

The Ombudsman's Annual Report
and Accounts 2013-14

A voice for change



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Foreword from the Ombudsman

Real progress in delivering greater impact for people who complain

In this first year of our five-year strategy, we have fulfilled our promise to 'deliver more impact for more people'. We have reached more people with our services, investigated more cases, and helped public services to improve by sharing what we have learnt.

Our work is important because we give people a voice and power in their relationship with the state. We investigate complaints that individuals have been treated unfairly or have received poor service from government departments, other public organisations and the NHS in England. We do this fairly and without taking sides. We make final adjudications on complaints and, where we uphold complaints, we make recommendations for remedy.

We are accountable to Parliament and this report provides Parliament and the public with information on our performance. It details the progress we made during 2013-14, including what we did to be more transparent and accountable and to transform the

way we work. As a result of the changes we made, we completed 2,199 investigations – six times as many as in the previous year. Users of our service also received decisions on their cases more quickly than before. My thanks go to all our staff for their hard work and dedication to making the changes we needed in order to help so many more people.

We recognise that we are still in transition and that there will be occasions when our service is not as good as it should be. We will be open and honest about our mistakes and use the feedback from our customers to learn and improve.

Most people who come to us want their complaint to make a difference for others. This year we have done more to use what we have learnt from

complaints to help the NHS in England and other public bodies to understand service failures and make improvements. By taking a look at broader issues, our reports on sepsis and on midwifery have brought about agreement to changes to medical and healthcare practice that should save lives.

We used insight from our casework and research to feed into *Putting Patients Back in the Picture*, a review of the NHS complaints handling system led by the Rt Hon Ann Clwyd MP and Professor Tricia Hart. We were keen to emphasise the need for culture change across the NHS, with greater openness, less defensiveness and more collaboration. The review was published in October and we were pleased to see that many of the recommendations made





will help to address the issues we raised. We also shared our insight with the Government, as it prepared its response to the inquiry into Mid Staffordshire NHS Foundation Trust. Through the insight we gained from our casework and research, we identified a ‘toxic cocktail’ in health complaints arising from people’s reluctance to complain, coupled with them meeting a wall of defensiveness from some health service providers. We are working with Healthwatch England and others to develop a vision for consumer experience of complaining about health and social care services.

We hope this vision will be used across the NHS and by its regulators to measure progress and drive action to radically improve people’s experiences of complaining. We have also deepened our relationship with regulators such as the Care Quality Commission by, for example, sharing our data for action on health cases with them, and with professional bodies such as the General Medical Council. We are also working ever more closely with the Local Government Ombudsman by jointly investigating many more cases and by seeking opportunities to deliver efficiencies through closer collaboration.

During the last year, we used our insight and expertise to feed into the Public Administration Select Committee’s inquiry into, and the Cabinet Office’s review of, complaint handling across public services. We highlighted what we think needs to be done to improve the complaint handling landscape.

We also want to see a unified public ombudsman service which covers all public services delivered in England and all public services accountable to the UK Parliament. This will be easier for the public to use, easier for Parliament and service providers to draw learning from, hold people to account, and deliver better value for the taxpayer.

The publication of the Public Administration Select Committee’s report, *Time for a People’s Ombudsman Service*, was a significant milestone for us. We were delighted that it recognised the need to transform the public services ombudsman landscape to create a simpler, more straightforward service. We hope the Government and Parliament will act on the Select Committee’s recommendations - there is now a once-in-a-decade opportunity to really change things for the better.

I would like to thank our teams, my Board colleagues, and those with whom we work closely in complaint handling for their support towards achieving our aims.

I look forward to building on our achievements this year in giving even more people a voice when they bring their complaints to us, providing resolution and remedies for them, and helping to ensure their complaint makes a difference to the future quality of public services.

**Dame Julie Mellor, DBE
Chair and Ombudsman**

July 2014

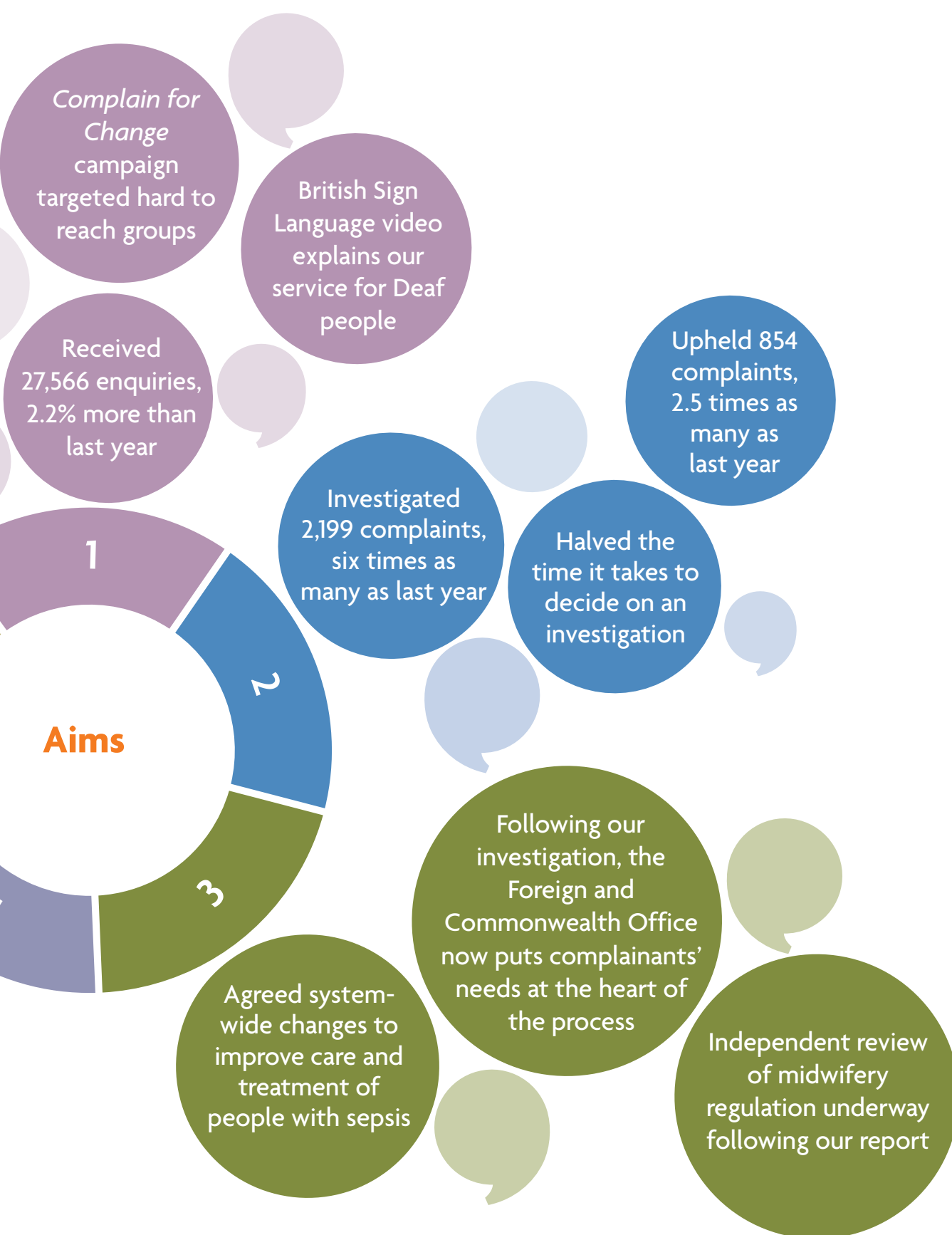
Our year at a glance

Here is a summary of our key achievements in 2013-14 under our five strategic aims.

Our aims

- 1 Make it easier for people to find and use our service.
- 2 Help more people by investigating more complaints and providing an excellent service for our customers.
- 3 Work with others to use what we learn from complaints to help them make public services better.
- 4 Lead the way to make the complaints system better.
- 5 Develop our organisation so that it delivers these aims efficiently and effectively.







Aim 1

Making it easier for people to find and use our service

Our research tells us that many people don't complain about public services because they think it won't make a difference, or because they find it hard to complain. We have been working to raise awareness of the value of complaining, and to make it easier for people to use our own services.



What we have achieved

In 2013-14 more people used our service than the year before. We received 27,566 customer enquiries – an increase of 2.2% on the previous year.

Our customer feedback survey monitors the diversity of the people who come to us. Our survey tells us that one fifth of

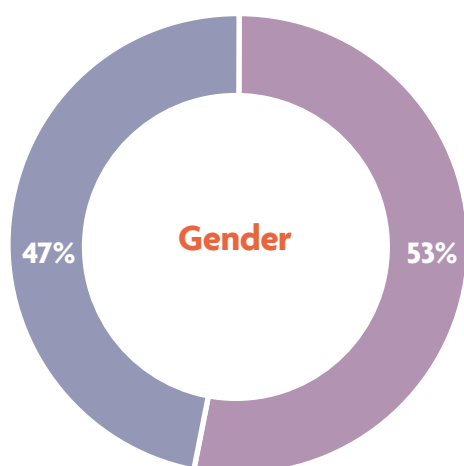
the people who use our service come from a black, Asian and minority ethnic background (BAME). This is a small (1%) increase from last year and is in line with national demographics.

There has been a small (2%) decrease in the number of customers who tell us they have a disability. However, the number of disabled customers who come

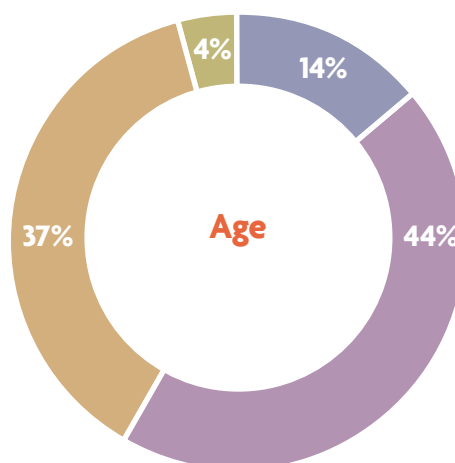
to us is still much higher than the national population figures (18%) with 30% of our customers identifying that they have a disability.

Again this year we see that more than 80% of our customers fall between the ages 35-74 with significantly fewer younger and older people complaining to us.

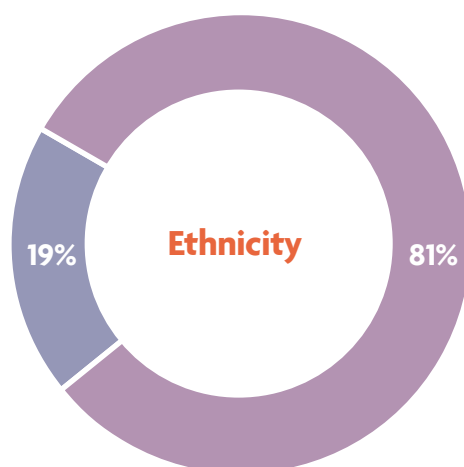
Our customer profile



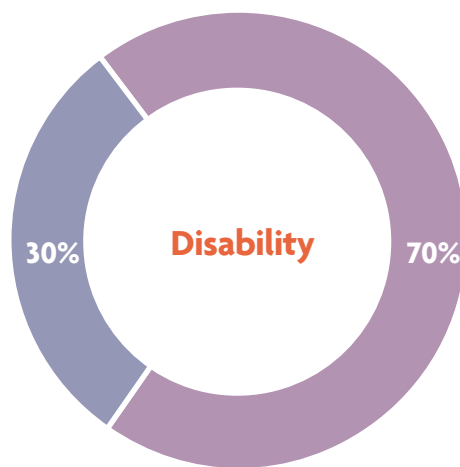
● Male ● Female



● 18-34 ● 35-54
● 55-74 ● 75+



● BAME ● White British



● Disabled ● Not disabled

According to our research, overall awareness of the Parliamentary and Health Service Ombudsman among the UK public is 19%. We want to improve on this and have been strengthening our operations before we launch broader awareness-raising activity in 2015. In the meantime, we have undertaken some targeted activity.

We know that certain groups make fewer complaints – older people, for example, who are frequent users of the NHS and public services. People with learning disabilities and people from a BAME background are also groups we are looking to reach. We want to make sure their voices are heard and in March 2014 we launched *Complain for Change*, an awareness-raising campaign, which targets people in these groups and shows how complaining can make a difference.

The first phase of this campaign was aimed at people with a learning disability, their families, friends and carers. We worked with the charity Mencap and service users with learning disabilities to make sure we understood the issues and developed appropriate communications.

The campaign focused on making complaints about the NHS, and we developed materials including an online information hub, an animated video, leaflets in easy-to-read formats and a suite of posters that were widely distributed to advocacy and support groups in London.

The next phase of the work will include advertising in doctors' surgeries and extending the messages nationwide. The learning from this campaign will inform our future awareness-raising activities.

To give our customers more choice in how they use our services, we developed a new online complaints form. It can be used on a PC or mobile device and can use screen-reading software to help people with sight impairment. It also makes it easier for MPs to refer complaints to us.

