

The Ombudsman's Annual Report and Accounts 2015-16

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Presented to Parliament pursuant to Section 14(4)
of the Health Service Commissioners Act 1993

Presented to Parliament pursuant to Section 10(4)
of the Parliamentary Commissioner Act 1967

Ordered by
the House of Commons
to be printed on 3 November 2016

HC 779

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This publication is available at <https://www.gov.uk/government/publications>

Print ISBN 9781474132190

Web ISBN 9781474132206

Printed in the UK for the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

ID P002807695 11/16

Printed on paper containing 75% recycled fibre content minimum

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Foreword from the Chair and Ombudsman



When I took on the role of Ombudsman we launched an ambitious strategy to have more impact for more people affected when public services fall short.

As we reach the end of the third year, it's worth taking stock of the progress we've made.

More impact for people who come to us

When I first joined the organisation, I committed that we would investigate every complaint where there is any indication of someone being let down by a public service and experiencing hardship or injustice. As a result, public services are now agreeing to put things right for over 1,500 people each year, up from some 300 in 2012-13. That's a five-fold increase in the justice delivered for people as a result of our investigations. Five times more individuals and families that are receiving an apology, a financial sum or a commitment to action from the organisation they are complaining about.

Even when we do not uphold complaints, another 2,000 people are receiving a final, conclusive answer to their concerns following a robust and comprehensive investigation. In these cases we can also provide assurance to the committed individuals working in our public services that they have done the right thing.

Overall we've moved from 400 to 4,000 investigations, so we can truly say that we are meeting public demand for our service.

Improving services

As well as providing individual remedy, we said that realising more impact meant using the insight from complaints to help services improve.

Since publishing our report on sepsis, *Time to Act*, its recommendations have been

steadily adopted with the Health Secretary announcing new action to tackle sepsis in January 2015, an NHS England action plan introduced in December 2015, NICE guidelines published in July 2016, and the Department of Health and Public Health England launching a UK-wide awareness campaign to improve public recognition of sepsis in August.

All these concrete commitments stem from the individuals who took that first step in bringing their complaint to us. By building our relationship with Parliament, and the Public Administration and Constitutional Affairs Committee, we have shown that public services can improve because people complain.

Over the three years of our current strategy we have identified and reported on significant public service failures in midwifery regulation, the quality of NHS investigations into avoidable harm and death, inadequate communication with communities by HS2, and unsafe discharge from hospital. Parliament has held hearings on all of these reports. They are now in a position to judge over time whether governments have taken sufficient action to improve safety and services as promised.

My thanks go to every member of the public who has brought their complaint to us and to all our staff. Together they are making sure that complaints really do make a difference.

Ombudsman reform

Although our impact is hampered by the legislation governing what we do, we have strengthened

our governance and improved our joint working with the Local Government Ombudsman to deliver a joined up service for the public.

However, we still need new legislation for an ombudsman covering all public services in England and all non-devolved UK public services. A service with the powers to investigate and recommend remedy for the most vulnerable members of our society who may not be able to bring a complaint to us themselves and with modern corporate governance arrangements. As we report on our work in 2015-16, I am hopeful that legislation will be introduced shortly to realise these changes.

This is an organisation with an enormous potential to deliver justice and improve public services, particularly for those who are often most vulnerable and have the least power in relation to the state. By opening our doors to thousands more complaints, we have been able to deliver for more individuals and their families than ever before. By harnessing the insight from the increased volume of complaints, we've expanded that impact to everyone that uses or interacts with public services. The next step will be to usher in the new public ombudsman service, so that we can fully realise the potential of a modern, empowered and accessible service to deliver for those who need it most.

**Dame Julie Mellor, DBE
Chair and Ombudsman
November 2016**

Foreword from the Chief Executive



When I joined the Parliamentary and Health Service Ombudsman in May, I was fortunate to find an organisation that had already taken the time to understand what gives people confidence in how the Ombudsman delivers its service.

Three years ago, we fundamentally changed how we work to enable us to meet demand for complaint investigations. Since then, we have successfully reduced the time we take to assess and investigate cases.

The feedback from people who use the service and organisations affected by it, as well as our staff, has helped us develop new ways of working. We have enshrined them in our service model to give staff clear guidance on the service we aim to offer.

Clarifying the way we work has also made us more efficient, so we can help more people, more easily. It has helped ensure that complaints, and the people who bring them to us, are treated consistently and fairly. But it has meant some significant changes in the way we operate.

We are fortunate that our staff have risen to this challenge. But despite their best efforts, some people still have to wait some considerable time for assessment or investigation of their case to begin.

By the end of the year these waiting times had reduced. But there is more to be done next year to eliminate them entirely and explore the further innovation that will help us continue to meet demand, while also reducing our costs in line with our spending review commitment.

Following a public consultation in 2015-16, we have now launched our Service Charter: a set of standards that make clear what people can expect from us and which will help us assess the quality of service we provide and monitor improvements along the way. Although it will take time to meet the commitments we make in the Charter in full, we will report regularly on our progress from early 2017.

With the publication of our report for 2015-16, I welcome Amanda Campbell who I know will inspire and motivate her team in the work that still needs to be done.

Now that the way we do that work is clearer and more consistent, I know – without a doubt – that the passion and commitment of every person who works here will provide the best possible outcome for the people we aim to help.

Alan Doran
Chief Executive (interim)
Parliamentary and Health
Service Ombudsman
November 2016

“The feedback from people who use the service and organisations affected by it, as well as our staff, has helped us develop new ways of working.”

Our vision and strategy

Our vision

Our vision is for everyone to be confident that complaining about public services is straightforward, fair and makes a difference.

Our role

We make final decisions on complaints that have not been resolved by the NHS in England and UK government departments, and some other UK public organisations. We do this independently and impartially.

We were set up by Parliament to provide an independent complaint handling service.

We are not part of Government, the NHS in England or a regulator. We are neither a consumer champion nor arbitrator.

Our service is free for everyone.

We look into complaints where an individual believes there has been injustice or hardship because an organisation has not acted properly or fairly, or has provided a poor service and not put things right.

We normally expect people to complain to the organisation first so it has a chance to put things right. If an individual believes there is still a dispute about the complaint after an organisation has responded, they can ask us to look into the complaint.

We share findings from our casework with Parliament to help them hold organisations that provide public services to account, and we share these findings more widely to help others drive improvements in public services.

We are accountable to Parliament and our work is scrutinised by the Public Administration and Constitutional Affairs Committee.

More impact for more people: our five-year strategy

In 2013 we identified five strategic aims:

1. We will make it easier for people to find and use our services.
2. We will help more people by resolving and investigating more unresolved complaints, and providing an excellent customer service for everyone who contacts us.

3. We will share what we learn from complaints with others to help them make public services better.
4. We will work with others to make it easier to complain about public services and to help public services resolve complaints better.
5. We will make sure our organisation works well to help us achieve our aims.

We are delivering this in three linked stages:

- 2013-15 – meeting demand for our service by making more final decisions on unresolved complaints.
- 2015-17 – transforming and modernising our service.
- 2017-18 – moving to a new public ombudsman service.

You can read about the progress we have made in this annual report.

Five years at a glance, 2013-14 to 2017-18

Years 1-2 Building

Years 1 and 2 were about building the foundations for change:

- Investigated ten times more complaints and now meeting demand.
- Established new governance arrangements and appointed a new senior team.
- Built closer relationships with Parliament to help them to hold public services to account.
- Built stronger relationships with other organisations nationally and locally.
- Established the case for change to streamline public ombudsman services.

2015-16 was the **third year of our five year strategic plan**

Years 3-4 Transforming

Years 3 and 4 are about transforming what we do and how we do it:

- Releasing the full potential of our staff to contribute to the success of our organisation.
- Embedding new casework methodologies and quality frameworks and maintaining the volume of delivery.
- Raising awareness of our services and making them more accessible.
- Realising the benefits from our investment in technology for new casework management systems.
- Improving how we use insight from individual cases and systemic investigations to bring about change.
- Working more closely with the Local Government Ombudsman and other public ombudsman services, and working towards streamlined public ombudsman services, depending on the legislative timetable.

Year 5 Realising

Years 5 and beyond are about a new public ombudsman service:

- Continuing the transition to streamlined public ombudsman services.
- Improving awareness of the role of ombudsman services.
- Putting in place mechanisms for the seamless referral of complainants across public services.
- Making full use of digital technology to deliver our services.
- Developing a system wide approach to insight into improvements to complaint handling and big and repeated mistakes in public services.

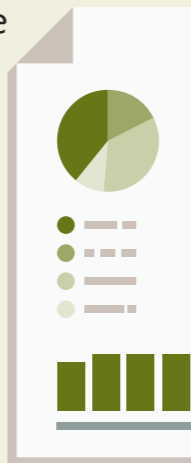
Successes in the year



We did initial checks on 133,909 calls, emails, online enquiries and letters, **up 32% compared to 2014-15**

We enshrined **new ways of working** in our service model to give staff a clear understanding of the service we aim to offer

Customer satisfaction with our service remains steady – 92% where complaints are fully upheld, 41% when not upheld



We completed 97% of all case assessments and investigations within 12 months

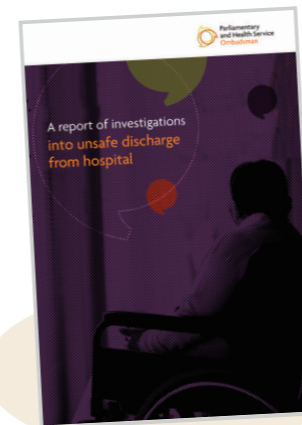
The number of complaints about organisations we cannot investigate has **fallen by 24%**

29,046 complaints handled

8,125 complaints assessed

4,085 complaints investigated or resolved without needing a full investigation

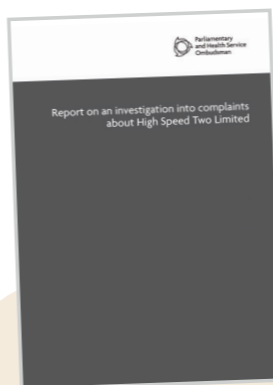
Public Administration and Constitutional Affairs Committee inquiries follow:



▶ our report into delayed and unsafe discharge



▶ our review into the quality of NHS complaints investigations where serious or avoidable harm alleged



▶ our investigation into HS2

Published **516** investigation summaries

Commissioned the Picker Institute Europe to pilot a survey of complainants based on 'My Expectations' recommendations

Provided key government departments with insight on the complaints we receive about them

to help them improve how they handle complaints

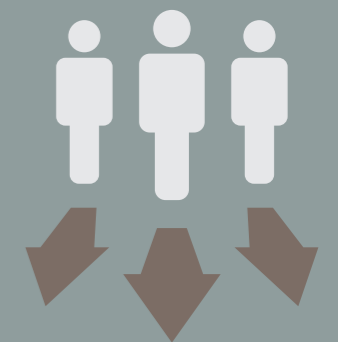


Our new performance management system bedded down in its first full year



In 2015-16 our net operating costs were £30.5m. In 2012-13 they were £33.4m.

Rolled out a management development programme to improve leadership skills



The complaints we see

In 2015-16 we continued to transform our service to ensure we continue to meet demand today and in the future.

This year has been about building our approach to handling people's complaints based on feedback about our service - an approach that provides consistency, gives people confidence in the service they will get and produces a fair decision.



Our complaint handling in detail

We are very much aware that we are the final opportunity for people to get a decision on their complaint. We have a three-step process for dealing with complaints about the NHS in England, UK government departments and other UK public organisations. This is detailed in the guidance to our new Service Charter on our website at www.ombudsman.org.uk.

Not all the complaints that come to us go through our whole process.

Last year we completed 4,085 investigations and resolutions about 4,710 organisations. We upheld 40% of the complaints we investigated. This means that we found the organisation complained about had made mistakes or provided a poor service, and that this had a negative effect on the person complaining that had not been put right.

We assessed more complaints (step 2) during 2015-16 than in the previous year and put a similar number through to investigation. Stronger, more robust processes make our assessment of complaints more thorough, helping us get answers for people earlier on.



Step 1: Initial checks make sure we are the right organisation to deal with the complaint and that it is ready for us to look at.



Step 2: We make an assessment about whether to investigate the complaint.



Step 3: We investigate and give the complainant a report about what we have found.

We developed and introduced new ways of working and the means to manage performance better. Being clear and certain about our processes makes us more efficient so that we can help more people, more easily. It will help us ensure that complaints, and the people who bring them to us, are treated consistently and fairly. We also evolved the means by which we assess the quality of experience of complainants.

At the start of the year, 2,003 complaints had been waiting a considerable time for us to look at. We established a dedicated project team, which helped reduce this number.

Step one: initial checks



We look at whether we can investigate the complaint and whether it is ready to come to us. We usually expect people to complain to the organisation they are unhappy with first. This is so the organisation has the chance to look into the concerns and, where needed, put things right. If the complaint has not yet completed the organisation's complaints process, we let people know what remaining stages there are and what they can do next.

Some people might have got stuck in 'the system'. They may be unsure if they have received a final response to their complaint, so we can help get an update. If we see that there is more that the organisation can be doing, we will ask it to do it.

If our checks show that we cannot help, we explain why and let people know who else might be able to help with the complaint.

The significant work we do at this step can sometimes get things moving again and help people get an answer to their complaint, without the need for us to carry out an investigation.

In 2015-16...

Our information line received 133,909 phone calls, emails, online enquiries and letters, including from people needing help with complaints. This was an increase of 32% on the previous year. We took forward a fifth of these (29,046) as new complaints for us to look into under step one of our process.

“Your communication with The Trust has resulted in us being able to get the answers we needed for us to have closure and be able to move forward.”

Complainant feedback

During the year, at this step we handled a total of 29,046 new complaints about 31,399 organisations in the following ways:

21,068

We gave information on making a complaint to the NHS in England or a government department or other public organisation, or to another organisation that could help.

53

We helped people get their complaints resolved, often by stepping in and speaking to the organisation they had complained about.

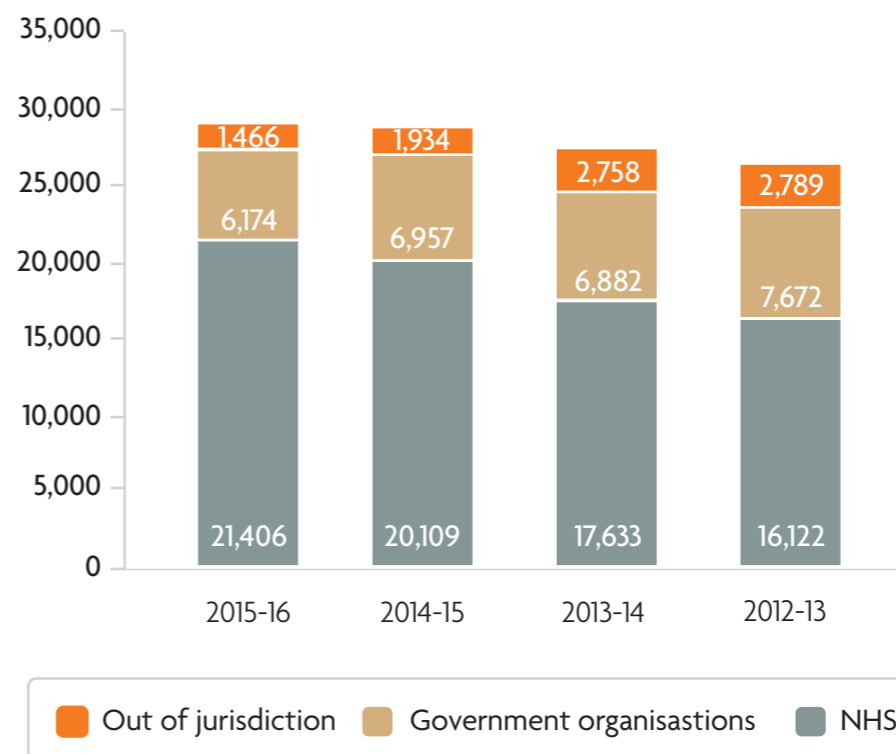
7,716

We referred these complaints for more in-depth consideration (an assessment – step two in our process).

209

We closed these complaints because they were not pursued by the people who brought them to us.

New complaints we have handled, year on year



The chart above shows how the number of new complaints we have handled has remained steady compared to the previous year.

Of the 29,046 complaints, 21,406 were about the NHS in England, while 6,174 were about a government department or other public organisation. The remaining 1,466 complaints were outside our remit and we could not consider them.

We have worked to help people better understand our role through the media, through our own website and social media channels, and by working with advocacy organisations.

This has helped reduce the number of complaints that are about organisations we cannot investigate by almost a quarter (24%).

“Even though my complaint was ... premature the information I was given was excellent. [You were] extremely understanding and patient, went through everything in great lengths and reassurance. [You] answered all of my questions and gave me clear advice in what to do next.”

Complainant feedback

“They have listened and advised and nothing has been too much trouble for them to explain. To others, I would say never have fear about asking for help from this service, it is incredibly helpful, genuine and fair.”

Complainant feedback

Step two: assessment – deciding whether to investigate



At the second step in the process, we look at what has happened in more depth. This is where we decide whether we should investigate the complaint. We make sure we understand in detail what has happened so far and what the person bringing the complaint is looking for as an outcome.

We look for signs that mistakes have potentially been made that have had a negative effect and we look at what has already been done to put this right.

We always check to see if there is a quicker way to get an answer to the complaint. If we think this is possible, we will speak to the complainant and the organisation about a possible solution.

Thanks to a more thorough assessment process, we are able to identify complaints that we can answer straight away without the need for investigation.

We adopted a new service model in August 2015, which gives us very clear criteria to allow us to make the right decision as early as possible in the process. It means that we are able to provide answers for more people without them having to wait until the conclusion of a formal investigation.

In 2015-16...

We assessed 8,125 complaints about 9,245 organisations.

6,547

of these complaints were about NHS organisations in England. 1,567 were about UK government departments and some other UK public organisations. The remaining 11 complaints were about organisations or issues we cannot investigate.

3,938

We passed these complaints to our investigations team – step three in our process. This accounts for 48% of all the complaints we dealt with at this step.

171

We were able to resolve these complaints without the need for an investigation, by working with the organisation complained about.

4,016

We closed the remainder at this step.

There are a variety of reasons for us to close complaints at this point.

We can usually only investigate if the complainant has been affected personally by what happened, although there are exceptions. There is normally a limit on the time between when the complainant first became aware of the problem and bringing it to us. We will also determine whether legal action is an option, taking into account its potential cost, or whether another organisation is better placed to deal with the complaint.

In some instances we find there is more the organisation complained about can do to respond to the complaint. With our intervention many organisations will often give greater attention to answering complaints, often to the satisfaction of the people who bring them.

