

National Assembly for Wales – Finance Committee – 6 November 2014

<p>Public Services Ombudsman for Wales Estimate for the Financial Year 2015/16</p>
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1. Background to this estimate submission

- 1.1 I submit this budget estimate as required by paragraph 15 of Schedule 1 of the Public Services Ombudsman (Wales) Act 2005, as amended by the Government of Wales Act 2006. It sets out the resources required to carry out my statutory functions apart from my salary, National Insurance and pension costs, which are a direct charge on the Welsh Consolidated Fund and do not therefore form part of this estimate. However, they are reported in my Annual Accounts in order to ensure that they reflect the total running costs of the office.
- 1.2 This is the fourth submission of the PSOW's estimates to the Fourth Assembly. The Finance Committee is responsible for considering this estimates submission. The Communities, Equality and Local Government Committee is responsible for considering the work of the office. The information provided in this paper relates particularly to those matters within the remit of the Finance Committee.

2. The role of the Public Services Ombudsman for Wales

- 2.1 As Public Services Ombudsman for Wales (PSOW), I consider complaints made by members of the public that they have suffered hardship or injustice through maladministration or service failure on the part of a body in my jurisdiction. That jurisdiction covers:
- local government (both county and community councils),
 - the National Health Service (including GPs and dentists),
 - registered social landlords (housing associations), and
 - the Welsh Government, together with its sponsored bodies.
- 2.2 I also consider complaints which allege that members of local authorities have broken their code of conduct. In addition, I provide the Complaints Wales signposting service – a telephone and web service – which enables members of the public in Wales, who wish to complain about a public service provider, but do not know how to do so, to make their complaint to that organisation. This service also helps individuals with complaints about UK public service providers where the services are not devolved.

3. Corporate Governance

- 3.1 The constitutional position of a corporation sole means that responsibility and accountability for the activities carried out by my office must remain with me, as Ombudsman.
- 3.2 Nevertheless, an Advisory Panel was introduced during 2012/13 in order to enhance the openness and transparency of my office. The Audit and Risk Committee continues as a sub-committee of the Advisory Panel. These arrangements have been of considerable benefit, particularly from the point of view of obtaining an external perspective on the work of the office from a membership with wide ranging experience. The arrangements also provide me as Ombudsman and Accounting Officer with additional reassurance and advice in operating an effective and efficient service for users of public services in Wales.

4. Financial performance

- 4.1 The arrangements for financial management and internal control have been independently reviewed by Deloitte as the PSOW's internal auditors. Deloitte were appointed with effect from 1 April 2011. The work of Deloitte was planned on the basis of their overall needs assessment. Their reports have highlighted the satisfactory internal control framework within the organisation and made recommendations for improvement where necessary.
- 4.2 The Deloitte Internal Audit Annual Report in respect of the year 2013/14 stated:

“PSOW has a sound system of internal control, which should provide **substantial assurance** regarding the achievement of PSOW's objectives”. During 2013/14, being the third year of a three year audit plan, there were only two low priority recommendations.”
- 4.3 The Auditor General gave the accounts for the year 2013/14 an unqualified audit opinion in keeping with all previous years.
- 4.4 The PSOW has worked on the principle that the overheads of the office should be less than 5% of the total expenditure. This has always been achieved since the office was established under the Public Services Ombudsman (Wales) Act 2005 and is a principle that was derived from good practice within the public sector. This is evidenced in the analysis of expenditure on the aims and objectives of my Strategic Plan as set out in the Annual Accounts.

5. Efficiency and effectiveness

- 5.1 The PSOW has previously reported to the Finance Committee on the concerted effort made to provide a more efficient and effective service at the early stages of the complaints handling process, together with streamlining the investigation stage. These arrangements have continued to be crucial in the context of dealing with the ever increasing number of enquiries and complaints received by my office.
- 5.2 That upward trend continues. The Graph at Appendix B tracks the caseload of the office since it came into existence in 2006/07.