We launched a British Sign Language (BSL) video explaining our services for Deaf people and the support available to them. This has been widely promoted by charities including Action on Hearing Loss and patient groups including Healthwatch. In the first three months of 2014, it was viewed on our website more than 200 times.

We used social media to raise awareness of our services and to direct members of the public to information on our website and to our customer services team.

'Complain for Change will help people with learning disabilities to make complaints, because they will understand better about complaining. We liked the easy read information.'

Stuart Dunn, service user at the Advocacy Project, Camden

Our ground-breaking reports and proactive media relations have raised the profile of our work to bring about system-wide reforms and to improve the complaint handling system.

The future

We will plan activity to increase awareness and take-up of our services from 2015, when we will have the capacity to investigate even more cases. We will redesign our website to make it easier for our different audiences and customers to find the information they need. We will deliver the next phase of our *Complain for Change* campaign. We will continue our fruitful collaboration with the Local Government Ombudsman to raise awareness of cases we can work on jointly where there have been failures in public service, health and social care.



Aim 2

Helping more people by investigating more complaints and providing an excellent service for our customers

We delivered what our customers, Parliament, staff and stakeholders said they wanted – more investigations for more people. We have brought closure for more customers on their complaints.





What we have achieved

Last year, we fundamentally changed the way we handled complaints, enabling us to move from investigating hundreds to thousands of complaints.

By lowering the threshold for investigating complaints, we have redressed more injustices, recommended more remedies, and brought closure to more customers' complaints.

Because we are taking on many more investigations than before, the proportion of investigations we have upheld or partly upheld has inevitably declined, from 86% in 2012-13 to 42% in 2013-14. This is in line with other ombudsman services; the Local Government Ombudsman, for example, upholds 41% of the complaints it investigates.

We are carrying out more investigations for more people and we are meeting and sometimes exceeding our service standards.

- ✓ Concluded 67% of cases within one month
- ✓ Concluded 95% of cases within six months
- ✓ Concluded 99% of cases within 12 months
- ✓ Concluded 98% of complaints about us within four months
- ✓ Concluded 97% of requests for a review of our decisions within four months.

We investigated
2,199 complaints
six times
as many as last year

We upheld
854 complaints
2.5 times
as many as last year

How we have changed

As the Parliamentary Public Administration Select Committee's report, *Time for a People's Ombudsman Service* stated, we want to be clear about the changes we have made and the differences we are making to complainants.

Previously, we only investigated if the evidence showed that we were likely to uphold the complaint. Now we investigate if there is a case to answer.

Our customers told us they wanted us to do more investigations. We have achieved this by shortening the assessment process we use to decide whether to take on a complaint or not, and moving this resource into the investigation stage.

We use criteria based on our legislation: where there are indications of injustice linked to fault or service failure, and if the injustice is still unremedied, we will investigate. These changes, taken together, have had a massive impact on our ability to help more people.

The greater range of complaints we take on for investigation means that some require less work so we are able to deal with them more quickly.

Getting things put right

Where we find that an organisation hasn't acted correctly, we ask it to take action to put things right.

In 2013-14, we asked for the following remedies to be made:

- 752 apologies
- 628 compensation payments: £595,861 from health organisations, £152,053 from government organisations
- 631 recommendations for management action
- 197 other actions to put things right.

Enquiries, assessments and investigations by jurisdiction in 2013-2014

Jurisdiction	Enquiries received	Assessments	Complaints resolved through intervention	Complaints accepted for investigation	Completed investigations
Health	17,964	6,093	130	3,075	1,778
Parliamentary	6,844	1,658	79	825	421
Out of jurisdiction	2,758	9	0	0	N/A
Total	27,566	7,760	209	3,900	2,199

Enquiries



Assessments



We received around **40,000 contacts**, including queries about where and how to complain about public and non-public services.

Of these 40,000 contacts, 27,566 enquiries were for us. We actually dealt with 28,348 enquiries, including enquiries carried forward from the previous year, in the following ways:

We advised 15,273 people on making complaints to the NHS and government organisations.



We directed 3,192 people to the right organisation for their complaint.

2,123 complaints were not pursued by the complainant.



7,760 were taken forward for assessment.



7,760 complaints included:



6,093
about the
NHS



1,658
about a
government
organisation

- ▶ 3,900 became formal investigations
- ▶ 209 we put right quickly without the need for a formal investigation
- ▶ 1,039 we supported complainants in getting a resolution from the organisation involved
- ▶ 92 were about issues our legislation does not cover and 378 were not pursued by the complainant
- ▶ 2,142 were complaints where there was nothing further we could do.

Completed investigations



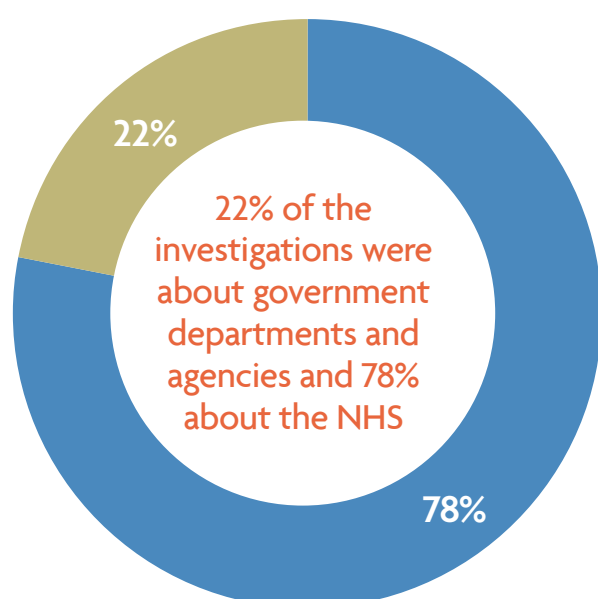
‘They found things out that we didn’t have access to and they have made the hospital be truthful and honest with us at last.’

One of our customers

We completed **2,199 investigations**, compared with 384 in the previous year. Of these:

- ▶ 854 were upheld in part or in full
- ▶ 1,179 were not upheld
- ▶ 100 were resolved to the complainants’ satisfaction before the investigation was concluded
- ▶ 66 were discontinued for a variety of reasons.

Of the total investigations completed, 49 were carried out with the Local Government Ombudsman, compared with five in the previous year.



When we launch a statutory investigation, we inform the organisation what the complaint is about to give it an opportunity to comment on any allegations in the complaint. Sometimes, this in itself resolves the complaint.

We agree the scope of the complaint with the complainant, share the draft report with them to give them the opportunity to comment and provide feedback, and we explain our decision based on the evidence we have gathered.

When we carry out an investigation, we gather evidence from the complainant and the relevant organisations. We may also consult with legal and clinical advisers.

Complainants get a final adjudication on their case and when we uphold their complaint, we recommend that organisations take action to put things right.

Conducting an investigation means that we can share our learning from the case more widely, with the organisation the complaint is about and any other relevant bodies, such as regulators. We also want to make sure we support Parliament in its role of holding public services to account.

‘You have now answered our concerns methodically and sensitively and given us clarification to questions we were struggling to interpret.... We would like to thank you for your diligence and integrity.’

A customer who asked us to review our decision

Learning from customer feedback

In 2013-14 approximately seven out of 10 customers were satisfied with the service they received from us. The data suggests that enquiry stage customers have the highest levels of satisfaction, 70% compared with 66% of customers at assessment stage.

There is a strong relationship between customer satisfaction and whether or not a case is upheld. For example, 80% of customers whose complaint we upheld were satisfied with our service. In contrast, customer satisfaction where we did not uphold their complaint was 53%.

Our customer satisfaction levels are comparable with other ombudsman services. In 2012-13, the Financial Ombudsman Service found that 90% of their customers who felt they had ‘won’ their complaint gave positive feedback on the service they had received. In contrast, 48% of those who said they had ‘lost’ their complaint gave positive feedback.

Changes in our processes mean that it is not possible to provide an exact comparison of the 2012-13 and 2013-14 data. However, it is possible to say that there has been a decrease in satisfaction levels overall.

In 2013-14, we made 30,547 decisions about complaints at enquiry and assessment and investigation stages. We received 108 complaints about our service and upheld 48 of these, 0.2% of the total number of decisions we made.

Complaints about our service were mostly about the delay in an assessment decision or in starting an investigation. As we were embedding our new processes, we found that some people had to wait longer for decisions than we had planned and we recognise we could have been better at managing expectations and communications. However, we met all our service standards for the time taken to complete cases.

Customer satisfaction at different stages of our service

	2011-12	2012-13	2013-14
Enquiry	71%	73%	70%
Assessment	n/a	n/a	66%
Investigations:			
upheld	86%	94%	80%
not upheld	50%	58%	53%

In fact, we have reduced the average amount of time we take from when someone first contacts us to when we give an investigation decision from 432 days (2012-13) to 223 days (2013-14).

We value feedback from our customers and will be involving them in developing a service charter which will detail what they can expect from us, and us from them.

Reviewing our decisions

We send customers and service providers a draft of our investigation report for their comments. Our investigation decisions are final. In limited circumstances, complainants can request a review of our decisions if they meet one of the following criteria.

- Our evidence contained facts that were not accurate and which could change our decision.
- There is new and relevant information which was not

previously available and which might change our decision.

- We overlooked or misunderstood parts of the complaint or did not take account of relevant information which could change our decision.

We met or exceeded our service standards:

- ✓ Responded to 97% of requests to review a decision within 40 days.

Improving the quality of our decision-making

It is difficult to draw conclusions from this year's data and make comparisons with previous years as we have significantly changed our processes. By the end of the 2014-15 reporting period we will, however, be able to fully assess the impact of our changes.

We recognise that as we introduced our new approach to

assessment, we didn't manage in some cases to address all aspects of complaints brought to us for consideration. We have learnt from this and made changes to our practices including further training for our investigators, which has helped them in capturing the agreed scope of the investigation.

We are very pleased that the percentage of upheld reviews about investigation decisions has dropped from 1.3% to 0.2% but there are still lessons for us to learn. We need to improve how we scope out the complaints and how we agree these with the complainant. We also need to improve the quality of some investigations by making sure all aspects of the complaint are investigated. Next year we are introducing a new investigation methodology. This learning will be taken into account in the design of our new method and the development of a new service charter.

Decisions made and decisions reviewed

	2012-13		2013-14	
	Enquiry and assessment	Investigation	Enquiry and assessment	Investigation
Decisions made	26,358	384	28,348 ¹	2,199
Decisions reviewed	949	33	536 ²	60
Reviews upheld	99	5	70	4
% of reviews upheld against decisions made	0.4%	1.3%	0.2%	0.2%

¹ This figure includes the 27,566 enquiries received during the year as well as others carried over from the previous year.

² This figure includes assessments carried over from the previous year, which were made using the old assessment criteria.

Judicial review

A complainant who feels that we have not followed lawful procedures in reaching a decision about their case can apply for that decision to be reviewed by the High Court.

The number of applications for judicial review of our decisions has increased from four to 10. Three were refused permission to proceed, five are waiting for a permission decision, one has been granted permission to proceed and one has been withdrawn. While higher than the previous year, this is within the expected range of seven to 10 a year when looking over the last five years.

Data Protection and Freedom of Information service standards

We received 636 requests for information under the *Freedom of Information Act 2000* (FOI) and the *Data Protection Act 1998* (DPA). This was a 47% increase on last year's 434 requests.

We met or exceeded our service standards:

- ✓ Responded to 98% of FOI requests within 20 days
- ✓ Responded to 98% of DPA requests within 40 days.

We received 68 complaints about our decisions or service in relation to FOI and DPA requests and we resolved 57. Of these:

- five decisions were fully or partly upheld
- no complaints about our service were fully or partly upheld.

The future

We are embedding our new casework processes and systems so that we will have the capacity to investigate 4,000 cases a year in 2014-15. We will continue to publish monthly performance statistics and also a sample of case summaries of our investigations on our website so that the public and others can understand the work we do and the difference we make.

This year we have begun to transform how we approach our core operations. The pace of change is set to continue over the coming year with a focus on excellent customer service, high quality decision-making and even more transparent methods of working and customer service.

Aim 3

Working with others and using what we learn from complaints to help them make public services better

We use the insight from our casework to help public services improve. Where we find big or repeated mistakes, we work with others to develop system-wide solutions. We engage with public service leaders to secure their commitment to make improvements. We share our work with Parliament so that they can hold the providers of public services to account.



What we have achieved

In 2013-2014 we published 22 reports, six of which were joint investigations with the Local Government Ombudsman. The public sector organisations we investigated complied with over 99% of recommendations we made.

Our complainants often tell us that they do not want what happened to them to happen to someone else. This year we have shown how insight from our investigations into big or repeated mistakes can lead to system-wide changes. We have engaged key organisations in developing and agreeing these changes, which they are taking forward into action.

Sepsis

A failure to rapidly diagnose and treat sepsis in a large number of cases we investigated indicated the need to improve awareness of sepsis – a potentially life-threatening condition that occurs when the body's immune system goes into overdrive, setting off a series of reactions including widespread inflammation, swelling and blood clotting.

