

The Ombudsman's Annual Report and Accounts 2017-2018



The Ombudsman's Annual Report and Accounts 2017-2018

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 18 July 2018

HC 1388

© Parliamentary and Health Service Ombudsman copyright 2018.

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 phso.enquiries@ombudsman.org.uk

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

ISBN 978-1-5286-0383-6

CCS0518604510 07/18

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

Contents

Performance report	7
Overview	7
Foreword from the Ombudsman and Chair	8
Foreword from the Chief Executive	9
Vision and strategy	10
Performance analysis	16
The complaints we see	16
Our service	24
Working with others	33
Our people, our organisation	38
Environment and sustainability report	41
Accountability report	44
Our Board	44
Statement of Accounting Officer's Responsibilities	50
Governance statement	51
Remuneration and staff report	63
Parliamentary Accountability and Audit Report	78
Financial Statements	89

The images used in this report are not representative of any person or particular individual and are used for illustrative purposes only.





Performance report

Overview

The overview section provides statements from the Ombudsman and Chief Executive on the performance of the organisation in 2017-18. It sets out our purpose and role, and provides an analysis of how we have performed against our strategic objectives and mitigated against risks.

Foreword from the Ombudsman and Chair

In my first year as the Parliamentary and Health Service Ombudsman we developed our new corporate three-year strategy in partnership with our staff and stakeholders.



The strategy formalises the work started over the past year to bring us back to focusing on our core service of complaint resolution while embodying the values of independence, fairness, excellence and transparency.

Our first priority is to complete the work started in 2017-18 to improve service delivery. This includes introducing new ways of working to resolve cases more quickly, improving both the quality and timeliness of decisions and the overall experience for people making complaints. As part of this, we will embed early resolution and mediation into our skillset for complaint handling.

Increasing the transparency and the impact of our casework is

central to our strategy and we have already made progress. In November 2017, we held our first ever Open Meeting, which was attended by a diverse mix of complainants, advocacy groups and public service providers. It featured guest speakers, breakout sessions, and an open Q&A panel discussion to give delegates the opportunity to ask the panel questions directly. It is vital that we listen to people's experiences of our service so that we can make improvements.

Building public confidence and trust in our service also remains a priority. In October 2017, we launched Radio Ombudsman, a podcast series where I speak frankly with various stakeholders and complainants on a range of topics such as NHS investigations, good complaint handling, and improving public services.

Seeking to improve public health services will remain an important part of what we do. But we cannot succeed on our own. We must work with a range of strategic partners to improve how the public sector responds when things go wrong.

As part of this, I have visited a number of bodies in jurisdiction to improve understanding of

our role and how we work. I have seen several NHS trusts that provide effective complaint handling, which we and other public service organisations can learn from. Central to this is the importance they place on good patient experience and continuous improvement.

When speaking to complaint handlers on my visits they have told me that they would benefit from more skills development and detailed national guidance on what good local complaint handling and investigations look like. This now forms part of our third objective in our new strategy.

In the coming year, we will continue to work closely with those who use our service, organisations we investigate, and fellow ombudsman organisations to learn from their experiences and continue to modernise our service.

Rob Behrens, CBE
Accounting Officer
Ombudsman and Chair
Parliamentary and Health
Service Ombudsman
July 2018

Foreword from the Chief Executive

This year has seen the organisation change significantly. Thanks to the commitment and professionalism of our staff, we now have the foundations in place for a very different organisation going forward.



Over the past 12 months, we have embarked upon a programme to improve the quality and consistency of our service, while at the same time working towards meeting a very demanding 24% budget reduction over the spending review period.

Relocating the majority of our operational business to Manchester was very difficult and unsettling for PHSO staff over an extended period. But these changes needed to be made to ensure that we can deliver a better service going forward, within a significantly shrinking budget. We have also introduced new ways of working, removing hand-offs between caseworkers and streamlining our approach.

The majority of the changes are now complete. Our organisation

feels more stable and we can now start to make the real improvements that we want to make to our levels of service.

The new ways of working, along with significant recruitment of new caseworkers, has meant that we needed to develop and deliver new casework training to large numbers of our workforce. Over 500 training sessions have already been delivered in all aspects of casework and investigations, bringing consistency and clarity of approach. And with the support of external specialists, we have also developed more in-depth training in evidence gathering, investigative skills and effective communication, for delivery in the year ahead. This level of detailed, specialist training will eventually lead to ground-breaking accreditation for our most skilled caseworkers.

It is by lifting the capabilities and capacity of our staff that will enable us to deliver a step change in the consistency of the quality of our work, delivering the service we want to provide and the service that those who engage with us want to receive.

Inevitably, there have been trade-offs. These necessary changes have had a short-term impact on the service that we have been able to deliver, particularly

given the amount of time we are investing in training. But we planned for this and so, as we ended the business year in March with an increase in the number of cases that had not yet been allocated to a caseworker, we also had a detailed plan to deal with them.

Taking the decision to make this scale of change - in the full knowledge that they would impact on service delivery - was really difficult. But the purpose of all of the changes we are making is to ensure that we can deliver an impartial, high-quality service in a timely manner.

We know that despite the incredible hard work, capabilities and professionalism of PHSO staff, it is not going to be straightforward. But through improvements to our ways of working and a significant investment in our staff, we are far better placed now than we have been in the past to confront and overcome any problems we might face.

Amanda Campbell, CBE
Chief Executive

Parliamentary and Health
Service Ombudsman

July 2018

Vision and strategy

Vision

Our new vision is to be an exemplary public services ombudsman by providing an independent, impartial and fair complaints resolution service, while using our casework to help raise standards and improve public services.

Role

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

We are an independent national ombudsman service. We are not part of government, the NHS in England or a regulator. We are neither a consumer champion nor an advocacy service.

A free service at the point of need

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

We normally expect people to complain to the organisation first

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

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

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



Values

Our new values have been developed in close consultation with staff and people who use our service, so we have a shared understanding about the type of ombudsman service we want to be.

The values are:



Independence

We are independent from organisations we investigate, holding them to account for service failure.



Fairness

We listen carefully to complainants and the organisations we investigate and we make impartial and fair decisions based on relevant evidence.



Excellence

We learn from engagement with complainants and organisations we investigate to improve our accessibility, efficiency and effectiveness and the quality of our decisions.



Transparency

We communicate with those using our service and then publish information about our findings, how we are performing, and how organisations we investigate have implemented our recommendations.

Five-year strategy 2013-2018

In 2013 we identified five strategic aims. These were to:

- make it easier for people to find and use our services,
- help more people by resolving and investigating more complaints, and providing an excellent customer service for everyone who contacts us,
- make public services better by working with others to share what we learn from complaints,
- work with others to make it easier to complain about public services and to help public services resolve complaints better, and
- make sure our organisation works well to help us achieve our aims.

Activity took place in three linked stages, of which 2017-18 was the final year.

2013-15: attempting to build the foundations for change and meeting demand for our service by making more decisions on unresolved complaints,

2015-17: seeking to transform and modernise our service, and

2017-18: consolidating change and preparing for the future.

We recognise that the ambitions of the five-year strategy from 2013 to 2018 were implemented sub-optimally. This meant that not all aspects were fully delivered and resulted in problems for our core operation and the standard of service delivered. Our new three-year strategy from 2018 to 2021 focuses on improving operational delivery and the quality of service.

Year five at a glance, 2017-2018

Continuing the transition to a streamlined public ombudsman service

Although draft legislation for the creation of a new Public Service Ombudsman has been published, the Government has not yet introduced it for legislative scrutiny in Parliament. We have, however, continued to develop our relationship with the Local Government and Social Care Ombudsman (LGSCO). We responded jointly to the draft legislation and our senior teams worked closely together to develop and align our new respective strategic plans.

During 2017-18, we restructured our service and moved the majority of our operations to Manchester. This has helped us meet the 24% financial savings

target that we are on track to deliver by the end of the 2019-20 financial year.

We have started to implement new ways of working to streamline and improve people's experience of our service. We have also begun significant investment in training for our staff to ensure that we can provide a consistently high-quality service now and in the future.

Improving awareness of the role of ombudsman services

As part of improving understanding of our role and how we fit into the wider complaints system, in 2017-18 we launched a number of new initiatives in addition to the 2013-18 strategy commitments. These included a regular Radio Ombudsman podcast, a lecture series and Open Meetings to improve engagement with people who use our service.

Putting in place mechanisms for the seamless referral of complaints across public services

We continued to engage with public service providers to ensure they are referring people to us correctly to help reduce the number of complaints we receive that are not ready for us to look at. This included a

review of websites and final response letters of the top 40 NHS and government providers with an above average number of complainants referred to us, to ensure that the content was accurate and effective, directing people to our service at the right time. It is commonplace across ombudsman services to receive complaints that are not ready to be looked at.

Making full use of digital technology to deliver our services

Improving our technology remains a challenge but we are making progress. In July 2017, our new, improved website was awarded the AA standard for accessibility, which is the standard set by the Government Digital Service. We will be developing our online complaint form to improve accessibility as well as making changes to our casework management system.

Developing a common approach to insight across the system to identify improvements to complaint handling and big and repeated mistakes in public services

We decided not to progress with this objective given the breadth and scale of our jurisdiction. We did, however, continue to produce a series of valuable insight reports identifying individual and systemic issues, including eating disorders and mental health.

Risks and mitigation

This year we improved our approach to risk management, including:

- embedding strategic risk management processes, led by the Board,
- establishing a Risk Forum to implement a risk management approach, which reviews risk

and makes recommendations to the Strategic Leadership Group,

- monitoring performance while considering the amount and type of risk that we are willing to take and that we can safely manage,
- embedding risk management into the role of Head of Business Planning and Performance so that there is clear accountability for oversight,
- incorporating more detail around our approach to risk management in our Governance Framework, and
- making improvements to the way in which we audit risk management.

An audit of risk management procedures by our internal Auditors found significant assurance to be in place with only minor areas for improvement identified.

The table below summarises some of the key strategic risks we actively managed in 2017-18.

Strategic risk 2017-18	Mitigating actions
<p>Managing demand</p> <p>There was a risk that the demand for our service could increase to a level that we could not manage.</p>	<ul style="list-style-type: none"> • We increased the number of permanent and temporary caseworkers and put a new workflow management process in place • We improved our triage process at the initial checks and assessment stages • We refined our forecast modelling to improve accuracy
<p>Casework quality</p> <p>There was a risk that the quality of our casework could deteriorate resulting in poor outcomes for complainants and damage to our reputation.</p>	<ul style="list-style-type: none"> • We developed a comprehensive training programme for caseworkers, which exceeded industry norms and improved the consistency of our casework • We used the feedback from our Service Charter reporting to identify improvements to our processes
<p>Information and Communication Technologies (ICT)</p> <p>There was a risk that issues with our ICT capability and infrastructure would be unable to support the effective delivery of our operations</p>	<ul style="list-style-type: none"> • We agreed an interim six-month IT and digital plan and delivered a number of IT system improvements • We set out a number of activities in our 2018-19 business plan to improve infrastructure and capability, including the development of a new ICT and Digital Strategy
<p>People</p> <p>There was a risk of staff feeling they are not involved in change, which could lead to low productivity and low levels of staff wellbeing.</p>	<ul style="list-style-type: none"> • We engaged and consulted staff to shape both the values and objectives of the new corporate strategy • We improved communication channels and cascade mechanisms with the focus on building the foundations for good internal communications
<p>Transformation</p> <p>There was a risk that our Transformation programme could fail to deliver the planned savings and changes in how we work.</p>	<ul style="list-style-type: none"> • We fully aligned our strategy and business planning processes • We established a Transformation Programme Office and agreed a common approach to all Programme and Project management • We agreed a revised scope for the Transformation Programme and aligned it with the new business plan and corporate strategy

Focus on the future 2018-21

On 16 April 2018, we published our new corporate three-year strategy that sets out how we will seek to become an exemplary ombudsman service. In developing the strategic plan, we consulted a wide range of stakeholders and our staff, receiving valuable input. This was not a one-off exercise. We are committed to involving those who interact with our service to understand how we can improve further.

Our plan sets out three realistic objectives:



To improve the quality of our service, while remaining independent, impartial and fair

Our main focus is to complete the work we started in 2017-18 to improve our service. Building public confidence and trust in what we do remains our priority. We will then explore how we can introduce additional ways of working, through effective casework, that will help resolve cases more quickly and effectively. This will improve both the quality and timeliness of our decisions, and the overall experience for people making complaints.

We will continue to invest in our staff so they are equipped to deliver a professional casework service that remains sensitive to the complex, often tragic, issues that are brought to us.



To increase the transparency and impact of our casework

By the end of the three-year period, we will publish much more of our casework online to help improve public services. This includes highlighting where things have gone wrong and what organisations are doing and can do to put them right.

We will also continue to target our insight reports so that important lessons from our casework and systemic reviews contribute to raising standards in public services.



To work in partnership to improve public services, especially frontline complaint handling

Helping to improve public services will be central to what we do. But we cannot succeed on our own. We must work with a range of strategic partners and bodies in jurisdiction to improve how the public sector responds when things go wrong.

We will explore a number of options for achieving this objective, from sharing good practice to developing training material for frontline complaint handlers.



You can read our full three-year strategy at: www.ombudsman.org.uk/our-strategy-2018-21

Performance analysis

The complaints we see

In 2017-18, we continued to transform our service to make sure we meet demand now and in the future. The scale of change is significant.

In this year, we completed an organisational restructure to create more efficient processes, and to reduce spending. This included moving the majority of our operations from London to Manchester, which meant we had to recruit and induct over 90 new caseworkers. In addition, we introduced new ways of working for all caseworkers and an extensive training programme, which took caseworkers out of their daily roles.

The new operating model will improve the speed and consistency of complaint handling, while our staff training programme will help give caseworkers the skills they need to provide a high-quality service.

As a result of these important and necessary changes we completed fewer cases and our waiting times increased. But, with new recruits becoming fully established and processes bedding down, we expect our waiting times to improve next year.

Complaint handling in detail

As the last port of call in the complaint process, we are the final opportunity for people to resolve their complaint. We have a three-step process for dealing with complaints about the NHS in England, UK government departments and other UK public organisations.

Not all of the complaints that come to us go through our whole process. Where we can, we will seek to resolve complaints earlier in the process and provide complainants with answers sooner. Our focus is on making the right decision at the right time. When we work with the organisation complained about to resolve a complaint without the need for a full investigation, we categorise the outcome as a 'resolution'.

In 2017-18, we completed 6,739 detailed assessments (of which 146 were resolutions) and 2,676 investigations about 9,945 organisations. We upheld or partly upheld 38% of the complaints we investigated. This means that we found the organisation complained about had made mistakes or provided a poor service, and that this had a negative effect on the person complaining that had not been put right.

During the year, we significantly improved the efficiency of our Intake team (who respond to all initial enquiries, 'Step 1' below) and they are now exceeding their target of responding to people within five working days, helping more people, more quickly.

In the autumn, we introduced a new operating model which means that a single caseworker now completes both the 'assessment' (Step 2) and 'investigation' (Step 3) stages of a complaint. This streamlines the process by removing a previously time-consuming 'handover' phase between different caseworkers at these two stages. It also improves complainants' experience as they have a single point of contact. However, the majority of our casework during 2017-18 was undertaken under the previous system.



Step one: initial checks

We look at whether we can investigate the complaint and if it is ready to come to us. We usually expect people to complain to the organisation they are unhappy with first. This is so the organisation has the chance to look into the concerns and, where needed, put things right. If the complaint has

not yet completed the organisation's complaints process, we let people know what remaining stages there are and what they can do next.

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

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

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

In 2017-18:

114,278

Our information line received 114,278 phone calls, emails, online enquiries and letters, compared to 123,084 the year before. The majority (72%) of these were not ready for us or needed to be redirected to other complaints organisations. We accepted 28% of these as new complaints for us to look into under step one of our process.

32,389

We completed our initial assessment on 32,389 complaints, including complaints continued from the previous year. These were progressed in the following ways:

23,960

We gave information on how to make a complaint to the NHS in England, government departments, or other public organisations, or signposted to another organisation that would help.

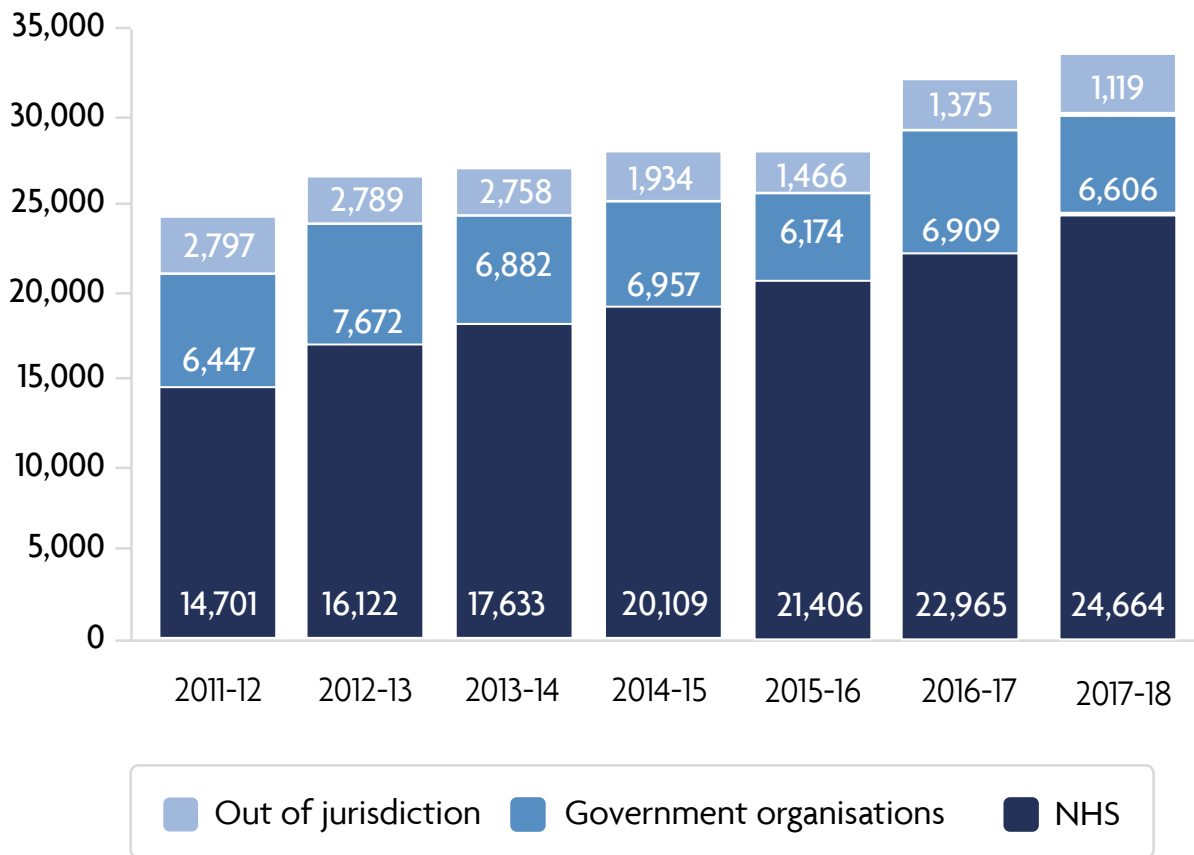
8,291

We referred these complaints for more in-depth consideration (an assessment – step 2 in our process).

