

Public Services Ombudsman for Wales

Estimate 2022/23

Introduction

This Estimate submission is intended for consideration by the Senedd Cymru Finance Committee. We normally include extracts from our Annual Report & Accounts in our Estimate submission, but since the Committee is considering our Annual Report & Accounts for 2020/21 at the same meeting and to avoid undue repetition, we have reduced references to our Annual Report in this submission. We have included information on the 2021/22 year so far.

Whilst the presentation of our Estimate is therefore changed from last year, financial analysis is consistent. This Estimate should be considered in the context of the Annual Report & Accounts.

2021/22 Update

In May 2021 we published, following consultation, our new Guidance on the Code of Conduct for members of County and Community/Town Councils.

In June 2021 our model complaints handling policy for health boards and trusts came into full effect. This followed the local authority model complaints handling policy which took effect in September 2020.

In July 2021 we published a Public Interest Report on serious failings by Cwm Taf Morgannwg University Health Board.

In August 2021 we published a Public Interest Report on misdiagnosis and significant failings by Betsi Cadwaladr University Health Board and Denbighshire County Council.

In the same month we launched 'Our Findings' on our website. This new facility provides browsable and searchable summaries of all cases we investigate. This replaces the previous Casebooks and should help public bodies in their improvement work and encourage learning from others. Cases can be searched by date range, relevant body, subject or outcome.

In September 2021 I published a Public Interest Report on the handling of prostate cancer cases by Betsi Cadwaladr University Health Board. This resulted from a single complaint, but I used the powers granted to me by Senedd Cymru to extend the investigation to consider other patients in a similar position. The report identified concerning and systemic issues with patients referred for treatment in England facing delays in treatment without appropriate monitoring and review.

In September we also published, for the first time, data on complaints handled by each local authority in Wales.

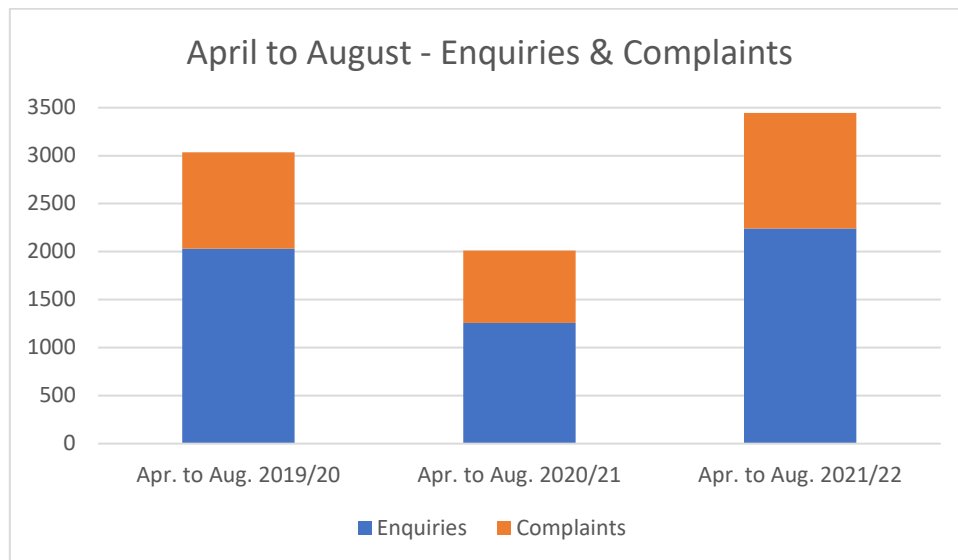
In October 2021 we also plan to publish the report of our own initiative investigation into homelessness.

2021/22 Update - Workload

The coronavirus pandemic has presented real challenges for everyone. For us, our initial priority last year was to put in place arrangements to support staff to work safely and effectively at home, whilst allowing service users to access our services as normally as possible. I am proud of what we achieved, and we have continued to accept new complaints and handle enquiries throughout the pandemic. The Finance Committee's previous support for investment in IT and telephony to allow this has proved invaluable.

We saw reductions in enquiries and complaints in 2020/21 (particularly in the early months), and this allowed us to complete our work on older cases and to reduce our year-end open caseload by 16% (from 489 in 2019/20 to 410 in 2020/21).

However, this year (figures to the end of August) new enquiries are 79% higher and complaints are 60% higher than for the same period last year. If we look back to the same period in 2019/20 as a more 'normal' year, our new complaints workload this year is up 20.5%. This is shown in the chart below.