- 5.3 It is particularly noteworthy that over the five year period 2009/10 to 2013/14 my office saw a **117%** increase in the number of enquiries and complaints received.
- 5.4 In preparing this paper, I have compared the first five months (April to August) of the current business year 2014/15 with the same period in 2013/14. I have seen that:
- enquiries are **up 7%** (1,464 compared with 1,370)
 - complaints are **up 11%** (1,025 compared with 923).
- 5.5 The work undertaken to develop the PSOW's website in recent years, with its interactive complaints web forms, continues to prove its worth. A quarter of the complaints made to the office are received this way and the fact that this avoids the frontline team from having to manually create, and input data into, case records helps my office to absorb the extra workload referred to at paragraphs 5.3 and 5.4 above.
- 5.6 **Staff resources** – The staffing structure as at 31 March 2014 is at Appendix D. It was necessary for my predecessor, Peter Tyndall, to reduce the number of posts in the establishment during 2011/12. The office retained performance despite the rise in the numbers of enquiries and complaints received. I will, however, echo the serious concerns expressed last year about the ability to sustain the position against the increases in caseload being faced by the office. In fact, during July 2014 the office received the highest number of enquiries and the highest number of complaints about public bodies in any one month since the office came into existence in April 2006. I am concerned that the continued increase in complaints will result in degradation of performance unless I strengthen my complaint handling resource. I have commenced a review of the service I provide and my initial findings indicate a requirement for additional complaint handling staff. I will meet these costs from the estimates submitted in Appendix A.
- 5.7 **Professional advisers -**
- (a) I use clinical advisers with expertise in various areas of the health professions to assist me with the consideration of health cases. Previously, the office relied solely on advisers engaged through an arrangement with the Office of the Parliamentary and Health Service Ombudsman (OPHSO), which is subject to a recharge to my office. The Committee was advised last year of the PSOW's decision to directly engage a number of clinical advisers who come in to the office as required. We continue to be very pleased with the positive impact on the PSOW's service as a result. This has enabled a more prompt review of cases at the early stages of the consideration of a complaint, and more focussed and effective interaction with other specialist advisers at OPHSO during investigations. This has reduced costs for my office due to fewer case files needing to be sent to OPHSO in Manchester or London. However, whilst seeking to minimise the call on the arrangement with OPHSO as far as possible, we still have a significant reliance on this service. Further, in view of the continued increase in health complaints to my office, it is likely that I will need to also increase the number of requests for advice, meaning an even greater cost to my office.

- (b) I also engage directly a number of other professional advisers in the fields of social care and planning. These also prove their worth by, in particular, enabling early decisions to be made at pre-investigation stage of the complaints process. I am conscious that it is highly likely that I will need to increase the use of the advisers providing me with professional advice on social care matters in view of the additional complaints of this type that will need to be considered by my office as a result of the revised statutory social care complaints procedure and extension of my jurisdiction in this area.

6. The current three year Strategic Plan

6.1 **Strategic Plan 2012/13 to 2014/15** - We are now nearing the end of the life of the current Plan, which has included initiatives for streamlining the complaints process and dealing with the increase in the number of social care complaints anticipated as a result of the extension to the PSOW's jurisdiction. The Plan has also taken forward the innovations previously introduced, such as the Complaints Wales signposting service and technological advances concerning the websites - including over the past year development of versions suitable for smart phones/tablets making the user experience a better one, particularly in relation to the complaints web forms.

6.2 Strategic Plan 2015/16 -

- (a) In view of the very limited time that I have been in post as Public Services Ombudsman for Wales, I believe it would be sensible to extend the current Plan for one more year. It is my intention to keep the existing Vision, Values and main Strategic Aims, but establish new key priorities for the year ahead.
- (b) I envisage 2015/16 being both a year of consolidation, building on the innovations of previous years, and also one where I can formalise my thinking concerning 'modernising' the legislation that governs the office of the Public Services Ombudsman Wales. I am well aware that the PSOW Act 2005 in the past has been extremely well regarded by other ombudsmen schemes and indeed the Law Commission. However, I am also aware that those same ombudsmen schemes have since 'moved on'. It is important that Wales should not be left behind and its people should not be at disadvantage compared to those in other nations. Equally, the provision of what are considered 'public services' has changed and evolved significantly since the PSOW Act was first conceived, (particularly in relation to the ever increasing blurring of the lines between public and private sector delivery of public services) and indeed against what is considered to be good practice in ombudsmanry elsewhere in the United Kingdom and internationally.