138

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

New complaints we have handled, year on year



The chart above shows that the number of new complaints we handled in step one of our process has increased by 4% compared to the previous year, and by 22% since 2012-13. We are still seeing rising demand for our

service and are pleased to be helping so many people.

We have continued to work hard to help people better understand our role through the media, our website and

by working more closely with advocacy organisations and other stakeholders. This has helped to reduce the number of complaints that are about organisations that we cannot investigate (out of jurisdiction), year-on-year.



Step two: Assessment

At the second step in our process, we look at what happened in more depth. This is where we decide whether we should investigate the complaint, or whether we can resolve it without a full investigation. For example, this could involve working with the complainant and organisation concerned to help them come to an agreement. We make sure we understand in detail what has happened so far and what the person is looking for as an outcome. We look for signs that mistakes have been made that have had a negative effect and we look at what has already been done to put this right.

Our Service Model gives us clear criteria to allow us to make the right decision as early as possible in the process. It means that we are able to provide answers to more people without them having to wait until the conclusion of a formal investigation. There are a number of reasons for us to close complaints at the assessment stage.

We can usually only investigate if the complainant has been affected personally by what

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

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

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

We have been encouraging caseworkers to find ways to resolve complaints earlier and without the need for a

full investigation. We have started to improve how we record this information so it reflects accurately the full range of outcomes achieved at assessment, but this work was not completed in time for it to be fully reflected in the 2017-18 figures.

Our Service Model gives us clear criteria to allow us to make the right decision as early as possible in the process.

In 2017-18:

6,739

We assessed 6,739 complaints, which involved either closing the case, resolving the complaint or passing it over for a more in-depth investigation. We put 2,429 (36%) through to step three in our process, which sees the start of an investigation. This compares to 8,119 assessments in 2016-17 where we put through 3,767 (46%) of those to the investigation stage. 5,545 of these complaints were about NHS organisations in England. 1,194 were about UK government departments and some other UK public organisations.

The complaints assessed were progressed in the following ways:

146

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

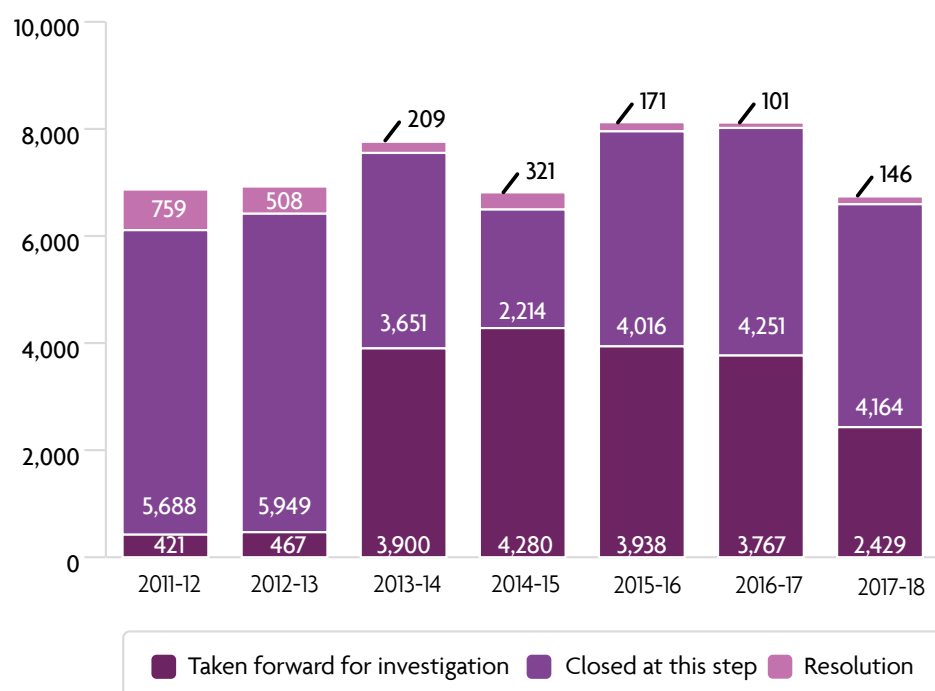
2,429

We passed these complaints to our investigations team – step three in our process. This accounted for 36% of all the complaints we dealt with at this step.

4,164

We closed the remainder at this step for a variety of reasons, for example, because the complainant asked us to.

Decisions made at assessment, year on year



The chart shows that we assessed fewer complaints in 2017-18 than in the last two years. We also took longer to complete the assessments.

This expected dip in performance was caused by the changes described on page 16. Assessment waiting times started to improve by the end of 2017-18.



Step three: Investigation

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

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

mistakes happening again, such as changing procedures or training staff. If we do not uphold the complaint, we explain why; it might be that we found the organisation acted appropriately in the circumstances.

In 2017-18:

We completed 2,676 investigations into 3,192 organisations, compared to 4,239 investigations into 5,057 organisations in the previous year. These figures do not include complaints that we resolved earlier in the process. We have continued to work hard this year to make even clearer the criteria that enable us to make the right decision as early as possible in the process. Often the work we do in steps one and two means we can get answers for people without the need for an investigation.

Some 12% of investigations were about UK government departments and other UK public organisations and 88% were about the NHS in England.

Of the total complaints we investigated:

179
(6.5%)

We upheld the complaint, in relation to all of the issues.

95
(3.5%)

We resolved the complaint before the investigation was concluded.

825
(31%)

We partly upheld the complaint, in relation to some of the issues.

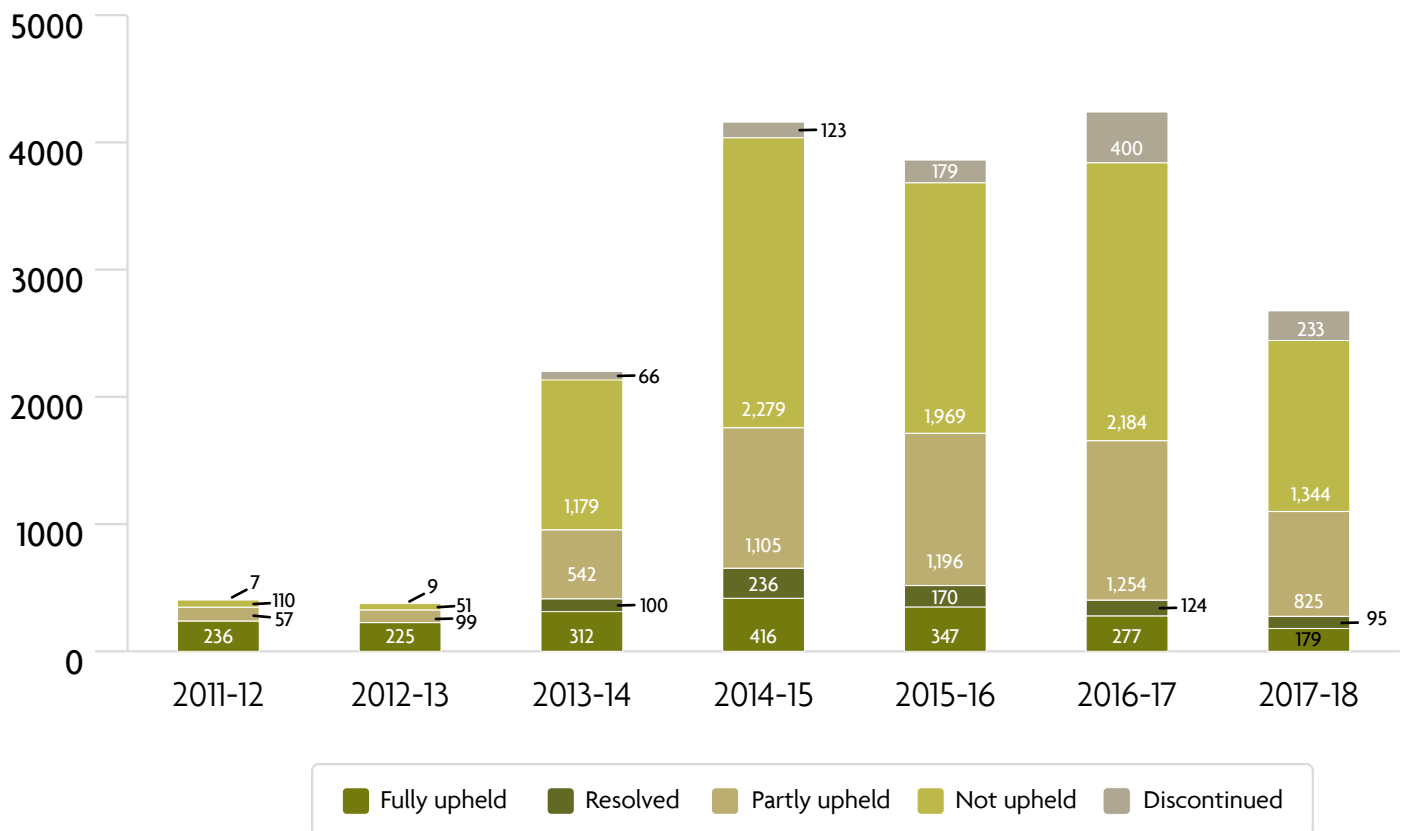
1,344
(50%)

We did not uphold the complaint.

233
(9%)

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

Decisions made at investigation, year on year



Recommendations

When we identify mistakes, we make recommendations to organisations to put things right.

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

- 745 formal apologies,
- 421 payments to make up for financial loss or to recognise the impact of what went wrong: £516,530 from NHS organisations, £73,688 from UK government departments and other UK public organisations,

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

We ask NHS Trusts to share our investigation reports about them with the Care Quality Commission who can follow up on our recommendations in their inspections.

When we find failings, we give organisations a timeframe to implement our recommendations and we follow up with them until this happens. We are considering how to publish compliance data on our website, updated each quarter.

On rare occasions, organisations do not comply with our recommendations. In these circumstances we can bring a report to the Public Administration and Constitutional Affairs Committee who hold them to account.

Our casework 2017-18 by organisation type

Sometimes a complaint involves more than one organisation. Previously, at step one and step two in our process, we reported a complaint against every

organisation involved. Our new casework management system introduced in 2016-17 records the number of complaints we receive, but it does not record every organisation involved in a complaint at these steps in our process. This means the

data about the number of organisations we have looked into at steps one and two in our process is not comparable with years prior to 2016-17.

Cases, assessments and investigations

Organisation type	Complaints handled	Complaints assessed	Complaints resolved without the need for full investigation	Complaints accepted for investigation	Completed investigations
NHS in England	24,664	5,545	132	2,232 into 2,587 organisations	2,355 into 2,788 organisations
Government department/ public organisation	6,606	1,194	14	197 into 218 organisations	321 into 404 organisations
Not an organisation we can investigate	1,119	N/A	N/A	N/A	N/A
Total	32,389	6,739	146	2,429	2,676

Key performance indicators and risk

As part of our 2017-18 business planning process, we set a number of Key Performance Indicators (KPIs) to measure our performance against our strategic aims, which were agreed

by the Board. The KPIs cover casework performance, financial performance and complainant satisfaction. For each KPI we set tolerance thresholds. Tolerances that were exceeded were reported on at each Board meeting and mitigations were discussed.

As part of the development of our new corporate strategy for 2018-21, we have reviewed and agreed a risk appetite, risk tolerances and KPIs for each new strategic objective.

Our service

Throughout 2017-18, we continued to transform our service and how we work to make sure we are doing the things people have told us matter most to them.

We continue to publish quarterly Service Charter reports of our performance against the commitments we make to people who use our service, which helps us identify where we need to improve.

Service Charter

Our Service Charter explains the quality of service that people can expect when they ask us to look into a complaint. It was launched in July 2016 and drawn up following a public consultation and extensive engagement with past and current complainants, NHS and public sector organisations, advocacy groups and staff.

We published the Service Charter alongside more detailed guidance about what we do and what people can expect at each step in our complaints process.

Together they explain the different things we consider when we look into a complaint, how we make our decisions, what to expect if we decide to investigate a complaint and why we might decide not to.

The Service Charter makes commitments about the service

we provide at the different steps of our process. We use these commitments to measure how well we are delivering our service and to understand where we need to improve.

Measuring performance against our Service Charter

Service Charter reporting is made up of two sources of information: casework process assurance and complainant feedback.

Line managers, along with a dedicated team of assurance officers, routinely sample cases to review whether there is evidence that the caseworker followed the correct casework process. A higher assurance score indicates that caseworkers are acting consistently in line with our Service Model.

An independent, external research company then carries

out telephone interviews to get feedback from complainants at various stages in our process as part of our rolling customer satisfaction survey. The complainant feedback scores give us insight into the complainant's own view of their experience of our service.

We use what this tells us to inform our programme of continuous improvement, including changing how we do things or arranging training, coaching and development. We publish the results each quarter on our website: www.ombudsman.org.uk/service-charter

In 2017-18, our customer satisfaction survey captured feedback from 26% (699 total) of people whose complaints we investigated and 4% (1,409 total) of people whose complaints we closed at an earlier stage in our process. Satisfaction increased

among people whose complaints we investigated and then upheld in full: 85% told us they were satisfied compared to 81% in 2016-17. Of the complaints we investigated and partly upheld, 67% of people said they were satisfied with our service, compared to 73% in 2016-17. Some 49% of people whose complaints we did not uphold, told us they were satisfied with our service, compared to 51% in 2016-17.

As with other ombudsman services there can be times when people are disappointed with our decision not to uphold their complaint, or when we are unable to accept it for investigation. We recognise that we must deliver a high-quality service irrespective of our findings to uphold or not uphold a complaint, and we have identified a range of activities to improve what we do, in line with our Service Charter. We will track the effectiveness of these

improvements against future Service Charter measurements to make sure we provide the best possible service to people who need our help.

The combined scores for 2017-18 are in the table below.

Giving you the information you need

Commitment	April 2017 to March 2018	
	Casework Process Assurance	Customer Feedback
1. We will explain our role and what we can and cannot do	99%	78%
2. We will explain how we handle complaints and what information we need from you	95%	79%
3. We will direct you to someone who can help with your complaint if we are unable to, where possible	98%	85%
4. We will keep you regularly updated on our progress with your complaint	84%	75%
Overall section score	94%	80%

These results show that the large majority of complainants agree that we explain our role and how we handle complaints and that we keep them regularly updated. Results for this section of the Service Charter have been consistently high throughout the year.

Following an open and fair process

Commitment	April 2017 to March 2018	
	Casework Process Assurance	Customer Feedback
5. We will listen to you to make sure we understand your complaint	97%	70%
6. We will explain the specific concerns we will be looking into	92%	84%
7. We will explain how we will do our work	91%	71%
8. We will gather all the information we need, including from you and the organisation you have complained about, before we make our decision	97%	45%
9. We will share facts with you, and discuss with you what we are seeing	85%	62%
10. We will evaluate the information we've gathered and make an impartial decision on your complaint	99%	-
11. We will explain our decision and recommendations, and how we reached them	97%	58%
Overall section score	94%	65%

These results show that the large majority of complainants think we are explaining the scope of our investigations and how we reach our decisions. However, over half of complainants continue to feel that we are not being thorough or gathering all the information we need to make a decision. We are considering a range of ways to make it clearer to people how we do this. Our extensive caseworker training programme is helping to address this.

Giving you a good service

Commitment	April 2017 to March 2018	
	Casework Process Assurance	Customer Feedback
12. We will treat you with courtesy and respect	N/A	88%
13. We will give you a final decision on your complaint as soon as we can	75%	53%
14. We will make sure our service is easily accessible to you and give you support and help if you need it	96%	61%
Overall section score	85%	67%

These results show that people feel we have taken too long to resolve cases. In 2017-18, investigations took an average of 234 days from receipt to completion, which is the same as last year and down from 255 in 2015-16. We scored highly for staff being helpful and approachable throughout the year.



Complaints about our service

We value the lessons from complaints about people's experience of our service. The information our customer care team records about the complaints we receive helps us to identify where we need to improve our service and where there may be lessons for individual staff, teams or the organisation as a whole.

The customer care team is the point of contact for anyone with concerns about our service that they have not been able to resolve with the team directly responsible for it.

This year, we handled 980 formal complaints about our service, which is 3% of the total number of complaints we handled. This compares to 676 (2%) in the previous year. We upheld 355 of the formal service complaints we looked at and took action to put things right. This could include an apology, a re-examination of certain issues, an explanation, or changes to our service. In 2017-18, we made 24 compensation payments to complainants due to poor service. These came to a total of £6,112.