Whilst we do not, of course, know what future months will bring, comments from health board colleagues to my Complaints Standards team suggest that numbers will remain high for the remainder of the year. Complaints require considerably more staff time and resource than enquiries, and health complaints are, almost invariably, more complex than local authority or housing complaints. An indication of the impact of these pressures is that our open caseload in mid-September 2021 stands at 611, 49% higher than in April. As a result, the ongoing increases in new complaints are of particular concern.

2021/22 Update – Cost pressures

When we submitted our Estimate in September 2020, the GDP deflator for 2021/22 suggested that pay and prices would be static, and there was talk of a public sector pay freeze.

Our staff employment contracts link staff pay awards to those agreed for local government staff in England, Wales and Northern Ireland by the National Employers organisation. The current offer (which would be backdated to 1 April 2021) is for an increase of 1.75%. Whilst the offer has not been accepted by the relevant trade unions (and so may increase), this 1.75% figure represents the lowest likely increase.

We do not link our estimates to CPI increases, but CPI influences future local government pay negotiations as well as affecting our non-staff costs. CPI for the 12 months to August 2021 was 3.2%. Our Estimate submission therefore also includes an estimated pay award, from April 2022, of 1.5%. If CPI continues at a high rate, the April 2022 pay award agreed by local government employers may be higher.

Supplier contracts, including IT, typically include annual CPI indexation to reflect inflation. Whilst we will continue to seek best value prices from other suppliers, cost pressures make price increases likely.

Ofgem's recent approval of 12% increase in standard electricity tariffs are indicative of future cost pressures on customers.

Business rates have been frozen for the current year but may increase for 2022/23.

We pay our clinical advisers an hourly rate, which has not increased in recent years. Continuing increases in cost of living and in general rates of pay for such work will create pressure for rates to be increased in the year ahead.

Recent announcements indicate that there will be a 1.25% increase in employer's national insurance contributions in 2022/23. This equates to an annual cost of approximately £38,000. Like the Senedd Commission, **we have not included this late additional cost pressure in our estimate.** In previous years, such changes have been handled in the aggregated Welsh budget through in-year supplementary budget allocations.

2021/22 Update - Performance

We monitor and report our performance against key performance indicators. The August 2021 position is shown below. The results show pleasing improvement in investigated cases closed within 12 months (KPIs 2 and 4), though we are not quite reaching our targets. KPI 1c., which shows how quickly we are able to complete our assessments on few complaints and start an investigation is affected by case volumes and staff resources. We continue to work to improve this, but there remains a gap between our performance and our target.

| KPI 1: Complaints - Decision Times | Target | August 2021 | March 2021 |
|---|---------------|--------------------|-------------------|
| a. Decision that a complaint is not within jurisdiction < 3 weeks | 90% | 90% | 94% |
| b. Where we seek Early Resolution, decision within 9 weeks | 90% | 93% | 88% |
| c. Decision to investigate and start investigation within 6 weeks of the Date Sufficient Information is Received (DSIR) | 80% | 66% | 65% |
| d. Decision taken not to investigate a complaint (after making initial enquiries) < 6 weeks | 90% | 85% | 85% |
| KPI 2: Complaints of maladministration/service failure which are investigated – cases closed | Target | August 2021 | March 2021 |
| 12 months | 85% | 80% | 52% |
| KPI 3: Code of Conduct Complaints - Decision Times | Target | August 2021 | March 2020 |
| a. Decision taken not to investigate within 6 weeks | 90% | 100% | 90% |
| b. Decision to investigate and start investigation within 6 weeks of the Date Sufficient Information is Received (DSIR) | 90% | 89% | 76% |
| KPI 4: Code of Conduct Complaints which are investigated - Cases Closed | Target | August 2021 | March 2021 |
| Within 12 months | 90% | 82% | 50% |

Financial Management

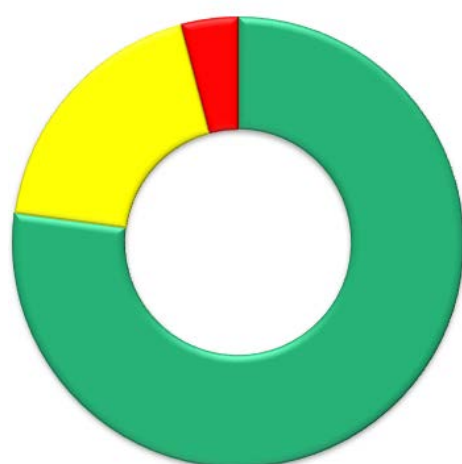
As reported in our 2020/21 Annual Report & Accounts, overall resource expenditure increased compared to 2019/20, whilst our overall cash requirement was reduced by the repayment of the £974,000 pension fund surplus in December 2020.

