

National Assembly for Wales – Finance Committee – 3 October 2012

**Public Services Ombudsman for Wales
Estimate for the Financial Year 2013/14**

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 second submission of my 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, 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 During 2011/12, I reviewed the governance arrangements of my office, whilst bearing in mind the constitutional position of a corporation sole and the fact that responsibility and accountability for the activities carried out by my office must remain with me, as Ombudsman.
- 3.2 Although an advisory Audit Committee was already in place, and had proved a valuable source of advice and assurance, I decided that in order to enhance openness and transparency, the office would benefit from the creation of an Advisory Panel with a wider remit. Following an open recruitment process, I have been fortunate in being able to form a Panel of five diverse and high calibre members. Two successful Panel meetings have been held to date. The Audit and Risk Committee is now a sub-committee of the Advisory Panel. These new arrangements provide me as Ombudsman and Accounting Officer with additional reassurance and advice and assist in operating an effective and efficient service for users of public services in Wales. They have been developed to take account of best practice in other public sector ombudsmen schemes and other corporations sole. The overall increase in cost is modest and has been contained by undertaking assessment of all the applications received for these positions in-house and arranging for meetings of the Advisory Panel and Audit & Risk Committee to be held on the same day.

4. Financial performance

- 4.1 My arrangements for financial management and internal control have been independently reviewed by Deloitte as my internal auditors. Deloitte were appointed as my internal auditors with effect from 1 April 2011. The work of Deloitte was planned on the basis of their overall needs assessment and carried out through their first annual programme. Their reports highlighted the satisfactory internal control framework within the organisation and made recommendations for improvement where necessary.
- 4.2 The Deloitte Internal Audit Annual Report stated: "Substantial assurance has been achieved for all internal audits performed". During 2011/12, being the first year of a three year audit plan, there were 15 low priority recommendations. There was one medium priority recommendation - that guidance be prepared on the use of key spreadsheets.
- 4.3 The Auditor General gave my accounts for the year 2011/12 an unqualified audit opinion in keeping with all previous years.
- 4.4 I work 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.

- 4.5 We made 98% of payments to suppliers within 30 days of the invoices being received in my office for the financial year ended 31 March 2012. The average period of payment of invoices in 2011/12 was 8 working days compared with 13 days in 2010/11. We are continuing to strive to meet the standard set out in HM Treasury's 'Managing Public Money' publication that payments should be made within 10 days.
- 4.6 These achievements are consistent with the high standards of financial management which have been in place since the organisation was established.

5. Efficiency and effectiveness

- 5.1 As reported to the Finance Committee last year, a concerted effort has been made to provide a more efficient and effective service at the early stages of the complaints handling process, together with streamlining the investigation stage. This has been successful and crucial in the context of an ever increasing number of enquiries and complaints being received by my office.
- 5.2 That upward trend has continued into the current business year (2012/13). Comparing the first five months (i.e. April to August) this year with the same period in 2011/12:
- enquiries are **up 92.4%** (1,133 compared with 589) (this was 340 in 2009/10)
 - complaints are **up 8%** (853 compared with 788) (this was 739 in 2009/10).

It is notable that health complaints continue to increase. As a proportion of caseload this currently stands at 37%, compared with 32% for 2011/12 and 25% for 2010/11. Despite the increase in complaints, my office is successfully reducing the number of cases on hand. At 31 August 2012 there were 329 cases open compared to 455 at 31 March 2012. There were no investigations more than 12 months old at the end of the financial year. (The 12 months target I have set places the office among the 'better performers' of public service ombudsmen in the UK.)

- 5.3 The work undertaken during 2011/12 to develop new websites is proving its worth. From the time these were launched at the beginning of October 2011 to the end of August 2012, 25% of the complaints received by my office were made via the webforms. In view of the fact that the details entered by complainants into the webforms, following a verification check by the Complaints Advice Team, automatically populate the complaints database, a great deal of administrative effort in manually setting up complaints records is now unnecessary. The efficiencies achieved have enabled the office to absorb the extra workload referred to at paragraph 5.2 above.

