
Receivable	-	2
Sub total	2,606	2,474
Amounts falling due after more than one year		
Rent-free period accrual	334	405
Total	2,940	2,879

17. Provisions for liabilities and charges

	2012-13			2011-12	
	Early departure costs £000	Legal claims £000	Accom £000	Total £000	Total £000
Balance at 1 April	446	-	75	521	679
Provided in the year	10	-	304	314	2
Provisions not required written back	-	-	-	-	-
Provisions utilised in the year	(105)	-	-	(105)	(160)
Borrowing costs (Unwinding of discount)	-	-	-	-	-
Balance at 31 March	351	-	379	730	521

Early retirement and pension commitments

PHSO meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. PHSO provides for this in full when the early retirement programme becomes binding on PHSO by establishing a provision for the estimated payments with all payments bar one finalising in the financial year 2015-16.

Legal claims

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

Other

PHSO is contractually obliged to restore the floors currently occupied in the Exchange Building, Manchester, to their condition prior to our refurbishment work, at the end of the lease. PHSO is also required to take out any specific modifications currently in place in both the Manchester and London sites. The above increased liability represents management's best estimate of the specific modifications required for this work.

18. Capital commitments

There were no contractual capital commitments as at 31 March 2013 or 31 March 2012.

19. Commitments under leases

Operating leases

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

	31 March 2013	31 March 2012
	£000	£000
Buildings		
Not later than one year	2,733	2,579
Later than one year and not later than five years	11,895	11,925
Later than five years	2,233	5,015
Total	16,861	19,519
Other		
Not later than one year	57	102
Later than one year and not later than five years	51	36
Later than five years	-	-
Total	108	138

20. Other financial commitments

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

	31 March 2013	31 March 2012
	£000	£000
Not later than one year	2,624	1,994
Later than one year and not later than five years	6,250	5,352
Later than five years	-	967
Total	8,874	8,313

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

21. Contingent liabilities disclosed under IAS 37

PHSO has no disclosable contingent liabilities.

22. Losses and special payments

	2012-13		2011-12	
	No. of cases	£000	No. of cases	£000
Total	73	167	36	46

No individual cases in either 2012-13 or 2011-12 exceeded £250,000.

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

23. Related-party transactions

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

PHSO and the Local Government Ombudsman for England undertake joint working and collaboration across a wide number of areas and initiatives. PHSO sub-lets one floor of its Millbank building to the Green Investment Bank.

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

Neither the Ombudsman nor any other members of the Executive Board, Unitary Board or key managerial staff have undertaken any material transactions with PHSO during the reporting period.

24. Events after the reporting period date

In accordance with the FReM, the Ombudsman is required to consider the impact of events since the closing date of the Statement of Financial Position and up to the date on which the accounts are authorised for issue, which is interpreted as the date the accounts are laid before Parliament. In the Ombudsman's opinion there have been no events since 31 March 2013 that would affect the financial statements.

Parliamentary and Health Service Ombudsman

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