| Resource Out-turn | 2020/21 | 2019/20 | Change |
|-------------------|---------|---------|--------|
| | £000s | £000s | £000s |
| Total Resource | 5,143 | 4,871 | +272 |
| Cash Requirement | 4,096 | 4,836 | -740 |

The arrangements for financial management and internal control have been independently reviewed by Deloitte as the PSOW's internal auditors. Their Annual Report for 2020/21 stated: 'Based on the conclusions of our work, we can provide the Ombudsman with **substantial assurance** in relation to the organisation's arrangements for risk management, governance and internal control.'

The Auditor General for Wales gave the annual accounts for the year 2020/21 an unqualified audit opinion in keeping with previous years.

The PSOW has worked on the principle that the overheads of the office should be less than 5% of the total expenditure. This is evidenced in the analysis of expenditure on the three Strategic Aims of my Corporate Plan, as set out in the Annual Accounts, where overheads are identified as 4% of total costs.



- Complaints Service 77%
- Improve Public Services 19%
- Accountability and value for money 4%

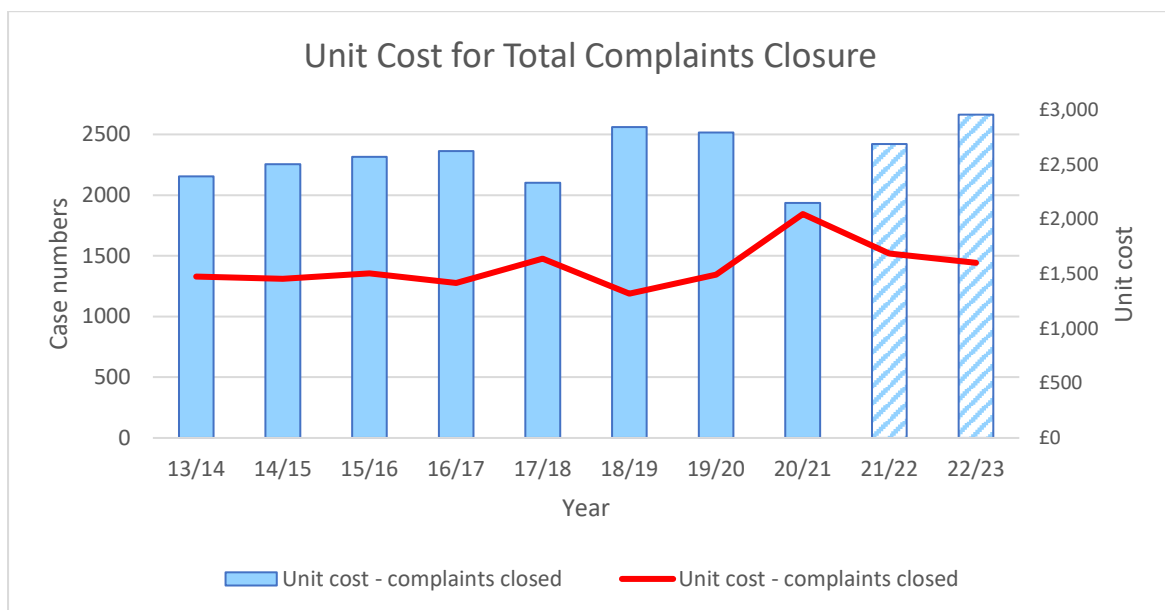
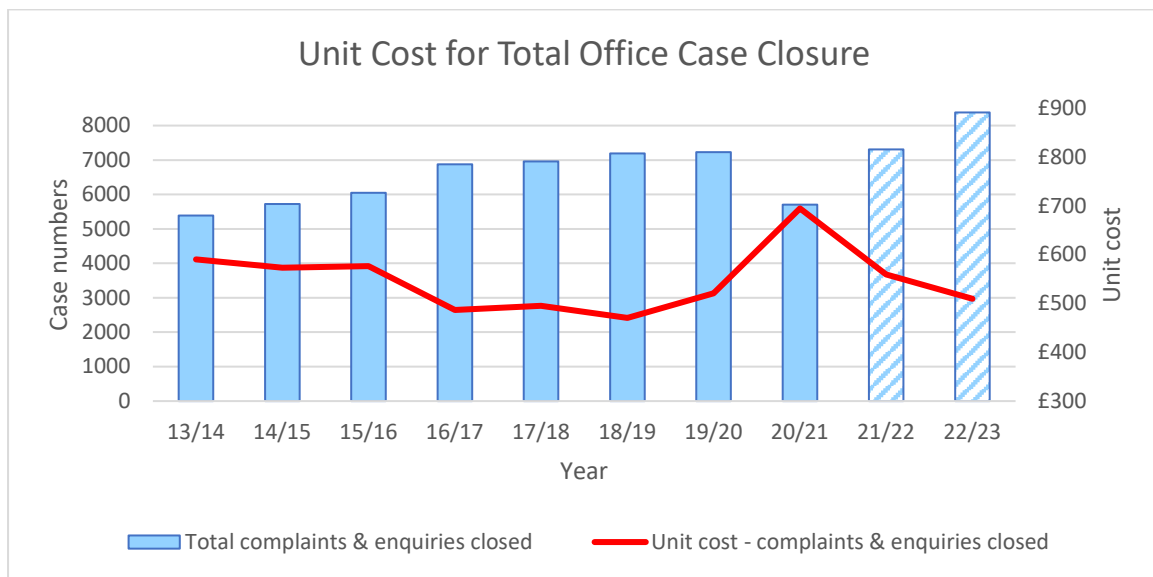
The majority of our resources (77%) continue to be applied to complaints handling.