We brought together the Royal Colleges from the medical professions, the UK Sepsis Trust, NHS England and the National Institute for Health and Care Excellence to share our insight and develop system-wide changes. These included producing guidelines for healthcare professionals on recognising and treating sepsis, which are now being taken forward by NHS England, the

Royal Colleges and the National Institute for Health and Care Excellence. The UK Sepsis Trust estimates that these changes could save up to 12,500 lives each year.

We published and laid before Parliament our findings and recommendations in *Time to Act: severe sepsis: rapid diagnosis and treatment saves lives*. We hope Parliament will follow up on our report and find out how quickly and effectively our recommendations are being acted upon.

Midwifery

In our investigations into complaints about midwifery services, we found that the lives of mothers and babies could be put at risk because of a potential conflict of interest between midwifery regulation and supervision. This is because on the one hand midwives investigate incidents on behalf of the regulator and on the other hand they are responsible for the professional support and development of a group of local midwives who are often their peers.

We worked with the Nursing and Midwifery Council, NHS England and the Department of Health to identify changes in the law that would be needed to overcome this area of weakness. We published *Midwifery Supervision and Regulation: recommendations for change* and laid this before Parliament. The Nursing and Midwifery Council has since announced an independent review of midwifery regulation.



Midwifery
supervision and
regulation:
recommendations for
change

**‘Finally someone has
got the knowledge
and understanding,
the power and the
position to facilitate
change to protect
women and babies.’**

A practising midwife in
the North West

**‘We will use its findings
from the report to work
with general practitioners
and hospitals to reduce the
37,000 deaths that occur
each year due to sepsis.’**

Dr Mike Durkin,
NHS England’s Director
of Patient Safety



TIME TO ACT
Severe sepsis: rapid diagnosis
and treatment saves lives

Sexual assault abroad

Our report *Sexual Assault Abroad* criticised the Foreign and Commonwealth Office for failing to provide sufficient support to a woman who had been sexually assaulted overseas. As a result of our investigation, the Foreign and Commonwealth Office has reviewed the way it handles complaints so that the needs and feelings of the complainant are at the heart of the process. It has also changed its guidance on consular assistance to take account of people's particular circumstances and has changed its approach to complaint handling and training, so that staff learn from mistakes.

The future

The increase in the number of cases we have investigated means that we were able to share more information with the NHS, health regulators, UK government departments and other public sector organisations. We will continue to share the insight from our casework with the public sector to help improve services and will work with Parliament to hold service providers to account.

'I agree entirely with the sentiment of how one victim's complaint can change the experience for many others.'

The Rt Hon Baroness
Newlove of Warrington,
Victims' Commissioner

Aim 4

Leading the way to make the complaints system better

Our research tells us that two thirds of people who would complain don't because they think their complaint won't make a difference. We are working to bring about a complaints system that listens to and addresses people's concerns and uses the learning from their complaints to improve public services. We now have a once-in-a-decade opportunity to make these changes happen.



What we have achieved

Our insight and analysis have contributed to changing complaints handling in the NHS and public services.

Complaints handling in the NHS

In 2013-2014 we published three major pieces of our research into NHS complaints:

- *The NHS Hospital Complaints System: A case for urgent treatment?*
- *NHS Governance of Complaints Handling*
- *Designing Good Together: transforming hospital complaints handling.*

Together these provide a view of what is wrong with the hospital complaints system and what can be done to improve it. We have identified a 'toxic cocktail' of patients' and carers' reluctance to complain, coupled with a culture of defensiveness by NHS organisations. We contributed our findings to *Putting Patients Back in the Picture*, a review of the NHS hospital complaints system carried out by the Rt Hon Ann Clwyd MP and Professor Tricia Hart, and *Hard Truths: the journey to putting patients first*, the Government's response to the public inquiry led by Sir Robert Francis QC into failings at Mid Staffordshire NHS Foundation Trust.

We also contributed evidence to Parliament's Health Committee's inquiry into complaints and raising concerns about the NHS. Our evidence showed shortcomings in complaints handling, support

for complainants and in how the NHS regards feedback and complaints.

We are encouraging the use of the science of human factors and root cause analysis in looking at complaints and learning from complaints. Human factors considers the effect of human behaviour in how mistakes happen and how it can drive improvements in quality and safety. This approach was reflected in the recommendations we made in our four investigations into failings at the University Hospitals of Morecambe Bay NHS Foundation Trust.

Vision for health and social care

We are very pleased to be working to develop an aligned approach to complaints handling across health and social care with the Department of Health, Healthwatch England and the Local Government Ombudsman. We are working together with the Department of Health's complaints programme board to develop a system that reflects patients' expectations, supports service improvement and enables measurement of progress.

Complaints handling in public services

We have played a strong role in informing the work of two inquiries undertaken by the Public Administration Select Committee.

Their first report, *More Complaints Please!* examined how complaints are handled



by government departments and agencies. We welcomed the findings that learning from complaints needs to be embedded into the culture of government and that of departments and agencies. We believe good complaint handling has to be led from the board and that strong leaders will recognise the valuable opportunities that complaints present to really improve the service they are delivering and increase their customer satisfaction.

In May 2014 we made available to Permanent Secretaries of all government departments and agencies our annual assessment of their complaint handling performance, based on those complaints that come to us. *The Parliamentary Ombudsman's Review of Government Complaint Handling 2013* includes overall casework trends, compliance with our recommendations and feedback on our experience of working with the departments. We have published this report on our website and MPs and senior government officials have used it in their work to scrutinise departments' performance.

Transforming the ombudsman landscape

The Public Administration Select Committee's second report *Time for a People's Ombudsman Service* examined the role of the Parliamentary and Health Service Ombudsman and how we carry out our work.

We welcomed its recommendations for much-needed reform of the outdated

legal framework under which we operate. These included changes in the law to remove some of the current barriers to our ability to investigate areas of concern, and the need to create a single public service ombudsman for England that will serve the public better and achieve better value for money.

We are already working with the Local Government Ombudsman to converge our services and systems to make it easier for people to complain. We work together on many complaints that span our areas of responsibility, and the two Ombudsmen sit on each other's Boards.

We added our support and voice to two research and policy initiatives from consumer champions Which? and Healthwatch England that highlighted the low levels of awareness of how to complain and the complexity of the complaints system.

The future

We will continue to work to improve public sector complaint handling and the ombudsman landscape, so that it is easier for people to make complaints, which in turn drive improvements to the public services.

We will carry out research into how departmental boards engage with complaints and use them to learn, improve and innovate. We will work with the Cabinet Office on two reviews: the first will consider government complaints systems and how they can be better for the public to use, as well as improving public services;

and the second will examine the various ombudsman services and how these can be redesigned to better serve the public. We will also explore a future role for us in relation to complaints about privately-funded healthcare, following the publication of Professor Sir Bruce Keogh's report *Review of the Regulation of Cosmetic Interventions*.

'People often don't speak up when things go wrong in public services because they don't think anything will change, but feedback is vital to help improve services. When complaints are unresolved it's even more important there is an effective and proactive ombudsman to give people confidence that complaints do count.'

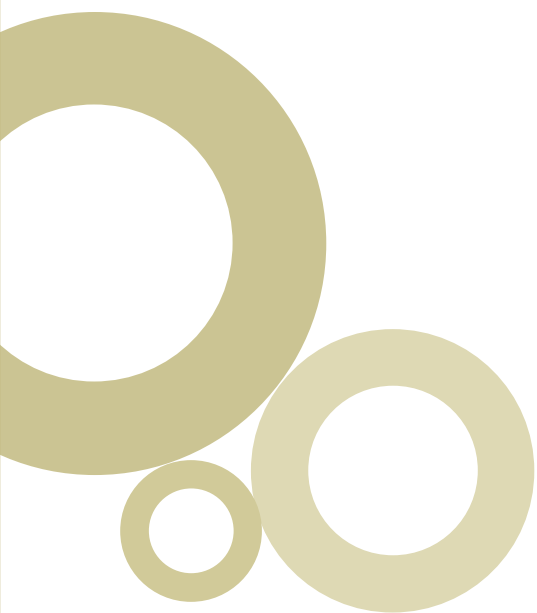
Richard Lloyd,
Executive Director,
Which?

Aim 5

Developing our organisation so that it delivers our aims efficiently and effectively

We have made great progress in building our capacity to deliver the ambitious aims contained in our five-year strategy. This has included improvements to our staffing structures, work processes, management of resources and our use of technology and facilities.





Our performance

We are continuing work to redesign our casework process and are introducing new internal procedures for handling cases. This means we will be ready in 2015 to handle an even higher volume of casework. We are also implementing a new quality framework to make sure that standards are maintained within the higher volume of activity.

We are improving our use of technology to help us work more efficiently. This includes planning the introduction of new casework management software next year. We have also increased our internet speed and improved data transfer between our offices in Manchester and London, implemented a new online security system and upgraded our IT infrastructure and internal systems, including our intranet.

We continue to make sure we are getting the best value from our office accommodation. During the year we vacated one of the floors at our London offices and made better use of the space at our Manchester offices, so that we could carry out more work from there.

Our staff

Over the past year our staff have experienced a period of significant change. This change has involved restructuring the organisation so that we can handle more cases for more customers, and so that we can do more to influence government and public services. We know that this period has been challenging for all staff and we appreciate the flexibility and commitment they have shown.

Staff numbers

At the end of March 2014, the number of staff we employed was 427 full-time equivalents (FTE). The average number of people employed by us during 2013-14 was 433 FTE.

Staff turnover was 21.3% – considerably higher than the 12% in 2012-13. This figure included those who left during the restructure on voluntary exit and redundancy terms and so reflects the period of organisational change.

Sickness absence

Active management of sickness absence saw a reduction from 7.2 to 5.6 days per FTE. This took us below our target of six days per FTE and below the public sector average of 8.7 days. Long-term absence accounts for 28.2% and short-term absence accounts for 71.8%.



Development and performance

To help us meet our strategic aims and business plan priorities for 2013-14, all staff had annual objectives against which their performance was assessed, and personal development plans. We spent £189,300 on learning and development – approximately £400 of formal learning and development for each staff member. This was a mix of corporate skills training in areas such as IT, and role-specific training such as casework skills.

Communications and support

Our staff survey of summer 2013 showed that we had not done as well as we should have in bringing staff along with us and making sure they were fully informed and involved during the period of change. While the majority of staff were committed to our work and had a high opinion of their peers, job satisfaction and morale had declined since the previous survey in 2011. The overall staff engagement score fell from 73% in 2011 to 47% in 2013, although the two surveys were not directly comparable in

all areas. We have implemented an action plan to address these concerns, with more regular staff briefings, more face-to-face communication and question and answer sessions with senior staff, as well as a network of 'engagement champions' to help promote two-way communications. We also plan to launch a new intranet in summer 2014.

We have started to strengthen relationships with our trade unions – the Public and Commercial Services Union and FDA, formerly the First Division Association. We are more actively consulting, informing and involving them in decisions that affect their members, particularly about pay.

During the restructure we gave staff support to help them deal with the personal impact of changes, including coaching, career guidance and use of the employee assistance programme.

We hope for improved results in our next staff survey and we intend to systematically measure our success in motivating and developing staff, including through full staff surveys every two years.

Our staff demographic and location	Benchmark	31 March 2014	31 March 2013
Black, Asian and minority ethnic (BAME):			
London and South East England	19%	21%	19%
Manchester and North West England	6%	8%	6%
Staff with a disability:			
London and South East England	9%	10%	10%
Manchester and North West England	10%	8%	8%

Diversity and inclusion

Valuing diversity is one of our core values. We know that a diverse workforce brings benefits to our organisation – providing a wide range of skills, experience and ideas.

We also know how important it is that we understand our customers and make sure that our services reach those who most need us.

Our equality and diversity strategy 2011-15 is available on our website.

Internal work in this area included an upward mentoring programme to help improve the representation at senior level of BAME staff and staff with a disability. External work included the first phase of our *Complain for Change* awareness campaign aimed at people with a learning disability and the production of a British Sign Language (BSL) video, which a Deaf member of staff helped to develop.

Additionally between April 2013 and March 2014 we delivered 11 equality and diversity induction workshops for 79 new members of staff. We also undertook an evaluation exercise to review the impact of the first part of our disability confidence programme, delivered in 2012-13.

We benchmark the BAME and disability profile of our workforce against the economically active populations of London, the South East, Manchester and the North West, from where we draw most of our staff. In 2013-2014 our staff profile met these benchmarks. We also monitor our workforce profile in respect of age, gender, sexual orientation, faith and belief characteristics and we act on any trends seen in the staff survey.

The future

In the coming year we will make better use of technology for our external activity and our customers, including redesigning our website and promoting the use of our new online complaints form.

We will examine whether we can make efficiency savings in our back office support functions, including considering sharing services with the Local Government Ombudsman, in order to put the maximum resources into the work we do directly to help complainants.

We will be doing more to converge our work with that of the Local Government Ombudsman. We will share approaches and systems to make it easier for customers whose complaints span both our areas of responsibility.