- 5.4 **Staff resources** – Members will remember that as a result of the level of financial resources made available to my office for 2011/12 I had to take steps to reduce my staffing establishment, resulting in an 8.5% reduction in posts (full time equivalents). This was achieved through a reorganisation where I made changes at management level and implemented arrangements to deal with the consequential effects of this – for example, reducing the number of investigation teams from three to two. Notably, five posts were cut: one Director (from two); two Senior Investigator posts and two Casework Support Officers. Last year, the Finance Committee expressed concern about the growth in complaints received by my office and my ability to deal with this. In particular, there was unease that I might have to review the criteria used for deciding whether or not to take a complaint forward to investigation. I gave an undertaking at that time that I would not take such a step without referring back to the Committee. I am pleased to report that the efficiencies I introduced in previous years meant that such a step did not prove necessary during 2011/12. However, I do not underestimate the challenges ahead to deal with the continual increase in complaints to my office, particularly health complaints which invariably are the most complex and time-consuming to investigate. The staffing structure as at 31 March 2012 is at Appendix B.
- 5.5 **Professional advisers** – I use clinical advisers with expertise in various areas of the health professions to assist me with the consideration of health cases. Previously, I relied 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. I recently decided to directly engage a number of clinical advisers who come in to my office as required. I have been very pleased with the positive impact on my 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. It has also meant reduced costs for my office due to fewer case files needing to be sent to OPHSO in Manchester or London. Given the rise in health complaints from 359 in 2010/11 to 516 in 2011/12, we would have expected expenditure on advisors to OPHSO to be £107K. However, with the new arrangements in place, actual expenditure was £88K. If we had not achieved this efficiency we would have needed to find an additional £19K from within our existing financial resources. As a result of the success of the ‘internal’ clinical advisers I have also engaged a number of other professional advisers in the fields of social care and planning. These are again proving their worth by, in particular, enabling early decisions to be made at pre-investigation stage of the complaints process.

6. The next three years

- 6.1 At the end of March 2012, I published the Strategic Plan for the next three years. We have introduced a revised Vision as well as establishing new key strategic aims for the three years ahead of us. Much of the Plan takes forward the innovations introduced over the past couple of years. In particular, I will be looking to further develop the work of the Complaints Wales signposting service, including:

- providing on my website summary details of the work of advocacy/advice bodies in addition to the contact details currently provided,
- giving information on 'intermediary' complaint handlers, where they exist (for example, if someone had already complained to the Land Registry they could complain to the Independent Complaint Reviewer, and then if still dissatisfied they could complain to the Parliamentary & Health Service Ombudsman)
- giving details of regulators where appropriate (for example, if someone wished to contact the General Medical Council concerning a GP's fitness to practice).

6.2 However, there is also focus on preparing for the new areas of jurisdiction which are likely to be introduced to my office as a result of the Social Services (Wales) Bill and the changes to be introduced to the statutory social services complaints procedure where it is proposed that the independent review stage be abolished with all requests for independent consideration of such complaints being undertaken by my office.

6.3 I welcome the proposed changes to the statutory social services complaints procedure, which will bring it in line with both the NHS Redress arrangements and the Model Concerns and Complaints Policy and Guidance for public services providers in Wales. There will be a notable saving to the Welsh Government's budget as a result of this change. It will no longer need to meet the costs of holding Independent Review Panels or make payments to Panel Members; neither will the Welsh Government require an Independent Complaints Secretariat. The administrative costs of the independent consideration of the social services complaints can be absorbed by my office. I do however need to make provision for a slight increase to my investigation resources to deal with the additional complaints that will come to my office as a result. However, I have estimated that taking both this change and the extension to my jurisdiction as proposed in the Social Services Bill into account, I am likely to be able to limit this to one additional Investigator post for 2013/14. I am also making provision for increasing my establishment by one more Investigator post in 2014/15, however, this may not be necessary depending on the volume of complaints that I receive. The salary and related costs for one Investigator post for a full year amounts to £44K.

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 as identified following the most recent three year actuarial review was included within the second supplementary estimate for 2011/12 as Annually Managed Expenditure (AME) and is in line with the details set out in the estimate submission for 2012/13 considered by the Assembly's Finance Committee at its meeting on 6 October 2011. However, the annual payments are treated as Departmental Expenditure Limit (DEL) as discussed with the Committee last year.

8. Pay awards

- 8.1. Office salaries are based on England and Wales Local Government pay scales. Uplifts are applied depending on Local Government pay settlements. Over the last three years there has been no uplift in pay. This estimate submission does not allow for any pay uplifts for the forthcoming financial year 2013/14.