Complaints about how we reach decisions

We seek to investigate complaints fairly and impartially. Our decisions are final, but in the following clearly limited and defined circumstances, we will look again at our decision if:

- it was based on inaccuracies that could change our decision,
- we overlooked or misunderstood parts of the complaint or did not take account of relevant information, which could change our decision,
- there is new and relevant information that was not previously available and which might change our decision

If having looked again at our decision we think we may have made an error, we will take action to put that right.

This year we improved how we look at complaints about our decisions by bringing the entire review process within the customer care team's remit. One member of the team considers whether to do a review as well as completing it. Having a single point of contact gives the complainant a better experience.

In 2017-18, we completed 56 reviews about our decisions and upheld 20 of them. In 2016-17, we completed 81 reviews about our decisions and upheld 15 of them.

This year our customer care team received 114 pieces of positive feedback from people who use our service and organisations we investigate.

Judicial review

If a person or organisation feels that we have not followed lawful procedures in reaching a decision about their complaint, they can apply to the High Court for that

decision to be reviewed by the courts. If their application is granted permission to proceed, then there is a full court hearing.

There were eight applications for judicial review of our decisions in 2017-18, the same number as 2016-17. We receive letters about potential claims for judicial review and may offer a meeting to explain any legal points to try and resolve the issue.

Of the eight applications for judicial review in 2017-18, six claims were discontinued or refused permission to go forward to a full hearing. The case of *Newman v PHSO* was heard in the High Court, and another is waiting for a decision on permission.

In *Newman v PHSO* [2017] (EWHC 3336) the High Court found that on the facts of that case we had not provided sufficient detail to a GP about the reasons for proposing an investigation where significant time had elapsed since the event complained about. While the judgement focussed on the issues in that specific case, we made changes to our approach so that we have clearer documentation about our reasoning when considering issues relating to the timing of a complaint.

The case of *Miller v Health Service Commissioner for England* was heard at the Court of Appeal following a High Court judgement in 2016-17.

Miller v Health Service Commissioner for England [2018] (EWCA civ 144) related

to an investigation about a GP from 2012-14. The Court of Appeal confirmed our statutory discretion around processes and the standard we apply, but found that in this particular investigation, the manner in which we applied aspects of our process and the standard applied were unlawful. Many of the processes criticised by the court had already been addressed but we made further changes following the judgement including to casework policy and guidance. We also updated investigation letter templates to make the process clearer to the parties involved in the complaint, as well as ensuring that all parties

to the complaint understand that they have the opportunity to input to the proposed scope and/or comment on the allegations set out.

County Court claims

One county court claim by a complainant alleging breach of the Equality Act, was issued and discontinued.

Employment Tribunal claims

Four claims were issued in the Employment Tribunal, all of which are ongoing.

Data Protection and Freedom of Information

We received 577 Freedom of Information and Data Protection requests compared to 691 in 2016-17, 649 in 2015-16 and 718 in 2014-15. We responded to 85% of these requests within the statutory deadlines.



Who uses our service

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

survey tells us that last year the proportion of people between the ages of 55 and 74 who used our service fell from 42% to 36%. Young people continue to be under-represented among our complainants. This may be because they are less likely to use

the services we investigate on a regular basis, compared to other groups of people. However, there was an increase in the proportion of 18 to 34 year olds who used our service last year compared to 2016-17, from 10% to 18%.

	People who used our service 2017-18 ¹	UK census data 2011 ²
Male	48%	49%
Female	52%	51%
18-34	18%	29%
35-54	41%	35%
55-74	36%	26%
75+	5%	10%
Disabled	37%	18%
Not disabled	63%	82%
Black, Asian and minority ethnic (BAME)	19%	13% ³
White	81%	87%

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

¹PHSO ongoing Service Charter customer survey carried out by Opinion Research Services.

²Office of National Statistics 2011 UK Census data.

³In our 2016-17 annual report, we used the 'White British' definition which was not in line with the standard ONS BAME definition as it does not include those that identify as 'White – Irish' and 'White – other'. This year we used the standard ONS BAME definition.

The time it takes us

2017-18 was a year of transformation and laying the foundations for improvements to our service. Unfortunately, this led to increased waiting times and the time taken to complete assessments and investigations. We expect this to improve in 2018-19 as we see the benefits of our new ways of working and

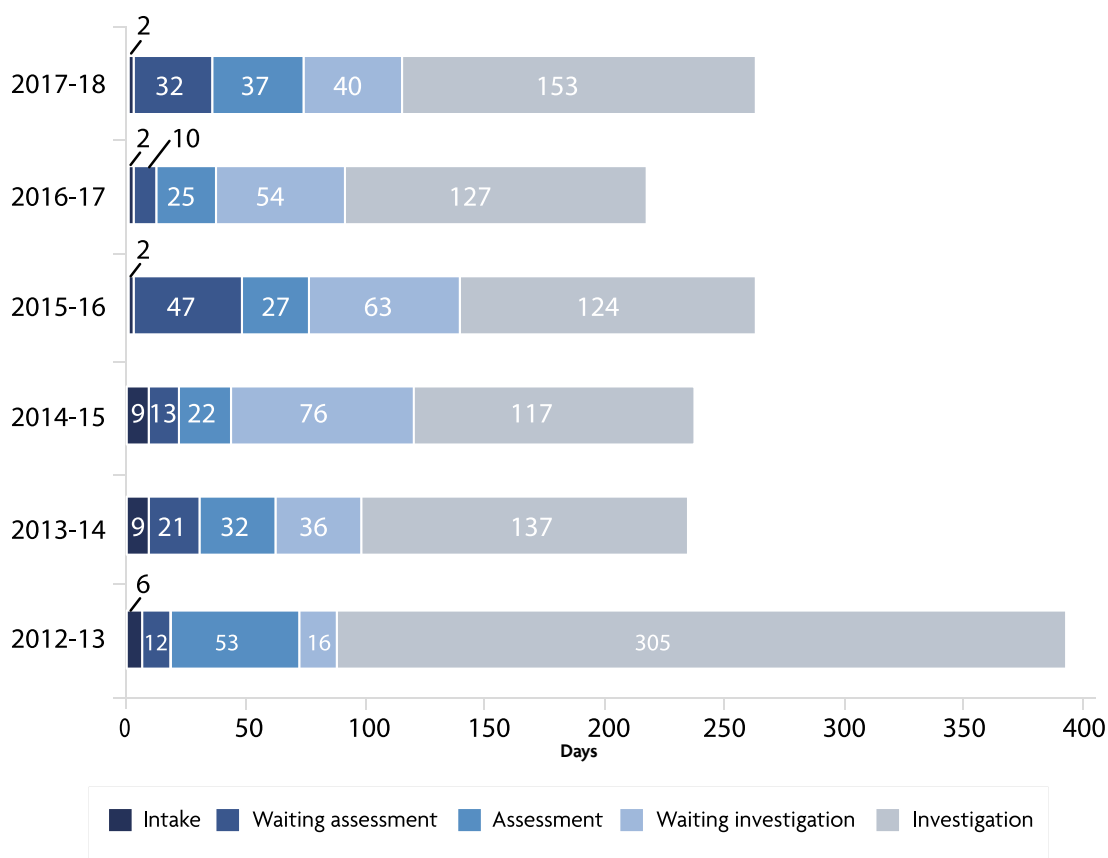
staff training.

We aim to respond to people within five working days of receiving a complaint (step one) and in 2017-18 we achieved this, responding within 1.3 working days on average.

Following the Miller v Health Service Commissioner for England Court of Appeal judgement in February 2018, we

reviewed our internal policies and procedures to ensure we were compliant. As a result, we paused on issuing reports for certain cases where we had obtained clinical advice. This contributed to increased waiting times for a small number of people and we kept those affected informed of the delay.

Durations per stage (days)⁴



The chart above shows that despite reducing the average time people have had to wait before the start of an investigation from 54 days in 2016-17 to 40 days in 2017-18, the changes to our operation have meant that the

investigation stage took longer than in previous years.

The changes we put in place during the year also saw the number of unallocated cases increase to 984 at the end of this

year, compared to 518 at the end of the previous year. We expect to reduce this queue to normal levels by autumn 2018.

We continue to monitor the number of cases taking over 12

⁴This chart shows the durations of the separate stages which cannot be added together to get the average length of an investigation. This is because some of the cases included in this are closed at the intake or assessment stages.

months to complete and we report to Parliament on these. On 1 April 2018, 148 cases that had been with us for 12 months or more were being actively worked on, compared to 104 on 1 April 2017.

During the 2017-18 year, 280 investigations (10% of the total) took us more than a year to complete, compared to 526 (12% of the total) in 2016-17. Of these, 223 were about the NHS in England and 57 were about UK government departments or other UK public organisations.

Some of the complaints that come to us can be very complex and it can take time to gather and consider all the information we need for our investigation. If an investigation takes us more than a year, we write to the complainant to explain why. We continue to improve our processes to resolve cases as quickly as possible and to prevent people from waiting longer than necessary for a final decision on their complaint.

Spending 2017-20

The 2015 Comprehensive Spending Review requires Central Government to reduce overall spending from 2016 to 2020 by 25-35%. In response to this, our spending will reduce by 24.3% by the end of 2019-20. Planned spending over the four year period is:

- 2016-17: £31.993 million,

- 2017-18: £31.186 million,
- 2018-19: £28.004 million and
- 2019-20: £25.942 million.

These targets, approved by HM Treasury, represent a real-terms reduction of 24.3% in spending from 2016 to 2020. We are making good progress towards meeting these targets having met the reductions in 2016-17 and 2017-18. In 2017-18, our resource budget was underspent by £514,000 (1.53%).

Financial management 2017-18

Our voted resource departmental expenditure limit (RDEL)⁵ for 2017-18 was £33,506,000. The underspend against the 2017-18 RDEL of £514,000 (1.53%) is due to job vacancies, and restructuring costs being lower than anticipated. Our restructure was a key element in delivering the savings we need to make in the Comprehensive Spending Review period. This is a significant reduction from the 2016-17 underspend of £984,000 (2.92%).

The non-voted resource expenditure limit was £187,000, and covered the cost of the Ombudsman's salary. There was a small underspend of £6,000 due to the change of post holder in April 2017.

The Annually Managed Expenditure (AME) limit was -£3,658,000, and covers the creation and use of provisions⁶.

The AME limit was negative as the planned value of provisions being utilised was greater than that of the provisions being created. Movement on the provisions, which mainly included early departure costs and onerous leases, resulted in an underspend of £88,000.

The voted capital departmental expenditure limit (CDEL) was £1,861,000. Capital expenditure was £307,000 less than estimated. This was due to delayed completion of two ICT projects and, as a result, costs were deferred to 2018-19.

Most costs are broadly aligned with our 2016-17 spending. The main differences are decreases in early departure costs and in provisions. The additional early departure costs arise from the restructure undertaken during the year. The reduction in provisions is largely due to the expiry of onerous leases at Millbank Tower in 2018-19.

During 2017-18, there has been an increase in Total Assets less Total Liabilities of £3,727,000. This is due to an increase in fixed assets relating to the refurbishment of the new premises in Citygate, Manchester and a reduction in provision as the onerous lease obligations in respect of Millbank Tower are reduced. The provision for the onerous leases will be fully released at the termination of the lease on 25 December 2018.

⁵An explanation of departmental expenditure limits (resource, capital, voted and non voted) and annually managed expenditure can be found at <https://www.gov.uk/government/publications/how-to-understand-public-sector-spending/how-to-understand-public-sector-spending>.

⁶A provision is an estimated amount of cash set aside for a probable, but uncertain, payment which will take place in the future.

Working with others

In 2017-18, we actively engaged with and listened to complainants, the public service organisations we investigate and advocacy organisations to learn from their experiences of our service and continuously improve.

A number of new initiatives including our Open Meeting and Radio Ombudsman are helping us to achieve our ambition to be a more transparent, modern Ombudsman.

Being more open and transparent

Open Meeting

The first Open Meeting with the Ombudsman took place on 30 November 2017 in Manchester. The event featured guest speakers Dr Bill Kirkup CBE, who has led a number of high-profile, independent investigations in the health sector, and Scott Morrish, a former complainant and father of three children - Ben, Sam and Ollie. Sam, aged three, died in December 2010 of severe sepsis.

It also included three interactive workshops and an open Q&A panel discussion. The meeting was attended by a mix of over 100 complainants, complaint handlers, staff and representatives of national bodies.

Some 94% of attendees agreed that they found the event useful.

Radio Ombudsman

We launched the Radio Ombudsman podcast series on 6 October 2017. The podcasts feature conversations with policy makers, experts and complainants on a range of topics such as NHS investigations, good complaint handling and improving public services. Hosted by the Ombudsman, it generates lively discussion and interesting ideas.

The first episode was a conversation with Scott Morrish about creating a learning culture in the NHS and what the Ombudsman needs to do to improve its service. The next episode was an interview with Michael King, the Local Government and Social Care Ombudsman (LGSCO), about the

challenges facing ombudsman organisations and the importance of creating a single public services ombudsman. In the third episode, the Ombudsman had a frank discussion with Sarah Barclay, founder of the Medical Mediation Foundation, about how mediation can be used more effectively in the health service alongside adjudication.

A new lecture series

In December 2017, we launched a new annual lecture series in partnership with the London School of Economics. These lectures are designed to encourage and increase academic debate about the role of ombudsmen both in the UK and internationally. The Ombudsman, Rob Behrens, delivered the inaugural lecture, reflecting on the 50-year history

of our service. It was attended by a wide range of past and present ombudsmen, academics, policy makers and members of the public. An edited version of the lecture will be published by Edward Elgar Publishing later in 2018.

Sharing insight to improve public services

We share the unique insight from our casework with Parliament to help hold the NHS in England, UK government departments and other UK public organisations to account for the services they provide. We also share this learning more widely: with the organisations we investigate, with regulators and policy makers to help them to improve complaint handling and public services for everyone.

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

Part of our new three-year strategy is to be more transparent and to share more insight from our casework to help public services improve.

In the short term, this means exploring how we can publish more casework data so it is useful for public services, regulators and complaint handlers as well as complainants. In the longer term, we plan to publish the vast majority of our casework on our website so that everyone can see more clearly the impact of our work on public services, and

complaint handlers can improve their understanding about good practice.

We will also target our insight reports so that important lessons from our casework and systemic reviews contribute to raising standards in public services, especially within the NHS. We will use our insight to make constructive proposals for change when our casework indicates this is needed.

Access to Work report

This report from October 2017 highlighted the key findings from a number of cases we considered in relation to the operation of the Access to Work scheme by the Department for Work and Pensions (DWP).

The problems highlighted by these cases, which we investigated between 2014 and 2016, have since been rectified by DWP. As a result our report made no further recommendations for change but instead highlighted some useful learning for departments more widely in relation to the execution of policies.

Eating disorders insight report

Our December 2017 report *Ignoring the alarms: How NHS eating disorder services are failing patients* detailed three of our investigations into complaints about the NHS care and treatment of young women who died as a result of eating disorders, including that of Averil Hart.

We found that Averil Hart's

tragic death from anorexia nervosa would have been avoided if the NHS had cared for her appropriately. All four NHS organisations involved in Averil's care and treatment failed her in some way and all missed opportunities to prevent the deterioration which ultimately led to her death.

In addition, we found that the local investigation into her death was inadequate. The organisations were defensive and protective of themselves, rather than taking responsibility.

The report highlighted five areas of focus to improve eating disorder services:

- Training for all junior doctors on eating disorders to improve understanding of these complex mental health conditions,
- Greater provision of eating disorder specialists,
- Adult eating disorder services to achieve parity with child and adolescent services,
- Better co-ordination of care between NHS organisations treating people with eating disorders,
- National support for local NHS organisations to conduct and learn from serious incident investigations, particularly in circumstances involving several organisations.

To date, our report has resulted in NHS England establishing a working group with other national bodies (NHS Improvement, National Institute for Health and Care Excellence (NICE), Health Education England

(HEE) and the General Medical Council (GMC)) to oversee and co-ordinate plans to implement our recommendations. In addition, NICE has revised their Draft Quality Standard on Eating Disorders to include a standard on co-ordination between services.

NHS Improvement has separately consulted on a review of the serious incident framework, which aims to clarify responsibilities in local investigations and improve processes for the investigation of complex incidents involving multiple providers.

Mental health insight report

In March 2018, we published our report *Maintaining momentum: Driving improvements in mental health care*, which found that some of our most vulnerable patients who have complex mental health conditions are being let down by the NHS, causing them needless suffering and distress.

In some cases, NHS mental healthcare staff lacked the capacity, skills and training to do their job effectively, and did not always have the support they needed to learn from mistakes.

The report was based on the analysis of over 200 complaints about acute mental health care and treatment, which we either fully or partly upheld, over a three and a half year period from April 2014 to October 2017.

The report highlighted five common failings that compromise patient safety and dignity:

- Failure to diagnose and/or treat the patient,
- Inappropriate hospital discharge and aftercare of the patient,
- Poor risk assessment and safety practices,
- Not treating patients with dignity and/or infringing on their human rights,
- Poor communication with the patient and/or their family or carers.

This body of evidence underlined the importance of ensuring the *NHS Five Year Forward View for Mental Health* is fully implemented. The report can be used by regulatory bodies, parliamentarians, professional bodies and patient groups to hold the NHS to account in tackling these problems.

We will continue to closely monitor our casework to see if mental health services are improving. If so, we should see a reduction in the types of complaints in the report over the next few years. If this is not the case, we will highlight this and consider whether there are recommendations for further change that our casework indicates are needed.

Working for a better complaints system

Engagement with public service organisations

In 2017-18, we continued our liaison and outreach work with organisations we investigate and advocacy groups. We arranged over 100 visits and meetings with public service providers. During

these visits, we share learning from our casework and good practice in local complaints investigations while capturing feedback on our service. This engagement helps organisations better understand our work and how we make decisions as well as increasing our knowledge of how the NHS and government organisations operate. We are committed to doing more of this in future.