Our Board

This year saw the first complete year of operation for our new Unitary Board, which was established in January 2013. The Board makes decisions about how we operate, agrees our strategy and annual plan, and monitors our performance.

Chair

Dame Julie Mellor was appointed Parliamentary and Health Service Ombudsman on 3 January 2012.

She was chair of the Equal Opportunities Commission from 1999 to 2005. Her career spans the public and private sectors including being a partner at PricewaterhouseCoopers and HR Director at British Gas.

She is a former board member of the Commission for Racial Equality and the National Consumer Council and is currently on the Board at Nesta, the national innovation body.

In 2006, she was made a Dame Commander of the Order of the British Empire (DBE) for her services to equal opportunities.

Non-executive directors

Our non-executive directors bring an external perspective to our corporate governance. They come from diverse professional backgrounds and bring a wide range of experiences.

Peter Freedman is Managing Director of the Consumer Goods Forum. A qualified accountant, he has more than 25 years' experience working with the world's leading companies in the consumer goods, retail and healthcare industries, on a wide range of strategy, organisation and operational issues. He led McKinsey's Europe, Middle East and African consumer goods practice for more than 10 years. He was until December 2013 a non-executive director of the Whittington Health NHS Trust.

Sharmila Nebhrajani OBE is Chief Executive of the Association of Medical Research Charities and has enjoyed a varied career spanning business, media and

health. For twelve years she was Chief Operating Officer for BBC New Media, the division that built the iPlayer. She is a non-executive director of the Pension Protection Fund, council member for the University of Sussex and is the newly-appointed Chair of the Human Tissue Authority. She is a qualified accountant.

Sir Jon Shortridge, KCB was Permanent Secretary in Wales between 1999 and 2008 and subsequently Interim Permanent Secretary at the Department for Innovation, Universities and Skills where he led the merger with the Department for Business, Enterprise and Regulatory Reform. He is an advisory member of the Commission for Local Administration in England and Chair of its Audit Committee and is Chair of our Audit and Remuneration Committees.

Unitary Board members March 2014



Dame Julie Mellor, DBE
Ombudsman and Chair



Peter Freedman
Non-executive member



Sharmila Nebhrajani OBE
Non-executive member



Sir Jon Shortridge, KCB
Non-executive member



Dr Jane Martin
Non-executive member



Helen Walley
Non-executive member



Mick Martin
Managing Director
and Executive Director
of Investigations and
Operations



Mike Procter
Executive Director of
Business Transformation



Sally Sykes
Executive Director of
External Affairs and
Strategy

Dr Jane Martin is the Local Government Ombudsman and Chair of the Commission for Local Administration in England. She has worked with local authorities across England for the Improvement and Development Agency for Local Government (IDeA) and was the first Executive Director of the Centre for Public Scrutiny. Prior to joining the Local Government Ombudsman she was Deputy Chief Executive at the Local Better Regulation Office and a non-executive director of Coventry Primary Care Trust.

Helen Walley trained as a nurse and has had a long career in the NHS in both primary care and hospitals. She was Chief Executive at the Mayday Hospital for three years and before that at Wandsworth PCT. She now works as a consultant and is Chair of the Governors at Croydon College.

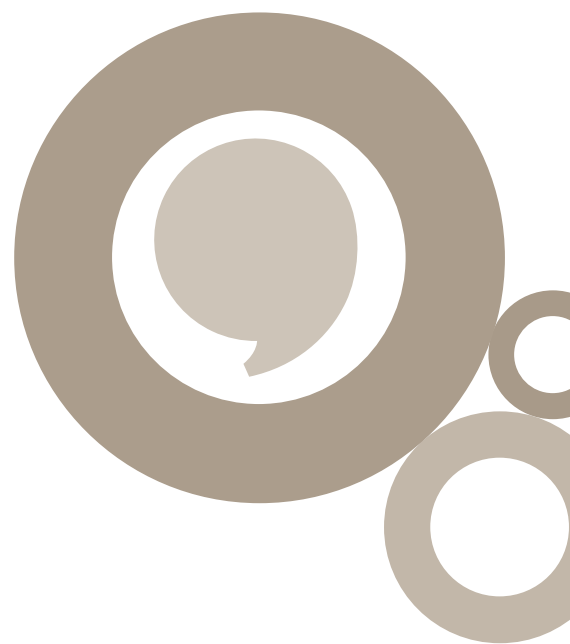
Executive directors

Our executive directors form part of the executive team and were all appointed in 2013.

Mick Martin's 25-year career in management has spanned the public and private sectors. He was on the Board of Derbyshire NHS Foundation Trust, serving as Deputy Chair and then Chair. He was the Royal Mail's Quality and Service Integrity Director and a partner in a consulting company driving business performance. He joined us in November 2013.

Mike Procter has more than 20 years' experience in senior positions in the public sector. He qualified as an accountant and progressed to wider management roles covering commissioning, performance and procurement at board level. He began working for the Audit Commission before moving to the NHS, where he has spent most of his career, most recently leading change programmes. He joined us in May 2013.

Sally Sykes is a senior communications and public affairs practitioner with roles as a senior civil servant at the Health and Safety Executive and posts with the Engineering Employers' Federation, Manchester Airports Group, AstraZeneca, Johnson & Johnson and Scottish Courage. In 2011 she qualified as a chartered public relations practitioner and was, in 2012, President of the Chartered Institute of Public Relations. She joined us in September 2013.



Governance statement

Statutory position and scope of responsibilities

The Parliamentary and Health Service Ombudsman combines two statutory roles of Parliamentary Commissioner for Administration (the Parliamentary Ombudsman) and Health Service Commissioner for England (the Health Service Ombudsman), whose powers are set out in the *Parliamentary Commissioner Act 1967* and in the *Health Service Commissioners Act 1993* respectively. A Regulatory Reform Order enables the Parliamentary and Health Service Ombudsman and the Local Government Ombudsman to carry out joint investigations.

The Ombudsman service makes decisions on complaints that individuals have been treated unfairly or have received poor service from UK government departments, other public organisations, and the NHS in England. We work to put things right where we can and to share lessons learnt to improve public services. We are independent of

both government and the NHS. We are a free service open to everyone.

In law, the Ombudsman has a personal jurisdiction. He or she is accountable for casework decisions and, as Accounting Officer, for the conduct and administration of work carried out by his or her office. Casework decisions can be judicially reviewed by application to the courts. The Ombudsman is appointed for seven years by the Queen, following a process led by Parliament.

Last year, the current Ombudsman chose to strengthen governance by appointing executives and non-executives to a unitary, decision-making board. The Ombudsman is Chair of the Board. Although not part of government, we seek to comply with the spirit of the Treasury and Cabinet Office's *Corporate Governance in Central Government Departments: Code of Good Practice 2011* and the Treasury's *Managing Public Money*. Creation of the Board facilitates such compliance.

We account to Parliament through our *Annual Report and Accounts*, which are audited by the National Audit Office. Parliament's Public Administration Select Committee holds an annual scrutiny hearing following the publication of this report.

Summary

A governance statement needs to be placed in the context of what an organisation is trying to achieve. We are in the process of very significant transformation to achieve more impact for more people. The business year 2013-14 has been the first year of our current five-year strategic plan. During this year we have overseen a six-fold increase in complaints investigated. This change is generating greater public value. Taking into account the opinion of our internal auditors and the National Audit Office's external audit of the 2013-14 accounts, the Audit Committee has confirmed that we can be satisfied that the organisation's overall control framework, governance arrangements, and risk management processes are appropriate to its needs. The Audit Committee is satisfied that, where needed, the organisation has quickly learnt from all the areas identified for development and has set out clear plans to make improvements.

This governance statement sets out how the Executive Team, Board and its committees provide assurance to the Accounting Officer and secure value for money, regularity and propriety in delivering the business plan.

It also explains how we address control issues. It describes:

- the context for governance this year
- the governance arrangements in operation and developments during the year
- governance issues, our learning and action
- risk management arrangements: a new framework, key risks, mitigation and outcomes
- information and data control and fraud controls
- a summary statement from the Accounting Officer.

Context: an organisation that is transforming

The overarching goal of our five-year strategy is to achieve more impact for more people through more investigations, and using insight from cases to help others improve public services and complaint handling. As this *Annual Report* makes clear, early results indicate that we are succeeding.

First, we have completed six times more investigations than in the previous year (2,199 compared with 384). Complainants have had a final decision from us more quickly than in the past (223 days compared with 432 days) and satisfaction rates with our investigation service have remained relatively stable.

Secondly, our new approach to using insight from our casework to help others improve services

achieved notable success, with sector-wide backing for significant system-wide changes in the diagnosis and treatment of people with sepsis and in the regulation of midwifery.

Thirdly, leaders in the NHS and government as well as Parliament have accepted our authoritative analysis of the weaknesses in the complaints system. There is a need for greater board leadership in driving a culture that welcomes and uses complaints as feedback for learning and improving services. These are significant achievements in the first year of delivery of the new strategy, and demonstrate a modern service delivering greater impact and value for money for the public.

We recognised that significant change to our governance, capability and culture was required to deliver our strategy and achieve our goals. Our view is that there were inherent weaknesses in what was the existing model of governance. It relied on the judgement of one individual which we believe is out of step with modern principles of good governance. We believe that more robust strategic leadership comes from a diverse team making decisions together. We believe that robust performance scrutiny and challenge comes from a separation of executive and non-executive roles. We believe that executive leadership is stronger where it is empowered to deliver a business plan and lead an organisation as a team. This is why the Ombudsman established a unitary board in 2012-13, and in 2012 appointed a

Chief Operating Officer, which later became a Managing Director role, to lead the organisation.

We recognise we are on a journey. Historically, the capability of the senior team and the culture of the organisation have been rooted in responding to the personal authority of the Ombudsman, and this will not change overnight. Last year we created a unitary board. This year we continued the modernisation of governance with clearer demarcation of the Chair and Ombudsman's roles in casework, her role as Accounting Officer and as Chair of the Board. We recognise there will be more to do to embed this culture change next year.

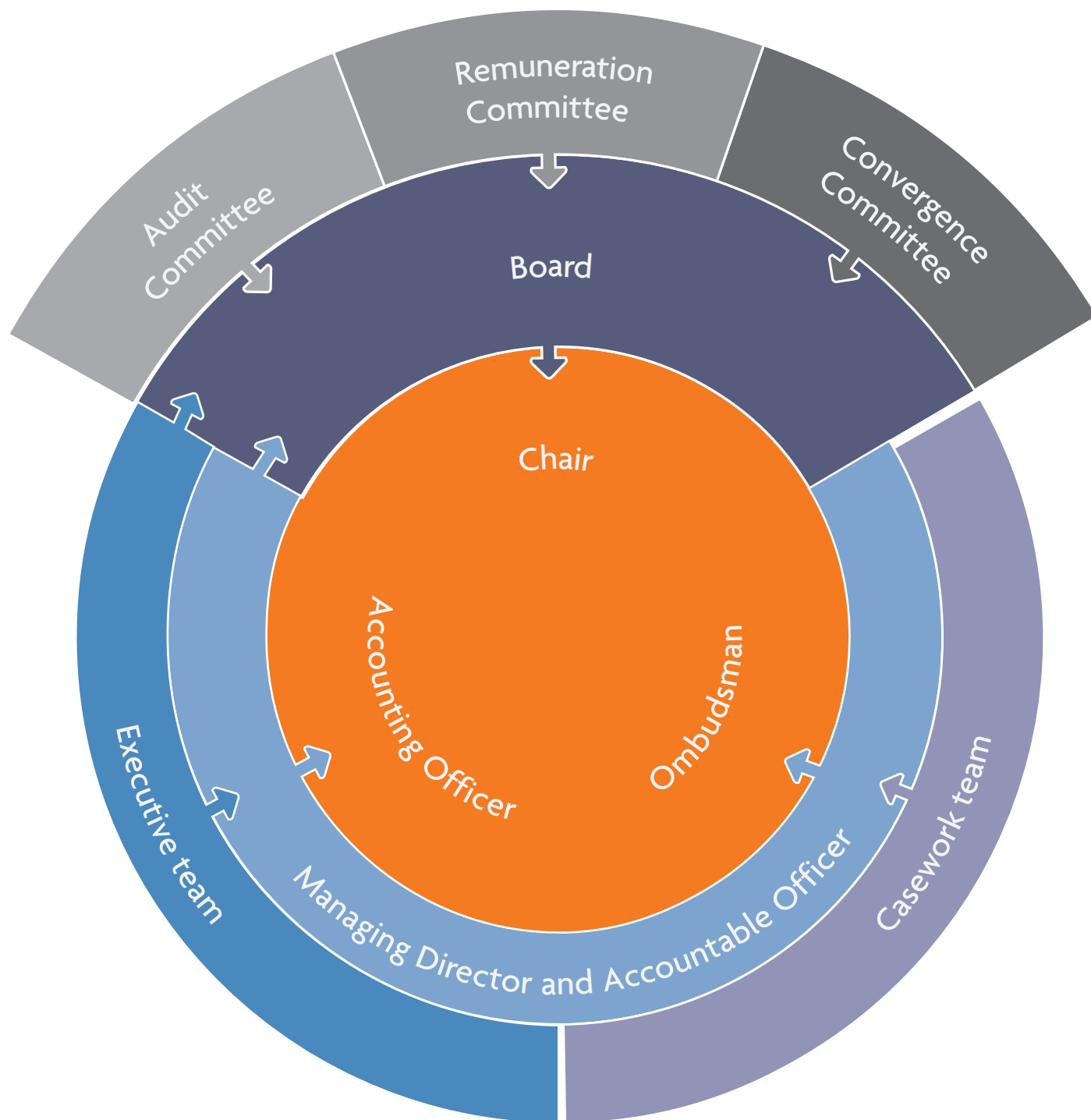
Parliament and government are exploring legal reform of ombudsman schemes. We have urged them to consider changes in governance arrangements to create a unitary board with a Chair and Chief Executive to reflect the needs of a modern service.

