

## Resource Accounts

2010-11





Sixth report  
of the Parliamentary Commissioner  
for Administration  
Session 2010-2012  
Presented to Parliament pursuant to Section 10(4)  
of the Parliamentary Commissioner Act 1967

Eighth report  
of the Health Service Commissioner  
for England  
Session 2010-2012  
Presented to Parliament pursuant to Section 14(4)  
of the Health Service Commissioners Act 1993

Ordered by  
The House of Commons  
to be printed on 12 July 2011

HC1405  
London: The Stationery Office  
£15.50

© Parliamentary and Health Service Ombudsman (2011).

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as Parliamentary and Health Service Ombudsman copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this publication should be sent to us at [phto.enquiries@ombudsman.org.uk](mailto:phto.enquiries@ombudsman.org.uk).

This publication is available for download at [www.official-documents.gov.uk](http://www.official-documents.gov.uk) and is also available from our website at [www.ombudsman.org.uk](http://www.ombudsman.org.uk).

ISBN: 9780102974454

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office.

ID: 24411133                      07/11                      PHSO-0156

Printed on paper containing 75% recycled fibre content minimum.

# Contents

Annual Report to the accounts for the year ended 31 March 2011.....	3
Introduction .....	3
Management commentary .....	5
Governance and accountability arrangements.....	19
Remuneration report.....	23
Explanation of terms used in the Remuneration Report .....	28
Statement of Accounting Officer’s responsibilities.....	30
Statement on internal control .....	31
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS.....	36
Resource accounts .....	38
Notes to the Resource Accounts .....	43



# Annual Report to the accounts for the year ended 31 March 2011

## Introduction

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

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

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

## Role, aims and objectives

### PHSO exists to:

Provide a service to the public by undertaking independent investigations into complaints that government departments, a range of other public bodies in the UK, and the NHS in England, have not acted properly or fairly or have delivered a poor service.

### Our aim and vision is:

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

### Our strategic objectives

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

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

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

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

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

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

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

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

These objectives will continue in 2011-12.

## Principal activities

The principal activities of PHSO covered by these accounts were:

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

## Management commentary

### Summary of the year

2010-11 has been a very successful year for PHSO. After a long process of continuous improvement and service development, we came within touching distance of all six of the customer service standards we set as our long-term objective in our 2007-10 Strategic Plan. These set out the time we will take to acknowledge and respond to enquiries, investigate complaints and deal with complaints about our own service. This year we met five out of six and surpassed our achievements in previous years in all areas. By the end of the year we had resolved 23,667 enquiries, and concluded 419 investigations.

We published four reports to Parliament, including Listening and Learning, our first review of complaint handling by the NHS. Care and Compassion?, our report on NHS care of the elderly, received significant media coverage and was received as a clarion call to action by the NHS leadership, the NHS Confederation, the Royal College of Nursing and many other professional colleges and bodies. As a result of A Breach of Confidence, our report on mistakes in the handling of one individual's personal information by a number of public bodies, the Cabinet Office agreed to ensure that appropriate lessons are learnt and to disseminate appropriate guidance to all government departments.

In addition, we secured our funding for the next four years, took significant steps forward in raising awareness of our work in the new Parliament and retained our status as an Investor in People (IIP) organisation, reaching a bronze standard across the organisation.

Further information on our reports to Parliament and on our other achievements in the past year can be found in our combined statutory Annual Report for 2010-11, which will be laid before Parliament on 12 July 2011. The report is available from The Stationery Office or by downloading from PHSO's website ([www.ombudsman.org.uk](http://www.ombudsman.org.uk)).

## Our workload and performance: facts and figures

Being accountable for our performance against the plans and targets we have set ourselves is important to us. Our 2010-11 Corporate Business Plan established a number of operational, financial and human resources targets. It also identified a number of objectives and deliverables for the year. These were grouped into the following five areas:

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

Our performance in each area is assessed below.

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

#### Achieve our customer service standards

At the start of the year, we were well placed to deliver our long-term goal of meeting all six of our customer service standards for the first time. As reported below, we did not quite achieve this, meeting five but missing out on our target of concluding 90% of our investigations within 12 months. However, we did manage to improve our performance against this service standard from 65% to 88% in the year.

#### Enquiries

During the year we received 23,422 enquiries against our original planning assumption of 24,000. This was a fall of 245 (1%) on the 23,667 enquiries received in 2009-10.



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

Of the enquiries we received, 6,990 related to parliamentary bodies, 13,625 were about health bodies and 2,807 were about bodies outside our jurisdiction.

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

- whether the body complained about has had a proper opportunity to resolve it;
- whether there is evidence of maladministration leading to an unremedied injustice; and
- whether there is a reasonable prospect of a worthwhile outcome to an investigation.

Not every enquiry leads to an investigation, but every enquiry receives a response. We work to resolve enquiries and complaints at every stage of our process. Even if an enquiry is about a not properly made or premature complaint, we can often provide assistance by providing a conduit between a complainant and the relevant body in order to try and receive a speedy and appropriate outcome. 99 enquires were closed in this way (this is the first year we have been counting these 'value added' cases).

Often, our further assessment reveals that no further action is needed to resolve the case. This is because we are able to reassure the complainant that there is no case to answer, or provide them with an explanation about what has happened and why. We closed 273 enquiries this way during the year, a significant increase on 2009-10 (72 enquiries closed at further assessment). If it is clear that a remedy is required, where possible we seek to resolve cases through intervention short of an investigation. This is a growing area of our work and provides a quicker, simpler route to resolution for everyone involved. During the year, we closed 332 enquiries in this way (321 in 2009-10).

During the year, we:

- achieved 91% against our customer service standard of closing 90% of enquiries within 40 days (achieved 78% in 2009-10);
- closed 23,667 enquiries against a planning assumption of at or around 24,300 (24,240 in 2009-10);
- closed 16,971 enquiries after an initial assessment of whether the complaint could be accepted for investigation against a planning assumption of at or around 18,200 (17,707 in 2009-10);
- closed 6,696 enquiries after further detailed assessment of whether the complaint should be accepted for investigation against a planning assumption of at or around 6,300 (6,533 in 2009-10); and
- ended the year with 1,378 enquiries in hand against a forecast of at or around 1,300 (1,600 at 31 March 2010).

We received fewer enquiries than we had planned for. However, the number that required further, detailed assessment work was significantly higher than we had anticipated and we closed 6% more than our output planning assumption. That we still exceeded our customer service standard of closing 90% of enquiries within 40 days despite this additional work demonstrates that we have successfully adapted to this increased volume of further assessments.

Overall, 17,435 (74%) of enquiries we dealt with in 2010-11 could not be progressed by PHSO directly (17,930 (74%) in 2009-10):

- 3,340 enquires were in respect of bodies, organisations or issues outside of our jurisdiction. In these cases we will try and suggest appropriate sources of help; and
- 14,095 enquiries were cases where the complaint had not been made to the public body concerned before being brought to the Ombudsman. Within this number, 9,242 enquiries also did not meet the legal requirements that health complaints must be made to us in writing, and that complaints about parliamentary bodies must be referred by an MP. In all cases we

advised on how to make the complaint to the public body and how to bring the matter back to us if the response is unsatisfactory.

We are seeking to reduce the number of these cases by improving signposting of our service and public awareness of our work to ensure that people know whether PHSO is the right place for them to bring their complaints, and the right time to do so.

## Investigations

PHSO has a business approach that focuses on a rigorous assessment of enquiries to decide whether we could, and if so, whether we should, accept a case for investigation. This ensures that our decisions to accept cases for investigation are correct in law, consistent, speedy and strategic – in line with the Ombudsman’s role as a complaint handler of last resort. More information on our business approach can be found in our combined statutory Annual Report for 2010-11.

During the year we:

- concluded 88% of our investigations within 12 months against our customer service standard of 90% (65% achieved in 2009-10);
- accepted 403 cases for investigation against a planning assumption of at or around 370 (356 in 2009-10);
- concluded 419 investigations against a planning assumption of at or around 430 (322 in 2009-10);
- ended the year with 323 investigations in hand at 31 March 2011 against a forecast of at or around 280 (342 at 31 March 2010); and
- had 30 cases over 12 months old at 31 March 2011 against a target of no more than 40 (36 at 31 March 2010).

We expected that improving our performance against our customer service standard of closing 90% of investigations within 12 months from the 65% achieved in 2009-10 would be challenging and we fell just short of this goal by delivering 88%. In doing so, we significantly reduced the average length of an investigation by 18% from 392 days to 323 days. We also reduced the number of cases in hand 12 months old over the course of the year by 10 more than expected.

We accepted more cases than expected about government departments and public bodies for investigation during the year, but the increase was mainly due to accepting multiple individual cases against some specific, themed issues that arose this year. This resulted in a higher number of accepted cases for the year overall.

## Outcomes of our investigations

During the year we:

- fully upheld 61% of complaints investigated (47% in 2009-10);
- partly upheld 17% (25% in 2009-10); and
- did not uphold the remaining 22% (28% in 2009-10).

We upheld the complaint in full or in part in:

- 78% of parliamentary investigations (80% in 2009-10); and
- 79% of health investigations (63% in 2009-10).

More information on our investigations can be found in our combined statutory Annual Report for 2010-11.

## Acceptance of our recommendations

A total of 99.8% of the recommendations for remedy we made during the year, or which were outstanding from the previous year, have been accepted or are being considered by the body or practitioner complained about (100% in 2009-10). In only one case, involving an NHS dentist, were our recommendations not accepted and we alerted Parliament and the local Primary Care Trust to the dentist’s non-compliance and have referred the matter to the relevant professional body.

Most recommendations in our parliamentary investigations were for financial compensation for inconvenience or distress, alongside an apology. Others included financial compensation for loss, action to remedy the failure identified, and systemic remedies, for example asking the body to carry out their own review with a view to learning lessons and preventing a recurrence of the maladministration.

The majority of recommendations in our health investigations focused on an apology for, and an acknowledgement by the body or practitioner concerned of the service failure or maladministration, together with action to put things right and, in a significant number of cases (54%), financial compensation for inconvenience or distress.

In those health investigation cases where service failure and/or maladministration extended beyond the individual case, we made recommendations for systemic remedy, by which the NHS body concerned prepared an action plan detailing how the lessons from the complaint had been learnt and what action had been (or would be) taken to prevent a recurrence of the failings in the future. In order that the regulators, the Care Quality Commission (CQC) and Monitor in the case of a foundation trust are able to use this intelligence to support their role in assessing the performance of NHS bodies and monitoring service improvements, our policy is: first, to send them a summary of the report's findings and recommendations; and secondly, to ask the body to send the regulator(s) a copy of the action plan (and progress updates as required). This intelligence is uploaded into the CQC's Quality Risk Profiles to provide an immediate and live update to the profile of the body in question.

