



**Public Services Ombudsman for Wales
Estimate for the Financial Year 2016/17**

**Submission to the Finance Committee meeting
of the National Assembly for Wales
7 October 2015**

Contents	Page
1. Introduction to the Estimate Submission	3
2. The Role of the Public Services Ombudsman for Wales	4
3. Corporate Governance	5
4. Financial Performance	6
5. Efficiency and Effectiveness	7
6. Strategic Planning	10
7. Local Government Pensions	11
8. Pay Awards	11
9. Cost Pressures	12
Appendices	
Appendix A - Estimates 2016/17	14
Appendix B - Organisational Structure since June 2015	15

1. Introduction to this Estimates 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 from the Welsh Consolidated Fund to carry out my statutory functions apart from my salary, National Insurance and pension costs, which are a separate 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 fifth submission of the Public Services Ombudsman for Wales's (PSOW) 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 PSOW also appears before the Public Accounts Committee to discuss the Annual Accounts as and when required by that Committee. The information provided in this paper relates particularly to those matters within the remit of the Finance Committee.
- 1.3 The Public Services Ombudsman (Wales) Act 2005 establishes the office of the Ombudsman as a 'corporation sole'. The Ombudsman is accountable to the National Assembly for Wales, both through the mechanism of the Annual Report, and as Accounting Officer for the public funds with which the National Assembly entrusts the Ombudsman to undertake their functions.
- 1.4 The net resource expenditure sought for 2016/17 is £4,090k, with a net cash requirement of £4,279k. This represents a flat settlement and maintains my budget at no more than 0.03% of the Welsh Block. It accommodates both staff pay awards and other inflationary pressures other than the annual pension deficit payment increase and a £12k increase in capital to invest in new technologies to increase efficiencies. The detail in this paper supports this estimate submission.

2. The Role of the Public Services Ombudsman for Wales

2.1 As Ombudsman, I have two specific roles. The first is to consider complaints about public service providers in Wales; the second role is to consider complaints that members of local authorities have broken the Code of Conduct. I am independent of all government bodies and the service that I provide is free of charge.

2.2 Complaints about public service providers

2.2.1 Under the PSOW Act 2005, I consider complaints about bodies which, generally, are those that provide public services where responsibility for their provision has been devolved to Wales. The types of bodies I can look into include:

- 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.

Since 1 November 2014, I am also able to consider complaints about privately arranged or funded social care and palliative care services.

2.2.2 When considering complaints, I look to see whether people have been treated unfairly or inconsiderately, or have received a bad service through some fault on the part of the service provider. Attention will also be given to whether the service provider has acted in accordance with the law and its own policies. If a complaint is upheld I will recommend appropriate redress. The main approach taken when recommending redress is, where possible, to put the complainant (or the person who has suffered the injustice) back to the position they would have been in if the problem had not occurred. Furthermore, if from the investigation I see evidence of a systemic weakness, then recommendations will be made with the aim of reducing the likelihood of others being similarly affected in future.

2.2.3 My Complaints Advice Team also provides the Complaints Wales signposting service, which is an independent and impartial telephone and web based service. It offers advice to members of the public on how to complain about a public service and signposts their complaint to the organisation that provides the service that they wish to complain about, or to the appropriate independent complaint handler or ombudsman

2.3 Code of Conduct complaints

2.3.1 Under the provisions of Part III of the Local Government Act 2000 and also relevant Orders made by the National Assembly for Wales under that Act, I consider complaints that members of local authorities have breached their authority's Code of Conduct. I can consider complaints about the behaviour of members of:

- county and county borough councils
- community councils
- fire authorities
- national park authorities and
- police and crime panels.

All these authorities have a Code of Conduct which sets out in detail how members must follow recognised principles of behaviour in public life.