Governance framework

At the end of the 2013-14 business year, the Board was made up of nine members: the Chair and Ombudsman, five non-executive and three executive members.

The Board is of the view that its members have an appropriate and diverse mix of skills, experience and qualities to carry out its duties effectively. The Board is supported by three committees.

The Ombudsman chairs the Board and is the Accounting Officer. The respective roles of the Board and its committees, Ombudsman, Managing Director and Executive are described diagrammatically below and in more detail on the next page.



The Board

Responsible for:

- leadership, performance scrutiny, risk and governance, the preservation and building of public confidence.

Matters reserved for the Board include:

- vision, mission, strategy and key policies
- annual business plan and budget
- annual report and accounts
- external expenditure above £100k.

The Chair

Responsible for:

- leadership of the Board
- speaking on behalf of the organisation
- making judgements on behalf of the Board between meetings
- reflecting the Ombudsman's statutory accountability, the post holder has the right to disagree with the Board's decisions, but will do so as a last resort and put their reasons in writing to the Board.

Ombudsman

Responsible for:

- making final decisions on cases under our delegation scheme
- making final decisions on recommendations where we identify big or repeated mistakes
- speaking on behalf of the organisation on case decisions and leading relationships with those we seek to influence.

Executive leadership is delegated to the Managing Director.

Audit Committee

Responsible for:

- providing assurance to the Board based on the work of external and internal audit
- financial reporting
- internal financial controls
- assurance of risk management processes.

Remuneration Committee

Responsible for:

- remuneration of Executive Directors.

Convergence Committee

Responsible for:

- overseeing convergence of the Parliamentary and Health Service Ombudsman and the Local Government Ombudsman and making recommendations to both boards as needed. Its first meeting was in the 2014-15 business year.

Accounting Officer

Responsible for:

- accountability to Parliament, for stewardship of resources within our control through good governance, quality decision-making and good financial management
- personal responsibility for regularity and propriety, programme appraisal, affordability and sustainability, value for money, management of opportunity and risk, learning from experience, accounting for financial position and transactions.

These accountabilities are discharged through assurance via the Managing Director (the Accountable Officer) and through Board and Audit Committee assurance and challenge.

Managing Director

Accountable to the Board for:

- leadership of the organisation
- development and execution of the business plan
- service delivery
- leading relationships with operational stakeholders
- as Accountable Officer, assuring the Accounting Officer regarding effective operations and high standards of probity in the management of public funds and ensuring that the Accounting Officer can meet the personal requirements of the role.

Dates of appointments and attendance at Board meetings

Permanent Board members	Date of appointment. (Some non-executives were on an advisory board prior to establishment of the Unitary Board in January 2013.)	Date of expiry	Attendance (nine meetings in 2013-14)	Audit Committee (four meetings in year)	Pay Committee (four meetings in year)
Dame Julie Mellor (Chair)	2 January 2012	1 January 2019	9	NA	4
Non-executive members					
Peter Freedman	1 September 2012	31 August 2014	9	3	NA
Dr Jane Martin	1 February 2014	10 January 2017	1/1	NA	NA
Sharmila Nebhrajani OBE	1 January 2013	31 December 2015	9	3/3	4
Sir Jon Shortridge KCB	1 April 2013	31 March 2016	9	4	NA
Helen Walley	1 September 2012	31 August 2014	9	4	4
Dr Tony Wright	1 June 2010	31 May 2013	2/2	NA	NA
Executive members					
Helen Hughes (Chief Operating Officer)	1 September 2012	Resigned 27 February 2014	7 /8	NA	NA
Mick Martin (Managing Director and Executive Director Operations and Investigations)	11 November 2013	NA	2/2	NA	NA
Mike Procter (Executive Director Business Transformation)	20 May 2013	September 2014 (fixed term)	8/8	NA	NA
Sally Sykes (Executive Director External Affairs and Strategy)	23 September 2013	NA	3/3	NA	NA

Interim executive members of the Board pending recruitment of permanent executive directors were: Mike Bird, Gwen Harrison and Gavin McBurnie (operations); Angela Paradise (business transformation), and Sacha Deshmukh (external affairs and strategy). The Chief Operating Officer, Helen Hughes resigned during the year. Mick Martin, Executive Director of Operations, assumed additional responsibilities as Managing Director.

Non-executive Board member re-appointments are staggered to manage continuity and transitions. The Chair and Ombudsman is a member

of the Commission for Local Administration for England. The Board agreed to appoint Dr Jane Martin, Local Government Ombudsman, to our Board as a reciprocal arrangement to further our shared vision for convergence of our two services.





The work and effectiveness of the Board and its committees

Board activity

Key business at Board meetings throughout the year is described in the table below. Particularly important business during the

new Unitary Board's first year of operation included:

- developing and agreeing our corporate performance framework
- monitoring the implementation of plans to conduct more statutory investigations
- setting our ambition for convergence with the Local Government Ombudsman
- agreeing a new, outcome-based approach to strategic risk assessment and management while maintaining executive management of operational risk.

 <p>April</p> <ul style="list-style-type: none"> ▶ Quarter 4 performance, finance and risk and annual review ▶ Development of corporate performance measures and reporting ▶ Corporate business plan and budget 2013-14 	 <p>July</p> <ul style="list-style-type: none"> ▶ Quarter 1 performance, finance and risk ▶ Development of operating model ▶ Aims for complaints delivery process ▶ Business transformation update ▶ Performance measures framework 	 <p>Sept</p> <ul style="list-style-type: none"> ▶ Operational performance update ▶ Workforce survey analysis and action ▶ Development of new strategic risk management arrangements 	 <p>Oct</p> <ul style="list-style-type: none"> ▶ Quarter 2 performance, finance and risk ▶ Budget review ▶ Annual planning workshop
 <p>Dec</p> <ul style="list-style-type: none"> ▶ Business plan update 	 <p>Jan</p> <ul style="list-style-type: none"> ▶ Quarter 3 performance, finance and risk ▶ Review Q3 strategic performance evaluation ▶ Budget review ▶ Future aims of review service 	 <p>March</p> <ul style="list-style-type: none"> ▶ Convergence with the Local Government Ombudsman ▶ Agree business plan ▶ Corporate strategic plan 2014-2019 ▶ Progress on Baroness Rennie Fritchie's review of our approach to avoidable deaths 	<ul style="list-style-type: none"> ▶ Learning from complaints about us ▶ Annual report and accounts ▶ Remuneration Committee terms of reference

Development and evaluation of the Board

With a focus on continuing to modernise our governance we have held two Board development and effectiveness workshops this year. The Board effectiveness findings and actions from both workshops are described in the table below.

July 2013 findings	Action planned	Progress
Initial terms of reference refined in light of experience	Revised purposes focusing on leadership and stewardship produced	Implemented with effect from September 2013
Six-weekly meetings too frequent for Executive to support and not necessary for fulfilling duties	Seven board meetings a year: four quarterly, one strategy planning day, one to approve business plan and one to approve annual report and accounts	Implemented with effect from July 2013
Quality of information and agenda needs improving to support Board in fulfilling its duties	Papers to specify input required from Board and provide information needed to enable Board to make required input. Agendas to include papers seeking early input from the Board on key policies and business plan workstreams	Limited progress possible until executive capability is enhanced by the permanent appointment to new Executive Director roles at the beginning of 2014
Administration	Earlier dispatch of Board and committee papers to Board members.	Implemented with effect from September 2013
April 2014 findings	Action planned	Progress
Board members need opportunities to learn more about our work and to spend more time with staff so that they have sufficient knowledge and understanding to fulfill their duties	Regular circulation of briefings. Members to join work meetings with staff and meet external stakeholders	Being delivered
Draft codification of new corporate governance arrangements agreed. Matters reserved to the Board clarified. Demarcation defined between Ombudsman roles as Chair, on casework, and as Accounting Officer.	Governance arrangements to be published	In production
Board measures of success agreed	To be included in governance arrangements	In production

The focus of board evaluation in 2014-15 will include individual board member appraisal and whole board appraisal against our agreed success measures. The senior non-executive Board member, Sir Jon Shortridge, conducts an annual appraisal of the Chair, which includes 360 degree feedback.

Audit Committee

This committee considered six internal audits which provided substantial assurance opinions on:

- business transformation programme – initiation phase
- information assurance
- financial accounting systems: incorporating budgetary control
- corporate governance and risk management
- fraud management
- Freedom of Information.

Internal audit provided an overall limited assurance opinion on one audit, the business transformation programme – transition costs. There were significant lessons in this report, which we are using to improve procurement and financial control. These are covered in the '*Governance issues, learning and action*' section of this statement.

Internal audit also reviewed our casework processes during a period of significant and rapid change. The audit offered substantial assurance for the design of our processes and limited assurance in respect of their operating effectiveness.

Some of these issues were already known. The Audit Committee is satisfied that the Executive Team is undertaking appropriate action to make improvements in these areas as part of broader work to embed the new casework process.

Development and evaluation

The key strengths identified by the Committee's effectiveness review are the experience and skills of its members, their understanding of the organisation, and its scrutiny of corporate financial reporting. Areas for development are balancing its work programme to allow time for targeted interventions in areas of concern, establishing its role in respect of risk management, and ensuring the ongoing alignment of internal audit's work with the highest priority risks.

Remuneration Committee

During 2013-14 the (former) Pay Committee met four times: once to consider the 2013-14 pay review and three times later in the year to consider and agree the annual pay award.

As part of our Board development work this year, we decided that staff pay policy should be a matter reserved for the Board and that a Remuneration Committee would be responsible for the reward systems and packages of Executive Directors only. This will come into effect in the business year 2014-15.

Transparency

As part of our modernisation of governance, we are committed to improving transparency. We continue to put minutes of Board meetings on our website. We have decided that our operations performance will be put online monthly. We will also begin publishing case summaries of investigation decisions from the business year 2014-15.

Governance issues, learning and action

With the help of our auditors we have identified four areas requiring improvement:

- the operation of our procurement process
- the evaluation of value for money in some key projects
- financial management
- staff morale.

Our analysis highlights three underlying causes, which we have either addressed or are addressing. See overleaf for more details.

1. Management continuity and capability

As a result of the transformation we have been undertaking, there was a lack of senior management continuity in the organisation, which reduced the ability of the Executive Team to create and sustain a grip on some work content.

Extensive use of interim management resources and lack of permanent appointments during transformation meant that different individuals were often responsible for project and plan delivery during the year. This led to poor project and contract management in some work streams. There was an associated focus on the overall affordability of projects rather than the identification, quantification and delivery of benefits or measurement of value for money.

We had to start to deliver the new five-year strategy before appointing to new executive director and sub-board level posts. While some of these posts were filled on an interim basis, we did not have the strategic leadership capability, short- and long-term focus on benefits realisation, volume customer service expertise, or skills and knowledge in key areas such as project and contract management, to deliver our business plan objectives smoothly. This lack of senior capability reduced our ability to maintain staff morale through change and to manage significant investments most effectively.

Changes in our finance department, including the unforeseen departure of key personnel, created a risk to the robustness of the provision of financial accounting and management accounting services to the organisation.

The absence of appropriate financial managerial resources manifested themselves in instances of poor internal reporting and a difficult and truncated process for generating annual accounts and financial statements.

While the need to maintain continuity of a fully capable financial management team is key learning, it is important to restate that our annual accounts have been signed off without qualification by our external auditors.

