

<p>Public Services Ombudsman for Wales Estimate for the Financial Year 2012/13 and Supplementary Estimate for 2011/12</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 first submission of my estimates to the Fourth Assembly. Under the Committee Portfolios and Responsibility in the Fourth Assembly, the Communities, Equality and Local Government Committee of the National Assembly for Wales is responsible for considering the work of the office, whilst the Finance Committee is responsible for considering this estimate submission. The information provided relates particularly to those matters which fall within the remit of the Finance Committee.
- 1.3 In preparing this submission the advice of the Public Services Ombudsman for Wales's Audit Committee has been taken into account. That Committee continues to be independently chaired by Laurie Pavelin, CBE, FCA, who has extensive experience and a detailed knowledge of public sector finance and accounting. Professor Margaret Griffiths remains as an independent member of the Committee this year. Her knowledge of the Welsh legal system and her general experience of matters pertaining to the Ombudsman's work give the Audit Committee additional depth.

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 sponsored bodies.

2.2 I have this year launched the new 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 also includes complaints about UK public service providers where the services are not devolved). I also consider complaints which allege that members of local authorities have broken their code of conduct.

3. Financial performance

3.1 I should like to inform the Committee that my arrangements for financial management and internal control have been independently reviewed by my internal auditors (RSM Tenon) and assessed as operating effectively. Their Annual Report stated:

“we are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Public Services Ombudsman for Wales’s arrangement. For the 12 months ended 31 March 2011, based on the work we have undertaken our opinion regarding the adequacy and effectiveness of the Public Services Ombudsman for Wales’s arrangements for governance, risk management and control is (based on the traffic light notation) as follows:

Governance	Adequate and effective	Green
Risk Management	Adequate and effective	Green
Control	Adequate and effective	Green”

3.2 The Auditor General gave my accounts for the year 2010-11 an unqualified audit opinion in keeping with all previous years.

3.3 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.

- 3.4 We make 99% of payments to suppliers within 30 days of the invoices being received in my office. In many cases the payments are made within 10 working days.
- 3.5 These achievements are consistent with the high standards of financial management which have been in place since the organisation was established.

4. Efficiency and effectiveness

4.1 **Outcomes 2010/11** – I have previously reported to the National Assembly for Wales, both through the Finance Committee and my Annual Reports, my concern at the backlog of cases which had resulted as a consequence of the increase in complaints received by my office since its inception in April 2006. A concerted effort has been made over the past couple of years to tackle this within the resources available to my office. A key element was the creation of the Complaints Advice Team to deal more effectively with initial enquiries to the office and with the early stages of the complaints handling process. I also streamlined the investigation stage. These steps, together with the considerable efforts of my staff, resulted in significant achievements during 2010/11. Noteworthy are the following results in respect of my services in dealing with complaints about public service providers:

- we received 1,127 enquiries, up 49% on 2009/10
- we received 1,425 new complaints, up 3% on 2009/10
- we achieved 120 quick fixes/voluntary settlements, up 33% on 2009/10
- we issued 315 investigation reports, up 54% on 2009/10
- we closed 1,634 cases, up 13% on 2009/10
- the number of cases on hand at 31 March 2011 was 295, a reduction of 48% on 2009/10
- we had no investigations more than 12 months old open at 31 March 2011.

4.2 **Current position 2011/12** – The increase in the number of the enquiries and complaints received at my office has continued in the current year. Comparing the first five months (i.e. April to August) this year, with the same period in 2010/11:

- enquiries are up 73% (589 compared with 340)
- complaints are up 7% (788 compared with 739).

It is notable that health complaints currently account for 30% of the caseload of public body complaints, compared with the overall position of 25% for 2010/11. It appears, therefore, that the additional health complaints expected as a result of the changes in health redress arrangements, where all independent reviews were concentrated in my office, are now beginning to make their way to me.

- 4.3 **Staff resources** – The Finance Committee was made aware last year that as a result of the level of financial resources made available to my office for the current financial year (2011/12) I would have to take steps to reduce my staffing establishment. I concluded that an 8.5% reduction in posts (full time equivalents) would be necessary. This I have done. It has been 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. Beyond this, it is also my current policy not to fill vacancies unless a sound business case can be made as to why the post must be filled.
- 4.4 **Clinical 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 upon advisers engaged through an arrangement with the office of the Parliamentary and Health Service Ombudsman (PHSO) and subject to a recharge to this office. However, I have recently increased the number and range of clinical advisers that I am able to engage directly. This will reduce the number of cases where files have to be sent to PHSO's London or Manchester office. This will not only result in reduced costs, but also enable a more prompt review of cases.
- 4.5 **Other efficiencies** – Staff resources account for the bulk of the expenditure of my office and most of the other costs incurred are fixed and difficult to control in the short to medium term (e.g. office rental). However, those areas where we do have some control are under regular review in relation to obtaining best value. For example:
- (a) Travel and accommodation – arrangements are made centrally through the office's corporate services team. This ensures that the most cost effective rates can be obtained. Unless there are extenuating circumstances, standard rail travel is used and we pre-book tickets in order to obtain the cheapest fares possible. We have also taken measures such as obtaining an Oyster card for travel within the London area, which has resulted in lower costs against the purchase of day tickets.
 - (b) Procurement – due to restrictions under the Public Services Ombudsman (Wales) Act 2005, it is not possible to be a party to contractual arrangements with a body within my jurisdiction. However, I do look for opportunities for service level agreements (SLAs) with other organisations where possible. I have already referred to the arrangement with the Parliamentary and Health Service Ombudsman for engaging clinical advisers and I also have an SLA in place for human resource advice. Also, when a vacancy arises and I take a view that it is crucial for this to be filled, we now undertake the recruitment process ourselves, rather than engage an employment agency to do this on my behalf (up to shortlisting stage) as has been the practice in the past.