Joint survey with Gransnet

In August 2017, we published the findings of a joint survey with Gransnet, a social networking site for the over 50s, about the hospital care and treatment of older people. We wanted to maintain momentum following our 2015 *Breaking down the barriers* report, which highlighted that many older people are afraid to say when something goes wrong with their care and that they worry about what will happen to them if they do.

The survey ran from 6 February to 19 March 2017 on the Gransnet website and was open to members who had had an older relative spend time in hospital in the last 12 months. Some 602 Gransnet members participated in the survey. The average age of the older relative was 79 and 47% (283) of participants said they were referring to a parent.

We know that vulnerable older people are often reliant on their family to raise concerns when things go wrong in hospital. Despite this, over half of the patients' families we spoke to found it difficult to complain about their older relatives' care or treatment, in the past year.

The survey revealed that:

- of those who were concerned about the treatment of their older relative, just over half (58%) complained,
- two-thirds (67%) of those who complained do not believe complaining makes a difference,
- over one in three (35%) respondents said there were occasions where they were concerned about the care or treatment of their older relative in hospital,
- almost one in three (31%) felt that the hospital staff did not have an adequate understanding of their older relative's condition or care needs.

The survey also found wider concerns about communication; two in five (40%) participants did not feel they were kept informed about their older relative's condition in hospital and were not given enough opportunities to discuss their care and treatment. Poor communication is a factor in around one third of all complaints the Ombudsman service investigates about the NHS in England.

Parliamentary statistics report 2016-17

On 4 December 2017, we published a report looking back over the 2016-17 year of complaints about UK government departments and some other UK public organisations.

Just over 12% (524) of all our investigations that year were about UK government

departments and other UK public organisations, compared to 88% (3,715) about the NHS in England.

The report provides detailed information about the 'big four' departments: the Home Office, Department for Work and Pensions (DWP), Her Majesty's Revenue & Customs (HMRC) and the Ministry of Justice (MoJ), which made up more than three quarters of the investigations about government departments and agencies in 2016-17.

The top four reasons for complaints about government departments were: incorrect decisions; the complainant wanting a proper apology or action to put things right; poor communication; and making a wrong assessment.

We found that the DWP and HMRC both stand out as organisations with effective second tier complaint systems in place, which means that complaints are more likely to be resolved before they reach the Ombudsman service.

For the first time, the report also included good practice examples of what government departments and their agencies have been doing to learn from mistakes and improve their complaint handling. It also summarised research that we had conducted about the role of non-executive directors in central government and how they can use complaints data to scrutinise the performance of their departments.

Linking again with the ombudsman community

In 2017-18, we actively contributed to the ombudsman sector as a member of the Public Sector Ombudsman Group (PSOG) for the UK and Ireland, the Ombudsman Association (OA) and the European Network of Ombudsmen (ENO). This enables us to learn from each other's experiences and continuously improve our service. We attended the OA annual conference in May 2017 and continue to actively participate in their special interest groups, such as communications and policy, to share good practice. The Ombudsman also attended the European Ombudsman Annual Meeting in Brussels in June 2017.

We hosted the quarterly PSOG meeting in November 2017 at our offices in Manchester where we discussed topics affecting each organisation such as reasonable adjustments, publication strategies and user feedback.

A single public service ombudsman

Recent proposals to reform our legislation and create a single Public Service Ombudsman were put on hold as a result of the parliamentary pressures created by Brexit. Nonetheless, we have continued to develop

our relationship with the Local Government and Social Care Ombudsman (LGSCO) where our jurisdictions overlap, such as in complex cases involving health and social care, and we intend to continue to collaborate and learn from each other. This includes working together to publish clear information that sets out the

range of work we do and how well we are doing against agreed standards, which will allow our performance to be compared with other similar organisations.

● We have continued to develop our relationship with the Local Government and Social Care Ombudsman (LGSCO) where our jurisdictions overlap. ●



Rob Behrens and Local Government and Social Care Ombudsman Michael King on Radio Ombudsman, discussing the challenges of being an Ombudsman.

Our people, our organisation

Our success in becoming an exemplary ombudsman is dependent on our most important asset, our people. This year we began a significant staff training programme to ensure they have the skills and knowledge to provide a consistently high-quality service.

We are also committed to delivering value for money and are continuing to transform our organisation to reduce spending.

Reshaping our organisation for the future

Despite the considerable changes in 2017-18 and ensuing uncertainty, our staff have remained committed to providing a high-quality service to people who need our help.

We completed the second phase of our restructuring in September 2017 following consultation with staff. We also carried out a major recruitment drive as part of relocating the majority of our operations to Manchester. Over the course of the year we recruited and trained 113 new staff members, with the majority of these in frontline casework roles.

In December 2017, we moved to new offices in Manchester, which provide a much improved working environment. The relocation of around 100

posts from the London office, consolidation of office premises in Millbank Tower to a single floor and bringing together our two previous Manchester offices will significantly contribute towards our 2019-20 savings target.

In the long term, our new structure, operating model, skills and working environment will make us a more efficient, resilient and agile organisation.

Rewarding and developing our people

As part of our plans to implement the new operating model and to help our people reach their full potential, we have delivered 2,054 days of formal learning in 2017-18 – the equivalent of 4.7 days per person, compared to 2.4 days in 2016-17. This is in addition to informal and job-specific learning.

In 2017-18, colleagues attended a range of in-house training, external events and conferences relevant to their professional fields. Through our annual professional qualifications and further education sponsorship scheme, we offered funding to several members of staff to complete professional qualifications relevant to their role and career. Staff also attended a range of mandatory and induction courses such as *Data Protection and Health and Safety*.

In addition, every colleague has had access to online learning resources from how-to guides and videos, to podcasts, self-assessment questionnaires and articles to support their professional and personal development via our new i-learn platform.

Caseworker development

This year we successfully launched our extensive Casework Development Programme (CDP) to make sure caseworkers have the skills and knowledge to provide a consistently high-quality service. The first round of training was delivered in-house by a team of senior caseworkers and ensured consistency in how casework staff approach the different stages of our investigative process.

We developed a second round of modular training sessions with the external provider Red Snapper Learning (RSL) to focus on key skills. The sessions will equip caseworkers, senior caseworkers and managers with learning to develop their analytical, investigative and communication skills.

Working with Righttrack and the Helplines Partnership, we developed specialist workshops for caseworkers on supporting people who have had traumatic experiences and developing resilience to provide this

support, as well as workshops for all staff on Equality, Diversity and Inclusion. We recruited and trained a cohort of caseworkers to deliver peer-led training to help drive on-going development.

Leadership development

In 2017-18, we designed and delivered a new interactive leadership workshop for line managers to encourage good practice. We also delivered training on how to effectively mentor staff to prepare managers and those in influencing roles for the relaunch of our mentoring scheme later in 2018.

We are developing a Leadership Development Programme to support the new corporate strategy and the changes emerging from the restructure of the senior management team.

Valuing our workforce

Our most recent annual staff survey from October 2017, completed by 78% of our

workforce, showed that 94% of our staff are interested in their work and 92% believe they have the skills they need to do their job effectively. We have seen a significant improvement in overall staff engagement from 52% in 2016-17 to 60% in 2017-18, now in line with the Civil Service average of 61%.

Some results show real progress from last year, particularly in leadership visibility and staff feeling valued at work: 64% of staff feel that leadership are visible compared to only 19% in 2016, and 59% of staff feel valued for the work they do compared to 34% in 2016. This reflects efforts to improve how we work across the organisation.

We recognise that there is still a long way to go to achieve consistently good results and there are still areas where our scores are too low including how we manage change. As a result, we are focusing on embedding the discipline of effective project management across all our work.



Supporting staff in their health and well-being

We are committed to supporting the health and well-being of our staff. We provide flexible working to enable staff to manage their work-life balance. The Occupational Health Scheme offers guidance for staff on health-related matters. We also provide staff with subsidised gym membership and a Cycle to Work scheme to assist with the promotion of health and well-being.

Our aim is to create a positive working environment where everyone is treated with dignity and respect for their human

rights. In 2017-18, as part of the consultation process with colleagues on the new corporate strategy, we developed a shared set of values for us to live by in all that we do.

We re-launched our *Dignity At Work Network* in September 2017 to help maintain a work environment free from bullying, harassment and discrimination. The network is made up of trained volunteer advisors who provide confidential advice and support options to any staff member who thinks they are being harassed, discriminated against or bullied, or who thinks this is happening to someone else.

In December 2017, we launched our *Break the Stigma* network to provide support to any staff member who has mental health concerns, within a discreet and non-judgemental environment. Trained mental health first aiders are available during office hours to listen to staff members in confidence and direct them to further support. There is a dedicated mailbox, well-being rooms, a weekly safe space session in both offices and additional resources on our intranet.

We provide staff with subsidised gym membership and a Cycle to Work scheme to assist with the promotion of health and well-being.



Environment and sustainability report

Our sustainability aim is to reduce the impact of our business on the environment. We aim to reduce our carbon dioxide (CO₂) emissions particularly in the areas of energy use, resource and estate management, and staff travel.

In 2017-18, our environmental initiatives included:

- reducing the space we occupy by 7,458 square feet resulting in a reduction of energy consumption,
- relocating from multiple offices across Manchester into one central location, reducing our energy consumption,
- reducing energy by encouraging staff to switch off electrical equipment when not in use,
- increasing homeworking of our staff to reduce CO₂ emissions,
- reducing staff travel by better management procedures and more use of video-conferencing.

We also continued to:

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

tele-conferencing facilities for meetings wherever feasible,

- donate, wherever possible, our old furniture and equipment to charities for reuse instead of disposal,
- use water-saving measures including the use of plumbed water dispensers that dispense instant hot and cold drinking water, and water-saving systems in toilet facilities.

Managing carbon dioxide emissions

During 2017-18, we leased accommodation within multi-occupancy buildings at The Exchange and 76 King Street in Manchester prior to our relocation to Citygate in Manchester and continued to occupy space within Millbank Tower in London. Our landlords provide data to monitor our energy performance.

We report on usage, consumption and costs where possible. We also incur energy charges for shared areas in jointly occupied buildings but these charges are an apportioned

element of the service charges, and specific usage data is not available.

The King Street Office energy provision was supplied via the landlord service charge within utility costs – for this reason, emissions cannot be accurately measured for this accommodation.

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

We use an external provider for rail and air tickets and for car hire for business travel. These arrangements provide standard management information on the emissions impact of each journey booked.

We do not have information about the emissions impact of business travel using buses, taxis or private vehicles, although they are only used in limited circumstances.

Our staff spent 101 days working from home each week in 2017-18 to help reduce emissions⁷.

⁷This figure may be higher as it only includes those who have a contractual agreement to work from home part-time.

Greenhouse gas emissions

Non-financial information: Emissions (CO ² /tonnes)	2017-18	2016-17	2015-16
Scope 1: Direct emissions	N/A	N/A	N/A
Scope 2: Indirect emissions	N/A	N/A	N/A
Scope 3: Business travel emissions	37	38	41
Total emissions	37	38	41
Normalised comparison per FTE	0.09	0.09	0.09

Non-financial information: Energy (Kwh)	2017-18	2016-17	2015-16
Scope 1: Direct emissions	N/A	N/A	N/A
Scope 2: Indirect emissions	584,639	490,995*	668,676
Scope 3: Business travel emissions	N/A	N/A	N/A
Total energy	584,639	490,995	668,676
Normalised comparison per FTE	1,447	1,139	1,513

Financial information (£'000)	2017-18	2016-17	2015-16
Scope 1: Direct emissions	-	-	-
Scope 2: Indirect emissions	71	77	83
Scope 3: Business travel emissions	202	212	253
Total cost	273	289	267
Normalised comparison per FTE	0.68	0.67	0.60

* data only available for London premises

Scope 1 - Direct greenhouse gas emissions from sources owned or controlled by the organisation. We lease our accommodation (including air conditioning) and do not own any fleet vehicles.

Scope 2 - Energy indirect emissions arise from electricity

that we consume which is supplied by another party. We report on usage, consumption and costs where we are invoiced directly by the energy supplier. We also incur energy charges for shared areas in jointly occupied buildings but these charges are an apportioned element of the

service charges, and specific usage data is not available.

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

Waste minimisation and management

Non-financial information (tonnes)	2017-18	2016-17	2015-16
Waste recycled / reused	43.18	61.86	59.6

Waste recycled/reused includes all recycled waste at The Exchange, Manchester and paper shredding waste at all sites.

Since April 2015, all waste in London Millbank Tower, with the exception of paper shredding waste, forms part of the accommodation service charge. A robust estimate is not possible.

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

Water consumption

Our water usage is apportioned and recharged as part of our accommodation service charge across all sites.

Sustainable procurement

We continue to work with existing suppliers to reduce the emissions of the goods and services they provide, utilising technological advances where possible. Where appropriate, sustainability clauses are incorporated into all new and existing contracts to help ensure suppliers are meeting the Government Buying Standards and supporting our efficiency work.

Sustainability is also a consideration when developing evaluation criteria during tender assessment where appropriate. All our contracts contain clauses relating to our environmental requirements and many of our

contracts are procured using framework agreements, enabling us to benefit from efficiencies and sustainability initiatives available to larger public sector organisations.

Rob Behrens, CBE
Accounting Officer
Ombudsman and Chair
9 July 2018

Accountability report

Our Board

Chair and Ombudsman



Rob Behrens, CBE, joined the organisation on 6 April 2017. After a career in higher education and the senior civil service, Rob gained considerable experience as a public service ombudsman, bringing redress to service users. His previous roles include Complaints Commissioner at the Bar Standards Board and Independent Adjudicator for Higher Education (Office of the Independent Adjudicator) in England and Wales.

Rob transformed the Office of the Independent Adjudicator into a modern ombudsman service by focusing on promoting good

practice and providing a more efficient and effective service to complainants.

Following this he became Visiting Professor at University College London, Chair of the European Network of Ombudsmen in Higher Education and a Trustee of UCAS, the universities admissions service. Rob was made a CBE for 'services to higher education' in the New Year's Honours List, December 2015.

Rob succeeded **Dame Julie Mellor, DBE**, who left the organisation on 5 April 2017.

Non-executive members

Throughout 2017-18, our non-executive Board members have brought an invaluable external perspective to the organisation. They come from diverse professional backgrounds and bring a wide range of experiences.



Sir Alex Allan, KCB, joined the organisation on 2 January 2018. He has many years of experience gained throughout his long career at the highest levels of civil service. Alex is currently the Prime Minister's Independent Adviser on Ministerial Interests, a member and chair of the Selection Panel for QC Appointments, a member of the Advisory Committee on Business Appointments, a member of the Advisory Board of the Oxford Internet Institute and a trustee of the Treloar Trust – a charity

providing education and support for young people with physical disabilities.

Former roles include Principal Private Secretary (Chief of Staff) to the Prime Minister and to the Chancellor of the Exchequer, Permanent Secretary at the Ministry of Justice, High Commissioner to Australia and chairman of the Joint Intelligence Committee. He has led various government reviews, including two of record management.



Elisabeth Davies joined the organisation as a Non-executive Board member and Chair of Quality Committee on 16 May 2016. Elisabeth's career, combining professional and voluntary commitments, has centred on consumer engagement and developing services that are truly consumer-focused. She has worked across the charitable and public sectors with a particular focus on the needs of health and social care users. In addition to being the Senior Independent Director on the Board, she is Chair of the Patient and Carer Network at the Royal College of Physicians. Elisabeth is also Chair of the Appointments Committee at the General Pharmaceutical Council, maintaining the independence of the Investigation, Fitness to Practice and Appeals Committees and helping to ensure that their

decisions have the confidence of the public and the profession.

Within the NHS, Elisabeth has combined executive and non-executive roles. She was Head of Policy, Planning and Partnerships at the National Patient Safety Agency. Non-executive roles include former Deputy Chair of Wandsworth Primary Care Trust and South West London Community NHS Trust.

Elisabeth is also the former Chair of the Legal Services Consumer Panel. She has worked across the advice-giving sector. She was previously Director of Policy and Development at the Refugee Council and is currently a Trustee of the Personal Support Unit which supports people going through the court process without legal representation.

Dean Fathers joined the organisation on 2 January 2018. Dean has 20 years of experience operating at board level across the full spectrum of NHS services: primary, acute, mental health, community and authority wide.

He is currently the Non-executive Chair of the Nottinghamshire Healthcare NHS Foundation Trust and recently gave up his role with

the United Lincolnshire Hospitals NHS Trust. Since joining the NHS he has been involved in several substantial transformations to help lead significant numbers of staff through transformative change.

Dean has also had senior appointments in the third, public and private sectors as well as in academia.





Alan Graham, MBE, joined the Board on 7 March 2016 as a Non-executive Board member and Chair of Audit and Risk Assurance Committee. Alan brings over 40 years' experience working in the financial sector on three continents. Alan retired as a main board director of Rothschilds Bank in 2004 and now holds a variety of non-executive and trustee roles in the public, private and voluntary sectors, contributing his expertise in audit policy and practice, accounting and financial regulation, corporate governance and risk and assurance management.

He is also a member of the Board of The Insolvency Service

(whose Audit Committee he also chairs), the Motor Neurone Disease Association and Peace Hospice Care; and a member of the Football Association's National Disciplinary (Anti-Discrimination) Chairman's Panel. Alan was formerly a Non-executive Director of The Charity Bank and the Serious Fraud Office, a Member of the Standards Committee of the City of London Corporation and a Governor of the University of Hertfordshire.

Alan was awarded an MBE in 2011 in recognition of his services to the voluntary sector.