## Complaints about us

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

- received 1,276 complaints about us (1,208 in 2009-10);
- resolved 1,297 (1,280 in 2009-10); and
- ended the year with 144 in hand (165 at 31 March 2010).

We provided a substantive response on 99% of these within 16 weeks, exceeding our customer service standard and operational target of 90% (93% in 2009-10).

Of the 1,297 complaints about us that we resolved:

- 1,207 were about our handling of enquiries (1,065 in 2009-10);

- 66 were about health investigations (74 in 2009-10); and
- 24 were about parliamentary investigations (34 in 2009-10)

Of the total number of complaints about us, 155 (12%) were fully or partly upheld (154 (12%) in 2009-10):

- 70 were complaints about our service (54 in 2009-10);
- 80 were about enquiry decisions (93 in 2009-10);
- 5 were about health investigation decisions (7 in 2009-10); and
- as in 2009-10, there were no complaints upheld about our parliamentary investigation decisions.

The figures for 2009-10 above have been restated to exclude complaints about our service in respect of the *Freedom of Information Act 2000* and *Data Protection Act 1998* reported on in the section *Effectively manage our Freedom of Information and Data Protection duties*.

The increase in the number of complaints about us mainly reflects the growing number of decisions made following our more detailed assessment of enquiries. The number of complaints fully or partly upheld about our decisions has fallen. However, the increase in the number of service complaints fully or partly upheld is of concern and we will take action to improve our performance in future.

## Judicial reviews of our decisions and actions

There were nine applications for judicial review of our decisions (9 in 2009-10). There were no county court claims (1 in 2009-10).

Of the judicial review applications, six were refused permission to proceed at first application, one was given very limited permission to proceed and we are awaiting the court's initial decision on the other two. Of the six refused permission, three renewed their application and were then refused again and one other applicant, who was refused permission to appeal to the Court of Appeal, is attempting to

appeal further; we are awaiting the outcome of that case.

## **Promote awareness of and access to our service**

During the year we worked to promote our service to the public and ensure that those people who need our service can find us quickly and easily. This included:

- re-launching our website with improved accessibility and more content tailored for different audiences, which has contributed to increased usage of the site and positive feedback from the public;
- greater publicity for our published reports, which has also improved access to and awareness of our service, with all our published reports available online and in accessible printed formats and launched with appropriate media activity; and
- improving MPs' awareness of our work through the publication of a constituency pack. This information, supported by effective promotion of our reports, has seen usage of the MP section of our website and dedicated telephone line continue to increase, with 88.3% of MPs referring a complaint to us since the May 2010 election.

### **Improve customer satisfaction with our service**

During the year we developed internal reports to measure the quality of our casework and analyse complaints we received about our service. The reports have been integrated into our Corporate Performance Reporting Framework, and we are using learning from the reports to improve our service to our customers.

We have improved the accessibility of our service to our customers. In addition to our existing service to translate written material, including complaint forms, into the language that suits customers best, we have introduced:

- a telephone interpreting service allowing us to arrange for interpreter almost instantly if a customer calls us and would prefer to speak to us in a language other than English;

- a 'text back' service, where customers can send a text message asking us to telephone them, and we call them back within one working day; and
- a 'text relay' service to improve our accessibility to customers with hearing difficulties.

We have a continuous programme of surveys to monitor customer satisfaction in place. These show that overall satisfaction with our service among enquirers remained constant at 70% (70% in 2009-10). Among complainants satisfaction with our service rose from 81% in 2009-10 to 88% in 2010-11. However, overall satisfaction with our service among customers whose complaints went to our review stage fell from 34% in 2009-10 to 26% in 2010-11; we are considering how to improve our performance in this area.

We are not complacent and during 2011-12 we will develop and implement a comprehensive strategy to further improve our customer service.

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

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

- completing the implementation of recommendations from our 2009-10 quality review of the length of our investigations. This delivered the improvements in the average time taken to complete an investigation and in the number of cases over one year old noted above;
- further developing the quality and efficiency of our Clinical Advice Directorate. This enabled our assessment caseworkers to deliver the performance improvement on enquiries noted above;
- undertaking a quality review of our casework, covering the interface between the assessment and investigation stages of our casework process. Work on implementing the recommendations from this review will continue into 2011-12;
- sharing casework knowledge and learning through Casework News, our internal casework bulletin, and through other media; and
- delivering our annual casework conference in December 2010 where the theme was 'learning

from our casework' and staff at all levels were involved in sharing their knowledge and learning with colleagues.

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

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

We published the following reports to Parliament in 2010-11:

- *A report by the Parliamentary Ombudsman of an investigation of a complaint about the Pensions Regulator* (June 2010);
- *Listening and Learning: The Ombudsman's review of complaint handling by the NHS in England 2009-10* (October 2010);
- *A Breach of Confidence: A report by the Parliamentary Ombudsman on an investigation of a complaint about HM Revenue & Customs, the Child Support Agency and the Department for Work and Pensions* (January 2011); and
- *Care and compassion?: A report by the Health Service Ombudsman on ten investigations into NHS care of older people* (February 2011).

*Listening and Learning* was the first annual report on NHS complaint handling performance. The report revealed that the NHS is failing to listen and learn from complaints, and included statistics on complaint handling at national, regional and individual body level. The learning from that report was shared with NHS staff at six regional conferences.

In January we published *A Breach of Confidence*, which reported the outcome of our investigation into one person's complaint about information sharing and complaint handling by HM Revenue & Customs, the Child Support Agency and the Department for Work and Pensions. The report's recommendations, all of which were accepted, included not only remedy to the complainant but systemic action by the public bodies concerned and by the Cabinet Office. The Cabinet Office agreed to ensure that appropriate lessons are learnt and to disseminate appropriate guidance to all government departments.

In February we published *Care and compassion?*, a report which told the stories of ten older people who suffered unnecessary pain, indignity and distress while in the care of the NHS. The report generated an unprecedented level of media interest and initiated a national debate about the care of older people. As a result, a significant number of stakeholders from across the NHS and third sector responded to the report.

#### **Continue to develop and deliver our communications capability to increase the impact of our communications**

We continued our work to develop our communications infrastructure, ensuring that we have appropriately skilled staff and the necessary technology to deliver high quality internal and external communications.

This included:

- completing recruitment of staff to our Communications Division;
- refreshing our Communications Strategy and developing a Stakeholder Engagement Strategy and a Data Strategy to support the development of a stakeholder database, which is currently in progress;
- expanding our communications work to include more regional conferences for complaint managers and handlers, setting out the Ombudsman's expectations of them and their work;
- improving our use of new media formats and electronic communications, using films and social media to promote our work; and
- expanding our media relations activity – generating more coverage in the national print and broadcast media.

#### **Improve relations with bodies in jurisdiction, Parliament, government and other professional stakeholders**

During the year much of our focus was upon our relationship with Parliament and, in particular, the new intake of MPs after the May 2010 General Election. Following work to raise awareness, visits to the MP section of our website increased significantly.

In October 2010, *Listening and Learning*, the Ombudsman's review of complaint handling in the NHS, was launched in Parliament at an event attended by the Chair of the Parliamentary Administration Select Committee and by the Secretary of State for Health. Almost 500 NHS complaint handlers attended a series of conferences across England to share learning from the report.

In June 2010 PHSO agreed to implement a range of recommendations in response to a Stakeholder Impact Report conducted in 2009-10 that involved following up 21 investigations with the relevant parliamentary and health service organisations, including 45 in-depth interviews with members of their staff.

Our *Care and Compassion?* report was widely welcomed by stakeholders across the health and voluntary sectors. The reaction to the report has generated opportunities for us to build new stakeholder relationships within these sectors.

In August 2010 we further developed our relationship with the wider Ombudsman community by signing a Memorandum of Understanding (MoU) with the Public Protector of South Africa. The MoU sets out a framework for our two organisations to share learning with each other so that we can each further improve the services we provide to our customers.

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

We shared learning with stakeholders by responding to a number of consultations throughout the year, including consultations from the Department of Health, the Care Quality Commission, Monitor, the General Medical Council, the General Dental Council and the Council for Healthcare Regulatory Excellence. We worked with health stakeholders to agree and publish a joint statement on the need for reliable, meaningful and comparable complaints information.

We carried out a public consultation on the approach we intended to adopt, to sharing and publishing information about NHS complaints and, in April 2010, we published the *Report of the Health Service Ombudsman for England's consultation on sharing and publishing information about complaints*. The consultation responses demonstrated an appetite within the NHS for

more information than our legislation currently permits us to disclose. As a result, we made specific proposals to the Secretary of State for Health to amend our Act to remove the existing constraints to allow wider information-sharing powers to support improvements in public services: a clause to that effect is now included in the current Health and Social Care Bill. In the interim, we have published our policy on *Sharing and Publishing Information about Complaints*.

The Health Service Ombudsman also gave evidence to the Health Select Committee's Inquiry into complaints and litigation providing Parliament with the information it requires to drive improvements in these areas.

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

### **Continue our Equality and Diversity Action Plan to drive improvements in the equality of access to our service and the diversity of our workforce**

During the year we reviewed and updated the priority workstreams within our ongoing Equality and Diversity Action Plan, making progress against these as follows:

- we improved the accessibility to our service through a number of practical initiatives, some of which are referred to elsewhere (including our new translation services and our audit of our communications), but which also included:
  - building and maintaining contacts with a wide range of key stakeholder groups; and
  - using new ways to communicate our published reports.
- we have sought to make PHSO a more accessible and attractive employer through working with a specialist agency to improve the imagery, messages and accessibility of our publications, recruitment material and website and, made efforts to bring PHSO opportunities to the widest possible range of candidates. Practical changes reflecting established accessibility standards have been implemented to improve the accessibility of our website and other work will continue into 2011-12;

- we have been considering the use of positive action as a method of improving the diversity of our workforce at all levels and a number of options have been identified and those agreed will be implemented in 2011-12;
- we have enhanced our recruitment and selection processes through the introduction of an e-recruitment system, which facilitates equality analysis of outcomes at each stage;
- we completed a programme of training for our managers in effective diversity management and have developed and consulted upon Interim Disability Guidance to improve the way we manage disability in the workplace. We delivered training to all our customer service officers on meeting the needs of customers with communication disabilities;
- we completed the Stonewall Equality Index questionnaire to benchmark our practices to support lesbian, gay and bisexual equality. This resulted in a 98% improvement in our 2009 score, and a ranking of 173rd of the 378 entrants; and
- we continued to support PHSO's Staff Equality & Diversity Forum.