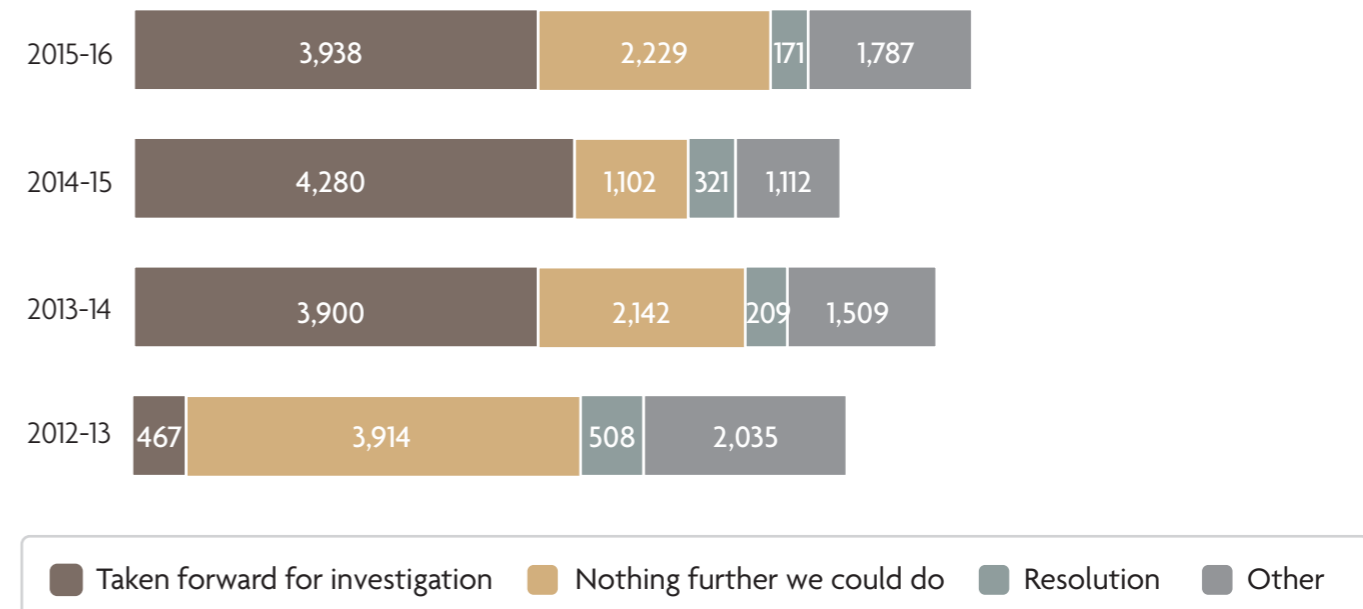
Sometimes we can see that there have been failings in the service provided, but in our view the organisation has already put matters right and responded appropriately to the issues. In these circumstances, we cannot reasonably achieve anything more and would not investigate.

We will clearly explain why and what information we used to reach the decision.

For more and more complaints, we have been able to provide the complainant with answers without the need for them to wait for the outcome of an investigation.

Occasionally, the complainant had decided not to pursue the matter.

Decisions we made when assessing the complaint, year on year



Step three: investigation



At the start of our investigation, we discuss the scope of what we are going to look at with the person who made the complaint. We gather relevant information from them and from the organisation complained about. For health complaints we may need to get expert advice from doctors and other professionals but we make sure that they are not connected to the organisation we are looking into or have any other conflict of interest.

We compare what happened with what should have happened, and we look at how that has affected the person concerned. If we find that the organisation did not act correctly, and it has not already put things right, we normally make recommendations. For example, we might say the organisation should apologise or reimburse someone for costs that they have wrongly incurred.

We can also ask organisations to take steps to prevent the same mistakes happening again, such as changing procedures or training staff. If we do not uphold the complaint, we explain why; it might be that we found the organisation acted correctly in the circumstances.

In 2015-16...

We completed 3,861 investigations into 4,472 organisations, compared to 4,159 investigations into 4,670 organisations in the previous year. This is ten times the number of investigations we completed in 2012-13 before we launched our five-year strategy to have more impact for more people.

We have worked hard this year to make even clearer the criteria that enable us to make the right decision as early as possible in the process. Often the work we do in steps one and two means we can get answers for people without the need for investigation.

Just over 18% (676) of investigations were about UK government departments and some other UK public organisations, and 82% (3,185) were about the NHS in England. Compared to the previous year, the proportion of investigations about the NHS in England increased slightly in 2015-16.

Of the total complaints we investigated:

1,543
(40%)

We upheld the complaint, either in relation to all of the issues or some of them. This is five times the number upheld in full or part in 2012-13.

1,969
(51%)

We did not uphold the complaint.

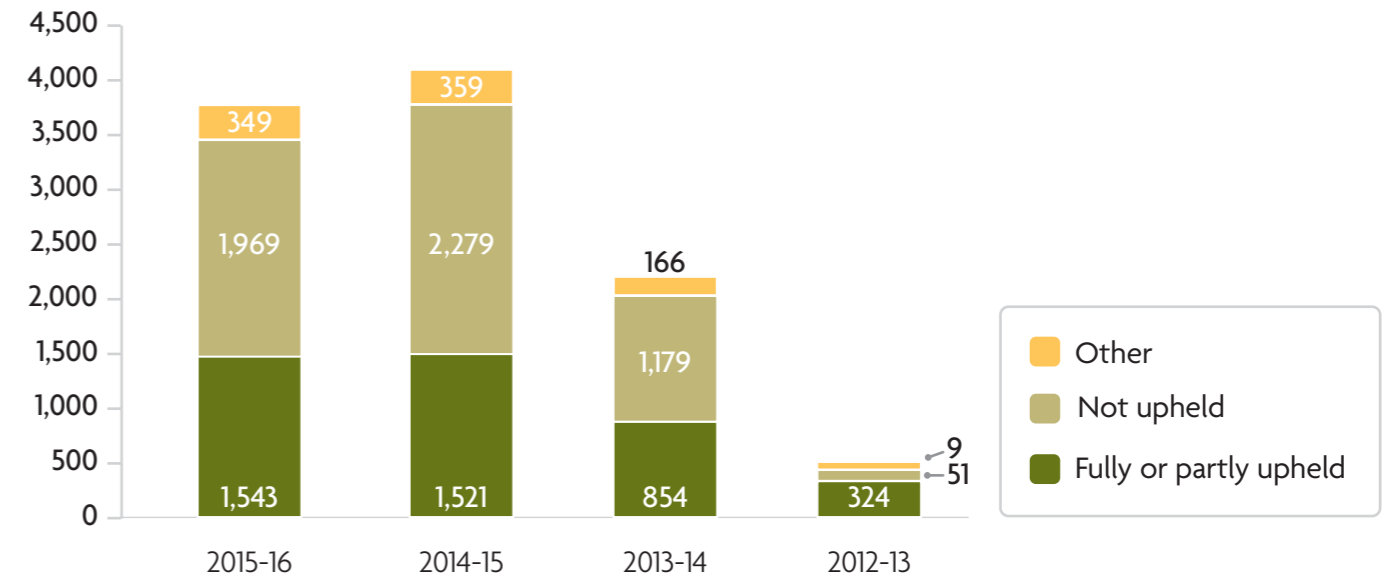
170
(4%)

We resolved the complaint before the investigation was concluded.

179
(5%)

We ended the investigation for a variety of reasons, for example, because the complainant asked us to.

Decisions we made at investigation, year on year



The chart above shows that although the number of investigations we have completed has decreased slightly since the previous year, we are upholding more of them.

Last year, for complaints we upheld, we made the following recommendations to organisations to put things right:

- 1,338 apologies.
- 827 payments to make up for financial loss or recognise the impact of what went wrong: £1,021,804 from NHS organisations, £263,218 from UK government departments and other UK public organisations.

- 955 service improvements, such as changing procedures or training staff.
- 336 other actions to put things right, for example, asking a government department to review a decision; asking a GP practice to correct errors in medical records.

In 99% of complaints the organisation agreed to act on our recommendations.

Our casework in 2015-16 by organisation type

Cases, assessments and investigations

Organisation type	Complaints handled*	Complaints assessed*	Complaints resolved without the need for full investigation	Complaints accepted for investigation*	Completed investigations*
NHS in England	21,406 into 23,254 organisations	6,547 into 7,546 organisations	197	3,346 into 3,870 organisations	3,185 into 3,724 organisations
Government department/public organisation	6,174 into 6,401 organisations	1,567 into 1,673 organisations	27	592 into 642 organisations	676 into 748 organisations
Not an organisation we can investigate	1,466	11	N/A	N/A	N/A
Total	29,046	8,125	224	3,938	3,861

*We count every time that an organisation is complained about, meaning a single organisation could be counted several times in a year.

The standard of our service

Throughout 2015-16 we have been looking at our service and how we work to ensure we are doing the things that people have told us matter most to them.

We want them to feel that complaining about public services is straightforward, fair and can make a difference.



“I am heartened to be dealing with an independent public sector organisation which has, on this occasion, been fully transparent, shown the ability to learn and respond to that learning within its own organisation.”

Complainant feedback

Doing it better

Drawing on our extensive engagement with past complainants and other members of the public, NHS and public sector organisations, advocacy groups and our own staff, we identified the key things people expect from us:

- To be clear about our role and what we can and cannot do.
- To explain our process for deciding on complaints.
- To keep people updated and complete casework as quickly as possible.
- To be open about our performance against the commitments we make.

Our service model is the foundation for new ways of working. Describing each step, it ensures all our staff have a clear understanding of how we do things and enables us to share our performance with complainants, the organisations we investigate and other audiences. The clear criteria in the service model help us complete each stage of our work more quickly.

With the added insight from a public consultation at the end of 2015, we launched our new Service Charter: a set of commitments that we make to people about the quality of the service we provide. They set the standard by which we can judge people’s experience of complaining to us.

The Charter is published alongside more detailed guidance about what we do and what people can expect at each step in our complaints process. Together they explain the different things we have to consider when we are looking into a complaint, how we make our decisions, what to expect if we decide to investigate a complaint and why we might decide not to.

It will take time for us to meet the commitments we make in the Charter but we will work hard to do so and will be open and transparent about our progress. Some of the information is readily available to us, but we need to collect more detailed data to better understand how well we are giving people the information they need, following an open and fair process, and giving them a good service.

From the end of 2016, we will begin reporting on the quality standards in the Service Charter, but in the meantime and for 2015-16, we measured our performance in three key areas:

- **Making sound decisions.**
- **Providing a good service.**
- **The time it takes us.**

Making sound decisions

The service model gives us a framework for checking the quality of the decisions we make on complaints in a number of ways.

Managers regularly review a sample of complaints – both active and closed – for the service provided to the complainant, the methods used to look into it and the final decision.

A sample of different complaints is reviewed by quality assurance staff separate from the original investigation team, with others passed to external experts for review.

Lastly, a Quality Committee of non-executive members from our Board gives independent oversight on our processes, challenging us to demonstrate continuous improvement.

In our Business Plan for 2016-17 we have identified some key areas for improvement, based on what we have heard from those using our service and what we have seen in our sampling of complaints.

Our main area for improvement centres on the need for regular, meaningful communication with complainants so they are well informed and engaged in an open and transparent decision-making process, and do not feel that they have to drive the process forward themselves. We will continue to review what we are seeing to ensure we are focusing our improvement work in the right areas.

Complaints about how we reach decisions

Day to day our staff follow a robust process and make hundreds of sound decisions.

These decisions are final, but we will take another look if someone is able to show us that:

- we may have made our decision based on inaccurate facts that could change our decision,
- we may have overlooked or misunderstood parts of the complaint or did not take account of relevant information, which could change our decision, or
- they have new and relevant information that was not previously available and which might change our decision.

If, having looked again at the process we followed to handle the complaint, we think we may have made an error; we will take action to put that right. This can sometimes involve reopening an investigation.

In 2015-16, of the 33,316 decisions made at the initial checks, assessment and investigation steps, we reviewed 218 and upheld 14 of them.

In 2014-15 we reviewed 392 decisions and upheld 78. The significant decline in the number of complaints needing review may be a result of our more consistent criteria and ways of working at every stage of our casework process.

“I am happy and reassured that the case has been thoroughly investigated in what appears to be a root and branch approach leaving no stone unturned.”

Complainant feedback

Decisions made and decisions reviewed

	2015-16		2014-15		2013-14	
	Initial checks and assessment	Investigation	Initial checks and assessment	Investigation	Initial checks and assessment	Investigation
Decisions made	29,455	3,861	27,778	4,159	28,348	2,199
Decisions reviewed	56	162	203	189	536	60
Reviews upheld	9	5	46	32	70	4
% of reviews upheld against decisions made at this step	0.03%	0.13%	0.2%	0.8%	0.2%	0.2%

Judicial review

If a person feels that we have not followed lawful procedures in reaching a decision about their complaint, then they can apply to the High Court for that decision to be reviewed by the courts. If their application is granted permission to proceed, then there is a full court hearing.

There were five applications for judicial review of our decisions in 2015-16, compared to 12 the year before. We receive letters about potential claims for judicial review before they enter this costly process.

We offer a meeting to explain any legal points we plan to respond with, to try to resolve the issue. Over the course of the year we received 23 of these pre-action protocol letters and met with three potential claimants.

Of the five applications for judicial review in 2015-16, three claims were refused permission to go forward to a full hearing. Of these three claimants, one appealed and the Court of Appeal has yet to make a decision on putting this application forward. Another has requested an oral hearing at the High Court to seek to obtain permission and we are waiting for a hearing date.

The remaining two claims were withdrawn by consent before they reached permission stage. One was withdrawn where we agreed to conduct a further investigation and one was withdrawn where the claimant accepted that our investigation was lawful.

During this year, two cases filed in 2014-15 were heard in full at the High Court. In both cases, the judge ruled that we had followed lawful procedures and awarded us costs. One of these cases will be heard by the Court of Appeal in March 2017.

County court claims

A county court judgment was made against us in 2015-16 for indirect discrimination for failure to allow additional time for the complainant to comment on our draft investigation report. We accepted this was our fault and settled the claim by giving the claimant more time to make comments before we issued our final report.

We have trained our staff on the importance of ensuring that our policy on disability discrimination is recognised when someone makes a request for more time to comment on a draft report.

Providing a good service

What people think of our service

We ask people who use our service to tell us about their experience through our rolling customer satisfaction survey. We use what they tell us to inform our programme of continuous improvement through training, coaching and development. In 2015-16 our survey captured feedback from 23% (902) of people whose complaints we investigated and 5% (1,256) of people whose complaints we closed at an earlier stage in our process.

People whose complaint was upheld or partly upheld reported similar levels of satisfaction to last year. 92% of people whose complaints we investigated, and then upheld in full, told us they were satisfied with our service, compared to 88% in 2014-15.

69% of people whose complaints we investigated and partly upheld, said they were satisfied with our service, compared to 71% in 2014-15. Satisfaction has fallen among people whose complaints we did not uphold: 41% told us they were satisfied, compared to 49% in 2014-15.

We have worked harder this year to give more answers and clearer explanations to people where our assessment of their complaint means we do not investigate.

“Although you were investigating our clinical care, I did feel well supported and communicated with throughout the process.”

Feedback from an organisation investigated

Satisfaction among people whose complaints we look at in-depth through our assessment process, but decide not to investigate, remains similar to last year. For this group, satisfaction was 53% in 2015-16, compared to 51% in 2014-15.

For people who contact our information line, but whose complaints are not taken forward for assessment, satisfaction has fallen from 70% in 2014-15 to 65% in 2015-16.

It is inevitable that sometimes we make decisions that people do not agree with. People feel very passionate about the issues they bring to us and if we do not give them the answer they had hoped for, it can affect how they feel about our service overall.

Customer care

Our customer care team is now well established to deal with the majority of complaints we get about our service. The information this team records about the complaints we get helps us to identify where we need to improve our service and where there may be learning for individual staff.

The team is the first point of contact for anyone with concerns that they have not been able to sort out with the team directly responsible for it. In previous years, some complaints about our service may have been handled by line managers and not recorded centrally, so year on year figures are not comparable.

In the business year, we handled 593 formal complaints about our service. In the previous year we dealt with 103. We resolved 110 at the first point of contact. We upheld 163 of the formal service complaints we looked at.



Accessible for all

We make adjustments to make sure people with specific communications needs are able to access and understand the information we provide.

We offer information in British Sign Language (BSL) and use BSL Sign Video software, which allows Deaf people to speak to our customer services team through a live interpreter.

We can also provide information in large print, Braille or audio CD and have it translated for those who don't speak English as a first language.

With the push to become more digitally-focused, we use software on our website that can read pages out loud or translate them into multiple languages.

Demographic profile of people who used our service

	People who used our service 2015-16	UK population benchmark 2015-16
Male	44%	49%
Female	56%	51%
18-34	15%	29%
35-54	43%	34%
55-74	39%	27%
75+	5%	10%
Disabled	34%	19%
Not disabled	66%	81%
Black, Asian and minority ethnic	20%	17%
White British	80%	83%

* demographic profile is based on our complainant feedback, but they may be complaining on someone else's behalf. This can underestimate the data in some categories, particularly older people.

Data Protection and Freedom of Information

We met our corporate service standard: responding to 97% of Freedom of Information and Data Protection requests within the statutory deadlines.

We received 649 Freedom of Information and Data Protection requests compared to 718 in 2014-15 and 635 in 2013-14.

Who uses our service

Understanding the diversity of the people who use our service can help us identify barriers to complaining and steps we can take to support people.

Information from our rolling customer satisfaction survey tells us that:

- Last year there was a small increase in the proportion of people using our service who were aged between 55 and 74 - from 36% to 39%.
- A smaller proportion of young people use our service. This may be because they are less likely to use the services of the organisations we can investigate, compared to other groups of people.

The time it takes us

Over the course of 2015-16 we have successfully addressed some significant challenges. Our performance averages for the year include the impact of this. For example, investigations took an average of 124 days from allocation to a caseworker until completion, compared to 117 days in 2014-15 and 137 days in 2013-14. The slight increase in the average has been influenced by the completion of a large number of longstanding complaints.

We started the 2015-16 business year with 2,003 complaints waiting to be assessed or investigated.

Some of these had been waiting a long time for us to consider them, so we created a special project team dedicated to taking these longstanding complaints forward.

One of people's concerns is about the length of time they spend waiting for their complaint to be allocated to an assessor or to an investigator.

The chart below shows that we have successfully reduced the average length of time that people have to wait before our investigation gets underway by nearly two weeks from 76 to 63 days. The average length of time people had to wait for their complaint to be assessed at step two of our process increased from 13 days in 2014-15 to 47 days this year, as a result of the volume of cases waiting to be assessed.