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 Whilst bearing in mind the constitutional position of a corporation sole, I have established an Advisory Panel which provides both challenge and support to me as Ombudsman. There is also an Audit & Risk Assurance Committee, a sub-committee of the Panel, which provides particular support to me in relation to my responsibilities

as Accounting Officer. The work of both these for over the past year has been addressed in greater detail as part of the Governance Statement within my Annual Accounts for 2014/15, which was published in August 2015. However, I take the opportunity here to state that, following an open recruitment exercise, I was delighted that Mrs Sharon Warnes, previously Assistant Director/Senior Policy & Performance Manager at Gwynedd Council, was appointed to the Advisory Panel (following Mr Ceri Stradling's resignation at the end of 2013/14). Mrs Warnes also sits on the Audit & Risk Assurance Committee.

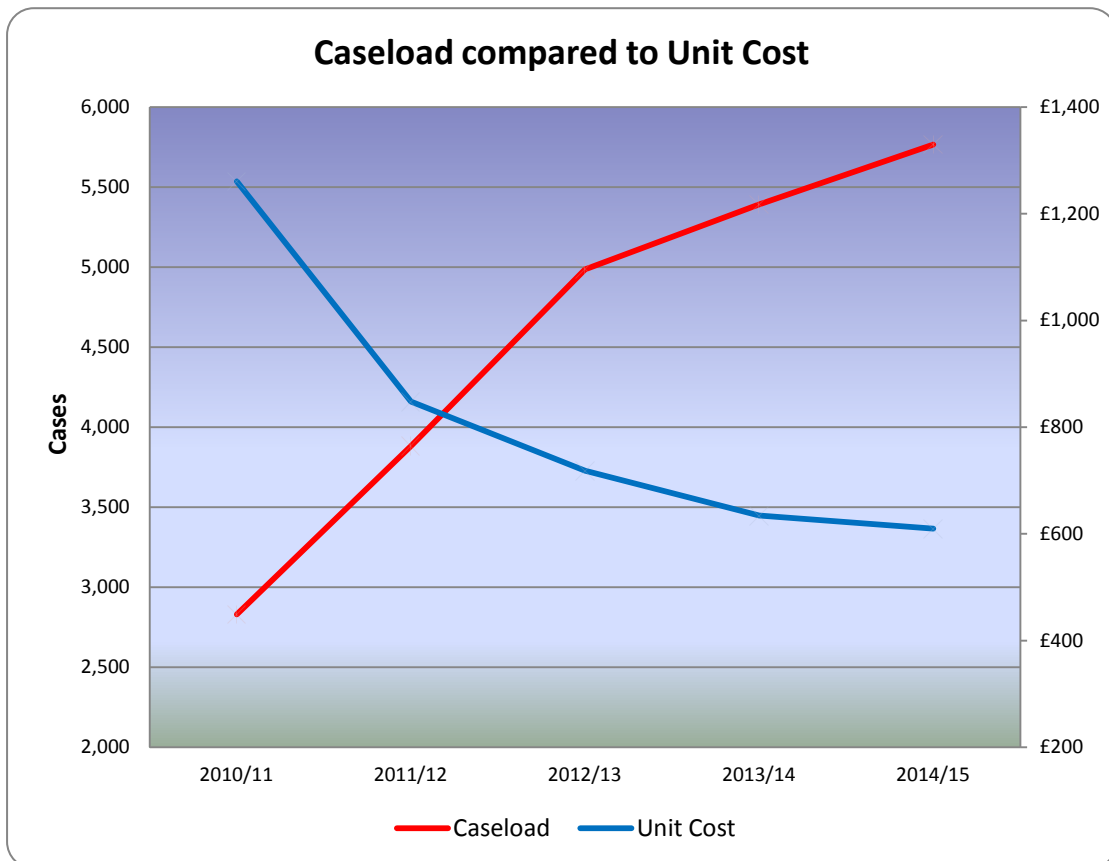
4. Financial Performance

- 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 2014/15 stated: "Based on the work we have undertaken during the year we are able to conclude that the Public Services Ombudsman for Wales (PSOW) has a basically sound system of internal control, which should provide **substantial assurance** regarding the achievement of PSOW's objectives." There were six new recommendations (two medium and four low priority).
- 4.3 The Auditor General gave the annual accounts for the year 2014/15 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 where overheads are identified as 4.5% of total costs.