Michael King, Local Government and Social Care Ombudsman (LGSCO) and Chair of the Commission, joined the Board as Non-executive Director on 11 January 2017. At the LGSCO, Michael has been responsible for introducing the Ombudsman's public advice service and its ground breaking jurisdiction for private sector adult care complaints. He was previously the Chief Trading Standards Officer

for Northumberland County Council, having spent 15 years in consumer and public protection roles in the North East of England. He has, in addition, served as a voluntary trustee for Alnwick Citizen's Advice Bureau, as an external examiner in forensic investigation and consumer law for Teesside University, and as an independent council member of a private sector ombudsman scheme.





Ruth Sawtell joined the Board on 20 April 2015 and chaired two meetings of the Remuneration and Nominations Committee when Helen Walley left PHSO on the 31 August 2017. Ruth has considerable experience as a board member in organisations that handle complaints, in both the health and consumer sectors. She is a board member of the Independent Press Standards Organisation, the body which regulates the press. She is also a member of the Advertising Advisory Committee, the body which gives advice on consumers' issues to the advertising regulator, the Advertising Standards Authority. Ruth recently completed six years as a board

member of the Phone-paid Services Authority, the regulator of payments by phone, where she was previously an independent member of the appeals panel.

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

Sir Jon Shortridge, KCB, joined the Board on 1 May 2012 and retired on 31 March 2018. Sir Jon is an experienced public servant and was Permanent Secretary in Wales between 1999 and 2008. From 2010 to 2016, he was Chair of Volunteering Matters, formerly Community Service

Volunteers and the largest volunteering charity in the UK, and from 2012 to 2015 Chair and Chancellor of Glyndwr University. He is an Advisory Member of the Commission for Local Government in England and is Chair of its Audit Committee.



Dr Julia Tabreham joined the Board on 20 April 2015. Julia has worked in the third sector for 23 years after an early career in banking. In 1992, she established the Carers Federation, which delivers a range of advice and support services to carers and organisations in the healthcare sector. These have included the Independent Complaints Advocacy Service, patient and

public involvement forums and most recently HealthWatch Pathfinders and HealthWatch Local. She also served on the National Institute for Health and Care Excellence (NICE) Guideline Development Group for mental health in the criminal justice system, and has been a Non-executive Director in the NHS for 18 years.



Helen Walley joined the Board on 1 September 2012 and retired on 31 August 2017. Helen trained as a nurse and had a long career in the NHS in both primary care and hospitals. She was Chief Executive at the Mayday Hospital (now the Croydon University Hospital) for

three years, and before that she ran Wandsworth Primary Care Trust. She was Chief Executive Officer of Wandsworth Primary Care Trust and its predecessor organisation South West London Community Trust.

Executive members

Amanda Campbell, CBE, Chief Executive, joined the organisation on 1 October 2016 from the Home Office, where she held various senior leadership positions including Director General of Immigration Enforcement, Chief Operating Officer of Border Force, and Director of Leadership and Learning.

She was also previously a Non-executive Director for Central and North West London NHS

Foundation Trust, where she was a member of the Performance and Quality Committee and Chair of the Informatics Committee. Amanda is currently a Non-executive Director of ABTA, the UK association of travel agents and tour operators.

Amanda was awarded a CBE in the New Year 2014 Honours list for Public Service.



Gill Kilpatrick, Executive Director of Finance and Corporate Services, joined the organisation on 1 May 2015. A qualified accountant with 30 years' experience of financial management, she has worked in

a number of financial roles across local government, including four years as County Treasurer for Lancashire County Council and Lancashire County Pension Fund.



Rebecca Marsh, who joined as interim Executive Director of Operations and Investigations on 13 April 2015, was made permanent in her role on 16 November 2015 and formally joined the Board. Rebecca was an Independent Police Complaints

Commissioner for 10 years and as such has a wealth of complaints handling experience. She also previously held a number of non-executive roles. Rebecca left the organisation to become the Legal Ombudsman on 8 January 2018.

Alex Robertson, Executive Director of External Affairs and Insight, joined the organisation from the Electoral Commission on 5 July 2016 shortly after the EU referendum which he was responsible for delivering as the organisation's Programme Director. He held a similar role for the Scottish referendum (September 2014) and in his permanent role as Communications Director oversaw

multi-million pound campaigns to promote voter registration. Before joining the Electoral Commission Alex held senior policy and communication positions at the Catholic Agency for Overseas Development (CAFOD) and Transport for London. He is a governor and Chair of the Resources Committee at his local school in Harpenden.



Statement of Accounting Officer's Responsibilities

Under the Parliamentary Commissioner Act 1967 and the Health Service Commissioners Act 1993 the expenses of the Parliamentary and Health Service Ombudsman are paid out of money provided by Parliament and sanctioned by HM Treasury. HM Treasury require the preparation for each financial year of a statement of accounts detailing the use of resources during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Parliamentary and Health Service Ombudsman and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer complies with the requirements of the Government Financial Reporting Manual, in particular to:

- Observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;

- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going-concern basis.

The Parliamentary and Health Service Ombudsman is the Accounting Officer.

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

The Accounting Officer can confirm that as far as he is aware, there is no relevant audit information of which the Parliamentary and Health Service Ombudsman's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Parliamentary

and Health Service Ombudsman's auditors are aware of that information.

The Accounting Officer can confirm that the annual report and accounts as a whole are fair, balanced and understandable and the Accounting Officer takes personal responsibility for the annual report and accounts and the judgments required for determining that they are fair, balanced and understandable.

Rob Behrens, CBE
Accounting Officer
Ombudsman and Chair
9 July 2018

Governance Statement

Introduction

This Governance Statement sets out the governance, risk management and internal control arrangements for the Parliamentary and Health Service Ombudsman. It applies to the financial year 1 April 2017 to 31 March 2018 and accords with the Government Financial Reporting Manual.

Statutory position

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

Governance structure

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

and Health Service Ombudsman is a corporation sole and has a personal jurisdiction. This is not consistent with modern requirements of good governance. Therefore I am the Chair of a unitary Board which is in place to improve our governance. My executive responsibilities, as a corporation sole, are thus exercised personally as an individual, but also aided by means of defined and corporate arrangements that allow for proper scrutiny. As Chair of the Board I promote collective decision-making. I reserve the right, given my statutory role, to depart from the Board's decisions, but only in exceptional circumstances and with a commitment to put my reasons in writing. I did not exercise this right in 2017-18.

I have a statutory responsibility for individual cases, but have given authority for case activity to officers in a written delegation scheme. I act personally in complex cases and where we identify serious or repeated mistakes that may have system-wide relevance. To ensure that this extensive casework is managed within a defined system of appropriate oversight, I have a detailed scheme of delegated

authority and have appointed two Deputy Ombudsman: the Chief Executive and the Executive Director of Operations and Investigations (until December 2017) and thereafter to the Director of Legal and Governance. The Board scrutinises overall performance of casework, but not individual cases.

As Accounting Officer, I am accountable to Parliament for the stewardship of our resources. I have delegated to the Chief Executive executive responsibility for effective financial control arrangements. This is a contractual responsibility and allows me to have a separate accountable person charged with stewardship and probity for our use of public money.

I discharge my responsibility through assurance from the Accountable Officer (Chief Executive) and the Executive Team, and through assurance and challenge by the Board, the Audit and Risk Assurance Committee, Quality Committee and the Remuneration and Nominations Committee.

PHSO's Board and Committee structures are shown in the table below.

Role	Committee	Reports to	PHSO Board Ombudsman, Eight non-executives and three executives (as of end of 2017-18) Met six times in 2017-18 with one meeting dedicated to development of the Strategy 2018-21	Collective decision making on strategic direction and performance of PHSO.
Oversees the adequacy of the corporate governance and control systems, ensuring compliance with accounting policies and standards and ensuring systems are in place to achieve value for money.	Audit and Risk Assurance Committee Three non-executives and one independent Met six times in 2017-18 with one informal meeting dedicated to the accuracy of the Annual Report and Accounts			
Oversees assurance on the arrangements for assessment of quality covering casework decisions, process and the experience of people using our service.	Quality Committee Three non-executives Met four times in 2017-18			
Agrees pay and performance review arrangements for executive directors and supports the Ombudsman and Chief Executive with recruitment of senior executives.	Remuneration & Nominations Committee Four non-executives Met three times in 2017-18			
Oversees operational performance and considers issues affecting delivery. Monitors outcomes against objectives and agrees in-year allocation and utilisation of resources.	Executive Four executives until 6 January 2018. Thereafter three executives. Meets fortnightly			

Terms of Reference for the Board and each committee have clarity and accountability allowing Board members to make decisions, monitor performance and manage resources and risk. An observer programme, open to all PHSO staff, ensures visibility and transparency of the decision making processes of the Board.

Highlights of Board's Committees Activities

The committees of the Board fulfil their responsibilities by receiving and considering reports. The key areas considered by the committees are set out below:

Audit and Risk Assurance Committee (ARAC)

Chair:

Alan Graham MBE

Highlights of Committee reports

In order to oversee the adequacy of governance and internal controls ARAC reviewed and were assured of the following:

- financial management – financial performance and compliance with both the Finance Code and the Procurement Code;
- assessment of controls were in place to prevent fraud;
- information assurance performance and readiness for the new General Data Protection Regulations;
- Governance Framework – development, implementation and ongoing compliance which enabled ARAC to provide assurance to the Board on 'good governance' across the organisation with a focus on the internal controls framework;
- internal audit plan - the scope and planning of the internal

audit plan was appropriate and had a focus on risks;

- internal audit recommendations report tracker – ARAC monitored the implementation and closure of the recommendations which included quarterly reviews and challenge of executive decisions to close actions if not assured of robust implementation; and
- 2016-17 Governance Statement – assurance to the Board that the Governance Statement reflected compliance with the Governance Framework and the risk environment we had been operating within.

To ensure compliance with accounting standards ARAC held a detailed walk through of the 2016-17 Resource Accounts, which enabled assurance to the Board that appropriate accounting policies were in place and the Accounts were robust.

In relation to value for money, a presentation on best practice was received from the National Audit Office. As a result, more refined value for money metrics are being developed in 2018-19 together with an external review of the value for money we offer the public purse.

The National Audit Office Completion Report 2016-17 identified two areas of internal controls (control of journals and raising of purchase orders) that required strengthening. As a

result ARAC received updates on these areas throughout the year in order to be assured that they were fully mitigated.

Quality Committee

Chair:

Elisabeth Davies

Highlights of Committee reports

In order to provide assurance to the Board on both the quality of casework decision making and the quality of the customer experience Quality Committee reviewed and were assured of the following:

- the Service Charter – through scrutiny of the quality of service provided by PHSO and analysis of the feedback from service users and staff;
- the risks associated with the development and implementation of the new training programme and particular focus on whether the quality of casework has been affected; and
- assessment of the effectiveness of the Quality Assurance Framework and that this was fit for purpose.

Remuneration and Nominations Committee

Chair:

Helen Walley (until August 2017)
Ruth Sawtell (chaired two meetings from September 2017 to 31 March 2018)

Highlights of Committee reports

In order to agree pay and performance review arrangements for executive directors and to support recruitment of senior executives the Remuneration and Nominations Committee has reviewed and were assured of the following:

- the Fit and Proper Person Policy - a new policy was developed to ensure a transparent and consistent approach to recruitment and annual checking of Board members and senior staff in relation to their good character under the Fit and Proper Person Policy;
- new non-executives – the appointment and process for recruiting three new non-executive members was overseen by the Committee who had identified the strengths needed for the Board and the

recommendations for the new Board members were put forward for approval to the Board;

- the interim Senior Pay Policy - the interim arrangements for senior pay were analysed and found to be fair and equitable while the future pay strategy was under development; and
- the pay and performance for the Chief Executive and the Executive Directors.

required for non-executive Board members and these were applied to the recruitment search. At each step of the recruitment process the Chair of the Panel, Elisabeth Davies, led the Panel members on focussing on understanding the diversity of the candidates that included the consideration of gender balance. The Committee reviewed the recruitment process and put forward the proposed candidates to the Board for approval.

Board appointments

In June 2017, we employed GatenbySanderson to undertake the recruitment search for three new non-executive Board members. Two of the appointments were to start in January 2018 and one in April 2018 after the resignation of Sir Jon Shortridge on 31 March 2018. In March 2017, the Remuneration and Nominations Committee identified the core competencies



Dates of appointments and attendance at Board and committee meetings

Table of attendance of executives and non-executives at meetings where they are members. (Executive directors and the Ombudsman also attend

committees but are not members and therefore are not recorded in the table below).

Board Member	Date of appointment	End of appointment	Board (six meetings)	Audit & Risk Assurance Committee (six meetings)	Remuneration and Nominations Committee (three meetings)	Quality Committee (four meetings)
Julie Mellor	3 January 2012	5 April 2017	N/A	N/A	N/A	N/A
Rob Behrens	6 April 2017	N/A	six out of six	N/A	N/A	N/A
Non-executive members						
Sir Alex Allan	2 January 2018	1 January 2021	two out of two	N/A	N/A	N/A
Elisabeth Davies	16 May 2016	14 May 2021	six out of six	six out of six	N/A	four out of four (Chair)
Dean Fathers	2 January 2018	1 January 2021	two out of two	N/A	N/A	N/A
Alan Graham	7 March 2016	28 February 2021	five out of six	six out of six (Chair)	N/A	N/A
Michael King	11 January 2017	N/A	five out of six	N/A	N/A	two out of four
Ruth Sawtell	20 April 2015	19 April 2020	six out of six	five out of six	three out of three	N/A
Sir Jon Shortridge	1 May 2012	31 March 2018	six out of six	N/A	three out of three	N/A

Board Member	Date of appointment	End of appointment	Board (six meetings)	Audit & Risk Assurance Committee (six meetings)	Remuneration and Nominations Committee (three meetings)	Quality Committee (four meetings)
Julia Tabreham	20 April 2015	19 April 2020	six out of six	N/A	N/A	four out of four
Helen Walley	1 September 2012	31 August 2017	two out of two	N/A	one out of one (Chair until 31 August 2017)	one out of one
Independent Audit & Risk Assurance Committee member						
Alison White	28 April 2015	31 July 2019	N/A	six out of six	N/A	N/A
Executive members						
Amanda Campbell	1 October 2016	N/A	six out of six	N/A	N/A	N/A
Gill Kilpatrick (Executive Director Finance & Corporate Services)	1 May 2015	N/A	five out of six	N/A	N/A	N/A
Rebecca Marsh (Executive Director of Operations and Investigations)	13 April 2015	8 January 2018	two out of four	N/A	N/A	N/A
Alex Robertson (Executive Director of External Affairs & Insight)	5 July 2016	N/A	five out of six	N/A	N/A	N/A

The effectiveness of the Board and its committees

In 2017-18, the membership of the Board changed; two non-executive Board members retired, one executive director resigned and two new non-executive Board members joined. As it was my first year as Ombudsman, I considered that an internally-led, reflective review would enable the Board to coalesce, while focusing on areas for improvement in 2018-19.

All Board and committee members completed an evaluation of, and participated in, a reflective discussion of Board and Committee performance. The evaluation was designed to consider progress against actions from previous reviews and identify areas of future development. The evaluation considered performance in the areas of strategy, risk, roles and responsibilities, reporting and internal controls, composition, meetings and support.

The main strength identified in the review was the increased focus on risk management, which informed the Board's consideration of strategic objectives. In addition, the breadth of expertise on the Board and committees was identified as important for ensuring that a wide range of views and scrutiny was applied to Board discussions and decision making.

The key area of development identified for 2018-19 is to increase non-executive Board member engagement with staff and stakeholders. By strengthening this, the Board will be assured that it fully understands 'front line' activity which will provide confidence that the strategic direction provided is right for the PHSO.

The Board also agreed to create a competency framework that will be used to assess the performance of Board members. This framework will have the additional benefit of providing future Board members with clear criteria of the skills and competencies required.

The UK Code of Corporate Governance recommends that an independent evaluation of Board effectiveness be undertaken at least every three years and this is planned for 2018-19.

Performance reporting to the Board

During 2017-18, we ensured the information considered by the Board was quality assured by:

- consistent reporting that detailed performance against key metrics providing both current and historical trend information;
- consistent methodologies for collecting data that were understood by all staff responsible for data input and collection;

- quality assurance and sign off processes to ensure that the data was correct; and
- reporting on patterns of risk that were emerging.

An internal audit report on corporate performance reporting, including data quality, gave significant assurance with minor improvement opportunities.

Risk management

During 2017-18, we focused upon embedding the Managing Risk Strategy which follows the HM Treasury guidance as detailed in the Orange Book: Management of Risk – Principles and Concepts. A system of internal controls which mitigate the risks, as well as a system of proactive identification of emerging risks, is in place. Risk management is designed to be a proportionate balance between control, cost and risk-taking. The internal audit on governance and risk gave significant assurance with minor improvement opportunities. This provided significant assurance that our risk management process was robust, fit for purpose and operating effectively.

The strategic risks managed during the year related to managing demand for our service, ensuring the quality of casework, staff morale, ICT strategy and capability, and the transformation of the organisation. I am satisfied these are mitigated. More information can be found at page 14 of the performance report.

In 2017-18, the pace of transformation across the organisation increased markedly. There are positive signs that the necessary changes are taking hold. However, at this stage in our transformation we must acknowledge that what we are doing is difficult and requires us to balance the achievement of longer term gains with control of current risks. As part of our transformation to become an exemplary ombudsman service, we have undertaken a fundamental review of our business model – relocating the majority of our business to Manchester and redesigning our casework process with a significant casework development programme for our staff. In doing so we have recognised and accepted the short-term risk to meeting demand for our service. This transformation is being undertaken to improve our underlying infrastructure, which will equip us to deliver better and more consistent service in the longer term.

There was an error in relation to the accuracy of our Supplementary Estimate for Annually Managed Expenditure (AME) which gave rise to the risk that our AME control total would be inadequate. The original submission to HM Treasury had been subject to rigorous internal controls but the information returned from HM Treasury was incorrect, and was not re-

checked sufficiently upon return. The quality assurance process has been strengthened. The financial management and controls in place provided effective mitigation which removed the risk of a breach of the AME control total. The Audit and Risk Assurance Committee challenged the Executive on the cause, mitigation, impact and potential for further unidentified risks and were satisfied that the risk of this type of error being repeated was significantly mitigated. HM Treasury agreed to conduct their own lessons learned exercise alongside us as part of future risk mitigation.