Management continuity and capability action plan

Action	By when
Executive directors recruited	December 2013
Strengthened Executive Team: appointment of Managing Director	March 2014
Strengthen Executive Team: creation of Executive Director Finance role	September 2014
Programmed a monthly briefing by the Executive Team for our Management Community, plus quarterly Management Community business plan meetings	Complete and ongoing
Launching a new interactive intranet to enhance two-way communication with and between staff	July 2014
Recruited an Employee Engagement and Change Manager	May 2014
Introduced a 'back to the floor' programme in which directors listen to incoming calls to gain more understanding of front line issues	Ongoing
Reintroduced the Ombudsman's blog	Ongoing
Events for all staff to engage them on what a 21st century ombudsman service should be	1 July and 3 July 2014
Developed a new induction programme in line with staff feedback	Complete and ongoing
Recruited interim Head of Finance to maintain financial management	March 2014
Recruited a new permanent Financial Manager	June 2014
Recruit a new Executive Director for Finance, who will be a member of the Unitary Board	October 2014
Rebuild management accounting and monthly reporting, enabling clear budgeting accountability and robust performance review	May 2014
Replace technology used to support our financial management	September 2014

Procurement policy and practice action plan

Action	By when
Policy and procedure	
Introduction of conflict of interest protocol	Completed
Comprehensive revision of procurement policies covering business cases, contract management, contract variation and value for money	Completed
Policies to be revised in light of feedback from auditors	July 2014
Introduction of key performance indicators-based contracts with break clauses tailored to services such as management consultancy and human resource services	July 2014
Appointment of new Head of Procurement and Estates	May 2014
Governance	
The Board signs off the annual plan containing all key projects and procurements and has a work schedule that reviews progress and benefit delivery	On going
The content of the internal audit programme is designed to provide review and assurance or corrective action on key investments, work streams and projects	On going
All purchases or investment over £100,000 to be approved and reviewed by the Board	July 2014
Our annual plan workstreams, procurement practice and project initiation processes to be underpinned by a robust document agreed between the responsible officer and sponsor/s. This will make sure benefits, deliverables and success measures are identified, agreed and managed.	July 2014
Specification of roles and responsibilities for procurement activity. This includes future governance of procurement decision-making based on contract value.	July 2014
Value for money	
Value for money review of procurements, in particular a review of benefits from changes to core services	October 2014
Compliance and learning	
Appointment of project manager to ensure delivery of new policy, procedure and responsibilities	June 2014
Central quality assurance of procurement activity including compliance testing	July 2014
Skills audit and impact assessment of devolving procurement to spending departments	September 2014
Education and training of all involved in procurement activity	September 2014
Introduction of post-implementation review	November 2014

2. Procurement policy and practice

Experiences during the year highlighted significant failings in procurement policy, practice and effectiveness. For example, we had no policy or guidance on conflicts of interest in procurement. In the course of their audit work with us, our external auditors have specifically reviewed some of our procurements and have assured us that no actual conflicts of interest existed. However, it was only through their work that we were able to satisfy ourselves that risks had not materialised.

Where policies were in place, practice was inadequate on business cases, contract management and focus on value for money. Concentration on documenting and ensuring compliance with our procurement code was not sufficiently robust.

3. Organisational culture

The culture of the organisation has been rooted in responding to the Ombudsman's personal authority. Some of the weaknesses identified in procurement practice illustrate the very reasons why the Chair and Ombudsman chose to strengthen governance by creating a unitary, decision-making board. We recognise elsewhere in this statement (page 34) that we are on a journey and culture change will follow formal governance change. Nevertheless, we expect that the codification of the respective roles of the Chair and Ombudsman, Board

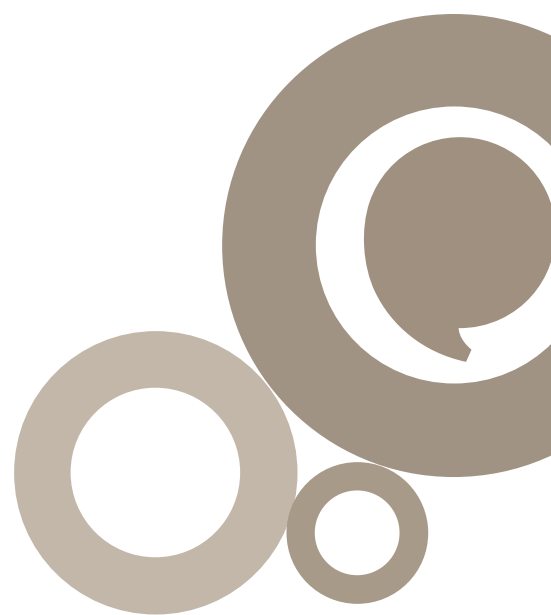
and Executive undertaken this year will drive greater clarity for staff regarding their roles and responsibilities.

Risk management

In 2013-14, we revised our risk management framework in line with changes recommended in *Managing Public Money*. The approach taken by the Executive Team is based on a continuing process designed to identify and prioritise the causal risks to the achievement of our organisational strategic aims, to evaluate the likelihood of these risks being realised, the impact should they be realised, and to manage them efficiently and effectively.

The Board's focus is now on reviewing the risks of not achieving our strategic aims. The Board has established business expectations for each aim and the lowest tolerable level of achievement for each organisational aim. It considers whether all the causal risks to our aims have been identified and whether these risks have been appropriately mitigated by the Executive Team.

The table overleaf outlines the key causal risks to the organisation's achievement of its strategic aims, which are being actively managed by the Executive Team with the oversight of the Board.



Strategic outcome risk (the risk of not achieving the following aims)	Causal risks managed by the Executive Team
Aim 1: Make it easier for people to find and use our service	<ul style="list-style-type: none"> • Bodies in jurisdiction do not effectively signpost our services • Lack of a digital presence • Lack of public profile
Aim 2: Help more people by investigating more complaints and providing excellent customer service	<ul style="list-style-type: none"> • Insufficient operational capability to manage service volume • Lack of capability to manage service changes • Staff morale/high levels of staff attrition • Increased service volume has an impact on service quality • Poor IT capability has an impact on service provision
Aim 3: Work with others to use what we learn from complaints to help them make public services better	<ul style="list-style-type: none"> • Lack of capability to systematically generate insight from casework
Aim 4: Lead the way to make the complaints system better	<ul style="list-style-type: none"> • Ineffective engagement with Public Administration Select Committee inquiries • Dependency on effective delivery of Aim 3 • Ineffective engagement with organisations in jurisdiction and regulators
Aim 5: Develop our organisation so that it delivers these aims efficiently and effectively	<ul style="list-style-type: none"> • Ineffective leadership and/or management • Failure of corporate governance and controls • Failure to realise benefits of business transformation programme • Poor engagement and relations with staff • Ineffective budget delegation and financial management reporting • Unexpected event(s) impact, for example, IT disruption
Public confidence in our service and our use of public funds	<ul style="list-style-type: none"> • Failure of process redesign • Significant adverse publicity • Breaches of data privacy • Qualification of annual accounts, including breaches of <i>Managing Public Money</i> • Breach of Parliamentary Supply • Failure to deliver overall strategy.

Review of the effectiveness of risk management

For the most part these risks were effectively managed in 2013-14 and this is underlined by the step change in service provision and external impact the Ombudsman service has been able to deliver.

Continued development of our risk management arrangements will be undertaken.

The internal audit that covered corporate governance in the year found that risk management arrangements remained effective throughout the year.

Information and data

During the year we continued to progress our information assurance programme to improve compliance in line with the government's *Information Assurance Maturity Model*, which we have chosen to adopt to make incremental improvements. As a result of work carried out so far, we now have an information assurance strategy, a network of engaged information asset owners; an information security breach policy; and, regular reporting on information governance and assurance matters to the Executive Team and Audit Committee. We have also increased staff training and awareness building in these areas.

We seek to be fully compliant with the *Data Protection Act 1998* and information about our response to data requests is well-communicated and utilised. We handle over 75,000 documents each year, many

of which contain personal and sensitive data. Maintaining the security of this information is essential to our work, and the management of information is a risk that is monitored by the Board.

Personal data related incidents

We take very seriously the responsibility for holding personal data securely. As senior information risk owner (SIRO), our Managing Director (and previously the Chief Operating Officer) is responsible for making sure that information risks are managed and that we use information for the public good. Our commitments are set out in our *Information Promise*, available on our website. Serious personal data incidents are escalated to the SIRO, who makes sure that appropriate action is taken and any lessons are learnt and applied.

All data security incidents are reported to the Head of Information and Records Management, who manages them in accordance with Information Commissioner guidelines. All incidents are recorded and shared quarterly with the (executive) Security and Information Assurance Committee, the Executive Team and the Audit Committee.

During 2013-14 we reported no incidents to the Information Commissioner's Office in line with established criteria based on ICO guidelines. Two complaints were referred to the Information Commissioner's Office by members of the public. In

both instances the Information Commissioner's Office confirmed that no action was required.

In the previous statement we reported that a loss of information supplied by an organisation in jurisdiction had been discovered after the end of the (2012-13) financial year. This was managed effectively with the assistance of our internal auditors and in close consultation with the organisation. The incident did not require reporting to the ICO. The Audit Committee confirmed in-year that it was satisfied with how this matter was managed and successfully concluded, as was the organisation affected.

We continue to raise awareness of data security with our staff. Our information assurance programme (2013-15) has so far included revising existing processes to make sure we are fully compliant with the *Data Protection Act 1998*, publishing new policies and rolling out annual mandatory data protection training for all staff and contractors.

Fraud

We have a fraud policy and associated response plan in place. In 2013-14 no action was required under this policy. Our fraud policy and response plan were reviewed towards the end of the year to make sure that they continue to meet good practice standards. The policy has been updated to incorporate our position on bribery and includes a new section on computer fraud. The updated response plan reflects changes to structures and governance during the year.

The new policy and response plan is scheduled to be considered by the Audit Committee early in 2014-15.

Summary statement by the Accounting Officer

We have been ambitious in wanting to achieve more impact for more people through more investigations and using insight from cases to help others improve public services and complaint handling. We have embarked on a five-year strategy to deliver this ambition and have invested in building our executive capability to deliver it. At the end of the first year we are where we hoped and expected to be and are delivering better public value. The Audit Committee is satisfied with the thorough and immediate way in which concerns raised by auditors were addressed. For this reason it is of the opinion that we can be satisfied that the organisation's overall control framework, governance arrangements, and risk management processes have been appropriate to our needs.

This governance statement sets out the principal governance issues facing our organisation and the processes in place to manage them.

We have introduced more robust, modern and fit for purpose corporate governance arrangements. We have actively listened to and effectively responded to feedback. The new Executive Team will work to embed the new governance arrangements and drive the associated culture change which will equip us better to manage risk, demonstrate value for money, regularity and propriety in delivering our strategy and business plan.

**Dame Julie Mellor, DBE
Chair, Ombudsman and
Accounting Officer**

4 July 2014





Sustainability report

We share the public sector commitment to reducing our impact on the environment wherever we can. We aim to reduce our carbon dioxide (CO₂) emissions, particularly in the areas of energy use, resource and estate management, and staff travel.

In 2013-14, our environmental initiatives included:

- recycling plastics, cans, paper, cardboard, glass and all waste electrical and electronic equipment at both our sites
- recycling batteries and printer toner cartridges
- recyclable cardboard cups for drinks machines, and using environmentally friendly cleaning products
- installing smart meters to provide more detailed information on electricity consumption
- completing the switch to more energy-efficient thin client desktops, replacing almost all of our previous PC equipment
- increasing our capacity to use video-conferencing facilities for meetings, to reduce travel between sites
- changing the method of transporting documentation between our sites from non-reusable cardboard boxes to plastic reusable boxes
- donating, wherever possible, our unwanted/old furniture and equipment to charities for reuse instead of disposal.

Our performance

We lease accommodation at The Exchange in Manchester and at Millbank Tower in London. Both buildings have other tenants and are subject to shared costs. We rely on our landlords to implement and support sustainability initiatives and to provide data to monitor success. The current recharging arrangements operated by our landlords mean that significant elements of our emission-generating activity are currently not reportable.

Staff travel costs between London and Manchester fell considerably in 2013-14

We use an external provider for rail and air tickets and for car hire for business travel. These arrangements provide standard management information on the emissions impact of each journey booked.

We do not have information about the emissions impact of

staff journeys using buses, taxis or private vehicles.

Costs are shown where directly attributable to us. No analysis of renewable or non-renewable energy usage is available from the energy provider for communal areas in the accommodation.

Managing carbon dioxide emissions

Staff travel costs between London and Manchester fell considerably between 2012-2013 and 2013-2014. Our costs for building energy increased because of a rise in energy prices, despite a fall in consumption.

Summary of CO₂ emissions and costs split by source

Area	CO ₂ emissions 2013-14 (tonnes)	Consumption 2013-14 (units)	Costs 2013-14 (£000)
Building energy	484	926,949 kWh	104
Travel related	26	296,926 miles	149
Total	510		253

Non-financial indicators: Emissions (CO ₂ /tonnes)	2011-12	2012-13	2013-14
Gross emissions for Scopes 1 and 2 ³	597	498	484
Gross emissions for Scope 3 business travel ⁴	– ⁵	112	26
Total greenhouse gas emissions	772	610	510

Non-financial indicators: Energy (kWh)	2011-12	2012-13	2013-14
Energy electricity – non-renewable ⁶	1,111,755	928,218	926,949
Total kWh	1,111,755	928,218	926,949

³ Scope 1 – Direct greenhouse gas emissions are from sources owned or controlled by the organisation. We lease our accommodation (including air conditioning) and do not own any motor vehicles.