7. Local Government Pensions

- 7.1 Under the Public Services Ombudsman (Wales) Act 2005, my staff are members of the Principal Civil Service Pension Scheme (PCSPS). In last year's submission I reported that when the office of the Public Services Ombudsman for Wales was established in 2006, a number of members of staff formerly employed by the Commission for Local Administration in Wales were entitled to remain in the Local Government Pension Scheme. Since then, the scheme, which is administered by Cardiff County Council, continues to remain in deficit. This has arisen because of the increases in life expectancy that affect the liabilities of the pension scheme while its assets have been reduced by decreases in the value of its investments and by lower rates of return. The current state of the economy has worsened that deficit although it is hoped that as the economy improves that there will be a similar movement in the state of the pension fund.
- 7.2 The liability for the deficit was identified following a three year actuarial review and was included within the second supplementary estimate for 2011/12 as Annually Managed Expenditure (AME), however; the annual payments are treated as Departmental Expenditure Limit (DEL). These payments will continue to be made until 2017/18.
- 7.3 The Scheme funding position has deteriorated since 31 March 2010 primarily due to fluctuations in financial conditions (which has affected actual investment returns since 31 March 2010 as well as expected returns in the future). This has been partially offset by pay increases being lower than expected and shortfall contributions paid since 31 March 2010. The latest actuarial valuation as at 31 March 2014 recognises a deficit of £720k that should be eliminated over the next 3 financial years by the additional payments made to Scheme in 7.2 above.

8. Pay awards

- 8.1 Office salaries are based on England and Wales Local Government pay scales with uplifts applied depending on Local Government pay settlements. A 1% uplift to pay amounting to £27k was paid in 2013/14, but the 2014/15 pay settlement has not yet been agreed.

9. Cost pressures

- 9.1 Despite the cost and other pressures on my service, for this budget estimate submission for 2015/16 I have kept to the undertaking given by my predecessor of keeping the PSOW's budget in line with the movement in the Welsh block.
- 9.2 The office continues to absorb cost increases. H M Treasury is stating that the GDP Deflators as the measure of inflation for the forthcoming years are estimated currently to be 2.2% per annum for 2014/15 and 1.6% for 2015/16.

- 9.3 The office has absorbed higher costs relating to the pension increases for the former Ombudsmen whose pensions are met from within my budget allocation. In line with the Pensions Increase Order for 2014 these pension payments have increased by 2.7% and added £3k to the costs of running this office. Based on further increases in fuel and heating costs it is likely that the pension increase will be about 3% in 2015/16 resulting in a further increase in costs of £3k.
- 9.4 The office continues to meet increases in service charges, rates and utilities at the premises in Pencoed. There is, however, a requirement for additional archive space, which has arisen due to the increase in case files which need to be retained. Therefore, as part of the 10 year lease renewal negotiations with our existing landlord, we are seeking to acquire additional storage space within the same building at nil additional rental costs although there will be an increase in service charges and other premises related costs.
- 9.5 Despite the cost of printing, postage and carriage continuing to rise we intend to absorb these costs by implementing various efficiency and cost reduction schemes such as – encouraging the use of double sided printing, more use of second class mail and constant evaluation of courier costs.
- 9.6 We continue to embrace technological advances to take the office towards becoming a paperless office.
- 9.7 In relation to procurement, when new contracts are negotiated and existing contracts reviewed the aim is to secure cost reductions and/or enhancements in the method of working. Examples include a new integrated mobile phone and tablet solution, replacement of low specification PCs for front line staff, increased internet bandwidth at no extra cost and improved management performance measuring tools via new telephone software. We continue to enhance our complaints handling system to improve usability, reflect developments in our internal processes and keep up with legislation.
- 9.8 Finally, I would draw the Committee's attention to the fact that my budget estimate does not include any contingency provision for meeting unexpected items of expenditure, such as legal challenges to my casework decisions.

Public Services Ombudsman for Wales
October 2014

Appendix A – Estimates 2015/16 Appendix B – New Workload Trends Since 2006/07 Appendix C – Complaints by sector – NHS Bodies Appendix D – Organisation Chart