Finally, we reviewed and refreshed our Equality and Diversity Strategy, consulting widely, seeking views internally and from outside PHSO. The Strategy, which has been embedded in our 2011-15 Strategic Plan, was formally agreed by the Executive Board on 7 April 2011 and will be published shortly.

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

Getting the most from the extensive knowledge and information held both by the organisation and our staff is essential to improve the effectiveness of PHSO. To facilitate this, in 2008-09 we put in place a major development and change programme, the Knowledge and Information Management (KIM) programme. The programme continued in 2010-2011, making progress being made on each of the three project streams as follows:

- records management: in 2010 we agreed our corporate file plan and procured an electronic document and records management system. Implementation began in March 2011 and the full roll out will continue into 2011-12. To support this,

we have developed a comprehensive training and guidance programme;

- internet, extranet and intranet: PHSO's website was relaunched in May 2010 and feedback has been extremely positive. We have also redesigned our internal intranet website which will be launched early in 2011-12; and
- integrated information systems: We have continued to develop and enhance our case management systems and launched an e-Library to share information better and make external policies and reports more accessible to people across PHSO.

With much of the work delivered, PHSO's Executive Board formally closed the KIM programme on 31 March 2011. Outstanding actions from the three project streams, including completing the roll out of the electronic document and records management system and integrating it with our case management system, have been incorporated into our business plans for 2011-12 and will be governed on a project management basis.

### **Implement new security guidance and procedures for the protection of our information and other assets**

PHSO's security guidance was issued in 2010-11. A protective marking scheme (PMS) has been approved by the Executive Board and will be implemented in 2011-12. A programme of security checks is in place, together with regular security reports to the Executive Board and bulletins to staff. Specific reviews and checks have been carried out on our information technology and information security arrangements to ensure that we meet appropriate standards.

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

Implement our People Strategy including:

- maintaining Investors in People (IiP) standards;
- strengthening our leadership and management capability;
- building a culture of customer service excellence; and

- maximising the engagement of our people in order to contribute to the delivery of high performance and the positive culture that supports it.

PHSO has been recognised as an Investors in People (IIP) organisation for over 10 years and for our formal reassessment in March 2011 we decided to seek accreditation against the higher ‘bronze’ level of the standard. We undertook a number of activities during the year to prepare for the assessment and successfully achieved the required standard, with 38 of the additional 42 evidence requirements being met. The Assessor’s report was very positive, and said:

*‘This outcome represents a real tribute to the work that all the staff in the organisation have delivered in the last three years, on organisational and personal development and performance management. The review was rigorous and challenging, as well as affirming the progress that the organisation has been striving to achieve. It is clear that Investors in People matters at PHSO and the Assessor was impressed by the professionalism and commitment shown.’*

Activities during the year that contributed to maximising engagement and our successful IIP re-accreditation included:

- implementing our action plan to address issues identified in the 2009 survey of our staff, focusing on the three key themes of communications, morale and job security, and living our values;
- implementing our Corporate Learning and Development plan including the successful achievement of apprenticeships or NVQs in customer service by 11 staff; strengthening management capability through conducting a 360 degree feedback exercise for our managers; delivering our third Management Development Programme; and delivering a third Aspiring to Management programme; and
- as part of our talent management work, we implemented a Trainee Caseworker Scheme for internal applicants, and introduced our START programme, a development programme targeted at our business support and administrative staff.

**Improve the diversity of our workforce at all levels**

We monitor our workforce profile in order to ensure that our workforce reflects, at all levels, the economically active populations from which we primarily draw our employees at our two sites. As at 31 March 2011, these benchmarks were as shown below.

	London & South East England			Manchester & North West England		
	Benchmark	PHSO (in post)		Benchmark	PHSO (in post)	
		31 March 2011	31 March 2010		31 March 2011	31 March 2010
Black and Minority Ethnic (BME)	19%	19%	17%	6%	5%	2%
Disabled (using the DDA definition)	9%	7%*	5%*	10%	3%*	3%*

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



Although we mostly remain below our benchmarks, the picture is improving, demonstrating that the activities in our Equality and Diversity Plan described above are having some success. However, there is clearly further to go, particularly in achieving diversity at all levels as the analysis of both ethnicity and disability shows that there is still low representation of Black and Minority Ethnic and disabled staff amongst our middle management grades and still less amongst our senior management. This will remain a priority area for monitoring and activity in 2011-12.

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

Our internal communications activity during the year included:

- delivering our annual staff event;
- undertaking an internal communications audit involving focus groups made up of over 100 members of staff;
- putting in place a new planning tool to help managers and staff plan, become more involved in and better manage their internal communications messages; and
- delivering briefings to staff about key events and the launch of high profile reports.

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

Manage our resources effectively by:

- meeting our financial and human resources performance targets,
- implementing the final year of our 4-year Financial Strategy,
- undertaking the Spending Review 2010 project (SR2010),
- developing our 2011-14 Financial Strategy.

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

PHSO's 2010-11 funding arises from a three-year settlement sanctioned by HM Treasury, with annual

Estimates based on this settlement approved by Parliament. Our three-year settlement for the period 2008-11 was sanctioned in 2007. Subsequently, additional funding was sought and approved in 2008 to address the changes in the complaints landscape arising as a result of the Health and Social Care Act 2008. Taken together, PHSO had access to total gross resource funding for 2010-11 of £34.562 million, less income of £0.420 million (a net resource requirement of £34.142 million).

PHSO also had access to capital funding of £2.100 million for 2010-11 but elected to draw down only £1.350 million, with the remaining £0.750 million classed as unallocated provision in response to the known issue with capital funding levels (and associated funding for depreciation costs) described below.

As has been reported in previous years, the baseline for the capital element of PHSO's settlement was established on the basis of our four-year (2007-11) Capital Investment Strategy. The Strategy was developed following a major programme of refurbishment that was required after a period of under-investment in our infrastructure. It was based on maintaining our current, in 2006, model of information technology and on a regular programme of accommodation refurbishment. However, in the years since the settlement was agreed, PHSO's information technology investment has increasingly moved away from desktop personal computers to server-based systems that are more cost-effective. In addition, planned investment in our Knowledge and Information Management programme will be lower than we originally thought, and will now be completed in 2011-12. Finally, aside from refurbishment required to new premises acquired in Manchester to accommodate new staff following the move to the new two-stage NHS complaints system, PHSO's accommodation has proved robust and has required little on-going refurbishment. As a result, PHSO expected that in 2010-11 there would again be a significant underspend against the approved level of capital funding for the year and, as a consequence, against that element of our non-cash resource funding provided for depreciation.

This issue has been addressed in PHSO's financial settlement and in our 2011-15 Capital Investment Strategy from 2011-12, but is reflected this year in our use of unallocated provision described above and in

the outturn performance against our long-standing financial targets reported below.

This year, we met only three of the seven financial management targets in our Corporate Business Plan. The performance on each was as follows:

- our net resource underspend of £1.297 million was outside our target limit for underspending of less than £0.500 million;

The principal sources of underspend were as follows:

- £0.770 million arose from unspent funding for depreciation costs arising from the reduced capital investment position. This was expected;
  - £0.200 million allocated to our cash strategic reserve and unutilised;
  - £0.180 million related to savings arising from the decision to defer major caseworker and clinical adviser recruitment exercises in response to improved productivity from the existing workforce; and
  - £0.120 million related to savings in consultancy expenditure following the decision to delay the roll out of PHSO's new electronic document records management system.
- our total capital underspend of £0.503 million met our target of not exceeding the net capital investment expenditure limit for the year sanctioned by Parliament;
  - we recovered 74% of our Appropriations-in-Aid income provision in the year against our target of 100%; PHSO's income is derived from recovery of salaries in respect of PHSO staff seconded to other organisations and from the provision of recharged clinical advice provided to other Ombudsmen. This year saw fewer secondees and a fall in the demand for clinical advice, leading to a shortfall in recovered income;
  - we remained within the Net Cash Requirement sanctioned by Parliament;

- we paid 99.7% (99.2% in 2009-10) of supplier invoices within our target of 99% of correctly presented invoices paid within 30 days of receipt;
- our resource budgets were managed to within 4% of agreed allocations, exceeding our target of limiting variance to no more than 2%; capital budgets were outside our 5% tolerance at 37%; and
- our month-on-month budget forecast variances also exceeded our tolerances of 2% for resource budgets and 5% for capital budgets. Underlying budget manager performance across PHSO was within tolerance for both variance and month-on-month forecast accuracy, but overall corporate performance was affected by:
  - the inclusion of unspent reserves where some demand had been anticipated;
  - the impact of unforeseeable staff departures; and
  - the impact of the year-end accrual for unutilised staff leave.

Although we met only three of our seven financial management targets and the level of underspend seems high, there was no significant, direct impact on the delivery of our service or our objectives for the year as a consequence of not fully utilising the financial resources available to us. Nevertheless, we will continue to focus on improving our financial management performance.

2010-11 was the last year of our approved parliamentary funding settlement for the period 2008-11 and it was necessary for PHSO to undertake work to put in place a new financial settlement, sanctioned by the Treasury, for the period 2011-15. To that end, we instigated our Spending Review 2010 project (the SR2010 Project), the scope of which was to undertake a full financial review of PHSO's resource and capital requirements for the spending review period 2011-15. This work ran parallel to, but was not part of, the government's Spending Review 2010.

The SR2010 project involved detailed examination of PHSO's operational and administrative requirements for staff and other resources in the light of robust assumptions about future workloads. It sought

to demonstrate PHSO's commitment to value for money by taking into account, as far as practicable, the public sector fiscal position and by undertaking work to benchmark PHSO's administrative and support functions against bodies of a similar size and composition.

A settlement submission was made to Treasury ministers in September 2010 and sanction was received in October 2010. Further details of PHSO's settlement can be found in the section on the future. A new four-year financial strategy to give effect to the terms of settlement and to deliver the efficiency savings we have committed to achieve was agreed by PHSO's Executive Board on 7 April 2011.

In the year 2010-11 our staffing numbers decreased by 16.4 full-time equivalents (fte) from 456.7 fte to 440.3 fte, mainly as a result of releasing temporary posts created in 2009-10 to accommodate work transferred from the Healthcare Commission prior to its abolition. Full year turnover was 9.0% (11.8% in 2009-10), which is below the average rate of turnover of 13.5% for the UK labour market but similar to the public sector average rate of 8.6%.