Scope 2 – Indirect greenhouse gas emissions arise from purchasing electricity, gas and oil. We only report on usage, consumption and costs where we are invoiced directly by the energy supplier. We also incur energy charges for shared areas in jointly-occupied buildings but these charges are an apportioned element of the service charges, and specific usage data is not available. We are also not able to report on fugitive emissions from air conditioning units, which are owned by the landlords and are included in the service charge.

⁴ Scope 3 – Other indirect emissions are a consequence of our actions but occur at sources not owned or controlled by us and which are not classed as scope 2. This covers business travel only and emission impact is determined by mileage travelled.

⁵ Total CO₂ emissions are not available for this financial year because of changes in reporting.

⁶ We are unable at present to report on renewable electricity performance because this is only reported by the energy provider on a historic basis, and the last report is dated 2007. Gas and oil charges for our sites form part of the service charges, and therefore we do not currently know our usage.

Financial indicators (£000)	2011-12	2012-13	2013-14
Building energy	99	86	87
Business travel ⁷	233	237	149
Total greenhouse gas emissions	332	323	236

Managing water use

Our water usage is apportioned and recharged as part of our accommodation service charge. Specific data is not available on our usage or actual cost.

Performance

We use water-saving measures, including the use of Zip HydroTaps® that dispense instant hot and cold drinking water, and water-saving systems in toilet facilities.

Managing office waste

The costs and volume of our non-recycled waste form part of the accommodation service charge for both our buildings. Our recycling for both sites is reported below.

Performance

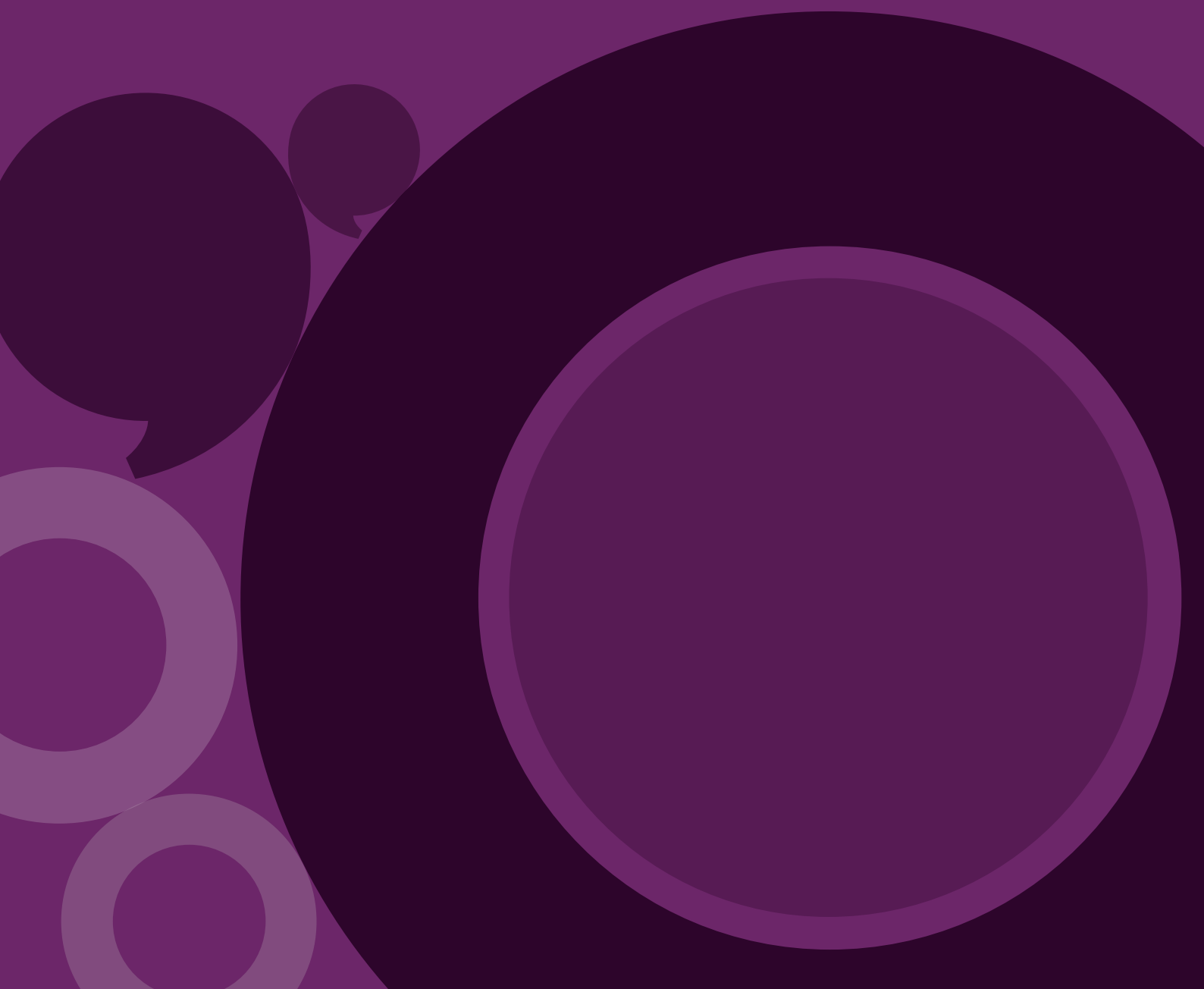
We recycle cans, plastics, paper, glass and cardboard at both our sites and each month receive a report for each site outlining the amount that has been recycled.

Non-financial indicators: (kg recycled)	2011-12	2012-13	2013-14
Gross emissions for Scope 3	23,321	37,275	42,870
Total kg recycled	23,321	37,275	42,870

⁷ This report includes only business travel using trains, commercial aircraft and hire cars. Travel data includes travel by all staff, including the Ombudsman, regardless of location.



Resource Accounts 2013-14



Strategic report

Review of our financial performance in 2013-14

This report examines our current and future financial position in light of our strategy as described in the *Annual Report*.

Funding

We have a four-year flat-cash settlement of which 2013-14 is the third year. This settlement requires us to absorb cost pressures from inflation and other sources and meet reasonable increases in demand for our services. We have in place a strategy for delivering the necessary efficiency and procurement savings and increases in productivity.

We receive our annual funding from Estimates that are sanctioned by HM Treasury and approved by a vote of Parliament. Our funding comprises four elements:

- Voted Resource DEL (Departmental Expenditure Limit), which includes the cash funding required to pay for our day-to-day operational expenditure. Resource DEL also includes non-cash funding in respect of depreciation and similar accounting items and cash funding in respect of working capital movements.
- Non-voted Resource DEL, which includes the notional funding required to pay for the salary (and on-costs) of the Ombudsman, which is directly funded separately
- Voted Resource AME (Annual Managed Expenditure), which includes the non-cash funding required to create, increase or utilise accounting provisions for the year
- Voted Capital DEL, which includes the cash funding required to pay for investment in non-current assets.

During the course of the year, there is an opportunity to amend the original Estimate voted by Parliament by means of a Supplementary Estimate. We used this facility in 2013-14 to adjust for newly identified provisions required in respect of our London accommodation and additional income from the sub-letting of accommodation.

In 2014-15, our Resource DEL funding will be reduced by £400k (1.2%) in line with public sector funding reductions. This is part of our commitment to reflect the pressures on public sector finances in our requests for resources.

Our funding for 2013-14 is shown in the table below:

	2013-14		
	Main Estimate £000	Supp Estimate £000	Revised Estimate £000
Resource DEL (Voted)	33,663	(120)	33,543
<i>Of which:</i>			
Depreciation	1,600	(150)	1,450
Increase in debtors	-	150	150
Resource DEL (Non-Voted)			
Ombudsman's salary	187	-	187
Total resource spending in DEL	33,850	(120)	33,730
Resource AME	(400)	2,100	1,700
Total resource for Estimate	33,450	1,980	35,430
Capital DEL	700	(28)	672
Total DEL	34,550	(148)	34,402
Net Cash Requirement⁸	32,763	(148)	32,615

⁸ Net Cash Requirement comprises Resource DEL (voted) excluding depreciation plus Capital DEL. Resource AME and Resource DEL (non-voted) are non-cash items.

Management commentary

Review of our financial performance in 2013-14

In 2013-14 we delivered an underspend totalling £595k (1.8%) against our Resource Departmental Expenditure Limit (Resource DEL) for 2013-14 while meeting all inflationary pressures, delivering savings of £550k, delivering a step-change in the number of investigations completed in a year, and meeting all three of our customer service standards.

The following table details our outturn position compared to estimate.

	2013-14		Under spend	
	Estimate	Outturn		
	£000	£000	£000	%
Resource Departmental Expenditure Limit ⁹	33,543	32,948	595	1.8
Resource Annually Managed Expenditure (Resource AME)	1,700	1,674	26	1.5
Capital Departmental Expenditure Limit (net)	672	393	279	41.5
After notional capital receipt offset ¹⁰		(212)		
Total Budget (Resource and Capital)	35,915	35,015	900	2.5
Net Cash Requirement	32,615	31,197	1,418	4.1

Of the voted Resource DEL underspend of £595k the main variances were:

- £300k relates to unutilised contingency reserves
- £146k relates to recruitment budget savings as a result of bringing exercises to fill vacancies arising from the restructuring exercise back in-house
- £91k relates to pay budget savings as a result of vacancies (a variance of 0.4% of the annual pay budget).

⁹ Only voted sums are shown, the non-voted element of our funding, in respect of the Ombudsman's salary has been excluded as outside of our budget management control.

¹⁰ Notional capital receipts arise on disposal of assets and are offset against capital spend for Resource Budgeting purposes; however this funding cannot be used. Our actual gross spend was £605k, an underspend against internal budgets of £67k (10.0%).

Financial management targets

We met five of our six financial management targets for the year:

Service standard/target	2013-14 Outturn	2012-13 Outturn
We will not exceed the limits on our funding for 2013-14 sanctioned and voted by Parliament.	£000 Achieved	£000 Achieved
In addition we will:		
limit any net resource (voted Resource DEL) underspend to less than £500k	595 ¹¹	418
limit any capital budget underspend to less than £100k ¹²	67	33
recover 100% of income due for the year.	100%	100%
We will pay 99% of correctly presented supplier invoices within 30 days of receipt.	99.9%	99.9%
During 2013-14 we will deliver cashable savings of at least £400k (see 'Savings' on the next page)	550	661

We missed our target to limit any net resource (voted Resource DEL) underspend to less than £500k, exceeding this by £95k as a consequence of underspending noted above.

¹¹ Target not achieved.

¹² The total capital budget for the year was £672k in line with the Capital DEL excluding any notional capital receipts which cannot be reflected in internal budgets.

Savings

We set ourselves the target of delivering £400k of cashable savings in 2013-14, achieving £550k (2012-13 £661k) as follows:

Source	2013-14 Outturn	2012-13 Outturn
	£000	£000
New and re-let contract procurement	67 ¹³	67
Travel ticket purchases	54	78
Other purchasing	13	28
Business process efficiencies	416	488
Total¹⁴	550	661

¹³ These are the savings relevant to 2013-14, savings over the full life of the new/re-let contracts total £182k (2012-13 £281k).

¹⁴ Business process efficiencies mainly include the reduction in direct and associated costs of accommodation arising from sub-letting of surplus accommodation. In addition, significant savings were achieved on information and communications technology services, business rates and printing.

Capital employed

The net capital we employed decreased in line with the ongoing depreciation of refurbishment and furniture assets purchased as part of the 2006 major refurbishment of our London offices in Millbank Tower. With leases due to expire at the end of 2018, and with accommodation still in good repair and fit for purpose, it is unlikely that a significant refurbishment will be undertaken.

The following table summarises the movements in assets and liabilities:

	31 March 2014	31 March 2013
	£000	£000
Assets		
<u>Non-current Assets</u>		
Property, plant & equipment:	2,328	3,203
Furniture & fittings	509	672
Information technology	724	654
Office machinery	51	47
Refurbishment	1,044	1,801
Assets in course of construction	-	29
Intangible Assets:	407	443
Software and other licences	407	443
<u>Current Assets</u>	1,660	1,729
Liabilities		
Current Liabilities	(3,404)	(2,606)
Provisions	(2,405)	(730)
Other Liabilities	(264)	(334)
Net Capital Employed	(1,678)	1,705

Financial position

The Statement of Financial Position shows that, as of 31 March 2014, our total assets less the total liabilities of were -£1,678k, which is £3,383k lower than at 31 March 2013.

Non-current assets decreased by £911k, as a consequence of the value of depreciation and disposals. We invested £605k during the year, mainly in respect of information technology non-current assets due to our ongoing programme of refreshing equipment and updating systems; and one-off investment in our network as part of the business transformation programme.

Total liabilities increased by £2,403k due to the recognition of the costs of restructuring our organisation and the inclusion of significant additional provisions for our accommodation. This year, we were better able to quantify the estimated cost of providing for dilapidations required by the leases for our accommodation in The Exchange, Manchester and Millbank Tower, London, and these costs are reflected in the increases.