Internal controls

We consider that our internal controls are sufficiently robust to be confident that risks are proactively identified and mitigated or escalated as required; that the Scheme of Delegation within the Governance Framework is understood and adhered to by the appropriate staff and that the wider aspects of compliance are in place. We have strengthened the internal controls addressing the issues identified in the National Audit Office 2016-17 audit completion report (the control of journals and the raising of purchase orders). The internal and external audits conducted during the year have provided us with assurance on both our governance and risk management arrangements.

Implications on the UK leaving the EU

We have considered the implications for the organisation on the UK leaving the EU and do not consider there are any specific risks or issues at this time.

Personal data-related incidents

The Executive Director of Operations and Investigations was the Senior Information Risk Owner (SIRO) until September 2017 when the Executive Director of Finance and Corporate Services took on those duties. Our commitments to ensuring that information risks are managed and that we use information for the public good are set out in our Information Promise and our Privacy Policy, both are available on our website.

All data security incidents are reported to the Information and Records Management Team who manage them in accordance with the Information Commissioner's Office (ICO) guidelines. All incidents are recorded and meetings held as required by the SIRO and the Deputy SIRO to discuss the wider implications and immediate steps to minimise the opportunity of a repeat occurrence. Risks are recorded on the appropriate risk register and mitigations put in place and monitored.

In line with established criteria based on the ICO guidelines, four incidents were reported to the ICO. The ICO took no further action in any of these cases.

Ref	Date of Incident	Date Reported to PHSO Information Security Team	Nature of Incident	Number of Data Subjects Affected	ICO Notification Steps and Outcome
1	23 September 2016	17 May 2017	We did not receive a subject access request letter.	1	The complainant informed the ICO directly. The subject access request letter never reached us. No ICO enforcement action was taken.
2	3 October 2017	3 October 2017	A firm of solicitors disclosed personal data regarding grievances and reasonable adjustments to a member of our staff.	3	We self-reported to the ICO. The documents were recovered and placed in a secure shredding bin. Discussions held with the solicitors to ensure apologies were issued and correct processes and procedures were then followed. No ICO enforcement action was taken.
3	9 October 2017	13 October 2017	Personal data sent to an email address that was not provided by the complainant.	1	We self-reported to the ICO. System modifications have reduced the risk of incorrect email addresses being keyed in. No ICO enforcement action was taken.

Ref	Date of Incident	Date Reported to PHSO Information Security Team	Nature of Incident	Number of Data Subjects Affected	ICO Notification Steps and Outcome
4	5 March 2018	8 March 2018	Casefiles given to the wrong courier firm to return.	1	<p>We self-reported to the ICO.</p> <p>A relative of a contracted staff member handed files to an incorrect courier. The error was identified and the courier undertook a search for the files. The case files have not yet been discovered or delivered. An amendment has been made to the courier contract to ensure that only named individuals can sign packages in or out and staff members have been reminded of their security obligations.</p> <p>No ICO enforcement action was taken.</p>

Information Commissioner's Office

The Information Commissioner's Office (ICO) undertook an audit on information governance and physical records management. The information governance element received 'reasonable assurance' and physical records management received 'limited assurance' providing an overall assurance rating of 'limited assurance'.

We specifically requested that the ICO considered our General Data Protection Regulation

readiness and in citing areas of good practice reference was made to the significant work we had undertaken in preparation.

The Audit and Risk Assurance Committee considered the findings and scrutinised the detailed action plan that had arisen from the recommendations. As part of the assurance process, the Committee requested that quarterly reports on the progress of the implementation of the action plan be submitted for review during 2018-19.

Governance compliance

The Board approved and monitors compliance with the PHSO Governance Framework which is based upon the principles of good governance as detailed in the Corporate Governance in Central Departments: Code of Good Practice (Cabinet Office, HM Treasury April 2017).

The governance aspects of the internal audit report into governance and risk management found that the terms of reference

of the Board and Committees were appropriate and that a review of the minutes confirmed that the terms of reference were being complied with. In addition the Board's process for review of its effectiveness appeared robust and was clearly documented.

The Audit and Risk Assurance Committee scrutinise the quarterly governance reports that detail compliance with the Governance Framework as well as challenging the effectiveness of the Managing Risk Strategy. The Committee actively seeks additional sources of assurance on the success of the governance and risk arrangements that includes referencing internal audit reports as well as commissioning 'deep dives' into specific areas of risk. Quarterly reports that detail compliance with the Finance and Procurement Codes are also reviewed.

A report on compliance with all aspects of the Governance Framework is scrutinised annually by the Audit and Risk Assurance Committee. In 2017-18, all aspects of the Code were complied with and no departures noted.

Fraud and bribery and whistleblowing

We have an anti-fraud and bribery policy and a whistleblowing policy and associated response plan in place. Both policies are available to staff on our intranet and promoted at induction. Additional advice and training on the anti-fraud and bribery policy is provided for staff that manage budgets

or undertake procurement. We do not tolerate any form of fraudulent or improper activity and are supportive of those wishing to raise concerns. There is an assurance of anonymity and security by offering alternate routes to raise concerns as well as providing professional and independent support as and when necessary. In 2017-18, no action was required under either policy.

Internal audit reports

The Audit and Risk Assurance Committee approves an internal audit plan based on the risk environment. In 2017-18 we focussed internal audit on areas of high risk or areas that had been through significant transformation and development.

KPMG, our internal auditors for 2017-18, undertook five internal audits that were considered by the Audit and Risk Assurance Committee.

Significant assurance with minor improvement opportunities

- Transformation Programme (change portfolio management)
- Governance and Risk Management
- Corporate Performance Monitoring and Data Quality

Partial assurance with improvements required

- Equality and Diversity
- Business Continuity

All internal audit recommendations receive a detailed management response and action plan that is monitored by the Audit and Risk Assurance Committee.

For equality and diversity the internal audit highlighted the commitment of the Executive to improve performance in this area and in particular issues around ICT accessibility. In 2017-18, we commissioned an independent specialist in order to provide us with an end to end review of our internal management of equalities, diversity and inclusion with a specific focus on our management of staff with disabilities. Initial feedback has proved promising and reflects the internal audit conclusions, but our future focus will widen during 2018-19 to include all aspects of equality and inclusion.

The report into business continuity recognised the effectiveness of the practical processes in place, which meant our casework could continue despite two separate business continuity events that affected the London and Manchester offices. However the report highlighted the need for an embedded business continuity plan which was proportionate. This is a key area of focus for us in 2018-19.

Head of Internal Audit Opinion

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

The Head of Internal Audit has provided me with their opinion for 2017-18 which is that 'significant assurance (with some improvements required)' can be given on the overall adequacy

and effectiveness of our framework of governance, risk management and control.

Review of the year and looking ahead

In last year's Annual Report and Accounts I and the Board committed to significant progress and improvement to the governance processes during 2017-18 in order to support the radical improvements to our service. To this end we developed and approved the Governance Framework and the Strategy for Managing Risk and then concentrated on implementation and compliance. The majority of this work was undertaken by the Audit and Risk Assurance Committee on behalf of the Board. The Committee considered evidence of the internal audit recommendations implementation; reviewed the register of policies and review

dates; sought assurance on compliance with the Governance Framework, Finance Code and Procurement Code; assured themselves of the effectiveness of our risk management arrangements and preparedness to implement new legislation on General Data Protection Regulations.

In 2018-19, we will continue this work by ensuring that the Governance Framework and the Strategy for Managing Risk are regularly reviewed and are supporting good governance and active risk management throughout PHSO by promoting consistent, coherent and transparent frameworks for decision making.

Rob Behrens, CBE
Accounting Officer
Ombudsman and Chair
9 July 2018



Remuneration and staff report

Remuneration report 2017-18

Rob Behrens took up his post as the Parliamentary and Health Service Ombudsman on 6 April

2017 following appointment by the Queen and ratification by Parliament. Julie Mellor, the previous Ombudsman, was in post until 5 April 2017. The Ombudsman post comprises two

specific roles, with one salary for the combined post paid directly from the Consolidated Fund. Rob Behrens is not a member of the pension scheme and so does not accrue pension benefits.

Ombudsman remuneration and pension entitlements (Audited)

	2017-18				2016-17			
	Salary £000	Benefits in kind (to the nearest £100) £	Pension benefits £000	Total £000	Salary £000	Benefits in kind (to the nearest £100) £	Pension benefits £000	Total £000
Julie Mellor	0-5	-	1	0-5	160-165	-	78	240-245
Rob Behrens	155-160	-	-	155-160	N/A	N/A	N/A	N/A

PHSO Board executive members 2017-18 (Audited)

Rob Behrens is Executive Chair of the Board. His salary, benefits and pension details are shown on the previous page.

		Commencement date	End date
Amanda Campbell	Chief Executive	1 October 2016	N/A
Rebecca Marsh	Executive Director For Operations and Investigations	13 April 2015	8 January 2018
Gill Kilpatrick	Executive Director of Finance and Corporate Services	1 May 2015	N/A
Alex Robertson	Executive Director External Affairs & Insight	5 July 2016	N/A

All Board members were appointed under fair and open competition.

The Remuneration and Nominations Committee determines the pay and performance review arrangements of the Chief Executive and executive directors in accordance with PHSO's Pay Policy, which includes: comparability with the Senior Salaries Review Policy, Civil Service; public sector pay policy; and appropriate pay market data on external comparison.

Executive members' service contracts

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

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

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

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

Executive members' remuneration and pension entitlements (Audited)

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

2017-18					
	Salary £000	Non Consolidated Pay £000	Benefits in kind £000 (to the nearest £100) £	Pensions benefits ⁸ £000	Total £000
Amanda Campbell (Chief Executive Officer)	150-155	10-15	-	97	260-265
Alan Doran (Interim Chief Executive Officer)	N/A	-	-	N/A	N/A
Rebecca Marsh (Executive Director of Operations and Investigations)	85-90 (115-120)	-	-	34	120-125
Gill Kilpatrick (Executive Director of Finance and Corporate Services)	115-120	5-10	-	46	165-170
Alex Robertson (Executive Director of External Affairs & Insight)	115-120	5-10	-	45	165-170
Shareena Merzi (Executive Director of External Affairs and Insight)	N/A	-	-	N/A	N/A

⁸The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

2016-17

	Salary £000	Benefits in kind £000 (to the nearest £100) £	Pensions benefits £000	Total £000
Amanda Campbell (Chief Executive Officer)	75-80 (150-155)	-	105*	180-185 (255-260)
Alan Doran (Interim Chief Executive Officer)	45-50 (120-125)	-	-	45-50 (120-125)
Rebecca Marsh (Executive Director of Operations and Investigations)	110-115	-	37	150-155
Gill Kilpatrick (Executive Director of Finance and Corporate Services)	105-110	-	42	145-150
Alex Robertson (Executive Director of External Affairs & Insight)	85-90 (110-115)	-	33	115-120 (145-150)
Shareena Merzi (Executive Director of External Affairs and Insight)	20-25 (80-85)	-	16	35-40 (95-100)

*Pension Benefits for 2016/17 restated.

Fair pay disclosure (Audited)

The banded remuneration of the highest-paid director in PHSO in the financial year 2017-18 was £165,000 - £170,000 full time equivalent including non-consolidated pay (2016-17 was £150,000 - £155,000) and the lowest paid employee was in the range £20,000 - £25,000 (2016-17 was £15,000 - £20,000). The remuneration of the highest paid director was 4.9 times (2016-17 was 4.1) the median remuneration of the workforce, which was £33,936 (2016-17 was £36,865). The change to the ratio reflects organisational changes in 2017-18 including a reduction in management posts.

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

PHSO non-executive Board members (Audited)

During 2017-18 the non-executive Board members and their contract commencement dates and end dates were:

	Commencement date	End date
Sir Alex Allen KCB	2 January 2018	1 January 2021
Elisabeth Davies	16 May 2016	14 May 2021
Dean Fathers	2 January 2018	1 January 2021
Alan Graham MBE	7 March 2016	28 February 2021
Mick King (ex-officio)	11 January 2017	N/A
Ruth Sawtell	20 April 2015	19 April 2020
Sir Jon Shortridge, KCB	1 May 2012	31 March 2018
Julia Tabreham	20 April 2015	19 April 2020
Helen Walley	1 September 2012	31 August 2017

	2017-2018		2016-2017	
	Salary £000	Benefits in kind (to the nearest £100)	Salary £000	Benefits in kind (to the nearest £100)
Sir Alex Allan, KCB	0-5 (5-10)	-	N/A	-
Elisabeth Davies ¹	5-10	-	5-10	-
Dean Fathers	0-5 (5-10)	-	N/A	-
Alan Graham MBE ¹	5-10	-	5-10	-
Ruth Sawtell ¹	5-10	-	5-10	-
Sir Jon Shortridge, KCB	5-10	-	5-10	-
Julia Tabreham	5-10	-	5-10	-
Helen Walley	0-5 (5-10)	-	5-10	-

Note 1: Audit Committee Members for all or part of the year

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

Pension entitlements (Audited)

The pension entitlement of the ombudsman was:

	Accrued pension at pension age at 5/4/17 £000	Accrued lump sum at pension age at 5/4/17 £000	Real increase in pension at pension age £000	Real increase in lump sum at pension age £000	CETV at 5/4/17 £000	CETV at 31/03/17 £000	Real increase in CETV £000
Julie Mellor	30 - 35	-	0 - 2.5	-	554	550	1

Dame Julie Mellor left, and was succeeded by, Rob Behrens on 6 April 2017.

Rob Behrens is not a member of the pension scheme and so the pension entitlement of the Ombudsman was zero for 2017/18.

The pension entitlements of the Chief Executive and executive directors were:

	Accrued pension at pension age at 31/03/18 £000	Accrued lump sum at pension age at 31/03/18 £000	Real increase in pension at pension age £000	Real increase in lump sum at pension age £000	CETV at 31/03/18 £000	CETV at 31/03/17 £000	Real increase in CETV £000
Amanda Campbell	65 - 70	170 - 175	5 - 7.5	2.5 - 5	1,219	1,084	61
Rebecca Marsh	5 - 10	-	0 - 2.5	-	90	62	18
Gill Kilpatrick	5 - 10	-	2.5 - 5	-	85	52	22
Alex Robertson	20 - 25	-	2.5 - 5	-	198	169	14

Off-payroll engagements (Audited)

There have been no off-payroll engagements during 2017-18.

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 and Customs as a taxable emolument.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. 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 benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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 employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension

product chosen by the employee from a panel of 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 0.5 % 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

Cash equivalent transfer values (CETVs)

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

The figures include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax that may be due when pension benefits are taken.

Real increase in CETV

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

Rob Behrens, CBE
Accounting Officer
Ombudsman and Chair
9 July 2018

Staff report

Staff numbers

At the end of March 2018, the number of staff we employed was 421 full-time equivalents (FTEs). Of these, 57% were female, 43% male, and 67% percent of the Executive Team was female and 33% male. The average number of people employed by us during 2017-18 was 425 FTE. The average age of our staff was 39.3 years.

Senior Managers by Grade (full-time equivalents)

Grade	March 2018
0 (Chief Executive and executive directors)	3
1 (directors)	6
2 (assistant directors and heads of departments)	22
Total	31

Average number of persons employed (Audited)

The average number of full-time equivalent persons employed, excluding the Ombudsman, during the year was 425:

	2017-18			2016-17
	Executive Directors	Other permanent staff	Others	Total
Full-time equivalent	4	334	87	425
				434

Staff turnover

Staff turnover was 43% in 2017-18; higher than that in 2016-17 of 31% and also the XpertHR benchmark of 20.4%, but reflects the impact of a significant organisational restructure that incorporated a number of staff leaving on voluntary terms. If we exclude those that left on voluntary terms during the year or those whose fixed term contracts came to a natural end, our staff turnover reduces to 14.2%.

Sickness absence

We are committed to the physical and mental health of our staff. We have a comprehensive sickness management policy and our procedures, together with our occupational health arrangements, help to support those absent on long-term sick back to work as quickly as possible. There were no reportable health

and safety at work incidents in 2017/18 under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

Sickness absence in 2017/18 increased from 7.9 to 10.5 days per FTE. This is above the public sector average of 8.5 days per FTE, and our target of six days per FTE. Long-term absence accounted for 57% of the overall time lost and formed the majority of the increase in days lost during 2017-18. Active management of these cases during the year has resulted in the return to work of the majority of current employees on long-term sickness absence during 2017-18.

Equality and diversity

We believe strongly in creating a diverse and inclusive workplace and part of our strategy is to guarantee to interview all disabled applicants who meet the minimum criteria of the job. In such cases we have a duty to make reasonable adjustments to help overcome disadvantage resulting from disability and to facilitate recruitment and selection by, for example, making adjustments to the arrangements for interviews and selection tests.