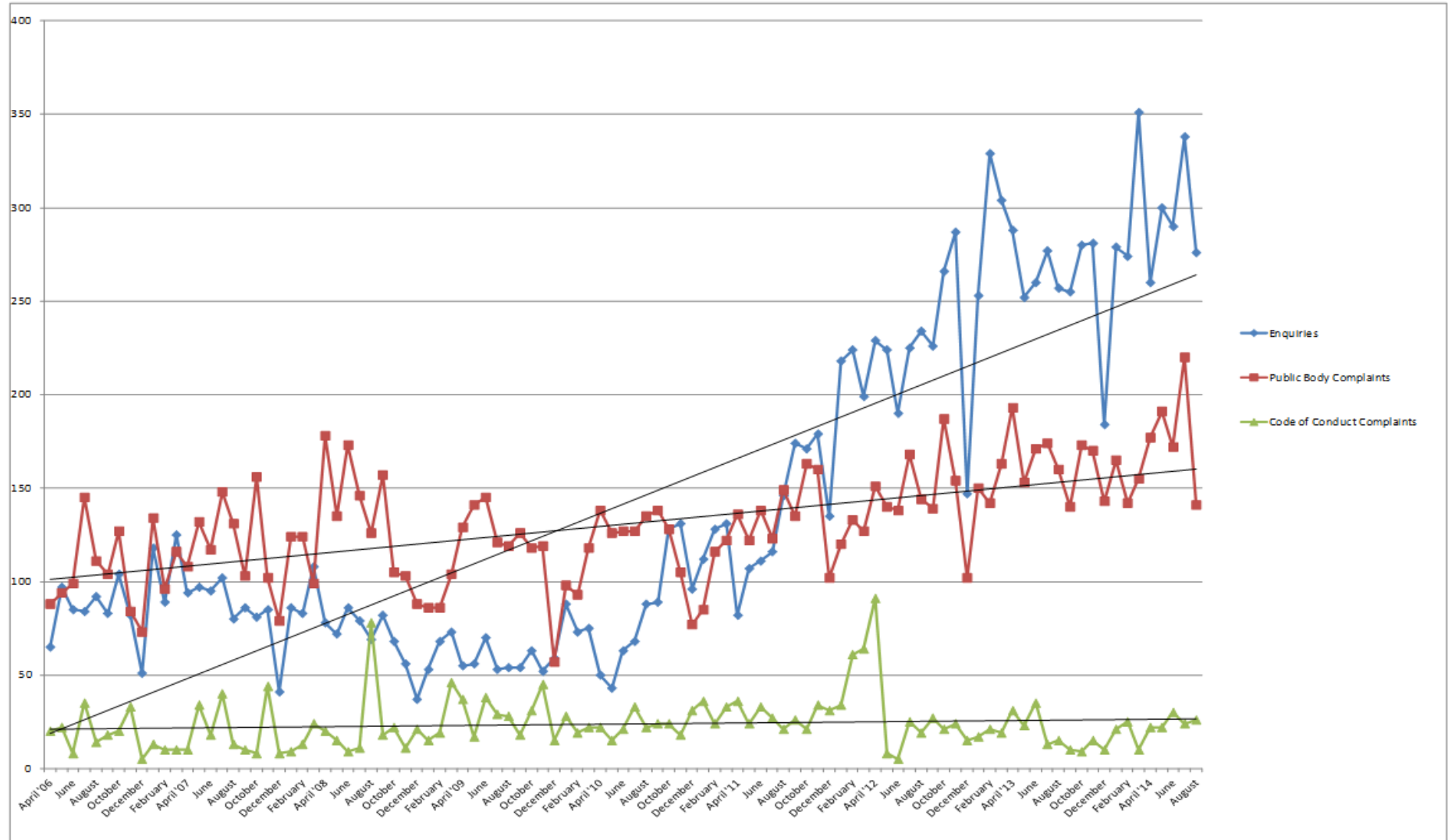
Appendix A

Estimates 2015/16

	Actual 2013/14	Budget 2014/15	Estimate 2015/16
	£'000	£'000	£'000
A Capital DEL	47	13	13
B Fiscal Revenue DEL			
Salaries and related costs	2,503	2,786	2,788
LGPS related costs	242	254	266
	2,745	3,040	3,054
Premises	343	349	399
Computer systems and support	207	85	149
Office costs	111	148	127
Advisory fees	400	310	310
Communications	76	82	82
Training and recruitment	37	65	44
Travel and subsistence	35	34	36
Audit fee	20	22	20
Sub total	3,974	4,135	4,221
Income	0	-6	0
Total Fiscal Revenue DEL	3,974	4,129	4,221
C Non cash DEL			
Depreciation	135	105	75
Revenue DEL (B+C)	4,109	4,234	4,296
Total DEL (A+B+C)	4,156	4,247	4,309
D Annually Managed Expenditure (AME)			
Movement on LGPS	-242	-254	-266
Provisions movement	88	30	20
Total AME	-154	-224	-246
E Total Managed Expenditure			
A+B+C+D	4,002	4,023	4,063
Resources Required	4,002	4,023	4,063
Depreciation	-135	-105	-75
Increase in Provisions	-88	-30	-20
Utilisation of Provisions	242	254	266
Other movements in Working Capital	19	20	20
Net Cash Requirement	4,040	4,162	4,254