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, as illustrated below:



5.3 It is particularly noteworthy that over the five year period 2010/11 to 2014/15 the number of enquiries and complaints received more than doubled whilst expenditure adjusted for inflation fell by 2%, as detailed in the table below.

	2010-11	2011-12	2012-13	2013-14	2014-15	% change
Enquiries	1,127	1,866	2,906	3,234	3,470	+208
Public Body Complaints	1,425	1,605	1,790	1,932	2,065	+45
Code of Conduct Complaints	277	412	291	226	231	-17
Expenditure, adjusted for inflation	£3,566k	£3,292k	£3,581k	£3,419k	£3,515k	-2

5.4 Innovation

5.4.1 Whilst recognising the admirable work undertaken in previous years to streamline the office's complaints handling processes, I was nevertheless acutely aware of the continuing upward trends. It was notable that July 2014 saw the highest number of enquiries and highest number of complaints received in the office since it came into existence in April 2006. I therefore instigated an innovation project, engaging all staff, with a view to identify areas for further efficiency gains. That work resulted in over 30 agreed action points. The majority of these involved internal changes, with a key focus being on reinforcing and gathering greater momentum in relation to becoming a 'paperless office'. We have taken the view that this approach will enable us to gain further efficiencies in relation to the practicalities of dealing with casework documents. However, there have been implications for bodies within my jurisdiction too, whereby I now request records in electronic format only (and associated with that, I have reduced the timescales allowed for bodies in jurisdiction to provide me with the records requested).

5.5 Turning the Curve

5.5.1 Associated with my concern about the continued increase in complaints, I have considered what we could do to promote improvements in complaint handling in bodies within jurisdiction, together with how we may have greater impact on contributing to improved public service delivery. As a result, I introduced new and changed job roles during June 2015. In particular, a number of existing posts were revised, whereby I introduced the positions of Assistant Investigation Managers (AIMs) and Investigation and Improvement Officers (IIOs). Whilst they will continue

to play an important investigatory role in the future, the improvement duties within both these roles will include stakeholder engagement with certain bodies in jurisdiction as well as thematic leads for areas which continue to affect quality public services.

5.6 Professional advisers

5.6.1 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 has been previously advised 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.

5.6.2 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. Strategic Planning

6.1 The key strategic aims for the office to 2015/16 have been the following:

1. To offer a service where excellent customer care is at the forefront of all we do, where we work to raise awareness of our service and do our best to make it accessible to all and easy to use.
2. To deliver a high quality complaints handling service, which considers and determines complaints thoroughly but proportionately, and conveys decisions clearly.
3. To use the knowledge gained from our investigations to contribute to improved public service delivery and to inform public policy.
4. To continue to analyse and improve the efficiency and effectiveness of our governance, business processes and support functions, to further demonstrate transparency and ensure the best use of the public money entrusted to us.

6.2 I am currently in the process of reviewing these aims with my staff and other stakeholders, with a view to developing a new strategic plan to take us forward to 2018/19.

6.3 Key amongst our considerations will be the potential emergence of a new Public Services Ombudsman (Wales) Act during 2016, following the Assembly Finance Committee's inquiry into the powers of the Ombudsman during 2015. The Finance Committee will of course be highly aware that first amongst its recommendations from its inquiry was the following:

“The Committee is persuaded by the evidence that there should be a revision to the powers of the Ombudsman. The Committee recommends that a bill is introduced into the Assembly to extend the role of the Ombudsman.”

6.4 The Finance Committee's attention is drawn to the fact that should a new Act be introduced during the financial year 2016/17, it is my intention to manage the transitional phase for that year within the net cash requirement of £4,279k.