Average sickness absence in 2010-11 for PHSO employees was 6.1 days per fte (5.0 days per fte in 2009-10), which just exceeded our target of no more than 6 days per fte, following higher than expected rates of absence over the winter months. For PHSO, 6.3 days per fte equates to 6.2 days per employee, which is significantly lower than the public sector average (9.6 days per employee) and also below the private sector average (6.6 days per employee).

### **Effectively review, assess and manage risks**

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

This year we continued to work with a strategic risk model that identifies key risk areas and is designed to work dynamically in recognising and addressing risks changing or emerging throughout the year. Key strategic areas are:

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

As noted previously, we successfully completed our Spending Review 2010 project and we were able to close it on our register of PHSO's strategic risks.

As part of our work to develop PHSO's 2011-15 Strategic Plan, we conducted a review of our strategic risks, and a revised strategic risk register reflecting the outcome of the review will be implemented from 2011-12 onwards.

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

During the year, we received 311 requests for information under the Freedom of Information Act 2000 and Data Protection Act 1998 (359 in 2009-10) and we closed 339 requests (332 in 2009-10).

We also monitor complaints relating to requests for information under the Freedom of Information Act 2000 and the Data Protection Act 1998. During the year we received 52 complaints (35 in 2009-10) and resolved 48 as follows:

- we fully or partly upheld 9 (20%) of the 46 complaints about decisions relating to requests for information under the Freedom of Information Act 2000/Data Protection Act 1998 (0% in 2009-10); and
- we upheld neither of the 2 complaints about our service relating to requests for information under the Freedom of Information Act 2000/Data Protection Act 1998 (0% in 2009-10).

We set ourselves a target of resolving 85% of requests within the following time limits:

- under the Freedom of Information Act 2000, the statutory time limit for responding to an information request is 20 working days from receipt of the request. We achieved 88%;

- under the Data Protection Act 1998, the statutory time limit for responding to an information request is 40 calendar days from receipt of the request. We achieved 86%: and

Under the Information Commissioner's guidelines, the time taken to respond to a request to review a decision should not exceed 40 working days. However, we achieved this in 74% of cases.

This is an improvement in our performance in 2009-10 when the yearly average for responding to requests within the statutory timeframe was 80%. There was no target for responding to requests to review our decisions last year.

### The future

PHSO's strategy and plans are set out in its Four Year Strategic Plan 2011-15 and Corporate Business Plan 2011-12, which are available from PHSO's website ([www.ombudsman.org.uk](http://www.ombudsman.org.uk)).

PHSO reviews and refreshes its Strategic Plan every year. Our objectives and corporate priorities for the period 2011-15 build on the achievements of previous years and reflect our commitment to the continuous improvement of our service.

### Vision and objectives

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

PHSO's two strategic objectives for the period 2011-15 are:

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

Our priorities for 2011-12 are:

- achieving our customer service standards;
- developing and implementing a new Customer Service Strategy;

- implementing our Stakeholder Engagement Strategy;
- undertaking a consultation on the removal of the MP filter and publishing the results;
- publishing our first report on the complaint handling performance of government departments and their agencies;
- publishing our second report on the complaint handling performance of NHS bodies;
- developing PHSO's 'Information Promise' to provide clarity and consistency for customers, stakeholders and staff about how we handle, share, protect and publish information;
- improving the accessibility of our communications for potential customers and staff;
- taking positive action in pursuit of a workforce that is diverse at all levels; and
- completing our records management project, in particular the roll out of our electronic document and records management system.

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

On 8 December 2010 Ann Abraham announced her intention to retire as Parliamentary and Health Service Ombudsman towards the end of 2011. The appointment of her successor is now in train.

Financially, PHSO's funding arises from a four-year settlement sanctioned by HM Treasury for the period 2011-15, with annual Estimates based on this settlement approved by Parliament. The settlement followed an internal spending review conducted by PHSO which included:

- a review of the strategic environment in which PHSO will be operating in 2011-15, looking in particular at the economy and public sector finances;
- robust forecasting of PHSO's future workloads;
- a high-level review of PHSO's back-office administration and support functions,

benchmarked against organisations of a similar size in the wider public sector;

- a review of PHSO's workforce requirements, ensuring that resources are matched to, and appropriate for, PHSO's strategic and business objectives; and
- a review of PHSO's capital investment resulting in a new, 2011-15 Capital Investment Strategy to ensure PHSO is equipped with the necessary tools to undertake its business effectively and efficiently.

The sanctioned settlement is based on four further years of 'flat cash', meaning that all salary increases and other inflationary pressures must be met through savings, rather than being funded through taxation. Meeting the terms of this settlement will require cumulative efficiency and productivity savings of 12.7% (£4.400 million) by 2014-15 and will also require PHSO to absorb expected increases in workload (subject to certain caveats on exceptional increases).

Total gross resource funding for 2011-12 will be £34.250 million, income of £0.250 million (a net resource requirement of £34.000 million) and capital of £0.700 million.

### **Relationships with other organisations**

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

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

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

### **Personal data related incidents**

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

PHSO seeks to be fully compliant with the Data Protection Act 1998 and treats the management of its information assets as part of its portfolio of strategic risks. Information security management was a key activity under our Corporate Business Plan 2010-11 and PHSO has resources in place to handle routine issues arising from individual data requests under the Data Protection Act 1998. During 2010-11, PHSO's Executive Board was made aware of a security breach, by a member of PHSO's staff involving third party personal data. On being informed of the breach the Executive Board took appropriate actions to mitigate the risks from the breach and the documents concerned were recovered. The breach was reported to the Information Commissioner whose Office was invited to carry out an audit of how PHSO meets our data protection obligations in respect of the security of personal data. The Information Commissioner's Office (ICO) provided 'reasonable assurance' that PHSO's arrangements are fit for purpose and made a number of recommendations for improvement. We have accepted all the recommendations made by the ICO and are currently implementing them.

During 2010-11 PHSO was contacted by an organisation with which we had a contract for the secure disposal of our surplus ICT equipment. It informed us that 98 of our laptops awaiting disposal had been lost by a sub-contractor. Given the level of encryption we apply to our electronic data, the Executive Board was assured that the risk of data breaches concerning third party data was low. However, at our instigation the organisation reported the loss to the Information Commissioner, whose Office confirmed that no further action was necessary. As a consequence we have terminated the contract with the company concerned and have made alternative arrangements for secure disposal.

## Governance and accountability arrangements

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

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

## Accounting Officer

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

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

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

## Advisory Board

During 2010-11 the Ombudsman was supported by an Advisory Board, of which she was Chair. The role of the Advisory Board is to act as a 'critical friend' and provide support and advice to the Ombudsman in providing leadership and good governance of PHSO and to bring an external perspective to assist in the development of policy and practice.

The Advisory Board provides specific advice and support on:

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

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

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

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

Details of the appointment, service contracts and remuneration of Advisory Board members are provided in the Remuneration Report.

## Audit Committee

The Audit Committee was chaired during the year by a non-executive and includes two other non-executive members and the Ombudsman.

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

Details of the appointment, service contracts and remuneration of Audit Committee members are provided in the Remuneration Report.

## Executive Board

During 2010-11 management of PHSO's functions and activities was exercised by an Executive Board, chaired by the Ombudsman, and comprising the Deputy Ombudsman, Deputy Chief Executive and the Director of Communications.

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

The Executive Board meets regularly and is responsible for co-ordinating activity across PHSO. It is the primary forum for making executive decisions about operational, resource, communications and other administrative matters in order to deliver the Strategic and Corporate Plans, and for monitoring performance. The role of the Executive Board in decision making carries recognition that, on occasion, there will be some issues for which the decision maker is the Ombudsman alone.

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

## Auditors

The Comptroller and Auditor General is the auditor of PHSO's accounts. As disclosed in Note 9 to the accounts, a notional cost of £50,000 was incurred on audit services provided by the Comptroller and Auditor General. No non-audit work was undertaken by the auditors.

Internal audit services during 2010-11 were provided by Grant Thornton UK LLP.

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

## Directors' interests

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

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

## Treatment of pension liabilities

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

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

A full actuarial valuation of the PCSPS was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

## Payment of suppliers

PHSO is committed to compliance with the Late Payment of Commercial Debt Regulations 2002. The payment policy is to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods or services or the presentation of a valid invoice, whichever is the later. During 2010-11 99.7% of invoices were paid in accordance with this policy (99.2% in 2009-10).

## Employment policy and communications with staff

PHSO recruits on the principle of selection on merit through fair and open competition. PHSO is committed to the principle of equality of opportunity, and values the diversity of its staff. PHSO is committed to complying with all relevant statutory requirements, including the provisions of the Equality Act 2010. The average number of people employed by PHSO in 2010-11 was 430 fte of whom 21 fte have a self-declared disability.

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

Ann Abraham

**Parliamentary and Health Service Ombudsman**

24 June 2011





# Remuneration report

## The Parliamentary and Health Service Ombudsman

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

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

Legislation was implemented during 2006-07 which removes the specific retirement age for the Ombudsman, and amends the appointment provision so that future appointments to the office will be made for a single non-renewable term of not more than seven years. The legislation incorporates a saving provision exempting the current Ombudsman. Ann Abraham has announced her intention to retire as Parliamentary and Health Service Ombudsman towards the end of 2011.

The salary and benefits in kind of the Ombudsman are shown below:

	2010-11		2009-10	
	Salary	Benefits in kind (to the nearest £100)	Salary	Benefits in kind (to the nearest £100)
	£000	£	£000	£
Ann Abraham	170-175	13,500	170-175	10,100

The pension entitlement of the Ombudsman is shown below:

	Accrued pension at pension age at 31/03/11	Accrued lump sum at pension age at 31/03/11	Real increase in pension at pension age	Real increase in lump sum at pension age	CETV at 31/03/10	CETV at 31/03/11	Real increase in CETV as funded by employer
	£000	£000	£000	£000	£000	£000	£000
	Ann Abraham	60-65	185-190	(0-2.5)	(0-2.5)	1,386	1,296

## Executive Board

During 2010-11 the Executive Board members, and their service contract commencement dates and end dates (where applicable), are shown on Table Four.

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

Kathryn Hudson was seconded from the Department of Health from 4 August 2008. Under the terms of her secondment, the Department of Health funded her salary and associated costs during 2008-09. From 1 April 2009 PHSO reimbursed the Department of Health in accordance with the rate for the Deputy Ombudsman post at that time; any additional costs associated with Kathryn Hudson's contractual terms were funded by the Department of Health. From 6 April 2010 Kathryn Hudson was appointed permanently to the post.

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

The Pay Committee determines senior staff pay in accordance with PHSO's Pay Policy, the aims of which include taking into account comparability with the Civil Service; public sector pay policy;

and appropriate pay market data on external comparison.

