

# Parliamentary and Health Service Ombudsman

## Main Estimate Memorandum for 2024-25

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## 1 Overview

### 1.1 Objective

The Parliamentary and Health Service Ombudsman (PHSO) was set up by Parliament to provide an independent complaint handling service. We make final decisions on complaints that have not been resolved by the NHS in England, UK government departments, and other UK public organisations.

The Ombudsman is a Crown appointment, independent of government, but accountable to Parliament. Our work is scrutinised by the Public Administration and Constitutional Affairs Committee.

The PHSO's strategy for 2022-2025 sets out three key objectives:

- 1) **Objective 1:** People who use public services have a better awareness of the role of the Ombudsman and can easily access our service.
- 2) **Objective 2:** People we work with receive a high quality, empathetic and timely service, according to international Ombudsman principles.
- 3) **Objective 3:** We contribute to a culture of learning and continuous improvement, leading to high standards in public service.

### 1.2 Spending Controls

PHSO's net spending is broken down into four different spending totals, for which Parliament's approval is sought.

The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("Resource DEL") - a net limit comprising day-to-day running costs.
- Capital Departmental Expenditure Limit ("Capital DEL") - investment in capital projects such as ICT infrastructure.
- Annually Managed Expenditure ("AME") - to recognise changes in our year end provisions.
- Net Cash Requirement (NCR) - the amount of cash PHSO will pay out in the year.

### 1.3 Comparison of net spending totals sought

	Main Estimate 2024-25 £m	Supplementary Estimate 2023-24 £m	Difference £m	Difference %
Resource DEL	42.993	42.134	0.859	2.0
Capital DEL	11.748	11.748	-	0.0
Resource AME	0.600	0.783	(0.183)	(23.4)
Capital AME	0.384	0.380	0.004	1.1
Net Cash Requirement	43.564	42.933	0.631	1.5

### 1.4 Key drivers of spending changes since last year

#### Resource DEL

The increase in PHSO's resource DEL was approved in Spending Review 2021 (SR2021). PHSO's strategy supports the Government's agenda on strong and innovative public services, and on levelling up. Our casework supports individuals who have experienced public service failures and promotes the improvement of public services for everyone through learning from complaints and mistakes. We make recommendations to the organisations we investigate, and we lay reports in Parliament to highlight necessary improvements and help Parliament to hold public services to account.

The continuing impact of COVID-19, coupled with increased financial and service pressures on public services means that the number of complaints we receive has increased substantially. To date, we have absorbed through ongoing efficiencies the impact of these increases above funded levels; however, if demand levels continue as we have experienced in 2023/24, this will not be sustainable without an impact on the service we provide.

It was anticipated that the increase in funding we received in SR21 would enable us to respond to increased demand, but demand has significantly further outstripped forecast. Over the past two years, it has been running at 8.8% above funded levels, equivalent to over 1,200 additional cases over this period of time.

Since 2022, inflation has been over 8% higher than assumed under SR21 and is forecast to rise by a further 2%. The impact of inflation on pay and prices, in addition to increased demand, amounts to £5.5m in additional costs we have absorbed over 2022-2024.

The increase in our resource DEL we received in SR21 was to enable us to respond to the increase in demand for our services and to fund work to ensure access to our service for vulnerable members of society and disadvantaged communities. This supports the government's access to justice and levelling up priorities. Despite the significant progress we have made, if demand is sustained in 2024/25 then the achievement of these objectives will be placed at risk, particularly the reduction to frictional levels of the casework queue (resulting from the pandemic).

In our mains estimate submission for 2024/25 we are requesting £0.190m to cover VAT on IFRS16 adjustments which was not applied for in the SR2021 due to initial advice received from the NAO on accounting for IFRS16. This advice has subsequently changed.

### Capital DEL

Our 2024-25 capital DEL of £11.748m includes £9.748m for the implementation of International Financial Reporting Standard 16 (IFRS16) on leases.

Capital DEL remains constant and will enable us to invest in the development of our service as a digital Ombudsman.

### Resource AME

Resource AME is forecast to increase by £0.600m. This increase reflects anticipated requirements in relation to legal fees and severance.

### Capital AME

Capital AME is forecast to increase by £0.384m. This increase reflects anticipated requirements in relation to office dilapidation costs.

### Net Cash Requirement

The increases in Net Cash Requirement reflect the changes in RDEL and working capital and will ensure sufficient liquidity.