7. Local Government Pensions

- 7.1 Under the Public Services Ombudsman (Wales) Act 2005, most of my staff are members of the Principal Civil Service Pension Scheme (PCSPS). In previous submissions I have 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.
- 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 are increased by £13k each year and will continue to be made until 2017/18.
- 7.3 The Scheme funding position had 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 2015 recognises a reduction of £230k in the deficit from £720k at 31 March 2014 to £490k. It is anticipated that the deficit should be eliminated over the next 3 financial years by the additional payments made to the 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 settlements agreed at the National Joint Council for Local Government Services. A 2% uplift to pay was agreed in 2014/15 covering the two years from April 2014 to March 2016.

9. Cost Pressures

- 9.1 Despite the cost and other pressures on my service, for this budget estimate submission for 2016/17, I propose a flat settlement and to remain at less than 0.03% of the anticipated Welsh block. The only additional cash sought is the £13k agreed annual increase in pension deficit payments and a small increase in capital of £12k.
- 9.2 The office continues to absorb cost increases. HM Treasury is stating that the GDP Deflators, as the measure of inflation for the forthcoming years, are estimated currently to be 1.0% for 2015/16 and 1.7% for 2016/17.
- 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 2015 these pension payments have increased by 1.2% and added £2k to the costs of running this office. It is likely that the pension increase will be about 2% in 2016/17 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. In addition, this will enable us to realise our innovation actions as regards the use of technology for matters such as video-conferencing, Skype and document scanning. In addition, it future-proofs the office for the next ten years, including the potential for additional staff should the Ombudsman be given additional powers in any new Act. Therefore, as part of the 10 year lease renewal negotiations with our existing landlord, we acquired additional office space within the same building at nil additional rental cost although there will be an increase in service charges and other premises related costs. This has reduced the rental cost per square foot from £13 to £9, resulting in significant value for money for office space.
- 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 improve efficiency and take the office towards becoming a paperless office. We need to increase our capital budget from £13k to £25k to enable us to continue to invest in these technologies.

- 9.7 In relation to procurement, when new contracts are negotiated and exiting 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.