## Executive Board members' service contracts

The commencement dates of service contracts for each Executive Board member are given on Table Four.

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

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 PCS have a reserved right to draw on their pensions from age 60. This can be done whilst remaining in employment. A departure before age 65 would be classed as a resignation as they will not be legally able to retire until age 65.

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

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

## Executive Board members' remuneration and pension entitlements

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

	2010-11			2009-10		
	Salary	Bonus	Benefits in kind (to the nearest £100)	Salary	Bonus	Benefits in kind (to the nearest £100)
	£000	£000	£	£000	£000	£
Kathryn Hudson (Deputy Ombudsman)	130-135	-	200	125-130	5-10	-
Bill Richardson (Deputy Chief Executive)	130-135	-	500	125-130	5-10	1,400
Claire Forbes (Director of Communications)	90-95	-	400	25-30 (80-85)		

The pension entitlement of members of the Executive Board is shown below.

	Accrued pension at age at 31/03/11	Accrued lump sum at pension age at 31/03/11	Real increase in pension at pension age	Real increase in lump sum at pension age	CETV at 31/03/11	CETV at 31/03/10	Real increase in CETV as funded by employer
	£000	£000	£000	£000	£000	£000	£000
Kathryn Hudson	50-55	n/a	0-2.5	n/a	981	961	6
Bill Richardson	65-70	190-195	2.5-5	10-12.5	1,434	1,261	75
Claire Forbes	0-5	n/a	0-2.5	n/a	20	4	12

## The Advisory Board: non-executive members

During 2010-11 the Advisory Board members, and their contract commencement dates and end dates (where applicable), were:

	<b>Commencement date</b>	<b>End date</b>
Paula Carter	1 April 2007	n/a
Linda Charlton	1 April 2007	n/a
Tony Redmond	1 April 2004	11 November 2010
Tony Wright	1 June 2010	n/a

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

	<b>2010-11</b>		<b>2009-10</b>	
	<b>Salary</b>	<b>Benefits in kind (to the nearest £100)</b>	<b>Salary</b>	<b>Benefits in kind (to the nearest £100)</b>
	<b>£000</b>	<b>£</b>	<b>£000</b>	<b>£</b>
Paula Carter	15	-	15	-
Linda Charlton	15	3,200	15	2,200
Tony Redmond	-	-	-	-
Tony Wright	13 (15)	-	n/a	n/a
Cecilia Wells	-	-	15	-

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

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

Paula Carter and Linda Charlton were appointed for three years in 2007 following fair and open competition and reappointed from 1 April 2010 for a further three years. Tony Wright joined the Advisory Board on the invitation of the Ombudsman. Tony Redmond was appointed to the Board by the Ombudsman. Cecilia Wells retired from the Advisory Board on the 31 March 2010.

## The Audit Committee: non-executive members

During 2010-11 the Audit Committee members, and their contract commencement dates and end dates (where applicable), were:

	<b>Commencement date</b>	<b>End date</b>
Sir Jon Shortridge (Chair)	1 April 2010	n/a
Jeremy Kean	1 April 2004	31 March 2011
Brian Landers	1 December 2010	n/a
Tony Redmond	1 April 2004	11 November 2010

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

	<b>2010-11</b>		<b>2009-10</b>	
	<b>Salary £000</b>	<b>Benefits in kind (to the nearest £100) £</b>	<b>Salary £000</b>	<b>Benefits in kind (to the nearest £100) £</b>
Sir Jon Shortridge	10	800	n/a	n/a
Jeremy Kean	-	-	-	-
Brian Landers	2 (7)	-	n/a	n/a
Tony Redmond	-	-	-	-
Andrew Puddephatt	-	-	10	-

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

Tony Redmond and Jeremy Kean retired on 11 November 2010 and 31 March 2010 respectively. Andrew Puddephatt retired as chair on 31 March 2010. Brian Landers was appointed with effect from 1 December 2010, full year effect shown in brackets. Mei Sim Lai was appointed to the Audit Committee on 1 April 2011.

With the exception of the appointments of Tony Redmond and Jeremy Kean, who joined the Audit Committee on the invitation of the Ombudsman, appointments to the Audit Committee are for three years and follow fair and open competition.

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

# Explanation of terms used in the Remuneration Report

## Salary

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

## Benefits in kind

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

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to that in which they become payable. The bonuses reported in 2010-11 relate to performance in 2009-10 and the comparative bonuses reported for 2009-10 relate to performance in 2008-09.

## Civil Service pensions

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there

is no automatic lump sum. Classic plus is essentially a hybrid with the benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

## Cash equivalent transfer values (CETVs)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme

and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

The actuarial factors used in the calculation of CETVs were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index to the Consumer Prices Index as the measure used to up-rate Civil Service pensions. The new factors mean that the CETVs shown in PHSO's Remuneration Report for 2010 11 will not be the same as the corresponding values shown in the Remuneration Report for 2009 10.

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

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

## **Audit of the Remuneration Report**

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

Ann Abraham

**Parliamentary and Health Service Ombudsman**

24 June 2011



# Statement of Accounting Officer's responsibilities

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

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

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

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

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

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

# Statement on internal control

## Scope of responsibility

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

As Parliamentary and Health Service Ombudsman my role is independent of Government. Under the legislation that governs my function I account to Parliament on the role of my office through a statutory Annual Report. This provides information on the general discharge of my function, on the standards of service provided to complainants, and (alongside PHSO's Resource Accounts) on the use of public money. I also report specifically from time to time on individual and/or systemic examples of maladministration. In addition I appear at least annually before the Public Administration Select Committee, which Parliament has chosen (through its Standing Orders) to be its principal liaison mechanism with the Ombudsman, to give evidence of the work of my Office. I have also signed a Statement of Responsibilities document with the Cabinet Secretary and the Permanent Secretaries of the Treasury, Department of Health and the Ministry of Justice setting out the respective responsibilities and expectations of my office in relation to these bodies.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of PHSO's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PHSO for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

## Capacity to handle risk

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

- PHSO's role, vision, values, strategic plan and business priorities;
- our business approach, which emphasises quality assurance and dialogue in decision making; and
- PHSO's governance arrangements, in particular our Corporate Performance Reporting Framework, internal review arrangements, and associated roles and responsibilities.

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

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

As is appropriate for a public body, there are areas where PHSO is not prepared to take risks, such as with the stewardship of resources and the robust management of our organisation. At the same time, in the context of the core business, PHSO wishes to be innovative and is consequently prepared to accept higher levels of risk. By continually reviewing and monitoring the status of its risks, PHSO will proactively manage them.

## The risk and control framework

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

determines the pay of senior staff (except my own which is covered by statutory arrangements).

In addition, I have an Executive Board, the members of which, during 2010-11, were myself as Chair and Chief Executive, the Deputy Ombudsman, the Deputy Chief Executive, and the Director of Communications. The Executive Board meets regularly and has responsibility for the delivery of PHSO's strategic vision, plans and services to the public and other stakeholders. It also provides a forum for discussion on the development and co-ordination of major work programmes, and of leadership to all staff working for PHSO.

The Executive Board also steers and leads on strategically important areas of work for PHSO, for example throughout 2010-11 it acted as Programme Board for the Knowledge and Information Management programme.

PHSO's Risk Management Framework sets out our risk policy, risk appetite and management approach. The Framework is based around simple, non-bureaucratic processes reflecting best practice. The key aim is to encourage staff to manage risk at all levels in a positive way that supports effective delivery, innovation and improvement – within a systematic framework of analysis, evaluation and review. The Framework is available to all staff on the PHSO intranet.

During 2010-11 we have kept our strategic risks under review to ensure that they remain the appropriate focus of risk management for PHSO. We also carried out a specific review of our strategic risk register which was reported to the Executive Board, and resulted in some changes to our strategic risk definitions. This also included closing the specific risk related to our Spending Review 2010 project following the successful conclusion of our agreement on future resources with the Treasury and the approval by the Executive Board of a Financial Strategy 2011-15 to implement it. In addition we have added risks around information and records management to replace those in respect of our KIM programme which has now closed.

During the year, the key strategic risks continued to be regularly monitored (and where appropriate, recalibrated) by senior management, with risk reports included in the quarterly performance reporting arrangements. In this report, risk owners

assess the impact and likelihood of each risk and highlight any items that need to be drawn to the attention of senior management and the PHSO Boards. The strategic risk register has been closely aligned to the Strategic Plan, and strategic objectives are referenced in each risk.

In addition we have also carried out work to:

- embed risk at the level below the strategic risks, in particular the publication of revised casework risk guidance;
- review our audit strategy and charter;
- develop and document an assurance map for PHSO to identify the assurances required by the Ombudsman and other Executive Board members and how these are achieved; and
- begin a system of regular reviews of casework to ensure it is compliant with the Casework Quality Framework we introduced at the end of 2008-09.

Throughout PHSO, risk owners are responsible:

- sponsoring good risk management practices within their directorates/areas of responsibility;
- keeping the controls, actions and deadlines to manage risks allocated to them up to date;
- reporting on these to the Risk and Assurance Manager in advance of Executive Board and Audit Committee meetings;
- assurance reporting to the Executive Board on progress on achieving divisional plans, taking into account any risks requiring immediate attention; and
- submitting quarterly and year-end reports to confirm that, to the best of their knowledge, risks for which they are the owner have been appropriately managed during the year or, where a key risk has crystallised, detail how the risk was managed or what other actions were taken.

At an operational level, investigators assess the risk category of each case, and follow corresponding governance arrangements for the selected category. A risk management strategy is developed for all cases that are assessed as either medium or high

risk. All risk assessments and mitigating actions are documented on the case management system (Visualfiles) and are reviewed during the five key stages of a case. Directors are responsible for monitoring the management of casework risk in their directorates and risks are also monitored by the Operations Director's Meeting, chaired by the Deputy Ombudsman. Cases assessed as having a high risk impact are reviewed on a monthly basis by the Ombudsman, Deputy Ombudsman, Ombudsman's casework team and relevant members of staff.

PHSO seeks to be fully compliant with the Data Protection Act 1998 and treats the management of its information assets as part of its portfolio of strategic risks. Information security management was a key activity under our Corporate Business Plan 2010-11 and PHSO has resources in place to handle routine issues arising from individual data requests under the Data Protection Act 1998. During 2010-11, PHSO's Executive Board was made aware of a security breach by a member of PHSO's staff involving third party personal data. On being informed of the breach, the Executive Board took appropriate actions to mitigate the risks from the breach and the documents concerned were recovered. The breach was reported to the Information Commissioner whose Office was invited to carry out an audit of how PHSO meets our data protection obligations in respect of the security of personal data. The Information Commissioner's Office (ICO) provided 'reasonable assurance' that PHSO's arrangements are fit for purpose. We have accepted all the recommendations made by the ICO and are currently implementing them.