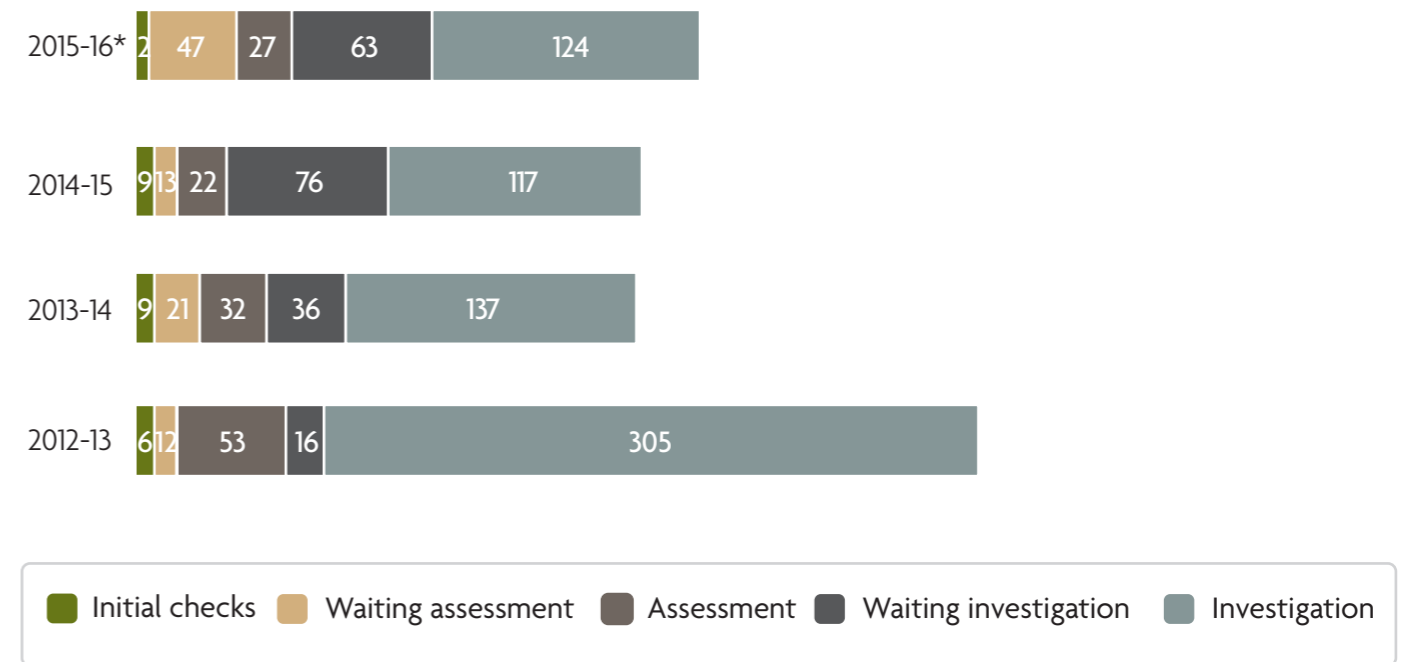
However, because the chart below averages the duration of complaints across the year, it does not show the real improvements we made in the third and final quarters of the year as our service model

bedded down and we recruited more assessors.

The month-by-month chart on the next page shows that in June 2015 complaints spent an average 42 days waiting for assessment, before the waiting time fell until it was just 16 days by March 2016.

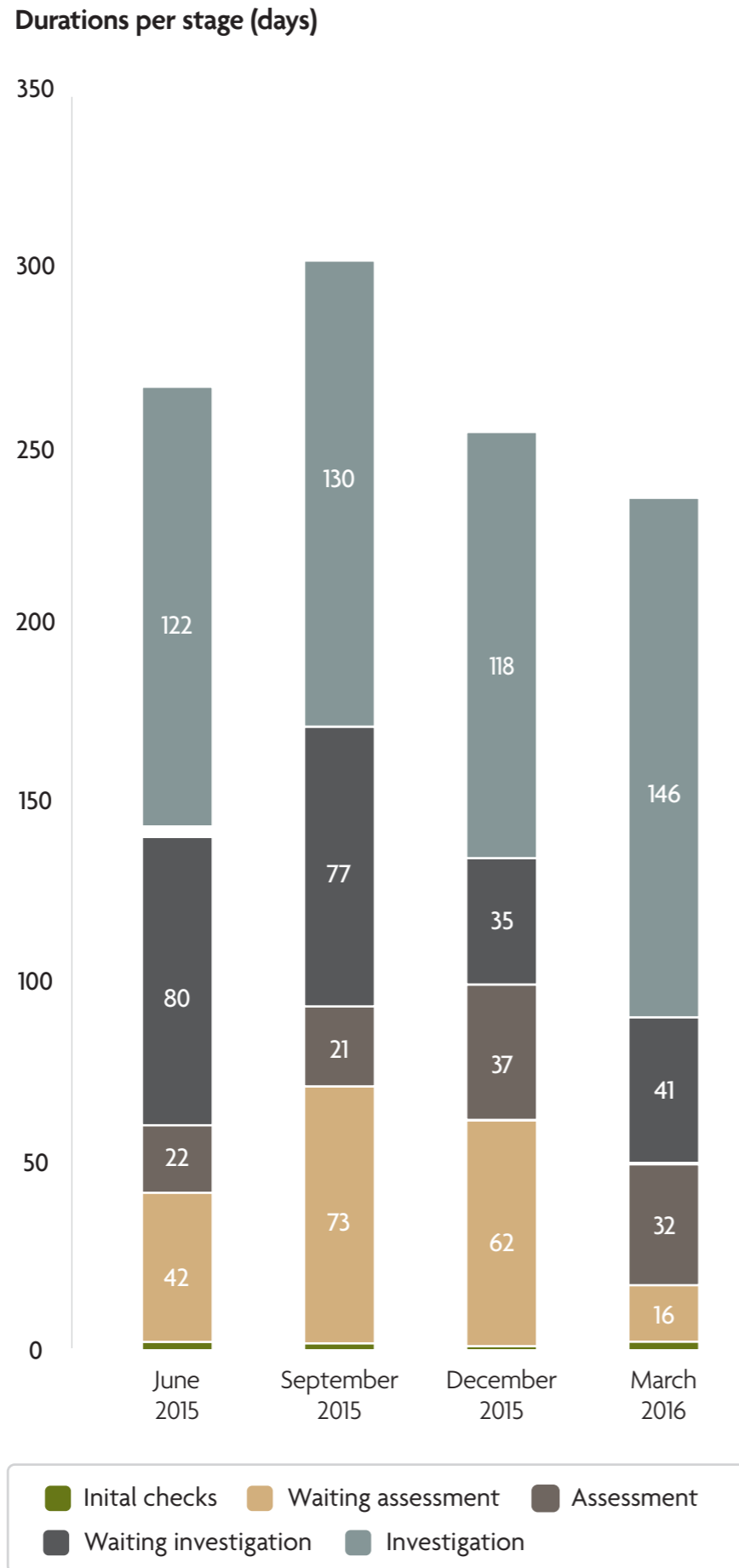
Similarly cases waiting for investigation began the year at 80 days in June 2015 but by March 2016 were down to 41 days.

Durations per stage in calendar days, year on year



* 2015-16 data includes long-standing complaints

“The process was long as the PHSO asked questions of both parties before creating the report. They also researched about British Sign Language and the importance for Deaf people to have communication support in the workplace.”
Complainant feedback



Since January 2016, we have been developing our forecasting and capacity planning capability so that staffing needs can be identified and quickly addressed. This, along with our new Service Charter and new ways of working in our service model, will help us improve timeliness.

We aim to respond to people within five working days of receiving a complaint (step 1). For complaints in assessment (step 2 of our process), we aim to respond within 20 working days of receiving the complaint.

Every investigation is different but we now aim to tell people the likely length of time that their individual complaint will take.

If an investigation is taking us more than a year, we write to the complainant to explain why. In our annual report to Parliament we explain how long we take to conclude investigations, how many took more than 12 months and what we are doing to work towards all investigations being concluded within 12 months.

Some of the complaints that come to us can be very complex and it can take time to gather and consider all the information we need for our investigation. In 2015-16, 403 investigations - 10% of the total - took us more than a year to complete. Of these, 306 were about the NHS in England and 97 were about UK government departments or other UK public organisations.



Case study

Mother wrongly reassured that she did not have cancer

A 41-year-old mother with terminal breast cancer was badly let down by her hospital. The Trust did not carry out appropriate tests and wrongly reassured Ms G that she did not have breast cancer.

We found that if the cancer had been detected and treated when Ms G was first referred, it was unlikely the cancer would have become terminal. A year later, tests revealed she had advanced inoperable breast cancer and secondary cancers of the liver, brain and bone.

Following our investigation, the Trust paid Ms G £70,000 for the pain, suffering and additional medical treatment caused by their service failure. During our investigation we were pleased to learn that the Trust had taken action to prevent a recurrence of the failings we identified.

This included setting up a mandatory training programme for all tumour site doctors (doctors dealing in cases where there is a possibility of cancer).

We also laid our investigation report before Parliament, calling for trusts to make sure there are mechanisms in place to identify and monitor patients that are at risk.

Working with others

We share the unique insight from our casework with Parliament to help it hold to account the NHS in England, UK government departments and other UK public organisations for the services they provide.

We also share this learning more widely; with the organisations we investigate, with regulators and with policy makers to help them to improve complaint handling and public services for everyone.



Our role is to shine a light on the changes that are needed but it is for others to take these forward. The insight from our work over the last year and more has helped to bring about real and lasting change.

Engaging with advocacy providers

In October 2015, we held our first conference for advocacy providers, who play an important role in helping people understand and negotiate the often confusing NHS complaints system. Advocacy providers also help clients communicate more effectively with us.

During the conference we walked delegates step-by-step through our casework process. We ran workshops to get a better understanding of the top issues that their clients complained about, and what worked and did not work in the local NHS complaints process.

The issue that advocates raised most was mental health, which resonates with our own casework. At the conference we learnt that people experienced delays in accessing services, particularly those for children and adolescents. Following this feedback one of the priorities for our Business Plan for 2016-17 is to look at our casework to see what it might tell us about mental health services.

Communication was another issue: the 'bedrock' of good complaint handling in the words of one advocate. They said poor communication between their clients and the NHS, a lack of reasonable adjustments such as

“I hope we can work together in future to share good practice in the management of complaints; this is with a view to improving localised complaints process and ultimately benefiting our patients in times of discontent or where concerns may be raised.”

Feedback from an organisation investigated

interpreting services for Deaf people at GP surgeries, unfair removal from patient lists and GP complaint handling were behind complaints.

Defensiveness of staff stood out as another key area for improvement; one advocate said 'trusts can try their hardest to avoid apologising'.

89% of attendees agreed that their knowledge of our processes had increased as a result of attending the conference.

Sharing insight from our everyday work

Investigation summaries

In 2015-16 we continued to publish anonymised summaries of a selection of our investigations on our website.

These provide a snapshot of the complaints we deal with every day and help organisations that provide public services learn.

In a small pilot, we wrote to members of the Public Administration and Constitutional Affairs Committee to provide them with an overview of casework we have seen in their constituency in the previous year. This includes complaints that have been referred to us by members themselves, as well as data on the complaints and issues we are seeing in their local NHS Trusts. By sharing this intelligence we continue to support Parliament, while making the most out of our casework insight.

Members of the public can also see the types of complaints we deal with and what we can do to help. We hope that seeing how we have helped others, gives people confidence to complain themselves if things go wrong.

We published 516 summaries of investigations during the year and they are one of the most popular features on our website.

Delayed and unsafe discharge from hospital

We published a report highlighting the consequences of health and social care organisations failing to manage people's discharge from hospital. It revealed that people's deaths or suffering could have been prevented if hospitals carried out the right checks before sending people home.

We selected nine of our most serious complaints to illustrate the gap we see between established good practice and people's actual experience of leaving hospital. These, alongside the volume of complaints coming to us, indicate that this is an area that needs attention. This means understanding why good practice is not being followed.

Our casework on hospital discharge illustrates how failures in communication, assessment and service co-ordination are compromising patient safety and dignity, undermining patients' human rights, and causing avoidable distress and anguish for their families and carers.

In developing its vision for improving discharge, we recommended that the Department of Health and its partners assess the scale of the problems we have highlighted, identify why they are happening and take appropriate action so that all people experience acceptable standards of care on leaving hospital.

The report resulted in an inquiry by the Public Administration and Constitutional Affairs Committee to explore the issues we raised.

Helping older people get quality care

Our report *Breaking Down the Barriers* revealed that older people are often afraid to complain about poor care and worry about what will happen to them if they do. It showed that many do not want to make a fuss and are confused about where to turn to for help, fearing that complaining will make little difference or even make matters worse.

We recommended that the NHS and other organisations should make older patients aware of how to complain, point them to the support that is available to them and make it absolutely clear that their future care will not be compromised if they complain.

Age UK, Healthwatch England, the Alzheimer's Society, Independent Age and the Local Government Ombudsman (which looks at complaints about councils and some other authorities and organisations including care homes and home care) all supported the report.

Helping GP practices handle complaints better

We did a review of the quality of complaint handling in GP practices and found it to be highly variable. More than half (55%) handle complaints well, but over a third required improvement (36%) and a tenth were inadequate (10%).

Issues with complaint handling included poor communication with patients throughout the course of a complaint, a failure to acknowledge mistakes or apologise when something goes wrong, and a lack of action to make sure the same thing doesn't happen again.

This was our first piece of policy work in collaboration with NHS England, the Care Quality Commission and Healthwatch England. Our recommendations focused on measures to support GP practices in developing a listening and learning culture.

Together we committed to ensuring that complaint handlers have access to high quality training; to the Care Quality Commission continuing to review complaint handling as part of its inspection programme; to giving Healthwatch representatives the tools to help clinical commissioning groups, GPs and practice managers improve; and to producing guidance for practices on working with the Ombudsman.



Case study

Patient's death not linked to medication change

Mr W had a history of high blood pressure and bipolar disorder and took regular medication to treat his illness. His GP increased his medication to treat high blood pressure. When Mr W reported symptoms, he received treatment promptly. He went to hospital, where his physical illness was treated, and he was seen by mental health specialists. His condition appeared to be stable but within 18 months his mental health had deteriorated and he died a few months later.

Mrs W complained to the Practice about her husband's

care. She believed that he had never fully recovered from his earlier illness and that Mr W's GP had caused the problem by increasing his blood pressure medication. The GP said that Mr W had been taking blood pressure medication for a long time and there were several factors which could have caused his illness. Mrs W remained dissatisfied with the Practice's response, and complained to us.

We partly upheld this complaint. We found it was appropriate for the GP to increase Mr W's blood pressure medication.

However, the GP should have arranged prompt blood tests to check that Mr W was not suffering a reaction to the increase. But the delay in arranging blood tests did not lead to Mr W's death.

The Practice acknowledged the delay in arranging blood tests following the increase in Mr W's blood pressure medication. It apologised to Mrs W for the distress she had experienced due to not knowing whether her husband could have been treated differently if it had done so.



Case study

Border Force complaint handling was poor

Ms W came to the UK to study English, so that she could then apply for a visa to come and live here with her British husband. Before being granted entry, she was questioned by Border Force officers at Heathrow Airport about her proposed visit.

She complained to Border Force that one of the officers had been aggressive and intimidating. Border Force investigated Ms W's complaint, but as the officer in question could not recall the incident, which had happened less than a month before, it could not substantiate the complaint.

We looked into Border Force's investigation of Ms W's complaint and we found that it was poor. It took no further action when the officer said she did not remember the incident, and did not speak to a second officer who had

been present when the officer had questioned Ms W.

It also made no attempt to find out if CCTV footage of the incident still existed. Although CCTV footage had no sound, it may have helped Border Force with its investigation because Ms W had said that the officer had stood very close to her in an intimidating manner. Border Force also did not try to identify the senior officer who had been dismissive when Ms W had raised the complaint at the airport.

Following our own investigation, Border Force apologised to Ms W and paid her £150. It also agreed to review its guidance on complaint handling to improve the way it investigates complaints.

HS2 Ltd

We reported on how HS2 Ltd could better communicate and engage with communities impacted by its routes, following an investigation into its treatment of a small, tight-knit community in Staffordshire.

We found that a catalogue of errors by HS2 unnecessarily prolonged the uncertainty, stress and worry that families were experiencing. HS2's actions fell far below the reasonable standards we would expect. For instance, the company wrongly told complainants that moving forward with their relocation plans was conditional on them withdrawing their complaint to us.

We recommended that HS2 publish an independent review of its current processes around engagement, communication and complaint handling; and demonstrate how it was going to make improvements.

Our report prompted an inquiry by the Public Administration and Constitutional Affairs Committee, which called the Minister of State for the Department for Transport and HS2's Chief Executive to give evidence.

As a result, HS2 took several significant steps to improve its complaint handling and communication, including increasing resource for its engagement and community relations teams, and introducing a 24-hour helpdesk to better engage with the public.

Working for a better complaints system

Acute hospital trusts

We continued to publish quarterly statistical reports into complaints about acute hospital trusts. In 2015-16, these showed that clinical care and treatment, poor communication and diagnosis failures were the top three reasons to complain about acute trusts.

We encouraged chief executives and trust board members to use this data to examine how their organisation is performing relative to others, and to identify areas for improvement.

Avoidable death and harm investigations

Following our initial review in the previous year, we conducted further research in 2015-16 on the quality of NHS investigations into complaints about alleged avoidable harm or death.

Our report revealed that hospitals are not investigating serious incidents properly because they often do not gather enough evidence or use inconsistent methods, and do not look at the evidence closely enough to find out what went wrong and why.

We recommended that the NHS introduces an accredited training programme for staff carrying out these investigations as well as guidance on how they should be done.

The report was publicly supported by NHS England, Healthwatch, the Department for Health and Labour's Shadow Health Minister, and secured an inquiry by the Public Administration and Constitutional Affairs Committee. Social media activity around the subject allowed us to engage with medical and clinical communities which we are not often able to reach.

Our recommendation for investigators to be accredited was reflected in a report by the Healthcare Safety Investigation Branch's Expert Advisory Group in May 2016, while the Department for Health also recognised the need to improve investigations' capacity locally.

UK government departments, their agencies and other UK public organisations

In November 2015, we published a report looking back over the 2014-15 year of complaints about UK government departments and some other UK public organisations.

Just over 21% (885) of all our investigations in that year were about UK government departments and some other UK public organisations, compared to 79% (3,274) about the NHS in England.

While people can bring their complaints about the NHS to us directly, people who want to complain to us about these services need to have their complaint referred to us by a Member of Parliament.