Our Estimate seeks to allow us to deliver our agreed Strategic Aims, with a focus on providing resources for our complaints handling function and our work to drive public service improvement.

Unit Costs

Our Annual Report & Accounts explains a change in unit cost analysis to provide more meaningful information. We now present unit costs calculated for our main activity – receiving, considering, investigating and responding to enquiries and complaints. This is our activity under Strategic Aim 1, and we will use the figures for Operating Costs by Strategic Aim, presented within the audited accounts.

The graphs below show firstly unit cost for the full enquiry **and** complaints work completed in the year and secondly for complaints cases completed in the year. Projections for the current year and next year are included for completeness.



Projected Casework and Expenditure to 2022/23

Enquiries and Public Body Complaints are projected to increase by 10% over the next year but the continued effect of Covid-19 on casework and expenditure is yet to be fully determined.

| | 2020/21 | 2021/22 | 2022/23 |
|------------------------------|---------------|-----------------|-----------------|
| Casework | Actual | Forecast | Estimate |
| Enquiries | 3,774 | 5,199 | 5,719 |
| Complaints – Public Body | 1,876 | 2,320 | 2,552 |
| Complaints - Code | 529 | 400 | 440 |
| Total | 6,179 | 7,919 | 8,711 |
| % increase (projected) | | | 10% |
| Resources | Actual | Budget | Estimate |
| Resource Expenditure (£000s) | £5,143 | £5,110 | £5,337 |
| % increase | | -1% | +4.4% |
| Cash requirement from WCF | £4,096* | £5,070 | £5,287 |

* Cash requirement reduced by repayment of the pension fund surplus of £974,000.

We propose to submit a Supplementary Budget for 2021/22 to reflect part of the cost of the larger than expected 2021/22 pay award, as well as priority investment in IT as recommended by PSOW's IT Support provider.

2022/23 Estimate

The Finance Committee of the Senedd has developed a Statement of Principles that Directly Funded Bodies should consider when preparing their annual budget proposals.

The principles are:

- Budget requests should be set in the context of the long-term financial funding situation in Wales and funding pressures in the wider public sector.
- Requests should show how annual and multi-annual objectives will be prioritised, monitored and achieved.
- Bodies should not assume an increase in funding, regardless of the block grant change as any increase to their funding reduces resources available to other devolved public bodies.
- Bodies should continually seek to improve processes and accrue efficiencies.
- Where any increases in funding are requested, these should be backed by evidence both of the need, benefit and attempts that have been made to reduce such costs. Also, the consequences of not obtaining the requested increase in resource should be made clear and quantified.

We have endeavoured to address these points in this submission.

Our assumptions are:

- Staffing levels increase slightly (1 caseworker post) in the light of growth in casework in 2021/22 and 2022/23.
- Our office will be open to staff with a blended mix of home and office working
- Pay award of 1.75% for 2021/22 in line with Local Government pay offer (not accepted by trade unions) and an estimated 1.5% pay award for 2022/23.
- Contractual increments to be funded by PSOW through continued process improvements and other internal efficiency savings
- IT costs include implementation in 2021/22 of recommendations by PSOW's new IT provider (for which a supplementary budget submission is being made). This results in £12k of additional recurring costs.
- IFRS (International Financial Reporting Standards) 16 is scheduled to be implemented from April 2022 but is not reflected in this Estimate as per Welsh Government guidance.
- We will continue to share internal audit services with Commissioners, to provide payroll services to the Future Generations Commissioner and to share resources with other public bodies where appropriate.