During 2010-11 PHSO was contacted by an organisation with which we had a contract for the secure disposal of our surplus ICT equipment. It informed us that 98 of our laptops awaiting disposal had been lost by a sub-contractor. Given the level of encryption we apply to our electronic data the Executive Board was assured that the risk of data breaches concerning third party data was low. However, at our instigation the organisation reported the loss to the Information Commissioner whose Office confirmed that no further action was necessary. Nevertheless, as a consequence we have terminated the contract with the company concerned and made alternative arrangements for secure disposal.

Current strategic risks are in the areas of:

- customer and user satisfaction – we must ensure that we are delivering a good service to complainants and all other external stakeholders;
- corporate governance and leadership – we must ensure that we have clear strategic planning and adequate internal controls in place, and that senior managers are empowered;
- communications and external risks – we need to ensure that stakeholders (both internal and external) are clear about our role and purpose to enable us to be effective in influencing. We also need to ensure we can respond appropriately to any changes in the external environments that affect us;
- workforce – we must ensure we have a workforce that is skilled, adaptable, diverse and motivated;
- equality and diversity – we must ensure that we have an accessible service and a diverse workforce to meet the needs of our diverse range of customers;
- stewardship of resources – we need to ensure regularity, propriety and value for money in all that we do;
- information and records management – we need to ensure that we have effective records management policies, procedures and controls that enable us meet our legal obligations, facilitate the delivery of our business, and provide clarity to our customers and stakeholders on the way we handle and safeguard the information we hold;
- tools for the job – we must ensure we have the appropriate infrastructure in place;
- security – we must ensure that we have a safe and secure working environment for all staff and that PHSO assets are managed appropriately; and
- business continuity management – we need to have contingency arrangements in place to allow PHSO to continue to deliver its services in all circumstances.

During the year the Risk and Assurance Manager, as Head of Internal Audit, has continued to co-ordinate all internal audit activity, to ensure effective risk management for PHSO. At the start of the year our previous outsourced Internal Audit provider, KPMG LLP, notified us that it had withdrawn from the Office of Government Commerce (OGC) framework of internal audit providers, and that it did not wish to extend its contact with PHSO. Consequently PHSO undertook the procurement of a new outsourced internal audit provider to carry out the majority of planned audit assignments (the remainder being completed by the Risk and Assurance Manager and other providers). The procurement was completed in accordance with OGC Buying Solutions requirements and Grant Thornton LLP were appointed on 30 September 2010. Alternative arrangements were put in place to carry out audits during the first six months of 2010-11 as detailed in the Review of Effectiveness section below. These arrangements, which included internal audit cover by the professionally qualified Head of Internal Audit were considered and approved by the Executive Board and the Audit Committee.

A Finance Code is in place and this continues to support good corporate governance and control through promoting sound financial management and efficient use of resources. Comprehensive budget delegation arrangements are in place.

## Review of effectiveness

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

The Audit Committee is responsible for providing advice and assurance on the adequacy and effectiveness of internal control and risk

management. It also oversees internal and external audit arrangements, which cover all areas of PHSO's work, both financial and non-financial systems.

During 2010-11 Grant Thornton LLP completed a programme of internal audit work, and gave a 'full' level of assurance to our financial and accounting systems including our payroll and pensions systems.

Grant Thornton LLP's report on PHSO's corporate governance and risk management arrangements, completed in January 2011, gave a 'substantial' level of assurance on the adequacy and effectiveness of the systems of internal control.

During 2010-11 other reviews carried out by Grant Thornton LLP were:

- decision letters (assurance rating: substantial);
- investigation planning (assurance rating: substantial); and
- information security (assurance rating: substantial).

Also during 2010-11 three other reviews were carried out using other resources. These were:

- a follow up to a Fishburn Hedges audit of PHSO's communications in 2008. This review was carried out by Ron Finlay Communications (assurance rating: substantial);
- a review of PHSO's data security policy and processes. This review was carried out by the Information Commissioner's Office (ICO assurance rating: reasonable (substantial in standard audit rating systems)); and
- an internal review of PHSO's response to the security breach that prompted the ICO's review. This review was carried out by the Interim Risk and Assurance Manager (assurance rating: substantial).

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

Between 1 April 2011 and the date of laying the accounts, PHSO has made no substantive changes to the governance arrangements, risk management arrangements and control systems audited by Grant Thornton LLP during 2010-11, other than the implementation of audit recommendations. There is no evidence that these arrangements and systems have ceased to operate effectively.

I reported last year that, during 2009-10, an individual who carried out a fraud against PHSO was given a custodial sentence and was ordered to repay all the funds stolen. During 2010-11 recovery action has been completed and the money stolen has been repaid to the Exchequer in full.

Ann Abraham  
**Parliamentary and Health Service Ombudsman**  
24 June 2011

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

I certify that I have audited the financial statements of the Office of the Parliamentary and Health Service Ombudsman for the year ended 31 March 2011. These comprise the Statement of Parliamentary Supply, the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cashflows, the Statement of 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 information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Accounting Officer and auditor

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

## Scope of the audit of the financial statements

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

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

## Opinion on Regularity

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

### Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Office of the Parliamentary and Health Service Ombudsman as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost, for the year then ended; and
- the financial statements have been properly prepared in accordance with HM Treasury's Government Financial Reporting Manual.

## Opinion on other matters

In my opinion:

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

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London SW1W 9SP

30 June 2011



## Statement of Parliamentary Supply Summary of Resource Outturn 2010-11

		2010-11					2009-10			
		Estimate			Outturn					
		Gross expenditure	A in A	Net total	Gross expenditure	A in A	Net total	Net total outturn compared to Estimate: saving/(excess)	Outturn	
Note		£000	£000	£000	£000	£000	£000	£000	£000	
	Request for Resources	2	34,562	420	34,142	33,148	303	32,845	1,297	33,034
	<b>Total Resources</b>		<b>34,562</b>	<b>420</b>	<b>34,142</b>	<b>33,148</b>	<b>303</b>	<b>32,845</b>	<b>1,297</b>	<b>33,034</b>
	Non-operating cost A in A		-	-	-	-	-	-	-	-

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

### Net Cash Requirement 2010-11

		2010-11			2009-10	
		Estimate	Outturn	Net total outturn compared to Estimate: saving/(excess)	Outturn	
Note		£000	£000	£000	£000	
	Net Cash Requirement	4	33,556	32,185	1,371	32,628

### Summary of income payable to the Consolidated Fund

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

		Forecast 2010-11		Outturn 2010-11		
		Income	Receipts	Income	Receipts	
Note		£000	£000	£000	£000	
	Total	5	-	-	7	5

The notes on pages 43 to 45 form part of these financial statements

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

		2010-11	2009-10 Restated
	Note	£000	£000
<b>Administration costs</b>			
Staff costs	7	21,325	20,785
Other administration costs	9	12,016	12,675
<b>Gross administration costs</b>		<b>33,341</b>	<b>33,460</b>
Operating income	10	(310)	(399)
<b>Net administration costs</b>		<b>33,031</b>	<b>33,061</b>
<b>Net operating cost</b>		<b>33,031</b>	<b>33,061</b>

### Other comprehensive expenditure

		2010-11	2009-10
	Note	£000	£000
Net gain/(loss) on revaluation of property, plant and equipment	11	11	5
<b>Other comprehensive expenditure</b>		<b>11</b>	<b>5</b>

		2010-11	2009-10
		£000	£000
<b>Total comprehensive expenditure</b>		<b>33,042</b>	<b>33,066</b>

All operations are continuing.

Figures for 2009-10 have been restated to remove the notional cost of capital charge in accordance with the Financial Reporting Manual.

## Statement of Financial Position as at 31 March 2011

		March 31 2011	March 31 2010 Restated	March 31 2009 Restated	
Note	£000	£000	£000		
<b>Non-current assets</b>					
	Property, plant and equipment	11	5,308	6,028	6,595
	Intangible assets	12	279	250	306
	<b>Total non-current assets</b>		<b>5,587</b>	<b>6,278</b>	<b>6,901</b>
<b>Current assets</b>					
	Trade and other receivables	14	1,427	1,428	1,281
	Cash and cash equivalents	15	45	37	144
	<b>Total current assets</b>		<b>1,472</b>	<b>1,465</b>	<b>1,425</b>
	<b>Total assets</b>		<b>7,059</b>	<b>7,743</b>	<b>8,326</b>
<b>Current liabilities</b>					
	Trade and other payables	17	(2,023)	(1,785)	(1,866)
	Other liabilities	17	(111)	(92)	(213)
	<b>Total current liabilities</b>		<b>(2,134)</b>	<b>(1,877)</b>	<b>(2,079)</b>
	<b>Non-current assets less net current liabilities</b>		<b>4,925</b>	<b>5,866</b>	<b>6,247</b>
<b>Non-current liabilities</b>					
	Provisions	18	(679)	(947)	(1,195)
	Other liabilities	17	(476)	(546)	(617)
	<b>Total non-current liabilities</b>		<b>(1,155)</b>	<b>(1,493)</b>	<b>(1,812)</b>
	<b>Assets less liabilities</b>		<b>3,770</b>	<b>4,373</b>	<b>4,435</b>
<b>Taxpayers' equity</b>					
	General Fund		3,243	3,783	3,957
	Revaluation Reserve		527	590	478
	<b>Total taxpayers' equity</b>		<b>3,770</b>	<b>4,373</b>	<b>4,435</b>

### Ann Abraham

Parliamentary and Health Service Ombudsman  
24 June 2011

The notes on pages 43 to 45 form part of these financial statements

## Statement of Cash Flows for the year ended 31 March 2011

		2010-11	2009-10 Restated
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating cost	3	(33,031)	(33,061)
Adjustments for non-cash transactions	9	1,566	1,664
(Increase)/decrease in trade and other receivables	14	10	(147)
Increase/(decrease) in trade payables	17	37	(232)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	17	(10)	117
Use of provisions	18	(239)	(371)
<b>Net cash outflow from operating activities</b>		<b>(31,667)</b>	<b>(32,030)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(548)	(608)
Purchase of intangible assets	12	(158)	(157)
<b>Net cash outflow from investing activities</b>		<b>(706)</b>	<b>(765)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply): current year		32,204	32,507
From the Consolidated Fund (Non-Supply)	7	193	193
<b>Net financing</b>		<b>32,397</b>	<b>32,700</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>24</b>	<b>(95)</b>
Payments of amounts due to the Consolidated Fund	17	(16)	(12)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	15	<b>8</b>	<b>(107)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	15	<b>37</b>	<b>144</b>
<b>Cash and cash equivalents at the end of the period</b>	15	<b>45</b>	<b>37</b>