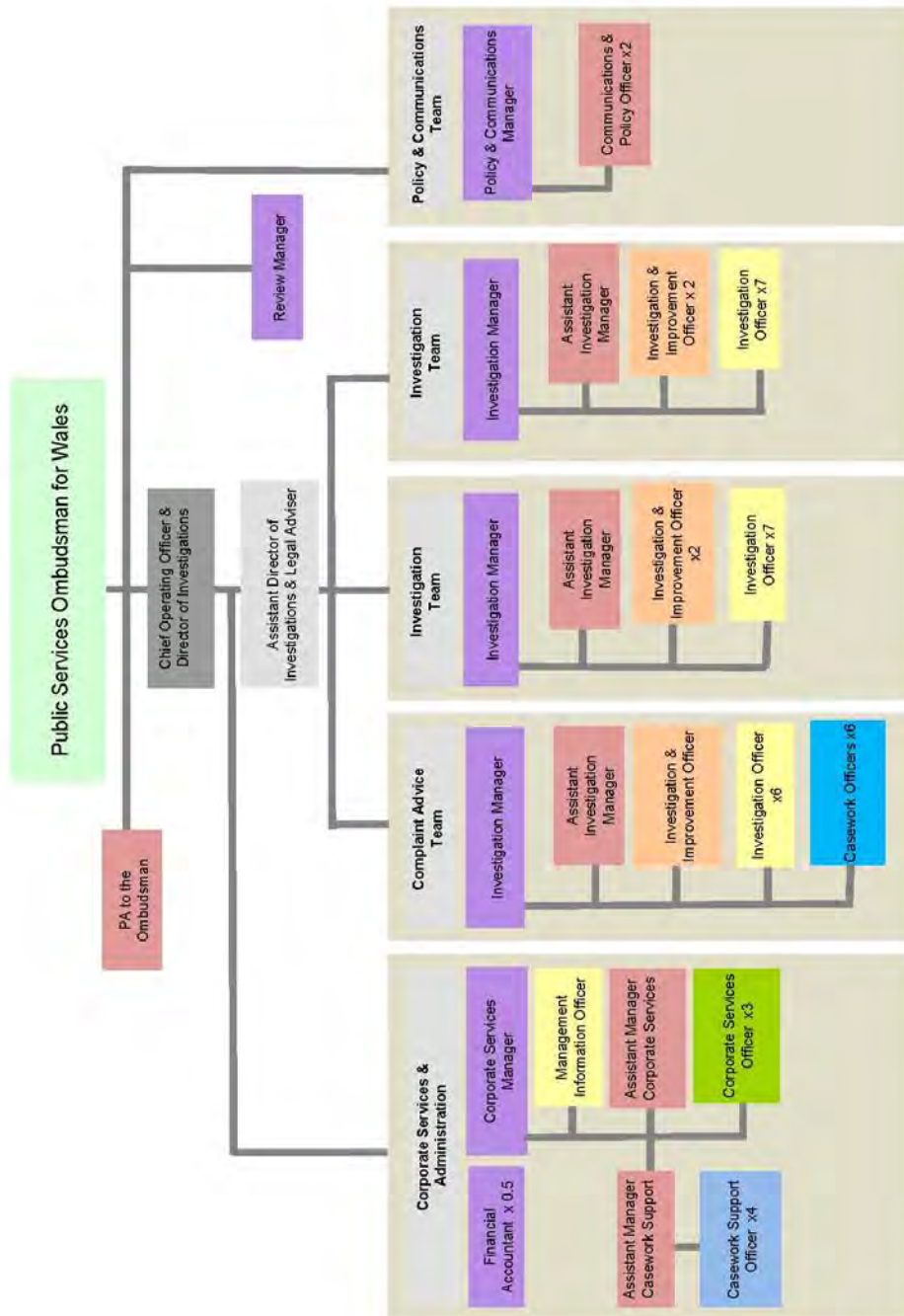
- 9.8 Finally, I would draw the Committee’s attention to the fact that my budget estimate does not include any contingency provision for meeting unexpected items of expenditure, such as legal challenges to my casework decisions.


Public Services Ombudsman for Wales
September 2015

Appendix 1 Estimates 2016/17

	Actual 2014/15	Budget 2015/16	Estimate 2016/17
	£'000	£'000	£'000
Capital DEL	17	13	25
Fiscal Revenue DEL			
Salaries and related costs	2,530	2,788	2,788
LGPS related costs	254	266	279
	2,784	3,054	3,067
Premises	353	399	407
Computer systems and support	141	149	149
Office costs	142	127	130
Advisory and legal fees	527	310	310
Communications	103	82	82
Training and recruitment	46	44	40
Travel and subsistence	27	36	29
Audit fee	20	20	20
Sub total	4,143	4,221	4,234
Income	0	0	0
Total Fiscal Revenue DEL	4,143	4,221	4,234
Non cash DEL			
Depreciation	86	75	80
	4,229	4,296	4,314
Revenue DEL (B+C)	4,229	4,296	4,314
Total DEL (A+B+C)	4,246	4,309	4,339
Annually Managed Expenditure (AME)			
Movement on LGPS	-254	-266	-279
Provisions movement	94	20	30
Total AME	-160	-246	-249
Total Managed Expenditure			
A+B+C+D	4,086	4,063	4,090
Resources Required	4,086	4,063	4,090
Depreciation	-86	-75	-80
Change in Provisions	-94	-20	-30
Utilisation of Provisions	254	266	279
Other movements in Working Capital	-1	20	20
Net Cash Requirement	4,159	4,254	4,279

Appendix 2 Organisational Structure since June 2015





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