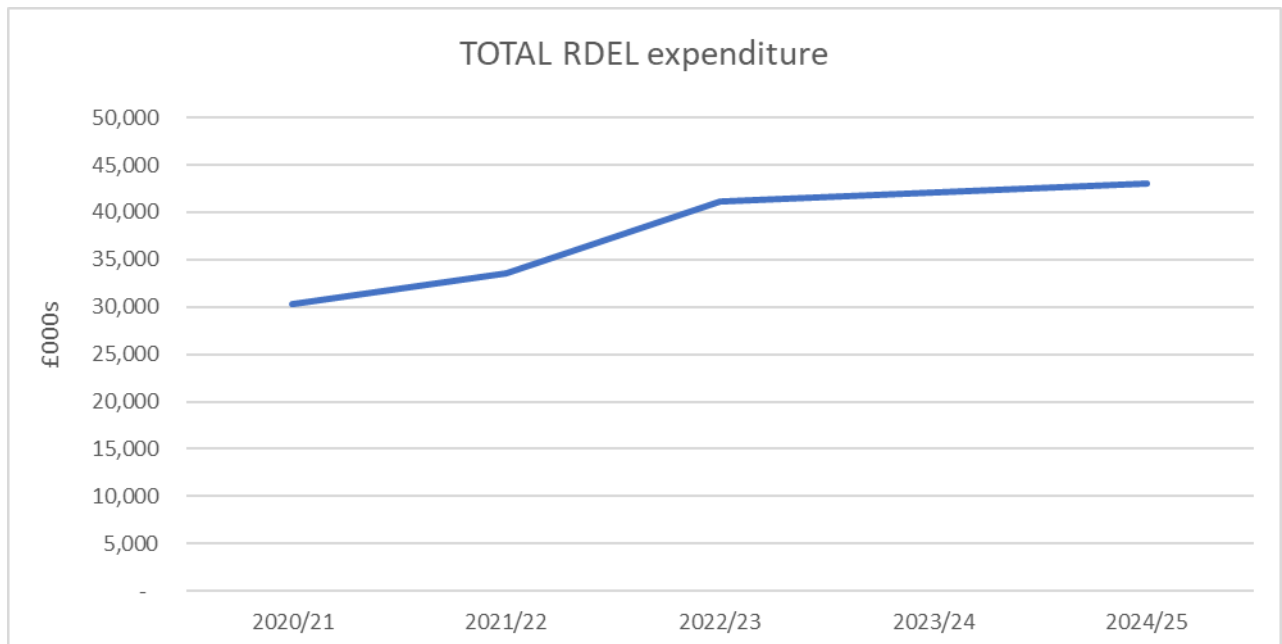
#### 1.5 New policies and programmes, ambit changes

There have been no ambit changes.

#### 1.6 Spending trends

The chart below shows Resource DEL from the previous three years, 2023/24, and the remaining year of SR2021.

## Resource DEL



Amounts per the Main Estimate or Supplementary Estimate where applicable.

### 1.7 Administration costs and efficiency plans

PHSO is funded on a Programme Costs basis.

### 1.8 Funding: Spending Review and budgets

The funding allocated by SR2021 was to enable PHSO to deliver the commitments set out in the Corporate Strategy 2022-25 and return the casework queue to frictional levels. The impact of significant additional demand above that funded, together with the cumulative impact of high levels of inflation, places the commitment to return casework queue to frictional levels at risk.

### 1.9 Funding: other spending announcements

None.

## 2 Spending Detail

### 2.1 Explanations of changes in spending

Significant changes in expenditure are explained in section 1.4.

	DEL				Is change significant? See explanation, note number
	<i>This year (2024-25 Main Estimates budget sought)</i>	<i>Last year (2023-24 Supp. Estimates budget sought)</i>	Change from last year		
	£m	£m	£m	%	
Programme expenditure (Resource DEL)	43.1	42.1	0.9	2%	No
Gross expenditure	43.1	42.1	0.9	2%	No
Income	0.1	0.1	0.0	0%	No
Net Expenditure	43.0	42.1	0.9	2%	No
Capital DEL	11.7	11.7	0.0	0%	No
Resource Annually Managed Expenditure	0.6	0.8	(0.2)	(23%)	No
Capital Annually Managed Expenditure	0.4	0.4	0.0	1%	No

### 2.2 Restructuring

No significant restructuring is planned during 2024/25

### 2.3 Ring-fenced budgets

Depreciation is the only ringfenced budget in PHSO finances.

	Main Estimate 2024-25 £m	Supplementary Estimate 2023-24 £m	Difference £m	Difference %
Depreciation	3.350	3.150	0.200	6%

### 2.4 Changes to contingent liabilities

PHSO does not have any contingent liabilities.

### 3 Priorities and Performance

#### 3.1 How spending relates to objectives

The table below lays out the financial allocation of the funding to these objectives.

	<b>Objective 1:</b> People who use public services have a better awareness of the role of the Ombudsman and can easily access our service  £m	<b>Objective 2:</b> People we work with receive a high quality, empathetic and timely service, according to international Ombudsman principles  £m	<b>Objective 3:</b> We contribute to a culture of learning and continuous improvement, leading to high standards in public service  £m	<b>Total</b>  £m
Operations, Legal & Clinical	6.734	11.759	4.963	23.456
Strategy	2.194	0.024	0.989	3.207
Corporate Services	5.006	4.100	3.874	12.980
<b>Total</b>	<b>13.934</b>	<b>15.883</b>	<b>9.826</b>	<b>39.643</b>

Figures in the table exclude depreciation of £3.350m which is not allocated across objectives.

#### 3.2 Measures of performance against each priority

PHSO's [Service Charter](#) sets out commitments to the service provided at different stages of the complaints investigation process. Information is gathered about performance against these commitments by an independent company from individual complainants and from the organisations we investigate, to measure views about how well the service is being delivered and where improvements could be made.

As explained in 1.4 above, we continue to see an increase in the demand for our service. Our priority is to reduce the queue of cases to frictional levels by the end of the strategy period. We measure performance through a series of key performance indicators (KPIs) which are set out in our business plan and budget for 2024-25.

#### 3.3 Commentary on steps being taken to address performance issues

PHSO continues to experience an increase in demand for its service, currently 7.6% for the current year to date above that funded in the CSR. We have delivered efficiencies to enable us to absorb this demand during this period. However, we

have done this at a cost of not investing in service improvements, particularly our ambition to be a digital Ombudsman, where investment would release significant further efficiencies and service improvements. This is not sustainable into 2024/25 if demand remains at existing levels.

### 3.4 Major Projects

None.

### 4 Other Information

None

### 5 Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by me as Accounting Officer.

*Rob Behrens*

Rob Behrens  
Ombudsman  
28 March 2024