The report provides detailed information about the 'big four' departments: the Home Office, the Department for Work and Pensions (DWP), Her Majesty's Revenue & Customs (HMRC) and the Ministry of Justice (MoJ), which make up 85% of complaints about government departments and agencies.

The top reasons for complaints across all departments and their agencies were about not receiving a proper apology when something had gone wrong, not acknowledging a mistake or poor decision-making.

Both DWP and HMRC stand out as organisations with effective second-tier complaint systems in place, which the report highlights as contributing to the low percentage we uphold (22% and 10% respectively). Both departments also demonstrate a desire to learn from complaints and improve their services.

“We would like to thank the staff of the PHSO for their thorough investigation and reporting of the issues we have faced.”

Jonathan Loescher, Flats Lane and Knox Grave Lane Residents Group, to the Lichfield Mercury



Case study

Flawed mental health assessment caused considerable distress

Miss L was assessed under the Mental Health Act and detained in hospital under section 3 for treatment. On discharge, Miss L received section 117 aftercare, which imposes a duty on health and social services to provide aftercare services to certain patients who have been detained under the Mental Health Act.

The Council concerned later commissioned a desktop assessment of the papers on file about Miss L's condition and needs. The subsequent report led to Miss L's discharge from section 117 aftercare and the Trust's care.

Mr and Mrs L said that the inappropriate withdrawal of

mental health services left Miss L without the support she needed to help manage her condition. The use of this assessment also had a lasting impact on their family because the views expressed about Mr and Mrs L in the assessment questioned their ability to care for their grandchild (Miss L's child).

By bringing their complaint to us, Mr and Mrs L wanted the people responsible for completing the desktop assessment to be held accountable. We investigated jointly with the Local Government Ombudsman because it concerned the actions of a local authority as well as an NHS organisation.

We found that the Council and the Trust were at fault in creating a desktop assessment that relied heavily on the authors' personal opinions, rather than the available evidence. Its impact was far-reaching and restricted access to the aftercare Miss L was entitled to receive.

The Trust and the Council accepted that the assessment was flawed, acknowledged the injustice caused and apologised. Each made a payment to Mr and Mrs L in recognition of the assessment impact and produced action plans to address the faults.

Health and social care complaint handling: *My Expectations*

Since the launch of *My Expectations*, which sets out what good complaint handling looks like, we have worked with NHS England to commission the Picker Institute Europe to develop a model survey of complainants based on *My Expectations*' recommendations.

The survey will help support organisations across health and social care to measure to what extent they are meeting the principles contained within *My Expectations*, as well as using the learning from complainants' experiences to help drive up standards locally. NHS England is now in the process of determining how best to pilot this survey with a selection of healthcare organisations across the country.

Working towards a streamlined public ombudsman service

We want everyone using public services to be confident that when they need to complain it will be straightforward and fair, and will make a difference. 64% of people that are unhappy with public services do not raise a complaint, because they do not believe it will make a difference.

We want to see changes in how public ombudsman services operate so they work better for citizens, for Parliament and for the taxpayer. We want a unified public ombudsman service.

“The creation of a joint working investigation team means people who have a complaint about more than one body have a seamless service with one designated investigator. It is a real achievement of all staff that we can now make the pilot arrangements permanent.”

Dr Jane Martin, Local Government Ombudsman

This year, a 12-week government consultation received a wide range of responses from organisations and individuals, including ourselves and other ombudsmen, charities, local authorities, housing associations, professional bodies, academics and individuals with direct experience of the system.

We already work closely with the Local Government Ombudsman (LGO), which looks at complaints about councils and some other authorities and organisations including care homes and home care, on a shared policy agenda. Some of the complaints people bring to us are about issues we can look into but also come under the LGO's powers.

We investigated 180 organisations jointly with the LGO in 2015-16: most related to adult mental health care or care of older people. The relationship is an initial step towards a 'no wrong door' approach, where people can reach the right organisation to deal with their complaint no matter where they send it first.

Our partnership with the LGO also paves the way to a new public ombudsman service consolidating our existing powers, roles and responsibilities, while having the flexibility to meet changing expectations and demands in the future.

Despite the uncertainty presented by the EU Referendum, we are looking forward to seeing new legislation progress in 2016 and will work with Government and Parliament and other valued stakeholders to help it along. In addition to our dedicated joint working team with the LGO, we have seconded staff to the Cabinet Office.



Case study

Failings in nursing care and delayed diagnosis

Mrs F went to A&E with unsteadiness, tingling and numbness in her feet. She left before tests were completed but was soon admitted to the Trust as an emergency with similar symptoms.

Doctors suspected that Mrs F might be suffering from Guillain-Barre Syndrome (a rare and serious condition of the peripheral nervous system).

The next day in hospital Mrs F developed a pressure sore. A scan then revealed a lump on Mrs F's spine and she was discharged to another trust for treatment.

The complaint to us was about the standard of care, the lack of an earlier diagnosis and the pressure sore. Mrs F's daughter said that the failings had led to a tumour paralysing Mrs F from the waist down.

We upheld parts of this complaint. The Trust failed to follow national guidance on carrying out physical observations. Mrs F's nutritional care was poor but her pressure sore was properly managed.

Given her age, history and symptoms, clinicians should have considered the possibility sooner that the cause of Mrs F's partial paralysis was a lump on her spine.

The Trust apologised for the nursing failings and developed an action plan to avoid a recurrence. It also asked the clinicians involved to reflect on the decisions made at the time and whether they might reasonably have also considered the possibility that Mrs F was suffering from a lump causing pressure on her spine.

Our people, our organisation

We are committed to delivering value for money for the public purse and reducing our spending by 24% over the next four years. This will involve a reduction in posts across the organisation.

To continue to serve people to the best of our ability, we therefore need to improve how our organisation works and develop our people so they have the skills and knowledge to deliver high quality services.



Valuing our workforce

Our modernisation plan is ambitious and the organisation has been through further change in 2015-16 with the introduction of our new ways of working, our service model and the new quality standards in our Service Charter, as well as new operational targets and the bedding down of our performance management system.

We fully appreciate that achieving success will be driven by the motivation and commitment of our most important resource; the people who work for us. They have already responded well to the challenges and have helped us end the year in a better place than we began. Indeed, our most recent staff survey revealed that 88% of staff support the organisation's vision. They take great professional pride in their work and feel personally invested in maintaining a high quality service.

The results of our staff survey also showed that there are areas where we can do better. A group of staff have been working with the Executive Team on ways to help us make improvements in leadership; give staff a greater voice; engage and develop managers; and build professionalism.

73% of attendees would recommend these roundtables to colleagues.

Results from PHSO staff survey 2015

Colleagues have continued to take advantage of the opportunity to observe Board meetings this year, but we have also adopted more frequent and varied opportunities for managers and staff to engage face to face with senior colleagues and Executive Team members, and for leaders to listen to staff concerns and feedback. The Ombudsman and members of the Executive Team host regular roundtable discussions to get different perspectives on the issues and concerns of staff. 73% of attendees would recommend these roundtables to colleagues.

We are embedding a 'you said, we did' approach across the organisation – a commitment from senior management to seek, listen and respond to staff feedback and be clear on what action has been taken as a result.

Our new weekly email update with the 'latest from the Executive Team' explains the rationale behind decisions and is clear when an Executive Team member is accountable for the outcome. 77% of staff say they found the 'latest from the Executive Team' useful.

To drive continuous improvement, we measure the effectiveness of these activities by monitoring online engagement and feedback, levels of participation in meetings and events, and surveys.

Rewarding and developing our staff

In its first full year, our performance management system allowed us to link performance and pay more consistently. It gives staff and managers the opportunity to collectively assess their performance throughout the year and address identified development needs. We worked with staff to review how it had gone at mid-year and make immediate changes for the year-end process.

We continued to offer a range of high quality development activities with staff taking part, on average, in 3.5 days each of formal training in 2015-16 compared to 2.5 days in 2014-15. The Chartered Institute of Personnel and Development's annual learning and development survey says the average is between 21-25 training hours in a year.

77% of staff say they found the 'latest from the Executive Team' useful.

Results from PHSO staff survey 2015

Professional development

Our biggest investment over the last year was a development programme for 70 middle managers to give them the tools to manage change confidently and improve their leadership skills. Following the programme, we set up an online management development community to encourage the ongoing exchange of best practice. We have also offered introduction to management courses to staff with aspirations to management.

As part of the performance management system introduced this year, every member of staff has the opportunity to prepare a personal development plan. With their manager, they discuss areas for improvement and what training might be available to help.

We have paid for staff to attend a range of in house training, external events and conferences relevant to their professional fields. Through our annual professional qualifications and further education sponsorship scheme, we offered funding to seven members of staff to undertake longer courses of study.

Staff attend a range of induction courses, such as data protection and health and safety. In addition all staff have had access to online learning resources from how-to guides and videos to podcasts, self-assessment questionnaires and articles to support their professional and personal development.

Caseworker development

Operations staff get on-the-job training and continuous feedback from line managers, supplemented by training to deal with difficult situations or bereavement and insight briefings into different areas of the NHS. We have sponsored four colleagues to complete the Ombudsman Association Certificate in Ombudsman and Complaints Handling.

Supporting staff in their health and wellbeing

The Occupational Health Scheme and Employee Assistance Programme provide guidance for staff, along with facilities such as counselling. We provide flexible working, subsidised gym membership and a Cycle to Work Scheme to promote the health and wellbeing of staff.

“More involvement of staff would help to build better, more effective working practices that we would be happy to invest in.”

Comment from PHSO staff survey 2015

Achieving the aims of our strategic plan

Our results in 2015-16 are set against the five core aims established in our strategic plan, 'Delivering more impact for more people'. Using 2012-13 data as a baseline wherever possible, we look back to the first year to understand the impact our modernisation has had.

Some caution must be applied when drawing conclusions as the way we do some things has changed so significantly that we are not comparing like with like. In some cases we did not conduct any research in 2012-13 that would give us the data for a comparable baseline.

While public awareness of our service and complainant satisfaction have stayed the same or declined, all other measures are telling us that our actions are having the positive impact we hoped for when we embarked on the strategy three years ago.

We chose not to take action over the last two years to raise awareness until we knew we could cope with the increase in investigation volume resulting from opening our doors to meet demand. Budget pressures may well affect our ability to meet any increase in demand in future. As a result we will take a cautious approach to further awareness raising activity. In fact, we have seen a steady increase in the numbers of people contacting us over the last three years.

However, most of the increase was due to more people wanting information on how to complain to a public service provider rather than an increase in complaints ready for us to investigate.

The complainant satisfaction data appears to show we have maintained satisfaction where we uphold complaints but seen a decline where we do not uphold complaints. It is difficult to draw any definitive conclusions from complainant feedback as sample sizes were so very different between this year and 2012-13.

For example, the number of cases upheld following an investigation in 2015-16 was 1,543 compared to 324 in 2012-13 and cases not upheld was 1,969 compared to 51. However, the introduction of our Service Charter in 2016-17 will enable us to measure feedback on our commitments more precisely and target future improvement activity accordingly.

The data shows the changes in the way we work have enabled us to increase numbers of investigations undertaken ten-fold to meet demand for our service and reduce the time we take very significantly.

In addition, we are beginning to see hard evidence of changes in services or guidance this year following insight published in prior years and used by Parliament to hold Government to account for improvements in services and complaint handling. This collaboration is still in development but early signs of its impact are strong and suggest further investment will be worthwhile.

Where we still have most to do is in the development of the organisation itself. This is recognised by the Board and the programme of work begun this year will continue into 2016-17 and beyond.

Aim 1

Making it easier for people to find and use our services.

Increased awareness and understanding of our role

- Overall awareness of the Public and Health Service Ombudsman was 18% in 2015-16, similar to the 19% in 2013-14.
- In 2012-13, 37% of people had heard of a NHS Ombudsman and 28% of people had heard of a Government Ombudsman. In the 2015-16 survey these figures were 23% and 22% respectively.

(Source: annual awareness surveys)

Improved complainant feedback on overall satisfaction with our services

- In 2015-16, 64% of people whose complaints were not taken further than the initial checks or assessment in step 1 and 2 of our process were satisfied with our service. Having investigated (step 3), 92% of people are satisfied with our service if we uphold the complaint; 69% if we partly uphold it. Where we do not uphold the complaint, satisfaction is 41%.
- In 2012-13, 73% of people whose complaints were not taken further than the initial checks or assessment in step 1 and 2 of our process were satisfied with our service. Having investigated (step 3), 99% of people were satisfied with our service if we upheld the complaint; 88% if we partly upheld it. Where we did not uphold the complaint, satisfaction was 58%.

NB It is in line with all Ombudsman services that where we uphold a complaint, people are more likely to be satisfied with our service than if we do not uphold.

(Source: complainant feedback surveys)

Aim 2

Helping more people by resolving and investigating more complaints, and providing an excellent customer service for everyone who contacts us.

Growth in volumes of intake, assessment and investigation

- In 2015-16, we handled 29,046 complaints, a 9% increase on 2012-13.
- In 2015-16, 4,085 assessments were put right quickly, resolved or investigated. This is nearly five times the 892 assessments in 2012-13 which were put right quickly, resolved or investigated.

Reduce the time it takes to deal with a complaint

- In 2015-16, investigations took an average of 255 days from receipt until completion compared to an average of 428 days in 2012-13.

Improve the quality of our intake, assessment and investigations services

We will establish performance against each relevant commitment in the Service Charter in 2016-17. Our first report will look back at how we performed against those between Oct-Dec 2016.

Aim 3

Sharing what we learn from complaints with others to help them make public services better.

Evidence of increasing impact, in the eyes of organisations in jurisdiction and other stakeholders, of the contribution we make to help others improve public services

- In 2015-16, 53% of stakeholders felt that the PHSO is a good performer in terms of providing recommendations for an organisation to learn and improve its service.
- In 2015-16, 31% of stakeholders felt that the PHSO is a good performer in terms of sharing insight from its casework with public organisations and regulators to help them improve public services.
- In 2013-14, 14% of stakeholders felt that the PHSO was a good performer in terms of driving improvements to public services

NB The annual stakeholder survey was introduced in 2013-14, meaning data is not available for 2012-13. (Source: annual stakeholder surveys)

Aim 3 continued

Sharing what we learn from complaints with others to help them make public services better.

Evidence of change resulting from influencing programmes

- Parliament held a hearing on our *Time to Act* report on sepsis and since then our recommendations have been steadily adopted. The Health Secretary announced new action to tackle sepsis in January 2015, an NHS England action plan was introduced in December 2015, NICE guidelines were published in July 2016, and the Department of Health and Public Health England announced a UK-wide awareness campaign to improve public recognition of sepsis in August 2016.
- Since publishing our report into midwifery supervision and regulation, the Nursing and Midwifery Council have voted to take direct responsibility and accountability for all activity regulating midwives. The Government recently closed its consultation on proposed changes to the law from 2017.
- Age UK, the Alzheimer's Society, Independent Age and others supported *Breaking Down the Barriers*, which highlighted the significant problems that older people can face when looking to complain about their care.
- Our report of investigations into unsafe discharge from hospital led to an inquiry by the Public Administration and Constitutional Affairs Committee. Their subsequent report added Parliament's authority to the need to address the social care funding gap.
- HS2 introduced a 24-hour helpdesk to better engage with the public following our investigation.

Aim 4

Working with others to make it easier to complain about public services and to help public services resolve complaints better.

Evidence of increasing impact, in the eyes of the organisations we investigate and our other stakeholders, of how we work with others to make the complaints system better

- Our recommendation for investigators into avoidable death and harm to be accredited was reflected by the Healthcare Safety Investigation Branch's Expert Advisory Group.
- Our first piece of policy work with NHS England, the Care Quality Commission and Healthwatch England focused on recommending measures to support GP practices in developing a listening and learning culture.
- We introduced a user-led vision for raising health complaints, *My Expectations*, which is being adopted by the NHS in England.

Aim 4 continued

Working with others to make it easier to complain about public services and to help public services resolve complaints better.

Progress with delivery of long-term ombudsman reform agenda

- We investigated 180 organisations jointly with the LGO in 2015-16, laying the groundwork for a 'no wrong door' approach, where people can reach the right organisation to deal with their complaint regardless of where they send it first.

More people think complaining makes a difference

- In 2015-16, 36% of people complain when a service goes wrong, up two percentage points on the previous year. 21% of people think complaining makes a difference, similar to the 22% in 2014-15.

NB The annual stakeholder survey was introduced in 2013-14, meaning data is not available for 2012-13. (Source: annual stakeholder surveys)

Aim 5

Making sure our organisation works well to help us achieve our aims.

Increase employee engagement score

- In 2015, our engagement score was 54%. In 2013, it was 47% and 73% in 2011. (Source: annual staff survey)

Overall control framework, governance and risk management arrangements are appropriate to our needs

- To overcome the weaknesses of 'corporation sole' and personal jurisdiction, we strengthened our governance by establishing a unitary Board in early 2013 and delegating executive responsibility to the Chief Executive Officer as Accountable Officer and a team of directors. However, work continues to improve the operation and our governance.

Meet financial performance standards and value for money

- Financial controls have been strengthened in 2015-16.
- In 2015-16, our net operating costs were £30,492,000 and we delivered 4,085 investigations and resolutions. By changing the way we do things, we have been able to give justice to more people than we could before we introduced our strategy.
- In 2012-13, our net operating costs were £33,375,000 and we delivered 892 investigations and resolutions.

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 2015-16, our environmental initiatives included:

- reducing the space we occupy by 7,466 square feet resulting in a reduction of energy consumption.
- reducing energy by encouraging staff to switch off electrical equipment when not in use.
- reducing the number of IT servers physically used in our data centre by virtualising more and thereby reducing power consumption and costs.
- moving to a digital fax solution, saving on paper and the running costs of fax machines.

We also continued to:

- recycle plastics, cans, paper, cardboard, general waste and all electrical appliances at both our sites.
- recycle batteries and printer toner cartridges.
- use environmentally-friendly cleaning products.

- encourage use of video and tele-conferencing facilities for meetings wherever feasible.
- donate, wherever possible, our old furniture and equipment to charities for reuse instead of disposal.
- encourage business travel by public transport.
- use water-saving measures including the use of zip taps that dispense instant hot and cold drinking water, and water-saving systems in toilet facilities.

During 2015-16 we leased accommodation within multi-occupancy buildings at The Exchange and Peter House in Manchester and at Millbank Tower in London. We rely on our landlords to provide data to monitor performance. The current arrangements mean that significant elements of our emission-generating activity are currently not reportable and that year on year or like for like comparison is no longer meaningful.

We use an external provider for rail and air tickets and 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 business travel using buses, taxis or private vehicles, although this is discouraged and is rarely used.