- (c) Library resources – The nature of the investigation work undertaken by my office means that it is critical that we have comprehensive and up to date reference material available to us, particularly in relation to the legal basis of services provided by the bodies within my jurisdiction. A recent review undertaken has meant that we have been able to achieve cost savings by dispensing with subscriptions for hard copy materials and replacing these with the use of electronic data services.

5. The next three years

- 5.1 Over the next three years we will be looking to further develop the work of the newly established Complaints Wales service as well as the arrangements for the additional independent review of health complaints that now come to my office. We will be doing this with a view to fully realising the efficiency gains of the new arrangements in order to cope with the level of complaints received with a smaller staffing complement than originally anticipated.
- 5.2 We have to be realistic and mindful of what can be achieved with a reduced staffing establishment. Although it has not come as a surprise, from an operational point of view, the continued increase in the number of complaints that I receive is of some concern. Health complaints are invariably the most complex and resource intensive type of complaint to investigate. The fact that health currently accounts for 30% of the caseload of complaints about public bodies and could rise further, will be a major consideration. I remain resolute that our endeavours to deliver a quality complaints handling service will continue. Nevertheless, on the basis of the budget estimate being put forward for 2012/13, if this upward trend continues, I may well have to review the criteria used for deciding whether or not to take a complaint forward to investigation.
- 5.3 We are also absorbing the impact of inflation in areas such as energy and travel costs and, therefore, not requesting any additional funding in this regard.
- 5.4 Given the considerable pressures on my service, I have allowed for a 1.5% 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 will similarly receive a 1.5% increase.

6. Supplementary request for resources in 2011/12: an exceptional item – pensions

- 6.1 Under the Public Services Ombudsman (Wales) Act 2005, my staff are members of the Principal Civil Service Pension Scheme (PCSPS). However, 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, has incurred a considerable deficit. This has arisen because of the increases in life expectancy that affects 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.

- 6.2 Although this deficit affects all member organisations of the Local Government Pension Scheme, other member organisations are able to spread the cost of recovering the deficit over 22 years. In the case of my office, which has a small number of staff belonging to that scheme and no new members since 2006, that ability to spread the cost is not available and I am required to clear the deficit by the time there are no longer any active members (a person paying contributions into the scheme). Based on current expectations of staff retiring, this is estimated to happen in the 2017/18 financial year).
- 6.3 As stated in the Annual Accounts for 2010/11, the deficit is £1.565m and I have arranged with the pension administrators to make six annual payments from 2012/13 to 2017/18 to clear the deficit. However, under the resource accounting rules I am advised that I should provide for the full cost in the current financial year. I have therefore asked the Welsh Government to include an additional resource request for that amount in the next supplementary budget motion for 2011/12. I have also been advised that this supplementary estimate is expected to be treated as Annually Managed Expenditure and will not have a negative impact on the Welsh Block. As I am not required to make any cash payments until 2012/13, there will be no change to the amount of funding that I will need from the Welsh Consolidated Fund in 2011/12.
- 6.4 The deficit has arisen from factors beyond my control and cannot be found from current funds without major cuts to services. As set out above, the greatest proportion of office costs are salary related and staff numbers have already been reduced by five posts over the past year. Any further reduction in staff posts would mean that I would not be able to fulfil my duties under the Public Services Ombudsman (Wales) Act 2005.

Public Services Ombudsman for Wales
28 September 2011

Appendix – 2012/13 Estimates

Appendix

Estimates 2012/13

	Actual 2010/11	Budget 2011/12	Estimate 2012/13	Estimate 2013/14	Estimate 2014/15
	£'000	£'000	£'000	£'000	£'000
Expenditure					
Capital	461	15	14	13	13
Running costs					
Salaries and related costs	2,385	2,580	2,620	2,647	2,652
Premises	310	337	337	340	367
Computer systems and support	200	105	90	85	105
Office costs	163	146	146	148	148
Advisory fees	313	300	300	323	350
Communications	80	105	80	82	82
Training and recruitment	67	70	65	65	75
Travel and subsistence	28	34	34	34	34
Audit fee	25	20	20	22	22
Notional charges	150	148	153	158	44
Total running costs	3,721	3,845	3,845	3,904	3,879
Income	-37	-6	-6	-6	-6
Net revenue expenditure	3,684	3,839	3,839	3,898	3,873
Total net resource requirement	4,145	3,854	3,853	3,911	3,886
Supplementary Resource Requirement for 2011-12					
Local Government Pension Scheme deficit		1,565			
Total revised net resource requirement	4,145	5,419	3,853	3,911	3,886
Non cash items	-110	-98	-97	-99	-77
Changes in working capital other than cash	34	25	25	25	25
Provisions movements	36	-1,615	-50	-50	-47
Cash payments to discharge pension and other provisions	-	-	231	242	254
Total cash requirement from the Welsh Consolidated Fund	4,105	3,731	3,962	4,029	4,041