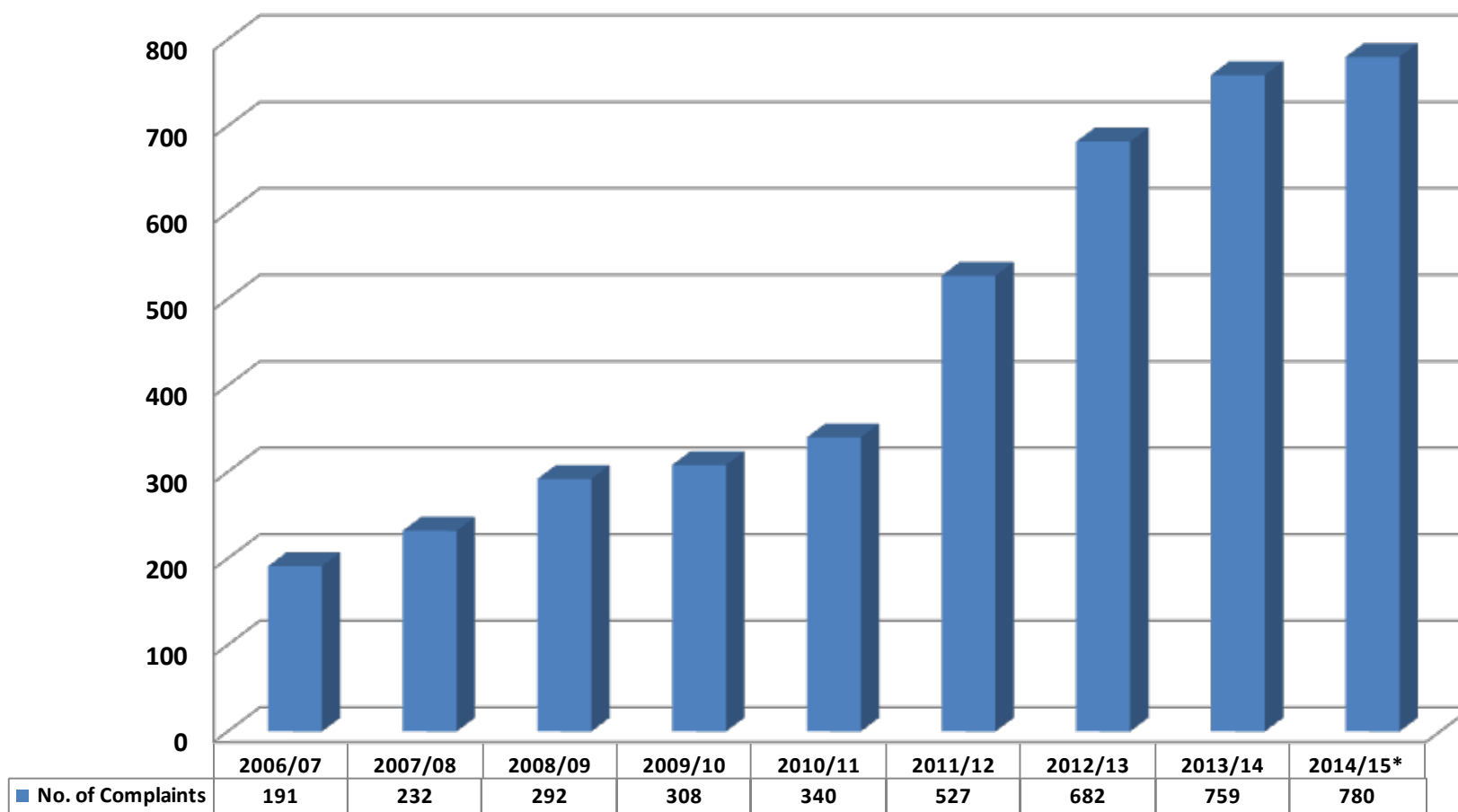
Appendix B

New Workload Trends Since 2006/07



Appendix C

Complaints by sector - NHS bodies



Projected to 31 March 2015 based on number of complaints received during five months April to August 2014

Appendix D

Organisation Chart (position at 31 March 2014)