The notes on pages 43 to 45 form part of these financial statements

## Statement of Changes in Taxpayers' Equity for the Year ended 31 March 2011

		General Fund	Revaluation Reserve	Total Reserves
	Note	£000	£000	£000
<b>Balance at 31 March 2009</b>		<b>3,957</b>	<b>478</b>	<b>4,435</b>
Net Parliamentary Funding – drawn down		32,507	–	32,507
Net Parliamentary Funding – deemed		142	–	142
Consolidated Fund Standing Services	7	193	–	193
Supply payable adjustment	17	(21)	–	(21)
CFERs payable to the Consolidated Fund	17	(16)	–	(16)
Comprehensive net expenditure for the year	3	(33,061)	–	(33,061)
Non–cash charges – auditor's remuneration	9	54	–	54
Net gain/(loss) on revaluation of property, plant and equipment	11	(1)	108	107
Net gain/(loss) on revaluation of intangible assets	12	–	33	33
Transfers between reserves		29	(29)	–
<b>Balance at 31 March 2010 (restated)</b>		<b>3,783</b>	<b>590</b>	<b>4,373</b>
Net Parliamentary Funding – drawn down		32,204	–	32,204
Net Parliamentary Funding – deemed		21	–	21
Consolidated Fund Standing Services	7	193	–	193
Supply payable adjustment	17	(40)	–	(40)
CFERs payable to the Consolidated Fund	17	(7)	–	(7)
Comprehensive net expenditure for the year	3	(33,031)	–	(33,031)
Non–cash charges – auditor's remuneration	9	50	–	50
Net gain/(loss) on revaluation of property, plant and equipment	11	(4)	11	7
Net gain/(loss) on revaluation of intangible assets	12	–	–	–
Transfers between reserves		74	(74)	–
<b>Balance at 31 March 2011</b>		<b>3,243</b>	<b>527</b>	<b>3,770</b>

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

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

The balance as at 31 March 2010 has been restated to exclude the notional cost of capital charge, reducing the balance by £0.150 million

The notes on pages 43 to 45 form part of these financial statements

# Notes to the Resource Accounts

## 1. Statement of accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM comply with IFRS as adapted or interpreted for the public sector context.

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

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

### 1.1 Changes to accounting policies: IFRS8 - Operating Segments Reporting, and Cost of Capital Charge

In accordance with changes to the FReM, these accounts, for the first time, include disclosures compliant with IFRS8, Operating Segments (at Note 22). The primary Statement of Net Operating Costs by departmental strategic objectives is no longer required. Also in accordance with changes to the FReM, these accounts no longer include a charge reflecting the cost of capital utilised by PHSO. Prior year comparatives have been restated to remove the cost of capital charge. Neither change in accounting policy impacts on PHSO's assets or liabilities, and PHSO has not therefore included disclosures for 1 April 2009 in the primary statements or notes detailing assets and liabilities. The balance in the Statement of Comprehensive Net Expenditure and the Statement of Changes in Taxpayer's Equity for the Year beginning 1 April 2009 have been adjusted by £0.150 million.

### 1.2 Accounting convention

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

### 1.3 Financing

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

### 1.4 Operating income

Operating income relates directly to the operating activities of PHSO. PHSO has Parliamentary approval to treat the following income as Appropriations in Aid:

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

The level of income that PHSO may use in support of its activities (known as Appropriations in Aid) is approved by the House of Commons in the Appropriation Act. Income earned in excess of the

approved level, or income of a type for which PHSO does not have Parliamentary approval, cannot be used in support of PHSO's activities and is required to be paid over to the Consolidated Fund as excess Appropriations in Aid in accordance with Managing Public Money.

#### **1.5 Administration and programme expenditure**

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

#### **1.6 Pensions**

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

#### **1.7 Early departure costs**

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

#### **1.8 Operating leases**

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

#### **1.9 Property, plant and equipment**

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

On initial recognition, assets are measured at cost including any costs, such as installation costs, directly attributable to bringing them into working condition. All property, plant and equipment is reviewed annually for impairment and is carried at fair value. All non-property operational assets are deemed to be short-life or low-value assets and are therefore valued on the basis of depreciated historic cost as an approximation of fair value.

#### **1.10 Intangible assets**

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

#### **1.11 Depreciation**

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

Asset lives are normally in the following ranges:

- Furniture and fittings – ten years;
- IT software and equipment – three to five years;
- Office machinery – five years; and
- Refurbishment – the lesser of ten years or the lease term.

#### **1.12 Financial instruments**

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

#### **1.13 Provisions**

PHSO provides for legal or constructive obligations which are of uncertain timing or amount at the 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.

#### **1.14 Value added tax**

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

#### **1.15 Accounting estimates**

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

#### **1.16 Going concern**

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



## 2 Analysis of net resource outturn by section

	2010-11				2009-10		
	Outturn		Estimate		Net total outturn compared with Estimate	Prior year outturn	
	Admin £000	Gross resource expenditure £000	A in A £000	Net total £000			Net total £000
Request for Resources*	33,148	33,148	303	32,845	34,142	1,297	33,034
<b>Resource outturn</b>	<b>33,148</b>	<b>33,148</b>	<b>303</b>	<b>32,845</b>	<b>34,142</b>	<b>1,297</b>	<b>33,034</b>

Spending is 3.8% lower than Estimate provision.

Non-cash items total £1.566 million, which is £0.770 million less than the Estimate provision of £2.336 million. This underspend is largely due to capital expenditure in the last three years falling, in line with a reduced requirement, and depreciation charges therefore being lower than expected.

Net cash resource spend totals £32.185 million, which is £0.971 million (2.9%) less than the Estimate provision of £33.556 million. Detailed explanations for the variances are given in the Management Commentary.

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

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

### 3.1 Reconciliation of net resource outturn to net operating cost

	Note	2010-11		2009-10	
		Outturn	Estimate	Outturn compared with Estimate	Restated
		£000	£000	£000	£000
Net resource outturn	2	32,845	34,142	1,297	33,034
Accounting policy adjustment – Cost of Capital	1	–	–	–	(150)
Non-supply income	5	(7)	–	7	(16)
Non-supply expenditure: Consolidated Fund Standing Services	7	193	–	(193)	193
<b>Net operating cost</b>		<b>33,031</b>	<b>34,142</b>	<b>1,111</b>	<b>33,061</b>

### 3.2 Outturn against final Administration Budget

	2010-11		2009-10
	Budget £000	Outturn £000	Outturn £000
Gross Administration Budget	34,562	33,148	33,417
Income allowable against the Administration Budget	(420)	(303)	(383)
<b>Net outturn against the Administration Budget</b>	<b>34,142</b>	<b>32,845</b>	<b>33,034</b>

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

	Note	2010-11		
		Estimate	Outturn	Net total outturn compared to Estimate saving/ (excess)
		£000	£000	£000
Resource outturn	2	34,142	32,845	1,297
Capital:				
Acquisition of property, plant and equipment	11	1,350	689	661
Acquisition of intangible assets	12	–	158	(158)
Accruals adjustments:				
Non-cash items	9	(2,336)	(1,566)	(770)
Changes in working capital other than cash	14 & 17	–	(250)	250
Changes in payables falling due after more than one year	17	–	70	(70)
Use of provision	18	400	239	161
<b>Net Cash Requirement</b>		<b>33,556</b>	<b>32,185</b>	<b>1,371</b>

## 5 Analysis of income payable to the Consolidated Fund

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

(Cash receipts are shown in italics)

	Note	Forecast 2010-11		Outturn 2010-11	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Operating income and receipts – excess A in A		–	–	–	–
Other operating income and receipts not classified as A in A	10	–	–	7	5
<b>Sub total</b>		–	–	<b>7</b>	<b>5</b>
Non-operating income and receipts – excess A in A		–	–	–	–
Other non-operating income and receipts not classified as A in A		–	–	–	–
<b>Total income payable to the Consolidated Fund</b>		–	–	<b>7</b>	<b>5</b>

During 2009-10 an individual who carried out a fraud against PHSO was given a custodial sentence and ordered to repay all the funds stolen. During 2010-11 recovery action was completed and the funds were repaid to the Exchequer in full. The recovered funds were paid to HM Treasury, rather than to PHSO; had they been repaid to PHSO for transfer to HM Treasury, the receipts would have been disclosed as Consolidated Fund Extra Receipts within these accounts.

## 6 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2010-11	2009-10
		£000	£000
Operating income	10	310	399
Income authorised to be appropriated-in-aid		303	383
<b>Operating income payable to the Consolidated Fund</b>	5	<b>7</b>	<b>16</b>

## 7 Staff numbers and related costs

### A) Staff costs comprise:

	2010-11			2009-10
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	15,621	1,317	16,938	16,806
Social security costs	1,208	17	1,225	1,130
Other pension costs	2,938	31	2,969	2,656
<b>Sub total</b>	<b>19,767</b>	<b>1,365</b>	<b>21,132</b>	<b>20,592</b>
Ombudsman's salary: Consolidated Fund Standing Services	193	–	193	193
<b>Total gross costs</b>	<b>19,960</b>	<b>1,365</b>	<b>21,325</b>	<b>20,785</b>
Less recoveries in respect of outward secondments	(80)	–	(80)	(135)
<b>Total net costs</b>	<b>19,880</b>	<b>1,365</b>	<b>21,245</b>	<b>20,650</b>

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

For 2010-11 employers' contributions of £2,899,722 were payable to the PCSPS (2009-10: £2,570,516) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £34,995 were paid to one or more of a panel of three appointed stakeholder pension providers (2009-10: £33,099). Employers' contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employers' contributions of £2,963, 0.8% of pensionable pay (2009-10: £2,920, 0.8%), were payable to the PCSPS to cover the cost of the future provision of lump-sum benefits on death-in-service and ill-health retirement of these employees. Contributions due to the partnership pension providers at the Statement of Financial Position date were £2,557. Contributions prepaid at that date were nil.