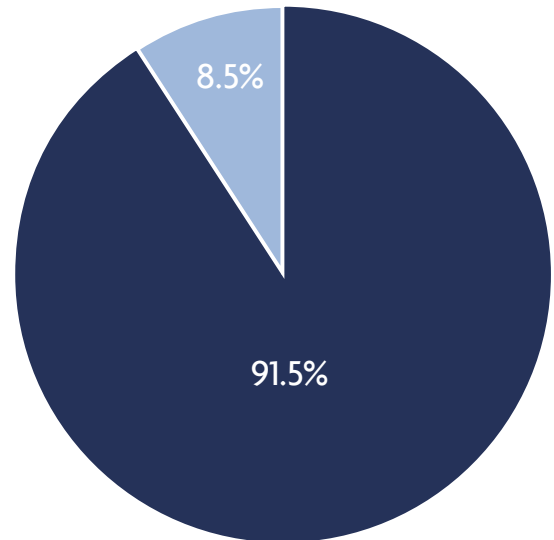
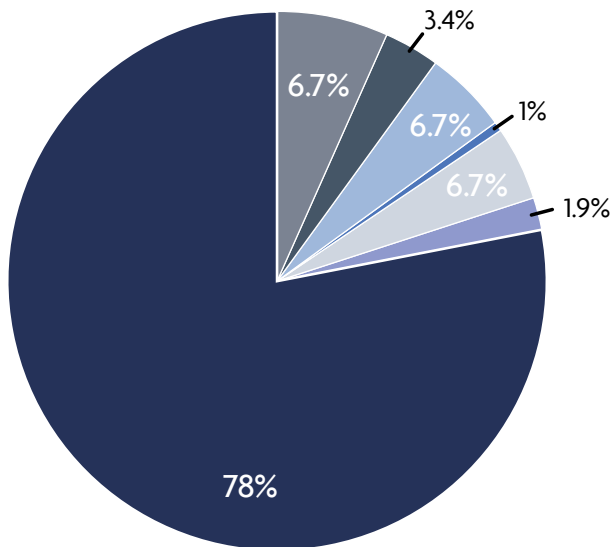
We support people who become disabled during their employment to remain in work and achieve their potential. To that end, we seek specialist advice on adjustments that would enable the person concerned to continue in their current post via our occupational health advisers and other specialist partners and agree a package of reasonable adjustments for the person.

To ensure that all employees have access to learning and development opportunities, reasonable adjustments will include any specific requirements to allow the employee to access suitable learning and development opportunities. When promotion opportunities arise employees with a disability are encouraged to apply and to discuss any adjustments they would require to the selection arrangements to remove any disadvantage resulting from their disability.

Below are the ethnicity and disability statistics of our workforce at March 2018. They are consistent with the composition of our workforce from the previous year.

Employee Relations

There were no days lost in 2017-18 to industrial action or other employee relations disputes.



	March 2018	March 2017	UK population benchmark (where available)
Female	57%	61%	51%
Black, Asian and minority ethnic	15%	17%	14%
Disabled	8.5%	8.6%	19%
Lesbian, gay, bisexual and transgender	9.7%	7.5%	-
Religious belief (those with a religious belief)	50%	57%	-
Part time	15%	19%	-
Age 50+	20.5%	22%	-

Consultancy

£363,000 (£280,000 in 2016-17) was spent on consultancy in 2017-18. This spend supported the organisational restructure during the year.

Staff related costs (Audited)

	2017-18			2016-17	
	Permanently employed staff £000	Fixed term contracts £000	Agency staff £000	Total £000	Total £000
Wages and salaries	13,414	2,503	732	16,649	17,221
Social security costs	1,427	258	-	1,685	1,691
Other pension costs	2,603	478	-	3,081	3,148
Sub total	17,444	3,239	732	21,415	22,060
Ombudsman's salary:	181	-	-	181	190
Total gross costs	17,625	3,239	732	21,596	22,250

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha” – are unfunded multi-employer defined benefit schemes but PHSO is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012.

You can find details in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservicepensionscheme.org.uk.

For 2017-18, employers' contributions of £3,867,000 were payable to the PCSPS (2016-17 £3,967,000) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees that do not enter the Civil Service Pension Scheme can opt to open a partnership pension account or a stakeholder pension with an employer contribution. Employers' contributions of £41,000 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings and 0.5% of pensionable pay to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £3,900.

Exit packages (Audited)

Exit Package Band	2017-18			2016-17
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	6	9	15	4
£10,001 - £25,000	3	21	24	13
£25,001 - £50,000	1	16	17	14
£50,001 - £100,000	-	10	10	11
£100,001 - £150,000	-	1	1	-
£150,001 - £200,000	-	-	-	-
£200,001 - £250,000	-	-	-	-
Number	10	57	67	42
Total (£000)	138	1,804	1,942	1,480

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 all contractual terms.

Exit costs are accounted for in full in the year of departure. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Rob Behrens, CBE
Accounting Officer
Ombudsman and Chair
9 July 2018



Parliamentary Accountability and Audit Report

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2017-18

		2017-18					2016-17		
		Estimate			Outturn			Voted outturn compared to Estimate: saving/ (excess) £000	Outturn £000
SoPS Note	Voted £000	Non-Voted £000	Total £000	Voted £000	Total £000	Outturn £000			
Departmental Expenditure Limit									
- Resource	1.1	33,506	187	33,693	32,992	181	33,173	514	32,835
- Capital	1.2	1,861		1,861	1,554		1,554	307	548
Annually Managed Expenditure									
- Resource	1.1	(3,658)		(3,658)	(3,746)		(3,746)	88	1,811
- Capital	1.2	-		-	-		-	-	-
Total		31,709	187	31,896	30,800	181	30,981	909	35,194
Total Resource		29,848	187	30,035	29,246	181	29,427	602	34,646
Total Capital		1,861		1,861	1,554		1,554	307	548
Total		31,709	187	31,896	30,800	181	30,981	909	35,194

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

The underspend against the 2017-18 RDEL of £514,000 (1.53%) is due to job vacancies and restructuring costs being lower than anticipated.

The non-voted resource expenditure limit was £187,000, and covered the cost of the Ombudsman's salary. There was a small underspend of £6,000 due to the change of post holder in April 2017.

The Annually Managed Expenditure (AME) limit covers the creation and use of provisions. The AME limit was negative as the planned value of provisions being utilised was greater than that of the provisions being created. Movement on the provisions, which mainly included early departure costs and onerous leases, resulted in an underspend of £88,000.

Capital expenditure was £307,000 less than estimated. This was due to delayed completion of two ICT projects and, as a result, costs were deferred to 2018-19.

Net Cash Requirement 2017-18

		2017-18			2016-17
	SoPS Note	Estimate £000	Outturn £000	Outturn compared to Estimate: saving/ (excess) £000	Outturn £000
Net Cash Requirement	2	34,767	32,905	1,862	32,301

For Estimates purposes, all PHSO income and expenditure is classified as administration. The Statement of Parliamentary Supply does not therefore report against a programme cost limit.

Regularity – the above statement of Parliamentary Supply demonstrates that in 2017-18 PHSO is within all of the HM Treasury’s control totals (i.e. Department Expenditure Limit – Resource/Capital, Annually Managed Expenditure – Resource and Net Cash Requirement).

Notes to the Statement of Parliamentary Supply (SoPS)

SoPS 1 Net outturn

SoPS 1.1 Analysis of net resource outturn by section

	2017-18				2016-17	
	Outturn Administration		Net	Estimate	Net Total compared with Estimate	Outturn total
	Gross £000	Income £000				
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure	34,636	(1,644)	32,992	33,506	514	32,645
<i>Of which</i>						
A Administration	34,636	(1,644)	32,992	33,506	514	32,645
Non Voted expenditure	181		181	187	6	190
<i>Of which</i>						
B Ombudsman's salary and social security	181		181	187	6	190
Total	34,817	(1,644)	33,173	33,693	520	32,835
Spending in Annually Managed Expenditure (AME)						
Voted expenditure	(3,746)	-	(3,746)	(3,658)	88	1,811
<i>Of which</i>						
C Use of Provisions	(3,746)	-	(3,746)	(3,658)	88	1,811
Total	31,071	(1,644)	29,427	30,035	608	34,646

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

SoPS 1.2. Analysis of net capital outturn by section

	2017-18				2016-17	
	Outturn			Estimate	Net Total compared with Estimate	
	Gross £000	Income £000	Net £000	Net total £000	£000	Outturn Total £000
Spending in Departmental Expenditure Limit (CDEL)						
Voted expenditure	1,554	-	1,554	1,861	307	548
<i>Of which</i>						
Administration	1,554	-	1,554	1,861	307	548
Total	1,554	-	1,554	1,861	307	548

SoPS 2. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: savings/ (excess) £000
Resource Outturn	SoPS 1.1	30,035	29,427	608
Capital Outturn	SoPS 1.2	1,861	1,554	307
Accruals to cash adjustments:				
<i>Adjustment to remove non-cash items:</i>				
Depreciation Amortisation & Adjustment	3	(600)	(505)	(95)
New provisions and adjustments to previous provisions	10	(926)	(721)	(206)
Other non-cash items	3	-	(60)	60
<i>Adjustments to reflect movements in working balances</i>				
Increase/(decrease) in receivables	8	-	(92)	92
(Increase)/decrease in payables	9	-	(984)	984
Use of provisions	10	4,584	4,467	118
		34,954	33,086	1,868
Removal of non-voted budget items:				
	SoPS			
Consolidated Fund	1.1	(187)	(181)	(6)
Net Cash Requirement		34,767	32,905	1,862

SoPS 3. Analysis of income payable to the Consolidated Fund

In addition to income retained by the department, the following income is payable to the Consolidated Fund (cash receipts being shown in italics)

	2017-18		2016-17	
	£000		£000	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Excess income surrenderable to the Consolidated Fund	-	9	9	-

Parliamentary Accountability Disclosures (Audited)

Regularity

There were no financial irregularities during 2017-18 (nil 2016-17).

Losses and special payments

	2017-18		2016-17 (restated)	
	No. of cases	£000	No. of cases	£000
Fruitless Payments	1	2,524	1	1,459
Administrative Write Offs	-	-	1	332
Other	30	7	42	35
Total	31	2,531	44	1,826

Fruitless Payments relate to the payments on onerous leases on Millbank Tower. These were partially offset by income of £1,608k. 2016-17 has been restated to record the equivalent payment in that year.

Administrative Write Offs relate to the adjustments resulting from the review of the Fixed Asset Register.

Other Losses and special payments relate to compensation payments and debt write off.

Fees and Charges

Income received by PHSO comprises rental income from subletting redundant office space and recharging the full cost of providing clinical advice services to other Ombudsman. PHSO ceased to provide clinical advice services in March 2017 and income relates to ongoing cases which continued into 2017-18. Details of income are set out in Note 4 to the Financial Statements.

Remote Contingent Liabilities

There are no remote contingent liabilities as at 31 March 2018 (nil 31 March 2017).

Rob Behrens, CBE
Accounting Officer
Ombudsman and Chair
9 July 2018

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Parliamentary and Health Service Ombudsman for the year ended 31 March 2018. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Parliamentary and Health Service Ombudsman's affairs as at 31 March 2018 and of its net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Financial Reporting Manual issued by HM Treasury.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Parliamentary and Health Service Ombudsman in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and certify 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parliamentary and Health Service Ombudsman's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parliamentary and Health Service Ombudsman's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

the parts of the Accountability Report to be audited have been properly prepared in accordance with Government Financial Reporting Manual issued by HM Treasury;

in the light of the knowledge and understanding of Parliamentary and Health Service Ombudsman and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and

the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General

13 July 2018

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

		2017-18	2016-17
	Note	£000	£000
Operating income	4	1,644	1,727
Operating expenditure			
Staff costs	3	21,596	22,250
Purchase of goods and services	3	8,249	9,888
Depreciation impairment charges and adjustments	3	505	956
Provision expense	10	721	3,270
Other operating expenditure		-	-
Total operating expenditure		31,071	36,364
Net operating expenditure		29,427	34,637
Other comprehensive expenditure		-	-
Comprehensive net expenditure for the year ended 31 March		29,427	34,637

Depreciation and adjustments includes depreciation, impairment and other adjustments made to the Fixed Asset Register. Purchase of goods and services includes £60,000 for Auditors remuneration (£60,000 2016-17).

Statement of Financial Position as at 31 March 2018

		31 March 2018	31 March 2017 (restated)	1 April 2016 (restated)
	Note	£000	£000	£000
Non-current assets				
Property, plant and equipment	5	1,636	520	1,746
Intangible assets	6	907	974	157
Total non-current assets		2,543	1,494	1,903
Current assets				
Trade and other receivables	8	1,502	1,594	1,497
Cash and cash equivalents	7	322	205	1,111
Total current assets		1,824	1,799	2,608
Total assets		4,367	3,293	4,511
Current liabilities				
Trade and other payables	9	(3,466)	(2,645)	(2,601)
Provisions	10	(2,927)	(4,304)	(1,459)
Other liabilities	9	(463)	(276)	(1,182)
Total current liabilities		(6,856)	(7,225)	(5,242)
Total assets less current liabilities		(2,489)	(3,932)	(731)
Non-current liabilities				
Provisions	10	(390)	(2,759)	(3,793)
Other liabilities	9	(137)	(52)	(123)
Total non-current liabilities		(527)	(2,811)	(3,916)
Total assets less total liabilities		(3,016)	(6,743)	(4,647)
Taxpayers' equity and other reserves				
General Fund		(3,016)	(6,743)	(4,647)
Total equity		(3,016)	(6,743)	(4,647)

Rob Behrens, CBE
Accounting Officer Ombudsman and Chair
9 July 2018

31 March 2017 provision current liabilities has been restated by £4,304k from non-current liabilities (1 April 2016 current year liabilities restated by £1,459k from non-current liabilities).

Statement of Cash Flows for the year ended 31 March 2018

		2017-18	2016-17
	Note	£000	£000
Cash flows from operating activities			
Net operating expenditure	2	(29,427)	(34,637)
Adjustments for non-cash transactions	3	1,286	4,286
(Increase)/decrease in trade and other receivables	8	93	(97)
Increase/(decrease) in trade payables	9	1,092	(932)
Movements in payables/receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	9	(108)	897
Use of provisions	10	(4,467)	(1,459)
Net cash outflow from operating activities		(31,531)	(31,942)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,425)	(126)
Purchase of intangible assets	6	(129)	(422)
Net cash outflow from investing activities		(1,554)	(548)
Cash flows from financing activities			
From the Consolidated Fund (Supply): current year		33,021	31,394
From the Consolidated Fund (Non-Supply)	3	181	190
Net financing		33,202	31,584
Net increase/(decrease) in cash in the period before adjustment for receipts and payments to the Consolidated Fund		117	(906)
Payments of amounts due to the Consolidated Fund		-	-
Net increase/(decrease) in cash in the period after adjustment for receipts and payments to the Consolidated Fund		117	(906)
Cash at the beginning of the period	7	205	1,111
Cash at the end of the period	7	322	205

Statement of Changes in Taxpayers' Equity for the Year ended 31 March 2018

	Note	Taxpayers' Equity £000
Balance at 31 March 2016		(4,647)
Net Parliamentary Funding – drawn down		31,394
Net Parliamentary Funding – deemed		1,111
Consolidated Fund Standing Services		190
Supply Payable Adjustment		(205)
CFER's Payable to the Consolidated Fund		(9)
Comprehensive net expenditure for the year	3,4	(34,637)
Auditor's remuneration	3	60
Balance at 31 March 2017		(6,743)
Net Parliamentary Funding - drawn down		33,021
Net Parliamentary Funding - deemed		205
Consolidated Fund Standing Services	3	181
Supply Payable Adjustment	9	(313)
CFER's Payable to the Consolidated Fund	9	-
Comprehensive net expenditure for the year	2	(29,427)
Auditor's remuneration	3	60
Balance at 31 March 2018		(3,016)

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.

Deemed funding and supply payable adjustments refer to opening and closing cash balances respectively.

Notes to the Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards as adapted and interpreted by the Government Financial Reporting Manual 2017-18 issued by HM Treasury, for use within Central Government. Where the Government Financial Reporting Manual 2017-18 permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to our particular circumstances for the purpose of giving a true and fair view has been selected. The particular policies adopted by PHSO are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Financing

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

1.2 Income

Revenue Recognition:

Revenue has been measured at the fair value of the consideration received or receivable. PHSO recognises income when the amount of revenue and related cost can be reliably measured, it is probably that the collectability of the related receivable is reasonably assured and when the specific criteria for each activity are met as follows:

Rental income:

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

Services to other Ombudsman:

Revenue from other ombudsman is recognised when the service is rendered.

1.3 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. No revaluation has been carried out as the difference would be immaterial. All property, plant and equipment is reviewed annually for impairment and is carried at cost for a proxy for fair value. PHSO does not own any buildings.

1.4 Intangible assets

Expenditure on intangible assets, which are software licences and the associated costs of implementation, is capitalised when the cost is £1,000 or more. Intangible assets costing less than £1,000 may be capitalised, providing they are capital in nature and there are enough assets and associated costs to be worth more than £1,000 in total. Licences for one year or less are expensed not capitalised regardless of cost.

Intangible assets are reviewed annually for impairment and are carried at cost as a proxy for fair value.

1.5 Depreciation

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

- Furniture and fittings – 10 years
- IT software and equipment – three to five years
- Office machinery – five years
- Building Refurbishment – the lesser of 10 years or the lease term.

Where assets are contained in leased buildings the life of the asset reflects the length of the lease.

1.6 Value added tax

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

1.7 Accounting estimates

Significant accounting estimates have been made in relation to provisions. Dilapidations have been reviewed and provision made based on estimated costs. Provisions in respect of Early Departures, Legal Costs and Onerous Leases have been included and have been estimated on a prudent basis. We have made no other significant accounting estimates or judgments in preparing these accounts.

1.8 Going concern

The Parliamentary Commissioner for Administration, otherwise known as the Parliamentary Ombudsman, is an independent Office-holder appointed by the Crown under the Parliamentary Commissioner Act 1967. The Parliamentary Ombudsman is also currently appointed as the Health Service Commissioner for England, an independent Office-holder appointed by the Crown under the Health Service Commissioners Act 1993. The Office of Parliamentary and Health Services Ombudsman exists to support the work of the Ombudsman and, in his opinion, as long as the provisions of the Parliamentary Commissioner Act 1967 and the Health Service Commissioners Act 1993 apply the organisation will continue in operation.

The funding estimate for 2018-19 for the Parliamentary and Health Services Ombudsman has been approved by Parliament.