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

Managing carbon dioxide emissions

Indirect emissions fell between 2014-15 and 2015-16 due to a space reduction of 7,466 square feet, despite an increase in full time equivalents (FTE).

Business travel emissions have increased due to the move of FTEs from London to Manchester.

Greenhouse gas emissions

Non-financial information: Emissions (CO ₂ /tonnes)	2015-16	2014-15	2013-14
Scope 1: Direct emissions	N/A	N/A	N/A
Scope 2: Indirect emissions	N/A	347	484
Scope 3: Business travel emissions	41	31	26
Total emissions	41	378	510
Normalised comparison per FTE	0.09	0.84	1.19

Non-financial information: Energy (Kwh)	2015-16	2014-15	2013-14
Scope 1: Direct emissions	N/A	N/A	N/A
Scope 2: Indirect emissions	668,676	708,129	926,949
Scope 3: Business travel emissions	N/A	N/A	N/A
Total energy	668,676	708,129	926,949
Normalised comparison per FTE	1,513	1,624	2,171

Financial information (£'000)	2015-16	2014-15	2013-14
Scope 1: Direct emissions	N/A	N/A	N/A
Scope 2: Indirect emissions	14 (E)	74	87
Scope 3: Business travel emissions	253	318	149
Total cost	267	392	236
Normalised comparison per FTE	0.60	0.88	0.55

Scope 1 – Direct greenhouse gas emissions from sources owned or controlled by the organisation and we therefore cannot report on it for PHSO alone. We lease our accommodation (including air conditioning) and do not own any fleet vehicles.

Scope 2 – Energy indirect emissions arise from electricity that we consume which is supplied by another party. We 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.

Scope 3 – Official business travel directly paid for by the organisation.

Waste minimisation and management

Non-financial information (tonnes)	2015-16	2014-15	2013-14
Waste recycled/reused	59.60	46.30	42.87

Waste recycled/reused includes all recycled waste at The Exchange, but only paper shredding waste at Millbank Tower.

Since April 2015 all waste in Millbank Tower and Peter House, with the exception of paper shredding waste, forms part of the accommodation service charge. There are 30 floors in Millbank Tower, of which we occupy three, with a variety of tenants such as offices, cafes and a restaurant. A robust estimate is therefore not possible and would not be meaningful.

In Manchester the costs and volume of non-recycled waste form part of the accommodation service charge.

Water consumption

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 as we are tenants in multi-occupancy buildings. A robust estimate is not possible and would not be meaningful.

Sustainable procurement

We have been working with our suppliers to reduce the emissions of the goods and services they provide. Where appropriate, sustainability clauses are being incorporated into all new contracts to help ensure suppliers are meeting the Government Buying Standards and supporting our efficiency work.

Sustainability is also one of our evaluation criteria in tender assessment, where appropriate. All our contracts contain clauses relating to our environmental requirements and many of our contracts are procured using framework agreements, enabling us to benefit from efficiencies and sustainability initiatives available to larger public sector organisations.

Dame Julie Mellor, DBE
Chair, Ombudsman and Accounting Officer
18 October 2016

Our Board

Chair and Ombudsman



Dame Julie Mellor, DBE, was appointed Parliamentary and Health Service Ombudsman on 3 January 2012. She was chair of the Equal Opportunities Commission from 1999 to 2005.

Her career spans the public and private sectors including being a partner at PricewaterhouseCoopers and Director of Human Resources at British Gas. She is a former board member of the Commission

for Racial Equality and the National Consumer Council and is currently on the board at Nesta, the national innovation organisation, and chair of The Young Foundation.

In 2006, she was made a Dame Commander of the Order of the British Empire for her services to equal opportunities and since September 2016 has been a board member of Clore Social Leadership.

Non-executive members

Throughout 2015-16, our non-executive Board members have brought an invaluable external perspective to our corporate governance. They come from diverse professional backgrounds and bring a wide range of experiences.

The Board welcomed three new non-executive Board members during 2015-16: Alan Graham MBE, Ruth Sawtell and Julia Tabraham.



Peter Freedman has over 30 years' experience working in the consumer goods, retail and healthcare industries. During 2015-16 he established and chaired our Board-level Quality Committee.

Peter is currently the Managing Director of the Consumer Goods Forum, an organisation of the world's leading retailers and consumer goods manufacturers, which implements programmes for positive change in areas including environmental and social sustainability, product safety, and health and wellness.

He is also a non-executive director of a health food business and a trustee of a food waste charity. Previously he has served as a non-executive director of the Whittington Health NHS Trust and was a director of McKinsey & Company where he led its European consumer goods practice.

Peter's term as non-executive Board member and chair of the Quality Committee ended in summer 2016. He was succeeded as chair of the Quality Committee by **Elisabeth Davies**, who joined the organisation as a non-executive Board member on 18 May 2016.



Alan Graham, MBE, joined the Board's non-executive members in 2015-16, bringing over 40 years' experience working in the financial sector on three continents. Alan retired as a main board director of Rothschilds Bank in 2004 and now holds a variety of non-executive and trustee roles in the public, private and voluntary sectors, contributing his expertise in audit policy and practice, accounting and financial regulation, corporate governance, risk and assurance management, and strategic planning.

Alan is currently a director of Charity Bank and chairman of its Audit, Risk and Compliance Committee (in respect of which he is approved by the Financial Conduct Authority and Prudential Regulation Authority), a non-executive board member and chairman of the Audit Committee of the Insolvency Service, and a member of the Football Association's National Anti-Discrimination Chairmans' Panel.

Alan was awarded an MBE in 2011 in recognition of his services to the voluntary sector. He chairs PHSO's Audit Committee.

Dr Jane Martin is the Local Government Ombudsman (LGO) and chair of the Commission for Local Administration in England. She has extensive knowledge and experience of delivering public services. Jane has worked with local authorities across England, for the Improvement and Development Agency for Local Government and was the first executive director of the

Centre for Public Scrutiny. She conducted research into public management and governance in the fields of education, health and local government at the University of Birmingham and the Warwick Business School. Before joining LGO, she was Deputy Chief Executive at the Local Better Regulation Office and a non-executive director of Coventry Primary Care Trust.



Ruth Sawtell has considerable experience as a board member in organisations that handle complaints, in both the health and consumer sectors. She is currently a board member at PhonepayPlus, the regulator of payments by phone, where she was previously an independent member of the appeals panel. She is also a board member of the Independent Press Standards Organisation. Ruth recently completed a six-year tenure as a council member

at the Advertising Standards Authority, where she was deputy chair. Previously, she acted as an adjudication panel member, a lay council member and chair of the Audit Committee at the Nursing and Midwifery Council. Before this, Ruth was a non-executive director at Hertfordshire Partnership University NHS Foundation Trust, where she also adjudicated on patient detentions under the Mental Health Act.



Sir Jon Shortridge, KCB, is an experienced public servant and was Permanent Secretary in Wales between 1999 and 2008. From 2010 to 2016 he was chair of Volunteering Matters, formerly Community Service Volunteers and the largest volunteering charity in the UK, and from 2012 to 2015 chair and chancellor of Glyndwr University.

He is an advisory member of the Commission for Local Government in England and is chair of its Audit Committee. Sir Jon also chaired the Parliamentary and Health Service Ombudsman Audit Committee throughout 2015-16.

Dr Julia Tabreham has worked in the third sector for 23 years after an early career in banking. In 1992, she established the Carers Federation, which delivers a range of advice and support services to carers and organisations in the healthcare sector. These have included the Independent Complaints Advocacy Service, patient and public involvement

forums and most recently HealthWatch Pathfinders and HealthWatch Local. She also serves on the National Institute for Health and Care Excellence Guideline Development Group for mental health in the criminal justice system, and has been a non-executive director in the NHS for 16 years.



Helen Walley trained as a nurse and has had a long career in the NHS in both primary care and hospitals. She was Chief Executive at the Mayday Hospital (now the Croydon University Hospital) for three years, and before that she ran Wandsworth Primary Care

Trust. She was Chief Executive Officer of Wandsworth Primary Care Trust and its predecessor organisation South West London Community Trust.

Executive members

Our senior management team are executive members of the Board.



Gill Kilpatrick, Executive Director of Finance and Governance, joined the organisation and its Board on 1 May 2015. A qualified accountant with 25 years' experience of financial management, she has worked in a number of financial roles across

local government, including four years as County Treasurer for Lancashire County Council and Lancashire County Pension Fund. She succeeded Mike Procter, who left the organisation on 1 July 2015.

Rebecca Marsh, who joined as interim Executive Director of Operations and Investigations in August 2015, was made permanent in her role on 16 November 2015 and formally joined the Board.

Rebecca was an Independent Police Complaints Commissioner for ten years and as such has a wealth of complaints handling experience. She also previously held a number of non-executive roles.



Deputy Ombudsman and Managing Director **Mick Martin's** 25-year career in management has spanned the public and private sectors. He was on the Board of Derbyshire NHS Foundation Trust, serving as Deputy Chair and then Chair.

Prior to that he was the Royal Mail's Quality and Service Integrity Director and a partner in a consulting company driving business performance. Mick resigned from the organisation effective 31 March 2016.

Sally Sykes, Executive Director of External Affairs and Strategy, left the organisation on 16 August 2015. She was succeeded on an interim basis initially by Stephen Lotinga and then by Shareena Merzi. A permanent successor **Alex Robertson** was recruited in the latter part of the 2015-16 business year and joined the organisation on 4 July 2016.

Alan Doran joined the organisation in May 2016 as interim Chief Executive Officer. He headed the Executive Team until October 2016 and was responsible for all our services on a day to day basis, as well as delivery of the strategic objectives and business plan.

Governance Statement

1. Statutory position

As Parliamentary and Health Service Ombudsman, in statute and by warrant of Her Majesty, I am responsible for the sound governance and effective internal control of the Ombudsman service.

The Ombudsman service makes final decisions on complaints that have not been resolved by the NHS in England and UK government departments and other UK public organisations. We do this independently and impartially as a free service, open to everyone.

The Acts

The *Parliamentary Commissioner Act 1967* and the *Health Service Commissioners Act 1993*, respectively, define two statutory roles of Parliamentary Commissioner for Administration (the Parliamentary Ombudsman) and Health Service Commissioner for England (the Health Service Ombudsman) which are combined in my post as the Parliamentary and Health Service Ombudsman (PHSO).

A Regulatory Reform Order enables the Parliamentary and Health Service Ombudsman and the Local Government Ombudsman to carry out joint investigations.

PHSO Board

In law, the Parliamentary and Health Service Ombudsman is a corporation sole and has a personal jurisdiction. This is not consistent with modern requirements of good governance.

I have therefore established a unitary Board which I chair. As Chair I can call upon a range of independent expertise from both external, independent non-executives with appropriate skills and from a team of qualified and experienced executive officers.

2. Structure of Governance

The Board

The Board makes collective decisions on the strategic direction and performance of the PHSO service. It carries no responsibility for individual cases. That remains with me personally, as Ombudsman.

The Board is of the view that its members have an appropriate and diverse mix of skills, experience and qualities to perform its duties effectively. The Board comprised 11 members (seven non-executive and four executive officers) at the end of 2015-16. It is supported by four committees: Audit; Remuneration and Nominations; Joint Convergence; and Quality: each of which is chaired by a non-executive member.

Chief Executive

As Ombudsman, I have delegated to the Chief Executive (previously Managing Director) responsibility for putting into effect the policy and strategy of the Board, including day-to-day operational management, the proper use of public resources and governance arrangements.

The Chief Executive (CEO) carries out their work with the support of an Executive Team whose performance is overseen by the Board. The non-executive members assist me in holding to account the Executive Team against their objectives.

Advised by HM Treasury, we established contractual responsibility for the CEO to be the Accountable Officer with executive responsibility for effective control arrangements. This enables me, as Accounting Officer, to have a separate, accountable person charged with stewardship of public money. The CEO carries principal responsibility for the use of resources against our strategic and annual plans.

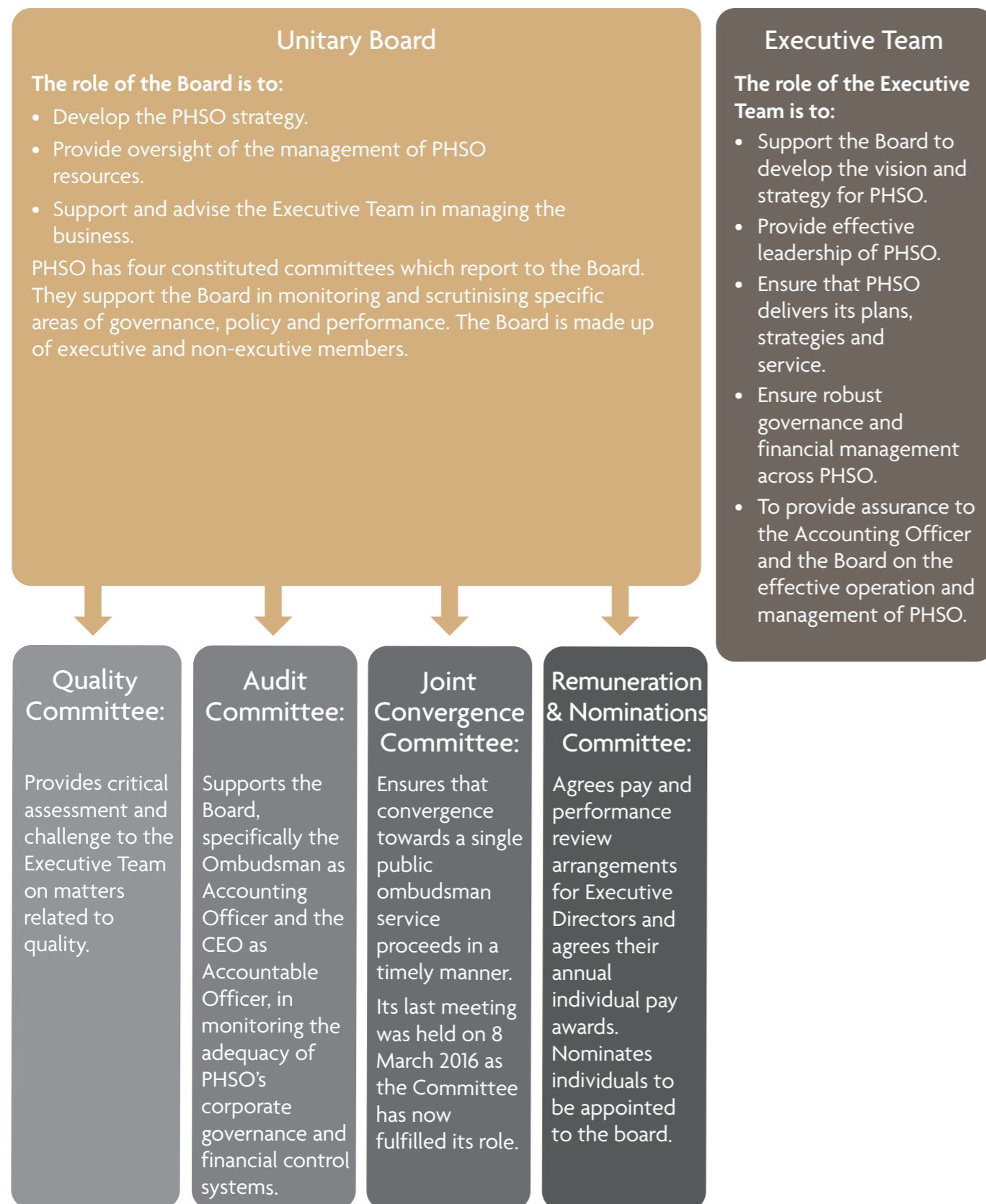
Casework

My primary accountability as Ombudsman is for the handling of complaints. To ensure that this extensive casework is managed within a defined system of appropriate oversight, I have a scheme of delegated authority to the responsible officers, chief of whom is the Deputy Ombudsman. In 2015-16, this was the Managing Director. The Board scrutinises overall performance of this work but not individual cases whose determination lies with the officers specified in the scheme of delegation.

PHSO Governance Structure

The diagram on the next page sets out the current governance structure within PHSO.

Parliamentary and Health Service Ombudsman
 Casework Accounting Officer Chair of the Board



Dates of appointments and attendance at Board and Committee meetings

This table displays the attendance of executives and non-executives at meetings where they are members of the Board or of the Committee in question.

Permanent Board members	Date of appointment	End of appointment	Attendance at Board meetings (six meetings in year)	Audit Committee (five meetings in year)	Remuneration and Nominations Committee (four meetings in year)	Joint Convergence Committee (four meetings in year)	Quality Committee (five meetings in year)
Julie Mellor (Chair)	2 January 2012	1 January 2019	6	N/A	N/A	4 (as Parliamentary and Health Service Ombudsman)	N/A
Non-executive members							
Peter Freedman	1 September 2012	2 June 2016	5	N/A	N/A	N/A	5 (Chair)
Alan Graham, MBE	7 March 2016	28 February 2018	N/A	N/A	N/A	N/A	N/A
Dr Jane Martin	1 February 2014	10 January 2017	6	N/A	1	4 (as Local Government Ombudsman)	3
Ruth Sawtell	20 April 2015	19 April 2017	5	5	4	N/A	N/A
Sir Jon Shortridge, KCB	1 May 2012	30 September 2018	6	5 (Chair)	4	4 (Chair)	N/A
Julia Tabreham	20 April 2015	19 April 2017	6	N/A	N/A	N/A	4
Helen Walley	1 September 2012	31 August 2017	6	5	4 (Chair)	N/A	5
Independent Audit Committee member							
Alison White	28 April 2015	31 March 2018	N/A	4	N/A	N/A	N/A

Permanent Board members	Date of appointment	End of appointment	Attendance at Board meetings (six meetings in year)	Audit Committee (five meetings in year)	Remuneration and Nominations Committee (four meetings in year)	Joint Convergence Committee (four meetings in year)	Quality Committee (five meetings in year)
Executive members							
Mick Martin (Managing Director and Deputy Ombudsman)	11 November 2013	31 March 2016	5	N/A	N/A	N/A	N/A
Mike Procter (Executive Director of Finance and Governance)	20 May 2013	1 July 2015 (Fixed term)	1	N/A	N/A	N/A	N/A
Gill Kilpatrick (Executive Director of Finance and Governance)	1 May 2015	N/A	5	N/A	N/A	N/A	N/A
Rebecca Marsh (Executive Director of Operations and Investigations)	16 November 2015	N/A	1	N/A	N/A	N/A	N/A
Sally Sykes (Executive Director of External Affairs and Strategy)	23 September 2013	16 August 2015	2	N/A	N/A	N/A	N/A

The Ombudsman

As Ombudsman, I perform three roles.