9. Cost Pressures

- 9.1 Given the considerable pressures on my service, I have allowed for a 1.12% increase in my budget estimate for 2013/14 (held for 2014/15), which is in line with the Comprehensive Spending Review where the Welsh Block Revenue DEL including non cash movements is due to be increased by a similar amount from 2011/12.. This excludes the additional investigator post(s) in respect of the social services changes referred to at paragraph 6.3 above.
- 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 2.5% per annum.
- 9.3 The office has absorbed higher costs relating to the pension increases for the former Ombudsman whose pensions are met from within my budget allocation. In line with the Pensions Increase Order for 2012 these pension payments increased by 5,2% and added £4k to the costs of running this office. Based on the July 2012 CPI figures the annual uplift payable from April 2013 is 2.6%. Based on further increases in fuel and heating costs it is likely that the pension Increase will be about 3% resulting in a further increase in costs exceeding £2k.
- 9.4 The service charges relating to the office at Pencoed continue to rise in excess of the forecast GDP deflators. In addition the landlord is responsible for the provision of the heat and power to the office. These costs are rising in excess of the GDP deflators as currently forecast. There is very little scope for managing these costs
- 9.5 As mentioned last year the cost of postage and carriage continue to rise. However the measures introduced to increase the number of in-house advisors thereby reducing the movement of documents have been very effective in managing these costs. In addition increased usage of electronic transfer procedures is being developed.

9.6 Staff are encouraged to continually seek cost reductions in carrying out the activities of the office. This has been successful in reducing the costs. Examples include:

- appropriately qualified staff representing the Ombudsman's office at hearings of standards committees and Adjudication Panel for Wales's tribunals rather than the office having to engage Counsel - £20K saving in 2011/12. This saving has meant that we have been able to meet the cost pressures set out above.
- embracing technological advances to take the office towards becoming a paperless office - being implemented over a three year period with estimated saving of £12K

and a number of smaller initiatives.

9.7 In relation to procurement, when new contracts are negotiated the aim is to secure cost reductions and/or enhancements in the method of working. A new printer services contract (including photocopying) has secured cost reductions and has the potential of further reductions through improved working procedures and better monitoring of these costs.

Public Services Ombudsman for Wales
25 September 2012

Appendix A – Estimates 2013/14 Appendix B – Organisation Chart

Appendix A

Estimates 2013/14

	Actual 2011/12	Budget 2012/13	Estimate 2013/14	Estimate 2014/15	Estimate 2015/16 ¹
	£'000	£'000	£'000	£'000	£'000
A Capital DEL	13	14	13	13	13
B Fiscal Revenue DEL					
Salaries and related costs	2,569	2,620	2,691 ²	2,743 ³	2,750
LGPS related costs	-	231	242	254	266
	2,569	2,851	2,933	2,997	3,016
Premises	326	343	349	349	349
Computer systems and support	132	90	85	85	85
Office costs	138	146	148	148	148
Advisory fees	281	300	310	310	310
Communications	98	80	82	82	82
Training and recruitment	40	65	65	65	65
Travel and subsistence	26	34	34	34	34
Audit fee	19	20	22	22	22
Sub total	3,629	3,929	4,028	4,092	4,111
Income	-	-6	-6	-6	-6
Total Fiscal Revenue DEL	3,629	3,923	4,022	4,086	4,105
C Non cash DEL					
Depreciation	122	126	109	105	64
Revenue DEL (B+C)	3,751	4,049	4,131	4,191	4,169
Total DEL (A+B+C)	3,764	4,063	4,144	4,204	4,182
D Annually Managed Expenditure (AME)					
Movement on LGPS	-	-231	-242	-254	-266
Provisions movement	8	20	40	30	47
Total AME	8	-211	-202	-224	-219
E Total Managed Expenditure					
A+B+C+D	3,772	3,852	3,942	3,980	3,963
Resources Required	3,772	3,852	3,942	3,980	3,963
Non cash items	-122	-126	-109	-105	-64
Increase in Provisions	-8	-20	-40	-30	-47
Utilisation of Provisions	-	231	242	254	266
Other movements in Working Capital	-2	25	25	20	20
Net Cash Requirement	3,640	3,962	4,060	4,119	4,138

¹ The estimates for 2015/16 could be the subject of change depending on the outcome of the next Comprehensive Spending Review

² Includes provision for 1 additional 'Investigator' post for increase in complaints as a result of Social Services changes (see paragraph 6.3 in main body of report)

³ Includes provision for a further 'Investigator' post as a result of Social Services changes, but this may not be required and is dependent upon volume of complaints received.

Appendix B Organisation Chart (position at 31 March 2012)