### B) Average number of persons employed

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

	2010-11				2009-10
	Senior management	Other permanent staff	Others	Total	Total
Full-time equivalent	4	399	27	430	426

## 8 Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of exit packages 2010-11				2009-10
	Compulsory Redundancies	Early Retirements	Other Departures	Total	
< £10,000	–	–	3	3	2
£10,001-£25,000	–	–	2	2	4
£25,001-£50,000	–	–	1	1	–
£50,001-£100,000	–	–	1	1	1
£100,001-£150,000	–	–	–	–	–
£150,001-£200,000	–	–	–	–	–
Total number of exit packages	–	–	<b>7</b>	<b>7</b>	<b>7</b>
Total resource cost (£000)	–	–	<b>169</b>	<b>169</b>	<b>126</b>

No redundancy or early retirement costs have been paid in 2010-11. Payments when made are in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Other departure costs have been paid in accordance with the terms of compromise agreements between PHSO and individual staff members.

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

## 9 Other administration costs

		2010-11		2009-10 Restated
Note	£000	£000	£000	
<b>Cash items</b>				
	External professional advice (casework-related)	625		769
	Associate caseworkers	85		145
	Professional services	191		303
	Consultancy	640		726
	Information and communications technology	1,676		1,467
	Recruitment and training	483		914
	Travel, subsistence and hospitality	391		462
	Publicity	105		124
	Stationery and postage	269		336
	Accommodation costs	2,273		2,095
	Accommodation operating leases	2,895		2,874
	Other operating leases	45		79
	Other	772		717
			10,450	
<b>Non-cash items</b>				
	Depreciation and amortisation of fixed assets:			
	Property, plant and equipment	11	1,334	1,228
	Intangible assets	12	125	213
	Revaluation losses		32	(1)
	Loss on disposal of fixed assets		54	47
	External auditor's remuneration		50	54
	Provisions:			
	Provided in year	18	–	123
	Provisions not required written back	18	(29)	–
			1,566	
<b>Total</b>			<b>12,016</b>	<b>12,675</b>

Auditors have received no remuneration for non-audit work.

## 10 Income

		2010-11	2009-10
Note	£000	£000	£000
Recovery of direct and overhead costs from the:			
	Local Government Ombudsman for England	24	33
	Public Services Ombudsman for Wales	80	84
	Scottish Public Services Ombudsman	22	54
	Northern Ireland Ombudsman	25	8
	Information Commissioner's Office	72	69
	Recoveries in respect of outward secondments	80	135
	Other miscellaneous operating receipts	5	7
<b>Total</b>		<b>310</b>	<b>399</b>

## 11 Property, plant and equipment

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

All property, plant and equipment held at 31 March 2011 is owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third party assets. Property, plant and equipment is valued using Office for National Statistics indices. PHSO have revised the categories used for indexation as at the 31 March 2011. Small rounding differences are included.

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

All property, plant and equipment held at 31 March 2010 were owned rather than leased or held as non-current assets through PFI contracts. PHSO held no third party assets. Property, plant and equipment were valued using Office for National Statistics indices.

## 12 Intangible assets

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

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

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

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

All intangible assets held at 31 March 2010 were owned rather than leased or held as non-current assets through PFI contracts. PHSO held no third party assets. Intangible assets were valued using Office for National Statistics indices.

## 13 Financial instruments

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

## 14 Trade receivables and other current assets

	31 March 2011	31 March 2010
	£000	£000
<b>Amounts falling due within one year</b>		
Trade receivables	65	72
Trade receivables payable to the Consolidated Fund	2	–
Deposits and advances	156	135
Prepayments and accrued income	1,204	1,221
<b>Total</b>	<b>1,427</b>	<b>1,428</b>

## 15 Cash and cash equivalents

	2010-11	2009-10
	£000	£000
Balance at 1 April	37	144
Net change in cash and cash equivalent balances	8	(107)
<b>Balance at 31 March</b>	<b>45</b>	<b>37</b>

	31 March 2011	31 March 2010
	£000	£000
The following balances at 31 March were held:		
Cash at bank	40	33
Cash in hand and cash equivalents	5	4
<b>Total</b>	<b>45</b>	<b>37</b>

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

	2010-11	2009-10
	£000	£000
Net Cash Requirement	(32,185)	(32,628)
From the Consolidated Fund (Supply) – current year	32,204	32,507
Amounts due to the Consolidated Fund received and not paid over	5	16
Amounts due to the Consolidated Fund received in the prior year and paid over	(16)	(2)
<b>Increase/(decrease) in cash</b>	<b>8</b>	<b>(107)</b>



## 17 Trade payables and other current liabilities

	31 March 2011	31 March 2010
	£000	£000
<b>Amounts falling due within one year</b>		
Trade payables	237	31
Taxation and social security	439	392
Other payables	284	294
Accruals and deferred income	1,056	1,052
Rent-free period accrual	71	71
Amounts issued from the Consolidated Fund for supply but not spent at year end	40	21
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	5	16
Receivable	2	–
<b>Sub total</b>	<b>2,134</b>	<b>1,877</b>
<b>Amounts falling due after more than one year</b>		
Rent-free period accrual	476	546
<b>Total</b>	<b>2,610</b>	<b>2,423</b>

## 18 Provisions for liabilities and charges

	2010-11				2009-10
	Early departure costs £000	Legal claims £000	Other £000	Total £000	Total £000
Balance at 1 April	872	–	75	947	1,195
Provided in the year	–	–	–	–	123
Provisions not required written back	(29)	–	–	(29)	–
Provisions utilised in the year	(239)	–	–	(239)	(371)
Unwinding of discount	–	–	–	–	–
<b>Balance at 31 March</b>	<b>604</b>	<b>–</b>	<b>75</b>	<b>679</b>	<b>947</b>

### Early retirement and pension commitments

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

### Legal claims

No liability was recognised by the PHSO as at 31 March 2011.

### Other

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

## 19 Capital commitments

There were no contractual capital commitments as at 31 March 2011 or 31 March 2010.

## 20 Commitments under leases

### Operating leases

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

	31 March 2011	31 March 2010
	£000	£000
<b>Buildings</b>		
Not later than one year	2,523	2,523
Later than one year and not later than five years	11,695	11,523
Later than five years	7,410	10,590
<b>Total</b>	<b>21,628</b>	<b>24,636</b>
<b>Other</b>		
Not later than one year	40	15
Later than one year and not later than five years	13	101
Later than five years	–	–
<b>Total</b>	<b>53</b>	<b>116</b>

PHSO has restated its commitments under leases as at 31 March 2010 to show the split between the time categories.

## 21 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 2011	31 March 2010
	£000	£000
Not later than one year	474	1,071
Later than one year and not later than five years	2,555	1,277
Later than five years	6,297	7,179
<b>Total</b>	<b>9,326</b>	<b>9,527</b>

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

## 22 Segmental reporting

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

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

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

Only the Operations Division is classified as a 'segment' as per the criteria of IFRS8; the other divisional results are disclosed in order to allow reconciliation back to the full cost of PHSO for 2010-11.

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	Communications	Corporate Resources	Others	Total
	£000	£000	£000	£000	£000
<b>2010–11</b>					
Staff costs	14,916	772	3,745	1,699	21,132
General budgets	262	20	107	55	444
Professional advice – casework	318	–	–	210	528
Associate caseworkers	85	–	–	–	85
External complaints reviewers	–	–	–	96	96
Income	(131)	–	(2)	(82)	(215)
<b>Total</b>	<b>15,450</b>	<b>792</b>	<b>3,850</b>	<b>1,978</b>	<b>22,070</b>
PHSO unapportioned overhead costs					10,961
<b>Total</b>					<b>33,031</b>
<b>2009–10</b>					
Staff costs	14,597	752	3,692	1,552	20,593
General budgets	331	20	116	59	526
Professional advice – casework	437	–	–	256	693
Associate caseworkers	145	–	–	–	145
External complaints reviewers	–	–	–	76	76
Income	(146)	–	–	(150)	(296)
<b>Total</b>	<b>15,364</b>	<b>772</b>	<b>3,808</b>	<b>1,793</b>	<b>21,737</b>
PHSO unapportioned overhead costs					11,324
<b>Total</b>					<b>33,061</b>

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

PHSO operates across two sites – approximately two thirds of our staff are based in London, and one third in Manchester. However, PHSO operates as one office: staff in London and Manchester do the same work and receive the same corporate services. PHSO does not, therefore, report internally, or allocate overheads, on the basis of location.

## 23 Contingent liabilities disclosed under IAS 37

PHSO has the following contingent liabilities:

	2010-11	2009-10
	£000	£000
Legal cases against PHSO	25	–

## 24 Losses and special payments

	2010-11		2009-10	
	No. of cases	£000	No. of cases	£000
Total	31	187	49	136

No individual cases in either 2010-11 or 2009-10 exceeded £250,000.

## 25 Related-party transactions

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

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

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

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

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

## 26 Events after the Reporting Period

In accordance with the *FReM*, the Ombudsman is required to consider the impact of events since the closing date of the Statement of Financial Position and up to the date on which the accounts are authorised for issue, which is interpreted as the date the accounts are laid before Parliament. In the Ombudsman's opinion there have been no events since 31 March 2011 that would affect the financial statements.

**If you would like this report in a different format, such as DAISY or large print, please contact us.**

**Tel: 0300 061 4102**

**Email: [phso.enquiries@ombudsman.org.uk](mailto:phso.enquiries@ombudsman.org.uk)**

**[www.ombudsman.org.uk](http://www.ombudsman.org.uk)**

## **Parliamentary and Health Service Ombudsman**

Millbank Tower  
Millbank  
London SW1P 4QP

Tel: 0345 015 4033  
Fax: 0300 061 4000  
Email: [phso.enquiries@ombudsman.org.uk](mailto:phso.enquiries@ombudsman.org.uk)

[www.ombudsman.org.uk](http://www.ombudsman.org.uk)



information & publishing solutions

**Published by TSO (The Stationery Office) and available from:**

### **Online**

[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

### **Mail, telephone, fax and email**

TSO  
PO Box 29, Norwich, NR3 1GN  
Telephone orders/general enquiries 0870 600 5522  
Order through the Parliamentary Hotline Lo-Call 0845 7 023474  
Fax orders: 0870 600 5533  
Email: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)  
Textphone: 0870 240 3701

### **The Parliamentary Bookshop**

12 Bridge Street, Parliament Square,  
London, SW1A 2JX  
Telephone orders/general enquiries: 020 7219 3890  
Fax orders: 020 7219 3866  
Email: [bookshop@parliament.uk](mailto:bookshop@parliament.uk)  
Internet: <http://www.bookshop.parliament.uk>

### **TSO@Blackwell and other accredited agents**

### **Customers can also order publications from**

TSO Ireland  
16 Arthur Street, Belfast, BT1 4GD  
Telephone orders/general enquiries: 028 9023 8451  
Fax orders: 028 9023 5401

ISBN 978-0-10-297445-4



9 780102 974454