I have statutory responsibility for final decisions on individual cases under our delegation scheme. I act personally where we identify big or repeated mistakes that may have system-wide relevance.

I am accountable to Parliament as Accounting Officer for the stewardship of our resources. I discharge this through assurance from the CEO (the Accountable Officer) and Executive Team, and through Board and Audit Committee assurance and challenge.

As Chair of the Board I answer to Parliament and am scrutinised by the Public Administration and Constitutional Affairs Committee. As the Board's leader, I promote collective decision-making. I reserve the right, given my statutory role, to depart from the Board's decisions but only as a last resort and with a commitment to put my reasons in writing.

My executive responsibilities as corporation sole are thus not exercised personally as an individual but by means of defined and corporate arrangements that allow for proper scrutiny.

The Executive Team

The CEO leads the Executive Team and has three sets of responsibilities: Executive Leader of the organisation, Accountable Officer and Deputy Ombudsman. These cover delivery of the Business Plan; financial stewardship and probity; and the making of final decisions on cases as defined within our delegation scheme.

Chaired by the CEO, the Executive Team meets regularly to oversee operational management and governance of our work. It tracks performance against objectives and agrees in-year allocation and utilisation of resources. A key priority for the executives was to bring about service change while maintaining our performance in investigations, so that the time spent waiting by complainants did not increase. This led to improved operational controls and a commitment to develop our capacity planning capability.

3. The effectiveness of the Board and its Committees

We review how the Board operates on an annual basis to ensure it is effective in its role and to identify how it can develop.

In 2015-16 the Board continued to give priority to the strategic aim of transforming the service provided by PHSO. From being an inward-looking, determinative body, PHSO set out to focus on the principles of administrative justice as experienced by those using our service. Our ability to respond to those involved in complaints has been fundamentally altered and this will lead to better quality in our investigations and an enhanced user experience. Development of our new approach to quality resulted in a Service Charter ready for introduction in 2016-17.

As Accounting Officer, I need to be satisfied as to the adequacy and suitability of our controls. The difficulties we faced at the start of the year threw this into doubt. Our accounts had been qualified in 2014-15. There had been a persistent lack of leadership continuity and capacity at senior executive level which affected staff morale. Our drive to raise both the quality and the number of our investigations indicated a need for different control processes that matched our new way of working.

We therefore embarked upon a set of inter-linked actions to strengthen and improve our governance. These included reviewing existing procedures for efficacy and preparing new ones where there were gaps. We now have a stable Executive Team in place.

4. Governance, control and risk

Issues managed in year

At the end of March 2016, the Managing Director resigned following the findings of an Employment Tribunal, which related to his previous appointment at Derbyshire Healthcare NHS Foundation Trust.

In response, the Board commissioned Sir Alex Allan to carry out an independent review into the adequacy of the procedures and governance arrangements that we applied prior to the appointment and during the employment of the Managing Director.

Sir Alex reported in September 2016. The Board fully accepted the findings and is acting on his recommendations. I took responsibility for the mistakes I made and had already announced my decision to resign on 4 July 2016. I will remain in post until a successor is appointed.

We also had cause to review our provision of clinical advice to other Ombudsman services in 2015-16. We did not act quickly or adequately when its governance was questioned. We decided, after discussion with fellow Ombudsmen, to change these arrangements so that the advice given to other ombudsman services would more particularly meet their needs and the governance would be properly defined.

Audit Committee

Under the guidance of the Audit Committee, our internal audit plans consider different areas each year. In 2015-16, we directed internal audit resources towards areas for review that suggested themselves as priorities as we actively re-invigorated our governance processes and controls.

During 2015-16, 11 internal audit reviews were considered by the Audit Committee covering, respectively:

Significant assurance with minor improvement opportunities

- Contract management.
- Corporate performance management, phase 1.
- Financial and accounting systems, phase 2A.
- IT security.

Partial assurance with improvements required

- Business continuity.
- Corporate performance management, phase 2.
- Financial and accounting systems, phase 1.
- Financial and accounting systems, phase 2B.
- IPOS review.
- Risk management.
- Workforce planning.

The focus of management action from these reports was on business continuity and financial control.

The committee has noted some progress in the year under review. Nonetheless it is of the view that further improvements are needed before I can be fully satisfied that the governance, risk and control arrangements are appropriate to the needs of the organisation. However, the committee acknowledges that improvement process and plans have been established, which it is expected will lead to the introduction of new governance structures and procedures during 2016-17.

Risk management and control

We continually assess the risks we face. We have a system of internal controls to mitigate those risks. The system is designed to strike a proportionate balance between control, cost and risk-taking, and is in accordance with HM Treasury guidance and professional best practice. Our tolerance for individual risks is informed by their potential impact.

During 2015-16, PHSO has operated a 'three lines of defence' model of risk management:

- Line 1: Directorate Management – the arrangements within each directorate which include business planning, performance management and financial management arrangements.
- Line 2: Corporate Oversight – Executive Team and Board (and its Committees).
- Line 3: Providers of assurance – our internal and external auditors who provide independent and objective assurance over the organisation's framework of governance, risk management and control.

We have considered our strategic aims and objectives and our risk appetite for each area. We identified a number of areas for strategic and operational review, with each owned by a member of the Executive Team. The Executive Team receives monthly updates on these areas and the mitigations in place. The level of strategic risk and the adequacy of mitigation are considered quarterly by the Board.

We further developed our approach to in-year risk management in 2015-16 by focussing on the key risks which we judged most likely to occur and which could either prevent or hamper the achievement of our strategic aims. This has enabled the Executive Team and the Board to have a clear line of sight from the strategic aims, to performance, to risk management. The key areas of concern this year were managing demand, financial controls and staff morale. We intend to develop our risk management to those Directorates currently without a directorate-level register to support the organisation-wide register.

We have considered our appetite for risk along the scale of averse (the avoidance of risk and uncertainty is a key organisational objective) to hungry (has an eagerness to be innovative and to choose options offering potential higher business rewards (despite greater inherent risk)). We focus strategic reporting on the issues where tolerance is averse or minimal.

5. Effectiveness of control arrangements

I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors (KPMG), our Audit and Risk Assurance Committee, the Accountable Officer and the Executive Team within PHSO, who have responsibility for the development and maintenance of the internal control framework, and through comments made by the external auditors (the National Audit Office) in their management letter and other reports.

Financial control

In 2015-16 we have improved our financial management, accounting and control. Following the qualification of the 2014-15 accounts, we immediately strengthened the financial control framework to ensure robust reporting and assurance on financial matters and enabling better scrutiny by the Board. The actions taken are set out in the table on p60.

Action	By when
Strengthening of cash management arrangements and reporting	Completed. A 12-month cash flow forecast has been implemented, which is reviewed against the actual cash position on a daily basis and reported to the Executive Director. The cash position is included within all financial management reports to the Executive Team and the Board. The cash position is fully integrated into performance management arrangements.
Maintain a control mechanism to oversee the net cash requirement	Completed. This was implemented through integration into the methodology and documentation for the cash flow forecast.
Permanent, skilled finance team	Completed. Permanent team in place by September 2016 with up to three-month dual running with the interim team to support effective handover. Training in and mentoring arrangements will be in place in October 2016. Skills and experience review to be undertaken within the skills review, with a training plan for the team developed.
Develop a revised Finance Code that reflects best practice	The revised Finance Code was agreed by the Board in July 2016.
Review and codify finance procedures into an up-to-date Finance Manual	The Finance Manual will be complete by the end of September 2016. Both will be launched to the organisation in October 2016 with compliance mandatory, supported by performance management information on compliance.
Review of provisions	Root and branch review completed. Formal review of all provisions incorporated within the month end process.
Financial reporting revised to ensure the accounting implications of decisions are taken into account	Completed. Implemented in September 2015 with training provided for finance staff.
Maintain comprehensive working papers to support supplementary supply adjustments	Completed January 2016.

Information and data control and fraud control

Our aim is to achieve compliance with the government's Information Assurance Maturity Model (IAMM) and ISO27001. During the year we changed the way we report on information security incidents. We now work to a 'Red, Amber, Green' rating system for each incident to reflect more accurately the level of risk.

During 2016-17 we plan to audit our performance in this area. As part of our convergence work with the Local Government Ombudsman we exited the Government Secure Intranet in February 2016. Following our withdrawal, to assure the continued integrity of our information sharing with bodies in our jurisdiction, we worked with an independent assessor to achieve certification under the Cyber Essentials Scheme. The scheme was developed by Government and industry to set out the basic controls required to mitigate the risk from common internet based threats.

We seek to be fully compliant with the Data Protection Act 1998. To make sure, we publish new policies and insist on annual mandatory data protection training for all staff and contractors. Following the introduction of our new competency framework we included information assurance as a key competency.

This means we are now able to measure a staff member's performance in this area and put in place clear performance management measures for repeated incidents.

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 risk that is monitored by the Audit Committee.

Performance reporting to the Board

In the light of an internal audit review, we tackled some weaknesses in our reporting of performance. Some of these related to in-flight data used for internal management purposes and not to that published externally. In addition, there was inconsistent presentation to the Board (which varied as the format and content of the report was developed) and a lack of executive longitudinal tracking of KPIs.

Personal data related incidents

During 2015-16, our Executive Director Operations and Investigations assumed the duties of Senior Information Risk Owner (SIRO), responsible for making sure that information risks are managed and that we use information for the public good. Our commitments are set out in our Information Promise and our Privacy Policy, available on our website.

All data security incidents are reported to our Information and Records Management Team who manage them in accordance with the Information Commissioner's Office (ICO) guidelines. All incidents are recorded and shared quarterly with the Information Asset Owner Network, SIRO, the Executive Team and the Audit Committee.

In line with established criteria based on the ICO guidelines, one incident was reported to the ICO. It involved the loss of a case file by our contracted couriers. Because the case file was owned by another ombudsman service they were responsible for making the report to the ICO and we have been assisting them with this process. The ICO took no action in relation to this incident.

Fraud

We have an anti-fraud and bribery policy and associated response plan in place. This was considered by our Audit Committee during the previous financial year to make sure both the policy and the response plan meet good practice standards, and reflect our governance and structure. In 2015-16 no action was required under this policy. We will review the policy and associated response plan during 2016-17.

Head of Internal Audit opinion

The Head of Internal Audit is required to provide an annual opinion in accordance with Public Sector Internal Audit Standards, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. This is achieved through a risk-based programme of work, agreed with the Executive Team and approved by the Audit Committee. Four assurance levels are available: significant; significant with improvement required; partial with improvement required; and none.

The Head of Internal Audit has provided me with his opinion for 2015-16, which is that 'partial assurance' (with improvement required) can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The basis for forming the opinion is:

- An assessment of the design and operation of the risk management framework and supporting processes. The limitations noted in 2015-16 are being addressed in 2016-17.
- An assessment of the range of individual assurances arising from the risk-based internal audit assignments; of these, partial assurance was provided for seven reviews and significant assurance (with improvements required) was provided for four reviews.

The Head of Internal Audit noted that while some progress had been made with the implementation of audit recommendations, the pace of implementation was generally slow and a significant number of recommendations remained outstanding at the period end.

6. Looking Ahead

The Board and the Executive Team have set out to reformulate and recharge our overall approach to governance. Our processes and controls must be of a standard capable of supporting the radical improvements we are making to the service we offer to those involved in complaints. 2016-17 will see further significant and worthwhile progress.

**Dame Julie Mellor, DBE
Chair, Ombudsman and
Accounting Officer
18 October 2016**

Remuneration report

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. Her appointment ends on 1 January 2019. 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 salary and benefits in kind of the Ombudsman were (full-year equivalents, where applicable, are provided in brackets): (Audited)

	2015-16			2014-15				
	Salary £000	Benefits in kind (to the nearest £100) £	Pension benefits £000	Total £000	Salary £000	Benefits in kind (to the nearest £100) £	Pension benefits £000	Total £000
Julie Mellor	155-160	N/A	60	210-220	155-160	N/A	63	220-225

The pension entitlement of the Ombudsman for this post was:

	Accrued pension at pension age at 31/03/16 £000	Accrued lump sum at pension age at 31/03/16 £000	Real increase in pension at pension age £000	Real increase in lump sum at pension age £000	CETV at 31/03/16 ¹ £000	CETV at 31/03/15 £000	Real increase in CETV as funded by employer £000
Julie Mellor	35	N/A	4	N/A	463	377	42

¹ The CETV (Cash Equivalent Transfer Value) figure and other pension disclosures are provided by MyCSP, PHSO's authorised pensions administration centre.

PHSO Board executive members 2015-16 (Audited)

Dame Julie Mellor is Chair of the Board, her salary, benefits and pension details are shown on the previous page.

		Commencement date	End date
Rebecca Marsh	Executive Director of Operations and Investigations	13 April 2015	N/A
Gill Kilpatrick	Executive Director of Finance and Governance	1 May 2015	N/A
Mike Procter	Executive Director of Finance ²	20 May 2013	1 July 2015
Mick Martin	Managing Director ³	11 November 2013	31 March 2016
Sally Sykes	Executive Director of External Affairs and Strategy	1 November 2013	16 August 2015
Stephen Lotinga	Executive Director of External Affairs and Strategy	1 September 2015	15 January 2016
Shareena Merzi	Executive Director of External Affairs and Strategy ⁴	15 January 2016	N/A

All Board members were appointed under fair and open competition.

No performance-based remuneration for permanent and seconded executive members was undertaken by the Remuneration Committee during the year due to the qualification of the accounts.

The Remuneration Committee determines senior staff's 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.

² Mike Procter joined PHSO as interim Executive Director of Business Transformation and was appointed interim Executive Director of Finance on 1 December 2014.

³ Mick Martin became Managing Director on 1 September 2014, prior to this he was Executive Director of Operations and Investigations.

⁴ Shareena Merzi was temporarily appointed to Executive Director of External Affairs and Strategy on 15 January 2016. Prior to this she was Director of Media, Marketing and Digital Services since 6 January 2014.

Executive members' service contracts

The commencement dates of service contracts for each executive member are given on the opposite page.

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

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

With effect from 1 October 2006, the standard retirement age was increased from 60 to 65 for all staff and this has been implemented. However, members of the Principal Civil Service Pension Scheme have a reserved right to draw on their pensions from age 60. This can be done while 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 (Audited)

The salary and benefits in kind of members for 2014-15 and 2015-16 are shown on the following pages

Members at 31 March 2016	2015-16				
	Salary £000	Bonus £000	Benefits in kind £000 (to the nearest £100) ⁵ £	Pensions benefits £000	Total £000
Rebecca Marsh (Executive Director of Operations and Investigations)	110-115	-	-	29	140-145
Gill Kilpatrick (Executive Director of Finance and Governance)	95-100 (105-110)	-	-	38	135-140
Mick Martin (Managing Director)	135-140	-	10,300	53	*195-200
Shareena Merzi (Executive Director of External Affairs and Strategy)	15-20 (80-85)	-	-	3	20-25
Sally Sykes (Executive Director External Affairs and Strategy)	40-45 (110-115)	-	-	17	55-60
Mike Procter (Executive Director of Finance)	25-30 (100-105)	-	-	10	35-40
Stephen Lotinga (Executive Director of External Affairs and Strategy)	40-45 (105-110)	-	-	16	55-60
Band of highest paid director's total remuneration	145-150				
Median total ⁶	40.3				
Ratio ⁷	3.7				

* A termination payment of £93,834 was made in relation to Mick Martin upon his last day of service in line with his contractual notice terms. This is not included in the table above.

⁵ The monetary value of benefits in kind covers any benefits provided by the employer and the associated tax liability.

⁶ Median total is calculated by taking the median total of all employees' salaries excluding the Ombudsman, where median is the mean of the two middle values in the range of employee salaries.

⁷ Following guidance on Civil Service and Public Body remuneration disclosure in resource accounts issued in EPN430 Annex C, the Ratio is the relationship between the remuneration (excluding pension) of the highest paid director and that of the median remuneration (excluding pension) of the workforce. In 2014-15 the ratio was 4.0 and this ratio is 3.7 in 2015-16 as the pay ranges for salaries at PHSO have not moved significantly in terms of median pay grade to highest paid director grade.

Members at 31 March 2015	2014-15				
	Salary £000	Bonus £000	Benefits in kind £000 (to the nearest £100) ⁸	Pensions benefits £000	Total £000
Mick Martin (Executive Director of Operations and Investigations)	130-135	-	13,300	49	195-200
Sally Sykes (Executive Director External Affairs and Strategy)	110-115	-	15,00	43	170-175
Mike Procter (Executive Director of Finance)	100-105	-	-	38	135-140
Band of highest paid director's total remuneration	145-150				
Median total	36.5				
Ratio	4.0				

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

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 31 March of the respective financial year. This shows a ratio of 3.7 times for 2015-16.

PHSO did not operate bonus related director remuneration in 2014-15.

⁸ The monetary value of benefits-in-kind covers any benefits provided by the employer and the associated tax liability, as notified to HM Revenue and Customs in the P11Ds for 2014-15.

The pension entitlement of executive members in 2015-16 was:

	Accrued pension at age at 31/03/16 £000	Accrued lump sum at pension age at 31/03/16 £000	Real increase in pension at age £000	Real increase/(decrease) in lump sum at pension age £000	CETV at 31/03/16 £000	CETV at 31/03/15 £000	Real increase/(decrease) in CETV as funded by employer £000
Mick Martin	5-10	N/A	2.5-5	N/A	79	42	22
Gill Kilpatrick	0-5	N/A	0-2.5	N/A	24	-	17
Rebecca Marsh	0-5	N/A	0-2.5	N/A	30	-	22
Shareena Merzi	5-10	N/A	0-2.5	N/A	75	55	9
Stephen Lotinga	0-5	N/A	0-2.5	N/A	6	-	3
Sally Sykes	5-10	N/A	0-2.5	N/A	70	46	8*
Mike Procter	5-10	N/A	0-2.5	N/A	66	57	5

* An adjustment has been made to the real CETV increase figure to take account of a transfer value received into the member's pension during the reporting year.