On 5th December 2016 the Government published a draft bill to create a single public service ombudsman, integrating the existing jurisdictions of the Local Government and Social Care Ombudsman and the Parliamentary and Health Service Ombudsman. These proposals were put on hold as a result of the parliamentary pressures created by the decision to exit the European Union. If legislative process recommences, it is estimated that the operational integration of the LGSCO and PHSO schemes would take a further 18 months, during which time the PHSO would need to continue to function as a standalone body.

We are satisfied that these proposals do not give rise to a material uncertainty around the going concern status of PHSO. The accounts have therefore been prepared on a going concern basis.

1.9 Impending application of newly issued Accounting Standards not yet effective

IFRS 9 Financial Instruments: This standard introduces a revised approach to the classification of financial assets. This is expected to have nil impact on PHSO.

IFRS 15 Revenue from Contracts with Customers: This standard introduces a new methodology for the recognition of contract income. Given the nature of PHSO income it is expected to have nil impact on PHSO.

IFRS 16 Leases: This standard replaces IAS 17 and is expected to have a significant impact on PHSO. Rather than applying a distinction between operating leases and finance leases, Lessees will be required to recognise lease liability reflecting future lease payments and 'right-of-use asset' for most lease contracts.

No new accounting standards or revisions to existing standards have been adopted early by PHSO in 2017-18.

2. Statement of Operating Costs by Operating Segment

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

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

- Operations and Investigations: responsible for the delivery of casework & customer service.
- External Affairs and Insight: responsible for media, communications & insight reports
- Corporate Services: responsible for Finance, Governance, Legal services, Human Resources, Procurement, Information Assurance, Business Planning, ICT and Accommodation. Executive Office costs are also included in Corporate Services.

Only the Operations and Investigations area is classified as a 'reportable segment' in accordance with the criteria of IFRS8; the other areas' are disclosed in order to allow reconciliation back to the full cost of PHSO for 2017-18.

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

	Operations and Investiga- tions £000	External Affairs and Strategy £000	Corporate Ser-vices £000	Total £000
	2017-18			
Staff costs	15,297	1,440	4,859	21,596
Other Employee Expenditure	128	33	206	367
External casework costs	348	-	440	788
Other Professional advice	21	-	716	737
Research, media and publica- tions	4	159	1	164
Accommodation costs	-	-	6,137	6,137
IT & Telecommunications	-	-	1,996	1,996
Recruitment	-	-	421	421
Learning and staff development	-	-	305	305
Other Central Overheads	-	-	274	274
Provisions	-	-	(3,745)	(3,745)
Early Departure costs	1,549	60	422	2,031
Income	(36)	-	(1,608)	(1,644)
Total	17,311	1,692	10,424	29,427

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

	Operations and Investiga- tions £000	External Affairs and Strategy £000	Corporate Ser- vices £000	Total £000
2016-17				
Staff costs	16,452	1,783	4,015	22,250
Other Employee Expenditure	212	21	126	359
External casework costs	918	-	133	1,051
Other Professional advice	57	2	558	617
Research, media and publica- tions	-	234	-	234
Accommodation costs	-	-	5,494	5,494
IT & Telecommunications	-	-	1,960	1,960
Recruitment	-	-	401	401
Learning and Staff Development	-	-	246	246
Other Central Overheads	-	-	485	485
Provisions	-	-	1,811	1,811
Early Departure costs	1,031	183	241	1,455
Income	(217)	-	(1,510)	(1,727)
Total	18,453	2,223	13,961	34,637

The majority of Central Overhead costs, such as accommodation costs, telephones and staff learning and development, are managed centrally. PHSO does not reallocate these costs to the other directorates.

All assets and liabilities are held within Corporate Services and are not recharged to directorates.

2016-17 other central overheads have been restated to present 'recruitment' and 'learning and staff development' costs separately.

Income includes consolidated fund extra receipts of £9,036 (SoPS 3) which are excluded from the notes to the Statement of Parliamentary Supply (SoPS 1).

3. Other Administration Costs

		2017-18	2016-17 (restated)
	Note	£000	£000
Cash items			
Wages & salaries		16,649	17,221
Social security costs		1,685	1,691
Other pension costs		3,081	3,148
Ombudsman's salary		181	190
Early Departure		578	1,454
Goods & services		4,615	4,875
Accommodation costs		1,382	1,536
Accommodation operating leases		1,614	1,963
Total cash items		29,785	32,078
Non-cash items			
Depreciation and amortisation of fixed assets:			
Property, plant and equipment	5	307	453
Intangible assets	6	196	171
Loss on disposal	5	2	-
Adjustments to Fixed Asset Register	5	-	332
Auditor's remuneration		60	60
Provisions:			
Provided in year	10	1,071	3,517
Provisions not required written back	10	(350)	(247)
Total non-cash items		1,286	4,286
Total		31,071	36,364

Auditors have received no remuneration for non-audit work. 2016-17 has been restated to summarise goods and services.

Staff related costs

	2017-18			2016-17	
	Permanently employed staff £000	Fixed term contracts £000	Agency staff £000	Total £000	Total £000
Wages and salaries	13,414	2,503	732	16,649	17,221
Social security costs	1,427	258		1,685	1,691
Other pension costs	2,603	478		3,081	3,148
Sub total	17,444	3,239	732	21,415	22,060
Ombudsman's salary:	181			181	190
Total gross costs	17,625	3,239	732	21,596	22,250

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha” – are unfunded multi-employer defined benefit schemes but PHSO is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012.

You can find details in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservicepensionscheme.org.uk.

For 2017-18, employers' contributions of £3,867,000 were payable to the PCSPS (2016-17 £3,967,000) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees that do not enter the Civil Service Pension Scheme can opt to open a partnership pension account or a stakeholder pension with an employer contribution. Employers' contributions of £41,000 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings and 0.5% of pensionable pay to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £3,900.

4. Income

	2017-18	2016-17
Note	£000	£000
Recovery of direct and overhead costs from the provision of clinical advice to :		
Public Services Ombudsman for Wales	17	64
Scottish Public Services Ombudsman	13	110
Northern Ireland Ombudsman	5	24
Gibraltar Ombudsman	1	4
Office of the Ombudsman Ireland	-	5
Rental income	1,608	1,462
Recoveries in respect of outward secondments	-	58
Total	1,644	1,727

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

- Cost sharing arrangements with the Commissioner for Local Administration in England and other public sector bodies
- Recovery of costs of staff on loan or secondment.
- Sub-letting accommodation on the Ombudsman's estate.
- Monies received from sale of goods or services and recovery of costs or miscellaneous income.

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

5. Property, plant and equipment

2017-18	Furniture and fittings £000	Information technology £000	Office machinery £000	Buildings £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2017	657	1,751	457	1,883	5	4,753
Additions	218	291	-	916	-	1,425
Disposals	(344)	-	(10)	(540)	-	(894)
Transfers	-	-	-	5	(5)	-
At 31 March 2018	531	2,042	447	2,264	-	5,284
Depreciation						
At 1 April 2017	608	1,373	427	1,825	-	4,233
Charged in year	53	181	16	57	-	307
Disposals	(342)	-	(10)	(540)	-	(892)
Transfers	-	-	-	-	-	-
At 31 March 2018	319	1,554	433	1,342	-	3,648
Carrying amount as at 31 March 2018						
	212	488	14	922	-	1,636
Carrying amount as at 31 March 2017	49	378	30	58	5	520

All property, plant and equipment held at 31 March 2018 is owned. There are no leased assets or assets held as non-current assets under PFI contracts. PHSO holds no third-party assets. Transfers reflect bringing assets under construction into use.

5. Property, plant and equipment (continued)

2016-17	Furniture and fittings £000	Information technology £000	Office machinery £000	Buildings £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2016	1,777	2,840	528	4,037	580	9,762
Additions	-	121	-	-	5	126
Disposals	(1,120)	(1,150)	(141)	(2,154)	-	(4,565)
Transfers	-	(60)	70	-	(580)	(570)
At 31 March 2017	657	1,751	457	1,883	5	4,753
Depreciation						
At 1 April 2016	1,537	2,313	509	3,657	-	8,016
Charged in year	78	159	22	194	-	453
Disposals	(1,007)	(1,063)	(140)	(2,026)	-	(4,236)
Transfers	-	(36)	36	-	-	-
At 31 March 2017	608	1,373	427	1,825	-	4,233
Carrying amount as at 31 March 2017	49	378	30	58	5	520
Carrying amount as at 31 March 2016	240	527	19	380	580	1,746

All property, plant and equipment held at 31 March 2017 was owned. There were no leased assets or assets held as non-current assets under PFI contracts. PHSO held no third-party assets.

6. Intangible assets

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

2017-18	Software £000	Assets under construction £000	Total £000
Cost or valuation			
At 1 April 2017	1,384	179	1,563
Additions	54	75	129
Disposals	-	-	-
Transfers	-	-	-
At 31 March 2018	1,438	254	1,692
Amortisation			
At 1 April 2017	589	-	589
Charged in year	196	-	196
Disposals	-	-	-
Transfers	-	-	-
At 31 March 2018	785	-	785
Net book value:			
Carrying amount as at 31 March 2018	653	254	907
Carrying amount as at 31 March 2017	795	179	974

All intangible assets held at 31 March 2018 are owned, rather than leased or held as non-current assets through PFI contracts. PHSO holds no third party assets. There were no intangible asset disposals during the year. There were no intangible asset disposals during the year.

6. Intangible assets (continued)

2016-17	Software £000	Assets under construction £000	Total £000
Cost or valuation			
At 1 April 2016	1,913	-	1,913
Additions	243	179	422
Disposals	(1,342)	-	(1,342)
Transfers	570	-	570
At 31 March 2017	1,384	179	1,563
Amortisation			
At 1 April 2016	1,756	-	1,756
Charged in year	171	-	171
Disposals	(1,337)	-	(1,337)
Transfers	(1)	-	(1)
At 31 March 2017	589	-	589
Net book value:			
Carrying amount as at 31 March 2017	795	179	974
Carrying amount as at 31 March 2016	157	-	157

All intangible assets held at 31 March 2016 are owned rather than leased or held as non-current assets through PFI contracts. PHSO holds no third-party assets. There were no intangible asset disposals during the year. During 2016-17 the Fixed Asset Register was reviewed and as a result some adjustments were necessary. The financial impact of this is shown in the Disposals line above.

7. Cash

	2017-2018	2016-2017
	£000	£000
Balance at 1 April	205	1,111
Net change in cash balances	117	(906)
Total Cash balances at 31 March	322	205

The following cash balances at 31 March were held:

Cash at Bank-Government Banking Service	322	205
Cash in hand	-	-
Total Cash Balance at 31 March	322	205

8. Trade receivables, financial and other assets

	31 March 2018	31 March 2017
	£000	£000
Amounts falling due within one year:		
Trade receivables within one year	50	51
Deposits and advances	69	83
Prepayments and accrued income	1,383	1,451
CFER's receivable to the Consolidated Fund	-	9
Total	1,502	1,594

9. Trade payables and other current liabilities

	31 March 2018	31 March 2017
	£000	£000
Amounts falling due within one year		
Trade payables	83	90
Taxation and social security	476	452
Other payables	347	321
Accruals and deferred income	2,560	1,774
Trade and Other Payables	3,466	2,637
Rent-free period accrual	141	71
Bank overdraft	-	-
Amounts issued from the Consolidated Fund for supply but not spent at year end	313	205
Other Liabilities	454	276
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	9	-
Sub total	3,929	2,922
Amounts falling due after more than one year		
Rent-free period accrual	137	52
Total	4,066	2,974

10. Provisions for liabilities and charges

	2017-18					2016-17	
	Early departure costs £000	Legal claims £000	Dilapidations £000	Onerous lease £000	Bad debts £000	Total £000	Total £000
Balance at 1 April	1,452	-	1,214	4,396	1	7,063	5,252
Provided in the year	98	210	390	373	-	*1,071	3,517
Provisions not re-quired written back	-	-	(350)	-	-	*(350)	(247)
Provisions utilised in the year	(1,452)	-	(490)	(2,524)	(1)	(4,467)	(1,459)
Balance at 31 March	98	210	764	2,245	-	3,317	7,063

The amount shown in the SoCNE comprises the movement in year of £721k being made up of the sums marked with an asterisk above.

We provide for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury discount rate. This has not been applied as the impact is not material.

10.1 Analysis of expected timing of liabilities and charges

	2017-18					2016-17	
	Early departure costs £000	Legal claims £000	Dilapidations £000	Onerous lease £000	Bad debts £000	Total £000	Total £000
Not later than one year	98	210	374	2,245	-	2,927	4,304
Later than one year and not later than five years	-	-	-	-	-	-	2,759
Later than five years	-	-	390	-	-	390	-
Balance at 31 March	98	210	764	2,245	-	3,317	7,063

Early Departure Costs

PHSO is carrying out a significant transformation programme over the three years to March 2020 which is anticipated to require the payment of early departure costs under the Civil Service Compensation Scheme. A provision has been created for the estimated costs of early departures during this period. This is based on a costed comparison of the existing establishment after the completion of the transformation programme. The provision was fully utilised during 2017-18 and a further provision has been created in respect of anticipated costs of a review of senior posts.

Legal Claims

PHSO has received a number of legal claims which are expected to be heard in 2018-19 and for which provision has been made in respect of potential costs and damages.

Dilapidations

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

Onerous Leases

In accordance with International Accounting standard (IAS) 37, a new onerous lease provision was created in 2014-15 to provide for the rental costs and service

charges payable for the 13th, 14th & 23rd floors at Millbank Tower, which have been vacated by PHSO.

PHSO have now vacated the 15th, 19th and 24th floors and the provision has been increased to include these floors. These floors, apart from the 15th and 19th, have been sub-let. However, IAS 37 requires the creation of a provision where the costs of meeting the contractual obligations exceed the economic benefit received. In the calculation of the provision, income received from sub-letting cannot be used to offset the level of provision required. In 2017-18, £2,524k of the provision has been utilised and has reduced overall net outturn expenditure. Income received in respect of the subletting of 13th, 14th, 23rd & 24th floors at Millbank Tower in 2017-18 was £1,608k (£1,462k 2016-17).

11. Commitments under leases

11.1 Operating leases

The total cost of operating leases is expensed in equal instalments over the life of the lease. In accordance with Standards Interpretations Committee Interpretation 14: Operating Leases - Incentives, lease incentives (such as rent-free periods) are considered an integral part of the net cost of the lease and are recognised over the full lease term.

PHSO leases Office Accommodation in London and Manchester. In London, PHSO leases the 13th, 14th, 15th, 19th, 21st, 23rd and 24th floors of Millbank Tower. The leases for these floors end on 25 December 2018. Rent payments under the lease are fixed to the end of the lease and there is no escalation clause within the lease or any break points before the end of the lease. In Manchester, PHSO leased the 3rd and 4th floors of the Exchange building until January 2018 and four rooms at 76 King Street until December 2017. From October 2017 the 1st to 4th floors of the Citygate building have been leased. The Citygate lease is for 15 years with break clauses at 5 and 10 years.

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 2018	31 March 2017
	£000	£000
Buildings		
Not later than one year	2,728	3,007
Later than one year and not later than five years	3,261	1,912
Later than five years	7,745	-
Total	13,734	4,919
Other		
Not later than one year	18	3
Later than one year and not later than five years	34	-
Later than five years	-	-
Total	52	3

PHSO has let the 13th, 14th, 23rd and 24th floors to sub-tenants as the office accommodation is surplus to PHSO requirements. The agreements for the office accommodation cover the period up until December 2018 for the 13th, 23rd and 24th floors. The break clause has been exercised by the tenant for part of the 14th floor and the lease will terminate in July 2018.

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

	31 March 2018 £000	31 March 2017 £000
Not later than one year	769	1,087
Later than one year and not later than five years	-	817
Later than five years	-	-
Total	769	1,904

12. Capital and other commitments

There were contractual capital commitments as at 31 March 2018 of £57k (nil 31 March 2017) which were not otherwise included in these financial statements.

	31 March 2018 £000	31 March 2017 £000
Building Refurbishments	13	-
Intangible Assets (Software)	44	-
Total	57	-

13. 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 2018 £000	31 March 2017 £000
Not later than one year	719	900
Later than one year and not later than five years	65	455
Later than five years	-	-
Total	784	1,355

14. Contingent liabilities disclosed under IAS 37

Provisions have been created for all extent legal cases as at 31 March 2018.

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

15. Contingent assets

PHSO has made Apprenticeship Levy payments during 2017-18 of £64,294. These are held in an apprenticeship service account administered by the Education and Skills Funding Agency and may be used to pay for future apprenticeship costs. There were no contingent assets in 2016-17.

16. Related-party transactions

During the year neither the Parliamentary Ombudsman nor any other members of the Executive Team or Unitary Board, or their immediate families, have undertaken any material transactions with PHSO.

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

- (a) PHSO has sub-let three floors of the Millbank building to The Green Investment Bank PLC, Home Office and the Local Government Boundary Commission.
- (b) PHSO has provided expert clinical advice to the Public Services Ombudsman for Wales, the Scottish Public Services Ombudsman, the Northern Ireland Ombudsman and the Gibraltar Ombudsman in accordance with their respective service level agreements. The full cost of these services to PHSO is recovered, and is disclosed as Income in these resource accounts.
- (c) PHSO has been working in partnership with the Local Government and Social Care Ombudsman to provide a joint investigation to complaints involving health and social care provision.

17. Events after the reporting period date

In accordance with IAS10, the Ombudsman is required to consider the impact of events since the closing date of the Statement of Financial Position and up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. In the Ombudsman's opinion there have been no events since 31 March 2018 that would affect the financial statements.

Parliamentary and Health Service Ombudsman

Citygate
Mosley Street
Manchester
M2 3HQ
United Kingdom

Telephone: 0345 015 4033

Textphone: 0300 061 4298

Fax: 0300 061 4000

Email: phso.enquiries@ombudsman.org.uk

www.ombudsman.org.uk

Follow us on:



If you would like this document in a different format, such as Daisy or large print, please contact us.