The estimate does not include a contingency, so if the pay awards for 2021/22 and/or 2022/23 exceed 1.75% and 1.5% respectively, a Supplementary Budget submission may be required in 2022/23.

Update – Efficiencies

Our enquiries and complaints caseload looks set to increase to around 8,000 this year – an increase of around one third in 6 years. There has not been a commensurate increase in staff numbers dealing with complaints and enquiries. Instead we have successfully worked to increase efficiency and manage the growing caseload. With current increases in both costs and workload, we are no longer able to do this.

We acknowledge and welcome the additional powers under the Public Services Ombudsman (Wales) Act 2019, and the additional posts created and funded as a result. These posts will help improve complaints handling by public bodies and, in time, to turn the curve of increasing complaints to this office.

PSOW has looked to fund most pay and inflation pressures over the past 2 years as a result of process improvements and other internal efficiency savings such as:

- Staff efficiencies through reorganisation and staff turnover
- Making changes to working practices such as working from home
- Bringing services such as translation in-house
- ITC efficiencies following investment in hardware and Case Management System
- Improving our website including introducing self-serve and signposting facilities
- Moving to a paper-light office
- Strict budgetary control of key areas such as professional fees

PSOW did not seek a budget increase last year on the assumption that there would be a public sector pay freeze and that other cost increases would be met by efficiencies. We will continue to seek efficiencies, though pay increases and inflation pressures will need to be resourced.

Consequences of Estimate not being approved

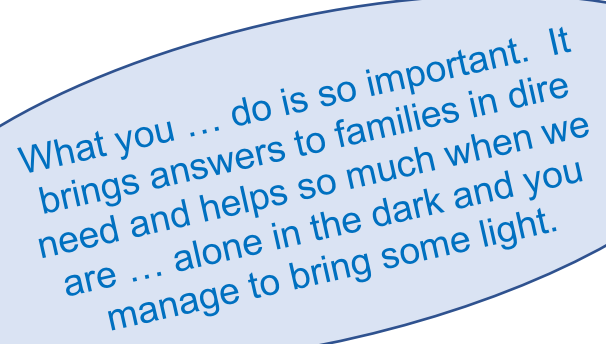
Our estimate takes account of a number of efficiencies, as we seek to maximise the proportion of our budget spent on casework. We are also looking to secure ongoing savings from maintaining some changes in working practices made during the pandemic.

In a people-based organisation, where nearly 80% of our costs relate to staff, if the estimate is not approved, we would have to reduce staff numbers. We would look to do that, as far as possible, through normal staff turnover to minimise potentially significant redundancy costs. Reducing staff numbers would reduce capacity and increase delays. This would be a concern to complainants as well as to staff and Councillors who actions are complained about. We are mindful of the impact that concerns and complaints about public services can have on all those involved. Particularly in health complaints, our involvement tends to come at the end of what can be a long complaints journey. Further delays would be a cause of real concern.

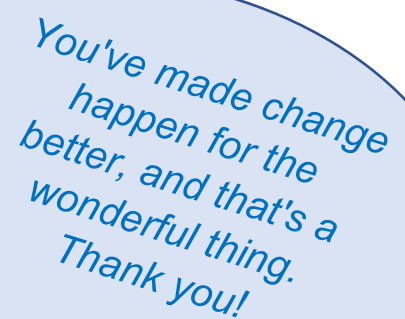
The increases in complaints we receive has increased pressure on staff, with each member of staff carrying a larger caseload than we would wish. This affects the quality and timeliness of the service we can provide, but also affects staff wellbeing. We are acutely aware of our responsibilities, as a responsible employer, to manage stress at work and to avoid putting staff in a position where they cannot succeed, affecting health, attendance and staff turnover.

If the Estimate is not approved, backlogs would quickly develop – and the current workload has already increased significantly since April. Consideration would have to be given to changing our approach so that only the most serious complaints are investigated. For this to be successful, and to avoid debate with complainants as to whether a complaint was sufficiently serious, we would look to increase on-line complaints screening. This would run counter to our efforts, and recent decisions of the Senedd, to make the Ombudsman's services more accessible, for example through acceptance of oral complaints.