PHSO non-executive Board members (Audited)

During 2015-16 the non-executive members and their contract commencement dates and end dates (where applicable) were:

	Commencement date	End date
Sir Jon Shortridge, KCB	1 May 2012	30 September 2018
Peter Freedman	1 September 2012	2 June 2016
Helen Walley	1 September 2012	31 August 2017
Ruth Sawtell	20 April 2015	19 April 2017
Dr Jane Martin (ex-officio)	1 February 2014	1 January 2017
Julia Tabreham	20 April 2015	19 April 2017
Alan Graham, MBE	7 March 2016	28 February 2018

The salary and benefits in kind of non-executive members were:

	2015-16		2014-15	
	Salary £000	Benefits in kind (to the nearest £100)	Salary £000	Benefits in kind (to the nearest £100) ¹⁰
Sir Jon Shortridge, KCB	10-15	5,000	10-15	3,400
Peter Freedman	5-10	300	5-10	-
Helen Walley	5-10	500	5-10	-
Ruth Sawtell	5-10	900	-	-
Julia Tabreham	5-10	4400	-	-
Alan Graham, MBE	1-5 (5-10)	-	-	-

Non-executive Board members' remuneration is decided by the Ombudsman. No members receive a pension entitlement. Sir Jon Shortridge was appointed to the Audit Committee chair by the previous Ombudsman after open competition. The present Ombudsman invited him to join the new unitary Board in 2012-13, in addition to continuing to chair the Audit Committee. Brief biographies of serving non-executive members are available at pages 48-51 of the Performance Report and on our website (www.ombudsman.org.uk).

¹⁰ The monetary value of benefits in kind covers any benefits provided by the employer and the associated tax liability, as notified to HM Revenue and Customs in the PFIIDs.

The Audit Committee: non-executive members (Audited)

Audit Committee members are now appointed for three years following fair and open competition, after which they can apply for reappointment. Current appointments reflect the process for introducing a planned turnover in the Committee. During 2015-16 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	1 April 2016
Peter Freedman	1 September 2012	2 June 2016
Alan Graham, MBE (Chair)	7 March 2016	28 February 2018
Ruth Sawtell	20 April 2015	19 April 2017
Helen Walley	1 September 2012	32 August 2017
Alison White	1 April 2015	31 March 2018

*Sir Jon Shortridge stood down as Chair of Audit Committee with effect from 01/04/16, but remains as a non-executive board member. The role of Audit Committee chair is now held by Alan Graham who was appointed to the role on 07/03/16.

As a non-executive Board member and Chair of the Audit Committee, Sir Jon Shortridge received a combined remuneration for both roles, which is shown in the remuneration for the Board. Peter Freedman, Alan Graham, Ruth Sawtell, Julia Tabreham 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.

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

The salary and benefits in kind of other members of the Audit Committee were:

	2015-16		2014-15	
	Salary £000	Benefits in kind (to the nearest £100)	Salary £000	Benefits in kind (to the nearest £100)
Alison White	0-5	200	-	-

Brief biographies of serving Audit Committee members are available at pages 48-51 in the Performance Report and on our website (www.ombudsman.org.uk).

Explanation of terms used in the Remuneration report

Salary

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

Benefits in kind

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

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. A new Career Average pension scheme, **Alpha**, was introduced from 1 April 2015 and the majority of **Classic**, **Classic Plus**, **Premium** and **Nuvos** scheme members will automatically transfer into the new scheme. Some members, depending on their current age, will remain in their existing schemes. 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. The pension age for the **Classic**, **Classic Plus** and **Premium** schemes remains at 60, with the pension age for **Nuvos** being at 65. The pension age for the new scheme **Alpha** is linked to the individual's State Pension age. 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 above or a 'money purchase' stakeholder pension with an employer contribution (**Partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for **Classic**, **Classic Plus**, **Premium**, **Nuvos** and **Alpha** schemes. 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** and **Alpha** 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).

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.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 in accordance with the *Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008* 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.

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. Audited areas are indicated with (Audited) in the heading.

Our staff profile

Staff numbers

At the end of March 2016 the number of staff we employed was 443 full time equivalents (FTEs). The average number of people employed by us during 2015-16 was 442 FTE. The average age of our staff is 40.9 years.

Staff turnover

Staff turnover was 23% in 2015-16; higher than that in 2014-15 of 19%. This is also higher than the public sector benchmark of 14%. If we exclude those staff that left on voluntary exit or who were employed on fixed term contracts, our staff turnover reduces to 15%.

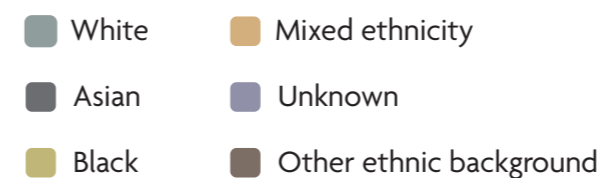
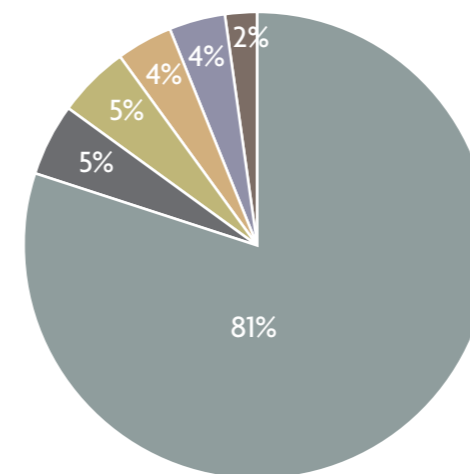
Sickness absence

Sickness absence reduced from 6.6 to 6.1 days per FTE and was actively managed throughout the year. This takes us almost to our target of 6 days per FTE and remains below the public sector average of 8.7 days. Long term absence accounts for 30% and short term absence accounts for 70% of overall time lost.

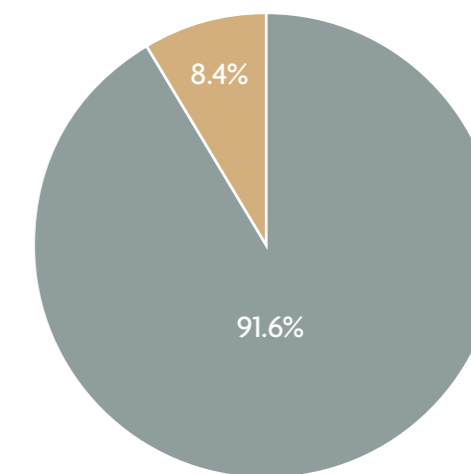
Equality and diversity

Below are the ethnicity and disability statistics of our workforce at March 2016. They are consistent with the percentages from the previous year.

Ethnicity



Declared disability



	March 2016	March 2015	UK population benchmark (where available)
Female	60%	62%	51%
Black, Asian and minority ethnic	15%	16%	14%
Disabled	8.4%	9%	19%
Lesbian, gay, bisexual and transgender	7.4%	5%	-
Religious belief	84%	82%	-
Part time	19%	19%	-
Age 50+	25%	25%	-

Staff numbers and related costs (Audited)

Staff costs comprise:

	2015-16		2014-15	
	Permanently employed staff £000	Others £000	Total £000	Total £000
Wages and salaries	15,079	2,466	17,545	17,016
Social security costs	1,245	133	1,378	1,260
Other pension costs	2,956	287	3,243	2,800
Sub total	19,280	2,886	22,166	21,076
Ombudsman's salary:				
Consolidated Fund Standing Services	178	-	178	178
Total gross costs	19,458	2,886	22,344	21,254
Less recoveries in respect of outward secondments	(92)	-	(92)	(88)
Total net costs	19,366	2,886	22,252	21,166

Further details about the Civil Service pension arrangements can be found at pages 71-72 and on the website www.civilservicepensionscheme.org.uk.

For 2015-16, employers' contributions of £3,222k were payable to the Principal Civil Service Pension Scheme (PCSPS) (2014-15: £2,770k) at one of four rates in the range of 20% to 24.5% 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 2015-16 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 are age-related and range from 8% to 14.75% of pensionable pay. In addition Employers also match employee contributions up to 3% of pensionable pay. Employers' contributions of £40.4k were paid to one or more of a panel of three appointed stakeholder pension providers (2014-15: £19.7k). In addition, employers' contributions of £1.5k, 0.8% of pensionable pay (2014-15: £1.4k, 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 31 March 2016 were £4k. Contributions prepaid at that date were nil.

Average number of persons employed

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

	2015-16			2014-15	
	Senior management	Other permanent staff	Others	Total	Total
Full-time equivalent	5	368	69	442	423

The number of full time equivalent persons employed as at 31 March 2016 was 443.

Off-payroll engagements

There have been no new off-payroll engagements during 2015-16. There are also no existing off-payroll engagements which have reached six months in duration during the 2015-16 financial year.

Reporting of civil service and other compensation schemes – exit packages

Exit package cost band	Number of exit packages 2015-16			2014-15
	Compulsory redundancies	Other departures	Total	Total
<£10,000	-	8	8	2
£10,001 - £25,000	-	1	1	4
£25,001 - £50,000	-	-	-	-
£50,001 - £100,000	-	3	3	1
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
£200,001 - £250,000	-	-	-	-
Total number of exit packages	-	12	12	7
Total resource cost (£000)	-	236	236	156

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 settlement 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.

Dame Julie Mellor, DBE
Chair, Ombudsman and Accounting Officer
18 October 2016

Resource Accounts 2015-16

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2015-16

	2015-16								2014-15	
	Estimate				Outturn				Voted outturn compared to Estimate: saving/ (excess) £000	Outturn £000
	SoPS Note	Voted £000	Non- Voted £000	Total £000	Voted £000	Non- Voted £000	Total £000			
Departmental Expenditure Limit										
- Resource	1.1	33,659	187	33,846	32,104	178	32,282	1,555	32,171	
- Capital	1.2	700	-	700	581	-	581	119	652	
Annually Managed Expenditure										
- Resource	1.1	(861)	-	(861)	(1,790)	-	(1,790)	929	4,638	
- Capital	1.2	-	-	-	-	-	-	-	-	
Total Budget		33,498	187	33,685	30,895	178	31,073	2,603	37,461	
Total		33,498	187	33,685	30,895	178	31,073	2,603	37,461	
Total Resources		32,798	187	32,985	30,314	178	30,492	2,484	36,809	
Total Capital		700	-	700	581	-	581	119	652	
Total		33,498	187	33,685	30,895	178	31,073	2,603	37,461	

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

Net Cash Requirement 2015-16

		2015-16			2014-15
SoPS Note	Estimate £000	Outturn £000	Outturn compared to Estimate: saving/ (excess) £000	Outturn £000	
Net Cash Requirement	3	33,007	31,896	1,111	31,991

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.

Regularity – the above statement of Parliamentary Supply demonstrates that in 2015-16 PHSO is within all of the HM Treasury's control totals (i.e. Department Expenditure Limit – Resource/Capital, Annually Managed Expenditure – Resource and Net Cash Requirement).

Notes to the Statement of Parliamentary Supply (SoPS)

SoPS1. Net outturn

SoPS1.1 Analysis of net resource outturn by section

		2015-16			2014-15	
		Outturn		Estimate	Outturn compared with Estimate	
		Gross £000	Income £000	Net £000	Net total £000	Outturn total £000
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure		33,555	(1,451)	32,104	33,659	1,555
<i>Of which</i>						
A	Administration	33,555	(1,451)	32,104	33,659	1,555
Non Voted expenditure		178	-	178	187	9
<i>Of which</i>						
B	Ombudsman's salary and social security	178	-	178	187	9
Total		33,733	(1,451)	32,282	33,846	1,564
Spending in Annually Managed Expenditure (AME)						
Voted expenditure		(1,790)	-	(1,790)	(861)	929
<i>Of which</i>						
C	Use of Provisions	(1,790)	-	(1,790)	(861)	929
Total for Estimate		31,943	(1,451)	30,492	32,985	2,493

The Net Resource Outturn totals £30.492m which is £2.493m less than the Estimate provision of £32.985m. £0.929m AME due to lower provisions, £0.793m of unused contingency and £0.781m underspend and over-recovery of income.

SoPS1.2 Analysis of net capital outturn by section

	2015-16				2014-15	
	Outturn		Estimate	Outturn compared with Estimate	Outturn	Outturn
	Gross £000	Income £000	Net £000			
Spending in Departmental Expenditure Limit (CDEL)						
Voted expenditure	581	0	581	700	119	652
<i>Of which</i>						
Administration	581	0	581	700	119	652
Total for Estimate	581	0	581	700	119	652

SoPS2. Reconciliation of resource outturn to net operating expenditure

The Resource Outturn from the Statement of Parliamentary Supply of £30.492m in 2015-16 and £36.809m in 2014-15 reconciles directly to the Statement of Net Expenditure.

SoPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: savings/(excess) £000
Resource Outturn	SoPS1.1	32,985	30,492	2,493
Capital Outturn	SoPS1.2	700	581	119
Accruals to cash adjustments:				
<i>Adjustment to remove non-cash items:</i>				
Depreciation and Amortisation	6 & 7	(1,628)	(1,000)	(628)
New provisions and adjustments to previous provisions	12	-	312	(312)
Other non-cash items	4	-	(18)	18
<i>Adjustments to reflect movements in working balances</i>				
Increase/(decrease) in receivables	9	-	(79)	79
(Increase)/decrease in payables	11	276	150	126
Use of provisions	12	861	1,478	(617)
		33,194	32,074	1,120
Removal of non-voted budget items:				
Consolidated Fund	SoPS 1.1	(187)	(178)	(9)
Net Cash Requirement		33,007	31,896	1,111

SoPS4. Analysis of income payable to the Consolidated Fund

There is no income retained by PHSO which is payable to the Consolidated Fund.

Parliamentary Accountability Disclosures (Audited)

Regularity

During the 2015-16 financial year, no financial irregularities have taken place at the Parliamentary and Health Service Ombudsman.

Losses and special payments

	2015-16		2014-15	
	No. of cases	£000	No. of cases	£000
Total	66	7	16	21

No individual cases in either 2015-16 or 2014-15 exceeded £300,000.

Losses and special payments include settlement agreements and special payments.

Fees and Charges

Income received by PHSO comprises rental income from subletting redundant office space, recharging the full cost of providing clinical advice services to other ombudsmen and recovering the full salary costs of staff seconded to other public sector organisations. Details of income are set out in Note 5 to the Financial Statements.

Remote Contingent Liabilities

There are no remote contingent liabilities as at 31 March 2016.

Long Term Expenditure Trends

The 2015 Comprehensive Spending Review requires Central Government to reduce net expenditure over the next four years by 25-35%. In response to this, PHSO has approved its Medium Term Financial Strategy to meet these targets. Planned expenditure targets over the next four years are 2016-17 £31.993m, 2017-18 £31.186m, 2018-19 £28.004m and 2019-20 £25.942m. These expenditure targets, which have been approved by Treasury, represent a 24.3% reduction in spending over the period of the Comprehensive Spending Review.

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

I certify that I have audited the financial statements of the Parliamentary and Health Service Ombudsman for the year ended 31 March 2016. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures 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 Parliamentary and Health Service Ombudsman'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 2016 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 the Parliamentary and Health Service Ombudsman's affairs as at 31 March 2016 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Financial Reporting Manual issued by HM Treasury.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with the Government Financial Reporting Manual issued by HM Treasury; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General

25 October 2016

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

		2015-16	2014-15
Note		£000	£000
	Operating Income		
5		1,451	868
	Operating expenditure		
	Staff costs	3 22,344	21,254
	Purchase of goods and services	8,911	9,221
	Depreciation and impairment charges	6 & 7 1,000	1,094
	Provision released	12 (312)	6,108
	Other operating expenditure	0	0
	Total operating expenditure	31,943	37,677
	Net operating expenditure	30,492	36,809
	Other comprehensive expenditure	-	-
	Total comprehensive expenditure for the year ended 31 March	30,492	36,809

The figure for depreciation and impairment charges is a combined total of the amounts shown in Note 6 and Note 7.

Statement of Financial Position as at 31 March 2016

		31 March 2016	31 March 2015
Note	£000	£000	£000
Non-current assets			
Property, plant and equipment	6	1,746	1,990
Intangible assets	7	157	303
Total non-current assets		1,903	2,293
Current assets			
Trade and other receivables	9	1,497	1,418
Cash and cash equivalents	10	1,111	1
Total current assets		2,608	1,419
Total assets		4,511	3,712
Current liabilities			
Trade and other payables	11	(2,601)	(2,680)
Other liabilities	11	(1,182)	(347)
Total current liabilities		(3,783)	(3,027)
Total assets less net current liabilities		728	685
Non-current liabilities			
Provisions	12	(5,252)	(7,043)
Other liabilities	11	(123)	(193)
Total non-current liabilities		(5,375)	(7,236)
Total assets less total liabilities		(4,647)	(6,551)
Taxpayers' equity and other reserves			
General Fund		(4,647)	(6,551)
Revaluation Reserve		-	-
Total equity		(4,647)	(6,551)

Dame Julie Mellor, DBE
Chair, Ombudsman and Accounting Officer

18 October 2016

Statement of Cash Flows for the year ended 31 March 2016

		2015-16	2014-15
Note	£000	£000	£000
Cash flows from operating activities			
Net operating cost	3,4,5	(30,492)	(36,809)
Adjustments for non-cash transactions	4	706	7,244
(Increase)/decrease in trade and other receivables	9	(79)	92
Increase/(decrease) in trade payables	11	686	(448)
Movements in payables/receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	11	(836)	(126)
Use of provisions	12	(1,478)	(1,470)
Net cash outflow from operating activities		(31,493)	(31,517)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(571)	(548)
Purchase of intangible assets	7	(10)	(104)
Net cash outflow from investing activities		(581)	(652)
Cash flows from financing activities			
From the Consolidated Fund (Supply): current year		33,007	31,566
From the Consolidated Fund (Supply): previous year		275	
From the Consolidated Fund (Non-Supply)	3	178	178
Net financing		33,460	31,744
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		1,386	(425)
Payments of amounts due to the Consolidated Fund		-	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		1,386	(425)
Cash at the beginning of the period	10	(275)	150
Cash at the end of the period	10	1,111	(275)

Statement of Changes in Taxpayers' Equity for the Year ended 31 March 2016

	Note	General Fund £000	Revaluation Fund £000	Taxpayers Equity £000
Balance at 31 March 2014		(2,004)	326	(1,678)
Net Parliamentary Funding - drawn down		31,566	-	31,566
Net Parliamentary Funding - deemed		150		150
Consolidated Fund Standing Services		178		178
Comprehensive net expenditure for the year		(36,809)	-	(36,809)
Auditor's remuneration		42	-	42
Transfers between reserves		326	(326)	-
Balance at 31 March 2015		(6,551)	-	(6,551)
Net Parliamentary Funding - drawn down		33,282	-	33,282
Consolidated Fund Standing Services		178		178
Supply payable adjustment		(1,111)		(1,111)
Comprehensive net expenditure for the year	3,4,5	(30,492)	-	(30,492)
Auditor's remuneration	4	47	-	47
Transfers between reserves		-		-
Balance at 31 March 2016		(4,647)	-	(4,647)

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 recorded the unrealised gain or loss on revaluation of assets. Since 2012-13 Property, Plant, Equipment and Intangible Assets are held at depreciated cost.

Notes to the Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards as adapted and interpreted by the Government Financial Reporting Manual 2015-16 issued by HM Treasury, for use within Central Government. Where the Government Financial Reporting Manual 2015-16 permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to our particular circumstances for the purpose of giving a true and fair view has been selected. The particular policies adopted by us are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These accounts show the carrying value of Non-Current Assets incorporating both Property, Plant & Equipment and Intangible Assets at historic cost less depreciation. The nature of the assets is they are easily marketable and valuation would not provide a reliable estimate of value. This is in accordance with the view of the Audit Committee that Property, Plant & Equipment (1.8) and Intangible Assets (1.9) should no longer be revalued.

1.2 Financing

We are 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 us. We have 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 our estate.
- monies received from sale of goods or services and recovery of costs or miscellaneous income.

The level of income that we may use in support of our activities is set out in our Budget. Income earned in excess of the approved level, or income of a type for which we do not have parliamentary approval, cannot be used in support of our activities and is required to be paid over to the Consolidated Fund as excess income.

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 our funding is classified as 'programme' and therefore no such analysis is provided.

1.5 Pensions

Our past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme; consequently, PHSO is unable to identify its share of the underlying assets and liabilities. A new Career Average pension scheme, **Alpha**, was introduced from 1 April 2015 and the majority of **Classic**, **Classic Plus**, **Premium** and **Nuvos** scheme members will automatically transfer into the new scheme. Some members, depending on their current age, will remain in their existing schemes. These schemes are unfunded and are non-contributory except in respect of dependents' benefits. We recognise the expected cost of these elements on a systematic and rational basis over the period during which we benefit 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, we recognise the contributions payable for the year.

1.6 Early departure costs

We are required to meet the additional cost of benefits beyond the normal Principal Civil Service Pension Scheme's benefits in respect of employees who retire early. We recognise in full the cost when the early retirement programme is announced and becomes binding on us.

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 14: 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 costing less than £1,000 may be capitalised, providing they are capital in nature and there are enough assets and associated costs to be worth more than £1,000 in total. Licences for one year or less are expensed not capitalised regardless of cost.

Intangible assets are reviewed annually for impairment.

1.10 Depreciation

Property, plant and equipment are 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

Refurbishment: the lesser of ten years or the lease term.

1.11 Financial instruments

We do not hold any complex financial instruments. The only financial instruments included in the accounts are receivables, payables and cash (Notes 9 to 11). Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that we will be unable to collect an amount due in accordance with the agreed terms.

1.12 Provisions

We provide 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

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

1.14 Accounting estimates

Dilapidations have been reviewed and provision made based on estimated costs. Contingent liabilities have been considered and the potential costs have been estimated on a prudent basis. We have made no other significant accounting estimates or judgments 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*. The Office of Parliamentary and Health Service Ombudsman 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 the organisation will continue in operation.

However on 17 December 2015 the Government published 'A public service ombudsman: government response to consultation'. This document reiterates Government's previously stated intention to create a single public service ombudsman, integrating the existing jurisdictions of the Local Government Ombudsman and the Parliamentary and Health Service Ombudsman.

It is not anticipated that any legislative proposals for ombudsman reform will be published before 2017. Should a Draft Bill be brought forward, it will be subject to pre-legislative scrutiny, through a process yet to be determined by Parliament. Following the successful completion of that process, any proposals would then be subject to clearance across Government and would need to find a suitable opportunity to be considered by Parliament. If legislation received Royal Assent, the Commission estimates that the operational integration of the LGO and PHSO schemes would take a further 18 months, during which time PHSO would need to continue to function as a standalone body.

Given the current context, we are satisfied that these proposals do not give rise to a material uncertainty around the going concern status of PHSO at this stage. The accounts have therefore been prepared on a going concern basis.

1.16 Impending application of newly issued Accounting Standards not yet effective

There are no new Accounting Standards issued during 2015-16 that would materially affect these accounts.

2. Statement of Operating Costs by Operating Segment

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

The four main areas of activities at PHSO are set out below:

- Operations and Investigations: responsible for the delivery of casework, customer service and ICT.
- External Affairs and Strategy: responsible for media, communications, public affairs, external affairs and research.
- Finance and Governance: responsible for delivering finance, governance, risk and centrally managed costs such as losses and special payments.
- Support Services: The Legal Adviser, Executive Office, Human Resources, Procurement, Facilities & Estates.

Only the Operations and Investigations area is classified as a 'segment' as per the criteria of IFRS8; the other areas' results are disclosed in order to allow reconciliation back to our full cost of PHSO for 2015-16

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 and Investigations £000	External Affairs and Strategy £000	Finance and Governance £000	Support Services and Central Overheads £000	Total £000
2015-16					
Staff costs	16,707	1,870	1,037	2,730	22,344
General budgets	283	47	30	90	450
Professional advice – casework	481	-	-	238	719
Professional advice – non casework	-	-	-	91	91
Associate caseworkers	437	-	-	-	437
Central Overheads ¹¹	-	-	-	7,902	7,902
Income	(322)	-	-	(1,129)	(1,451)
Total	17,586	1,917	1,067	9,922	30,492

¹¹ The most significant costs are premises (£5,044k), depreciation (£999k), IT and telephones (£1,645k)

2. Statement of Operating Costs by Operating Segment (continued)

	Operations and Investigations £000	External Affairs and Strategy £000	Finance and Governance £000	Support Services and Central Overheads £000	Total £000
	2014-15				
Staff costs	15,317	1,825	692	3,420	21,254
General budgets	299	36	16	101	452
Professional advice – casework	359	-	-	131	490
Professional advice – non casework	2	-	-	133	135
Associate caseworkers	429	-	-	-	429
Central Overheads	-	-	-	14,917	14,917
Income	(348)	-	-	(520)	(868)
Total	16,058	1,861	708	18,182	36,809

Support Services are shown separately from Central Overhead costs as these relate to in house teams as opposed to Central Overheads which are external costs borne by PHSO. The majority of Central 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.

3. Staff costs

	2015-16			2014-15
	Permanently employed staff £000	Others £000	Total £000	Total £000
Wages and salaries	15,079	2,466	17,545	17,016
Social security costs	1,245	133	1,378	1,260
Other pension costs	2,956	287	3,243	2,800
Sub total	19,280	2,886	22,166	21,076
Ombudsman's salary:				
Consolidated Fund Standing Services	178	-	178	178
Total gross costs	19,458	2,886	22,344	21,254

Further details of staff costs are set out within the staffing section of the Remuneration and Staff report. Other staffing represents the cost of staff engaged in short term contracts and on an agency staff basis.

4. Expenditure

		2015-16		2014-15
Note		£000	£000	£000
	Cash items			
	External professional advice (casework-related)	744		536
	Associate caseworkers	437		429
	Professional services	547		655
	Consultancy	95		18
	Information and communications technology	1,640		1,625
	Recruitment and training	704		799
	Travel, subsistence and hospitality	429		415
	Publicity	82		106
	Stationery and postage	210		209
	Accommodation costs	1,857		1,932
	Accommodation operating leases	1,663		1,783
	Other operating leases	42		42
	Early departures	58		156
	Other	385		474
			8,893	9,179
	Non-cash items			
	Depreciation and amortisation of fixed assets:			
	Property, plant and equipment	6	825	886
	Intangible assets	7	175	208
	Adjustments to Fixed Asset Register		(29)	-
	Auditor's remuneration		47	42
	Other		-	-
	Provisions:			
	Provided in year	12	7	6,894
	Provisions not required written back	12	(319)	(786)
			706	7,244
	Total		9,599	16,423

Auditors have received no remuneration for non-audit work.

5. Income

Note	2015-16	2014-15
	£000	£000
Recovery of direct and overhead costs from the:		
Local Government Ombudsman for England	-	-
Public Services Ombudsman for Wales	72	119
Scottish Public Services Ombudsman	133	115
Northern Ireland Ombudsman	32	29
Gibraltar Ombudsman	1	-
Office of the Ombudsman Ireland	2	(3)
Rental income	1,117	499
Recoveries in respect of outward secondments	92	88
Other miscellaneous operating receipts	2	21
Total	1,451	868

6. Property, plant and equipment

	Furniture and fittings £000	Information technology £000	Plant and machinery £000	Buildings £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2015	1,777	2,583	528	4,042	280	9,210
Additions	-	259	-	-	312	571
Adjustments	-	(2)	-	(5)	(12)	(19)
At 31 March 2016	1,777	2,840	528	4,037	580	9,762
Depreciation						
At 1 April 2015	1,394	1,995	497	3,334	-	7,220
Charged in year	141	318	14	352	-	825
Adjustments	2	-	(2)	(29)	-	(29)
At 31 March 2016	1,537	2,313	509	3,657	-	8,016
Carrying amount as at 31 March 2016	240	527	19	380	580	1,746
Carrying amount as at 31 March 2015	383	588	31	708	280	1,990

All property, plant and equipment held at 31 March 2016 is owned. There are no leased assets or assets held as non-current assets under PFI contracts. PHSO holds no third-party assets. The adjustments remove a number of minor differences between the Fixed Asset Register and the accounting system. There were no asset disposals during the year.

	Furniture and fittings £000	Information technology £000	Plant and machinery £000	Buildings £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2014	1,749	2,434	528	3,954	-	8,665
Additions	31	149	-	88	280	548
Disposals	(3)	-	-	-	-	(3)
Reclassifications	-	-	-	-	-	-
At 31 March 2015	1,777	2,583	528	4,042	280	9,210
Depreciation						
At 1 April 2014	1,240	1,710	477	2,910	-	6,337
Charged in year	157	285	20	424	-	886
Disposals	(3)	-	-	-	-	(3)
At 31 March 2015	1,394	1,995	497	3,334	-	7,220
Carrying amount as at 31 March 2015	383	588	31	708	280	1,990
Carrying amount as at 31 March 2014	509	724	51	1,044	-	2,328

All property, plant and equipment held at 31 March 2015 is owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third-party assets.

7. Intangible assets

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

	£000
Cost or valuation	
At 1 April 2015	1,892
Additions	10
Adjustments	11
At 31 March 2016	1,913
Amortisation	
At 1 April 2015	1,589
Charged in year	175
Adjustments	(8)
At 31 March 2015	1,756
Net book value:	-
Carrying amount as at 31 March 2016	157
Carrying amount as at 31 March 2015	303

All intangible assets held at 31 March 2016 are owned, rather than leased or held as non-current assets through PFI contracts. PHSO holds no third party assets. There were no intangible asset disposals during the year.

	£000
Cost or valuation	
At 1 April 2014	1,788
Additions	104
Disposals	-
At 31 March 2015	1,892
Amortisation	
At 1 April 2014	1,381
Charged in year	208
Disposals	-
Revaluation	-
At 31 March 2015	1,589
Net book value:	-
Carrying amount as at 31 March 2015	303
Carrying amount as at 31 March 2014	407

All intangible assets held at 31 March 2015 are owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third-party assets.

8. Capital and other commitments

There were no contractual capital commitments as at 31 March 2016 (£191k 31 March 2015) which were not otherwise included in these financial statements.

8.1. Commitments under leases

Operating leases

PHSO leases office accommodation in London and Manchester. In London, PHSO leases the 13th, 14th, 15th, 19th, 21st, 23rd and 24th floors of Millbank Tower. The leases for these floors end on 25 December 2018. The Landlord has given notice that the leases will not be renewed at the end of the lease. Rent payments under the lease are fixed to the end of the lease and there is no escalation clause within the lease nor any break points before the end of the lease. In Manchester, PHSO leases the 3rd and 4th floors of The Exchange building. The lease for the 3rd floor ends on 4 January 2018 and the 4th floor on 27 January 2018. Rent is fixed to the end of the lease and does not escalate. There are no break points before the end of the lease.

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 2016	31 March 2015
	£000	£000
Buildings		
Not later than one year	2,957	2,957
Later than one year and not later than five years	5,192	7,726
Later than five years	-	-
Total	8,149	10,683
Other		
Not later than one year	4	21
Later than one year and not later than five years	3	6
Later than five years	-	-
Total	7	27

PHSO has let the 13th, 14th and 23rd floors to sub-tenants as the office accommodation is surplus to PHSO requirements. The agreements for the office accommodation cover the period up until 25 December 2018, although there is a break clause which can be exercised by the tenant of the 23rd floor effective from 31 March 2017 and by another tenant for part of the 14th floor effective from 1 July 2017.

Total future minimum lease income expected to be received by PHSO under non-cancellable sub-leases are given for each of the following periods:

	31 March 2016	31 March 2015
Not later than one year	699	971
Later than one year and not later than five years	643	1,347
Later than five years	-	-
Total	1,342	2,318

8.2 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 2016	31 March 2015
	£000	£000
Not later than one year	1,081	1,339
Later than one year and not later than five years	965	2,906
Later than five years	-	1
Total	2,046	4,246

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

9. Trade receivables, financials and other assets

	31 March 2016	31 March 2015
	£000	£000
Amounts falling due within one year:		
Trade receivables within one year	62	236
Deposits and advances	86	106
Prepayments and accrued income	1,349	1,076
Total	1,497	1,418

10. Cash

	31 March 2016	31 March 2015
	£000	£000
Balance at 1 April	(275)	150
Net change in cash and cash equivalent balances	1,386	(149)
Cash balance at Bank and in Hand at 31 March	1,111	1
Bank overdraft at 31 March	-	(276)
Total Cash balance at 31 March	1,111	(275)
The bank overdraft above is disclosed within Note 11.		
The following cash balances at 31 March were held:		
Cash at Bank-Government Banking Service	1,110	-
Cash in hand	1	1
Total Cash Balance at 31 March	1,111	1

11. Trade payables and other current liabilities

	31 March 2016	31 March 2015
	£000	£000
Amounts falling due within one year		
Trade payables	43	293
Taxation and social security	431	431
Other payables	342	345
Accruals and deferred income	1,785	1,611
Trade and Other Payables	2,601	2,680
Rent-free period accrual	71	71
Bank overdraft	-	276
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,111	-
Other Liabilities	1,182	347
Consolidated Fund extra receipts due to be paid to the Consolidated Fund: Received	-	-
Sub total	3,783	3,027
Amounts falling due after more than one year		
Rent-free period accrual	123	193
Total	3,906	3,220

12. Provisions for liabilities and charges

	2015-16			2014-15	
	Early departure costs £000	Dilapidations £000	Onerous lease	Total £000	Total £000
Balance at 1 April	275	1,318	5,449	7,042	2,405
Provided in the year	-	-	7	7*	6,894
Provisions not required written back	(250)	(69)	-	(319)*	(786)
Provisions utilised in the year	(25)	-	(1,453)	(1,478)	(1,470)
Balance at 31 March	-	1,249	4,003	5,252	7,043

The amount shown in the SoCNE comprises the movement in year of £312k being made up of the sums marked with an asterisk above.

Early departure costs

Provision is made for the additional costs of benefits beyond the normal MyCSP benefits for employees who have received approval for early retirement. The costs of early retirement are met by making an annual payment to MyCSP over the period between the early departure and the normal retirement date at age 60. Provision is made in full when the early retirement programme becomes binding by establishing a provision for the estimated future payments. Under this process, the final qualifying employee who PHSO was required to reimburse MyCSP on an annual basis has now reached the age of 60. As the employee has reached the age of 60, payments to MyCSP cease. These arrangements have now been superseded. Any new retirees have to be fully funded at the date of retirement of the individual. Consequently, the remaining balance of Early Departure Provision has been released as it is no longer required.

Dilapidations

PHSO occupy leased office accommodation in London and Manchester. The leases end within three years and they contain provisions which require the reinstatement of the accommodation to its original condition upon departure. In the event that the properties are not restored, dilapidation payments become payable to the Landlord. A professional survey by Lambert Smith Hampton was commissioned in 2014-2015 to assess the extent of the dilapidations payable necessary to reinstate the floors that PHSO occupy at Millbank Tower.

This has resulted in the setting aside of a provision as shown in the table on p106. Following clarification of the valuation of the dilapidation liability in 2015-16, the provision has been reduced by £69k.

There is an amount set aside within the provision to meet the costs of dilapidations at the Exchange Building, Manchester this obligation represents the contractual requirement and is finite.

It should be noted that a range of outcomes are possible for the final amount of dilapidations payable, expected to be between £754k and £1,249k. The provision reflects the high end of this estimate range, as the most prudent position.

Onerous Leases

In accordance with International Accounting Standard (IAS) 37, a new onerous lease provision was created in 2014-15 to provide for the rental costs and service charges payable for the 13th, 14th and 23rd floors at Millbank Tower, which have been vacated by PHSO. These floors have been sub-let; however, IAS37 requires the creation of a provision where the costs of meeting the contractual obligations exceed the economic benefit received. In the calculation of the provision, income received from sub-letting cannot be used to offset the level of provision required. In 2015-16, £1,453k of the provision has been utilised and has reduced overall net outturn expenditure. Income received in respect of the sub-letting of the 13th, 14th and 23rd floors at Millbank Tower in 2015-16 was £1,031k.

13. Contingent liabilities disclosed under IAS37

During 2015-16 a judicial review took place in the High Court in relation to a decision on an individual case. The High Court found in favour of PHSO, however the matter is to be considered by the Court of Appeal in March 2017. It is estimated that in the event of an adverse judgement, the legal costs could be in the region of £250,000.

There is also a further contingent liability which relates to an investigation decision made in 2015-16. It is anticipated that this could give rise to a judicial review as we have received a pre-action protocol form in relation to clinical negligence. The estimated legal cost regarding this is £25,000.

There are a number of outstanding employment disputes which could result in the payment of compensation. The maximum liability for these is estimated at £132,000.

Due to the inherent uncertainties surrounding the outcome of these legal cases, provision has not been made in the accounts. In accordance with proper accounting practice, this is disclosed as a contingent liability.

No guarantees, indemnities nor letters of comfort have been issued by PHSO.

14. Related-party transactions

During the year neither the Parliamentary Ombudsman nor any other members of the Executive Team or unitary board, or their immediate families, have undertaken any material transactions with PHSO during the reporting period.

PHSO has a small number of material transactions with government departments and health service bodies. These include:

- (a) PHSO has sub-let three floors of the Millbank building to The Green Investment Bank Plc, Home Office and the Local Government Boundary Commission.
- (b) PHSO has provided expert clinical advice to the Public Services Ombudsman for Wales, the Scottish Public Services Ombudsman and the Northern Ireland Ombudsman in accordance with their respective service level agreements. The cost of these services to PHSO is recovered and is disclosed as Income in these resource accounts.

15. Events after the reporting period date

In accordance with IAS10, 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. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. In the Ombudsman's opinion there have been no events since 31 March 2016 that would affect the financial statements.

**Parliamentary and Health Service
Ombudsman**

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ISBN 978-1-4741-3219-0



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