In many cases, it is only when we start to investigate that it becomes clear that a single complaint, that might not necessarily be considered very serious, highlights systemic issues that could have very serious consequences for others.



What you ... do is so important. It brings answers to families in dire need and helps so much when we are ... alone in the dark and you manage to bring some light.



You've made change happen for the better, and that's a wonderful thing. Thank you!

In addition to systemic improvement, the feedback we receive makes us acutely aware of the impact of our work on members of the public. We do not wish to deny complainants the opportunity to have genuine concerns investigated, nor to delay resolution or closure.

Estimate Summary

The Estimate for 2022/23 is shown in Appendix A. The Resource and Cash requirements are £5,337k and £5,287k respectively.

Detailed Analysis

Salaries and Related Costs

PSOW staff pay is linked to Local Government NJC pay negotiations. The Estimate builds in a 3.25% pay award over 2 years (representing a forecast 1.75% pay award in 2021/22 and an estimated 1.5% award in 2022/23). £81k of efficiencies elsewhere in the budget meet part of the cost of the 2021/22 pay award.

Caseworker staff numbers will increase by 1 post and we expect to fill staff vacant posts to help manage the projected growth in casework. We are also reducing the number of corporate services support staff by one (part-time) and directing this to a part-time post focusing on improving our service quality and customer service. In the light of public service budget constraints, we have not been able to include cover for staff taking maternity/adoption leave.

The increase in employer's National Insurance contributions from April 2022 is, as indicated above, not included.

Premises and other leases

The major item of expenditure is rental of the premises at Bocam Park that was subject to a rent review in August 2020. Most photocopiers were purchased during 2019/20, reducing future leasing charges. The implication of the implementation of IFRS (International Financial Reporting Standards) 16 Leases are, as indicated above, not included. Premises costs have fallen as home working has meant the North Wales office lease has not been renewed.

Professional Fees

Increased caseload would generally increase the need for professional advice on our casework. The budget for professional fees, which includes clinical advice on our casework, has however been reduced by £12k to £234k. We will work to contain costs within this budget, through focused advice requests and control of costs.

Computer Systems and IT Support

Major investment in our IT hardware and the Case Management System was made in 2018/19 with the aim of increasing efficiencies and resilience. A subsequent review by our new IT Support provider identified further recommendations to improve security and

resilience. These generate one-off costs in 2021/22 and £12k recurring annual costs. Contractually committed price increases of £26k are also included in this Estimate.

Office Costs

The allocation of £119k reflects a predicted return to some office working by April 2022. There continue to be efficiencies in the use of resources such as paper, printing, postage and courier services.

Travel, Training and Recruitment

This budget has been reduced by £15k and we will work to reduce travel associated with casework and meetings.

Communications

The change reflects an increase in translation costs resulting from the Welsh Language Standards and increased outreach work.

Capital

Capital costs have been reduced to reflect investment in IT in 2021/22.

Depreciation

Depreciation has increased, reflecting the capital investment in 2021/22 in new IT equipment to increase security and resilience.

Appendix A – Estimate 2022/23

| Estimate | 2021/22 £000s | £000s | £000s | 2022/23 £000s |
|---|--------------------|------------------------------|--------------|------------------|
| PSOW Expenditure | Original Budget | Cost & caseload pressures | Efficiencies | Estimate |
| Staff salaries and related costs | 3,985 | +197 | | 4,182 |
| Premises and facilities, including leases | 379 | | -10 | 369 |
| Professional fees | 246 | +20 | -32 | 234 |
| IT costs | 212 | +38 | | 250 |
| Office costs | 99 | +24 | -4 | 119 |
| Travel, training and recruitment | 75 | | -15 | 60 |
| Communications | 46 | +19 | | 65 |
| Total Revenue Expenditure | 5,042 | +298 | -61 | 5,279 |
| Total Income | (17) | | | (17) |
| Net Revenue Expenditure | 5,025 | +298 | -61 | 5,262 |
| Capital Expenditure | 25 | | -20 | 5 |
| Total Resources Required | 5,050 | +298 | -81 | 5,267 |
| Depreciation and amortisation charges | 60 | +10 | | 70 |
| Total Resource Expenditure | 5,110 | +308 | -81 | 5,337 |
| Depreciation and amortisation charges | (60) | -10 | | (70) |
| Other non-cash movements | 20 | | | 20 |
| Cash Requirement from WCF | 5,070 | +298 | -81 | 5,287 |