Going concern

Due to the significant increases in accommodation-related provisions, the value of our liabilities is greater than assets currently available and net capital employed is a negative value. However, because our service is provided for in statute, we are able to continue on a going concern basis supported by Parliament. The position in relation to negative net assets will be addressed in future years.

Dame Julie Mellor, DBE
Chair, Ombudsman and Accounting Officer

4 July 2014

Remuneration report

During the year the posts of Parliamentary Ombudsman and Health Service Ombudsman were held by one person, Dame Julie Mellor, DBE, who was appointed as Ombudsman by the Queen following a parliamentary-led process, and then ratified by Parliament. Her appointment ends on 1 January 2019. One salary is paid for both posts direct from the Consolidated Fund. The salary for Julie Mellor was agreed by a resolution of the House of Commons on 18 July 2011.

The appointment to the Office of Ombudsman is now restricted by statute to a seven-year appointment until 1 January 2019. The appointee may be relieved of Office by Her Majesty at her own request, or may be removed from Office by Her Majesty in consequence of addresses from both Houses of Parliament.

The salary and benefits in kind of the Ombudsman were (full-year equivalents, where applicable, are provided in brackets):

	2013-14				2012-13			
	Salary £000	Benefits in kind (to the nearest £100) £000	Pension benefits £000	Total £000	Salary £000	Benefits in kind (to the nearest £100) £000	Pension benefits £000	Total £000
Julie Mellor	150-155	n/a	58	210-215	150-155	n/a	61	215-220

The pension entitlement of the Ombudsman for this post was:

	Accrued pension at age at 31/03/14 £000	Accrued lump sum at pension age at 31/03/14 £000	Real increase in pension at pension age £000	Real increase in lump sum at pension age £000	CETV at 31/03/14 £000	CETV at 31/03/13 ¹⁵ £000	Real increase in CETV as funded by employer £000
Julie Mellor	20-25	n/a	30-35	n/a	290-295	225-230	36-40

¹⁵ The CETV (Cash Equivalent Transfer Value) figures and other pension disclosures are provided by MyCSP, our authorised pensions administration centre.

Our executive Board members

Julie Mellor is Chair of the Board. Her salary, benefits and pension details are shown on the previous page.

		Commencement date	End date
Claire Forbes	Director of Communications	1 January 2013	30 April 2013
Helen Hughes	Chief Operating Officer ¹⁶	1 January 2013	27 February 2014
Angela Paradise	Interim Divisional Corporate Resources Director	1 January 2013	29 May 2013
Mike Procter	Executive Director Business Transformation	20 May 2013	n/a
Gavin McBurnie	Interim Director of Operations – Business Development	1 January 2013	30 September 2013
Gwen Harrison	Interim Director of Operations	1 January 2013	30 September 2013
Mike Bird	Interim Executive Director Operations & Investigations	17 September 2013	11 November 2013
Mick Martin	Managing Director and Executive Director Operations & Investigations ¹⁷	11 November 2013	n/a
Sacha Deshmukh	Interim Director External Affairs & Strategy	1 April 2013	29 May 2013
Sally Sykes	Interim Director External Affairs & Strategy	23 September 2013	31 October 2013
Sally Sykes	Director External Affairs & Strategy ¹⁸	1 November 2013	n/a

All Board members were appointed under fair and open competition. Gavin McBurnie and Gwen Harrison were appointed through internal competition on an interim basis.

No performance-based remuneration for permanent and seconded executive members was undertaken by the Pay Committee during the year in line with public sector pay policy.

The Pay Committee determines senior staff pay in accordance with our Pay Policy, the aims of which include taking into account: comparability with the Civil Service, public sector pay policy, and appropriate pay market data on external comparison.

¹⁶ Helen Hughes stepped down from the Chief Operating Officer role on 27 February 2014.

¹⁷ Mick Martin became Managing Director on 28 February 2014.

¹⁸ Sally Sykes was appointed to the permanent position under fair and open competition.

Executive members' service contracts

The commencement dates of service contracts for each executive member are given on the previous page.

As the Crown has the power to dismiss at will, executive members are not entitled to a period of notice terminating their employment. However, unless their employment is terminated by agreement, they will normally be given the following period of notice:

Reason for termination	Less than four years' continuous service	More than four years' continuous service
Retirement on age grounds Efficiency grounds Disciplinary proceedings	Five weeks	One week plus one week for every year of continuous service (maximum 13 weeks)
Retirement on medical grounds	Nine weeks	Nine weeks, or as above
Compulsory on other grounds, not constituting grounds for summary dismissal	Six months	Six months

If a contract is terminated without the notice period stated above, having regard to the reason for such termination, compensation will be paid in accordance with the relevant provisions of the Civil Service Compensation Scheme.

With effect from 1 October 2006, the standard retirement age was increased from 60 to 65 for all staff and this has been implemented. However, members of the Principal Civil Service Pension Scheme have a reserved right to draw on their pensions from age 60. This can be done while remaining in employment. A departure before age 65 would be classed as a resignation as staff are not legally able to retire until age 65.

Executive members' remuneration and pension entitlements

The salary and benefits in kind of members for 2013-14 and 2012-13 are shown on the following pages. (Full-year equivalents, where applicable, are provided in brackets.) Separate tables are provided for Board members as at 31 March 2014 and for Board members who have departed and those employed on an interim basis.

2013-14					
	Salary £000	Bonus £000	Benefits in kind (to the nearest £100) ¹⁹	Pensions benefits £000	Total £000
Members at 31 March 2014					
Helen Hughes (Chief Operating Officer) ²⁰	130-135	-	-	53	185-190
Mick Martin (Managing Director and Executive Director Operations and Investigations)	40-45 (115-120)	-	-	14	50-55
Sally Sykes (Executive Director External Affairs and Strategy)	55-60 (125-130)	-	-	16	70-75
Mike Procter (Executive Director Business Transformation)	85-90 (100-105)	-	300	34	120-125
Past and Interim Members					
Kathryn Hudson (Deputy Ombudsman)	-	-	-	-	-
Bill Richardson (Deputy Chief Executive)	-	-	-	-	-
Claire Forbes (Director of Communications)	15-20 (95-100)	-	-	24	40-45
Gavin McBurnie (Interim Director of Operations – Business Development)	40-45 (80-85)	-	2,000	34	75-80

¹⁹ Benefits in kind consisted of hotel accommodation near our Millbank office when working late, attending evening functions in an official capacity, or attending an early morning meeting or event. Also includes travel when a person is co-located in two offices.

²⁰ Helen Hughes was Chief Operating Officer until 27 February 2014.

	2013-14				
	Salary £000	Bonus £000	Benefits in kind £000 (to the nearest £100) ¹⁹	Pensions benefits £000	Total £000
Gwen Harrison (Interim Director of Operations)	40-45 (80-90)	-	-	27	65-70
Mike Bird (Interim Executive Director of Operations and Investigations)	50-55 (100-105)	-	-	20	70-75
Angela Paradise (Interim Divisional Corporate Resources Director) ²¹	15-20 (245-250)	-	-	-	15-20
Sacha Deshmukh (Interim Executive Director External Affairs and Strategy)	40-45 (100-105)	-	-	15	55-60
Sally Sykes (Interim Executive Director External Affairs and Strategy) ²²	30-35 (255-260)	-	-	-	30-35
Band of highest-paid director's total remuneration ²³	130-135				
Median total	37.0				
Ratio	3.6				

²¹ Salary costs annualised. Acting as the Interim Divisional Corporate Resources Director ending May 2013, and member of our Board as a paid contractor, receiving no bonuses or benefits in kind. There are no pension liabilities arising from this arrangement.

²² Salary costs annualised. Acting as the Executive Director External Affairs & Strategy for the period 23 September to 31 October 2013, and member of our Board as a paid contractor, receiving no bonuses or benefits in kind. There are no pension liabilities arising from this arrangement.

²³ Excluding Angela Paradise's and Sally Sykes' annualised contract fee.

Members in post during 2012-13	2012-13				
	Salary £000	Bonus £000	Benefits in kind £000 (to the nearest £100) ²⁴	Pensions benefits £000	Total £000
Kathryn Hudson (Deputy Ombudsman) ²⁵	195-200 (130-135)	-	600	80	275-280
Bill Richardson (Deputy Chief Executive)	70-75 (130-135)	-	200	-1	65-70
Claire Forbes (Director of Communications)	90-95 75-80	-	-	36	130-135
Helen Hughes (Chief Operating Officer)	(130-135)	-	-	1	75-80
Angela Paradise (Interim Divisional Corporate Resources Director) ²⁶	110-115 (245-250)	-	-	-	110-115
Gavin McBurnie (Interim Director of Operations – Business Development)	30-35 (80-85)	-	-	35	65-70
Gwen Harrison (Interim Director of Operations)	30-35 (80-85)	-	-	33	60-65

²⁴ Benefits in kind consisted of hotel accommodation near our Millbank office when working late, attending evening functions in an official capacity, or attending an early morning meeting or event. Also includes travel when a person is co-located in two offices.

²⁵ Kathryn Hudson's salary includes £96k in respect of a compensation agreement on departure as at 31 December 2012.

²⁶ Salary costs annualised. Acting as the Interim Divisional Corporate Resources Director ending May 2013, and member of our Board as a paid contractor, receiving no bonuses or benefits in kind. There are no pension liabilities arising from this arrangement.

	2012-13				
	Salary £000	Bonus £000	Benefits in kind £000 (to the nearest £100)	Pensions benefits £000	Total £000
Members in post after 31 March 2012-13					
Mike Bird (Interim Executive Director of Operations and Investigations)	-	-	-	-	-
Mick Martin (Managing Director and Executive Director Operations and Investigations)	-	-	-	-	-
Mike Procter (Executive Director Business Transformation)	-	-	-	-	-
Sacha Deshmukh (Interim Executive Director External Affairs and Strategy)	-	-	-	-	-
Sally Sykes (Interim Executive Director External Affairs and Strategy)	-	-	-	-	-
Sally Sykes (Executive Director External Affairs and Strategy)	-	-	-	-	-
Band of highest-paid director's total remuneration ²⁷	130-135				
Median total	36.5				
Ratio	3.6				

²⁷ Excluding Angela Paradise's and Sally Sykes' annualised contract fee.

The total remuneration of the highest paid director is shown in comparison with the median remuneration across all our staff, excluding the highest paid director, and non-employees as at 31 March of the respective financial year. This shows a ratio of 3.6 times for both financial years. The medians and ratios shown exclude the salaries paid to interim members Angela Paradise and Sally Sykes as these would have the effect of distorting figures that should demonstrate the impact of our remuneration policies for our senior staff.

We did not operate bonus-related director remuneration in 2012-13 or 2013-14.

The pension entitlement of executive members was:

	Accrued pension at age at 31/03/14 £000	Accrued lump sum at pension age at 31/03/14 £000	Real increase in pension at pension age £000	Real increase/ (decrease) in lump sum at pension age £000	CETV at 31/03/14 ²⁸ £000	CETV at 31/03/13 ²⁹ £000	Real increase/ (decrease) in CETV as funded by employer £000
Mick Martin	0-5	n/a	0-2.5	n/a	9	n/a	6
Mike Bird	0-5	n/a	0-2.5	n/a	15	n/a	11
Helen Hughes	15-20	n/a	2.5-5	n/a	212	163	31
Gwen Harrison	30-35	95-100	0-2.5	2.5-5	578	546	25
Gavin McBurnie	5-10	n/a	0-2.5	n/a	113	83	23
Claire Forbes	5-10	n/a	0-2.5	n/a	84	72	11
Sacha Deshmukh	0-5	n/a	0-2.5	n/a	8	n/a	5
Sally Sykes	0-5	n/a	0-2.5	n/a	12	n/a	9
Mike Procter	5-10	10-15	0-2.5	0-5	92	63	19

²⁸ The opening CETV value shown in this year's report will differ to the amount shown as the closing CETV value in last year's report because the factors used in the CETV calculation have been revised during this year.

²⁹ The CETV figures and other pension disclosures are provided by MyCSP, our authorised pensions administration centre, who have assured us that the figures for the year ended 31 March 2014 have been correctly calculated following guidance provided by the Government Actuary's Department.

Non-executive Board members

For more information on non-executive Board members, their dates of appointment and attendance at Board meetings, please see page 38.

The salary and benefits in kind of non-executive members were (full-year equivalents, where applicable, are given in brackets):

	2013-14		2012-13	
	Salary £000	Benefits in kind (to the nearest £100) ³⁰	Salary £000	Benefits in kind (to the nearest £100) ³⁰
Paula Carter	-	-	15-20	-
Linda Charlton	-	-	15-20	2,000
Sir Jon Shortridge, KCB	15-20	3,600	15-20	1,500
Dr Tony Wright	0-5 (15-20)	200	15-20	700
Peter Freedman	10-15	-	5-10 (10-15)	-
Helen Walley	10-15	-	5-10 (10-15)	400
Sharmila Nebhrajani OBE	10-15	1,000	0-5 (10-15)	-
Dr Jane Martin	-	-	NA	NA

Non-executive Board members' remuneration is decided by the Ombudsman. No members receive a pension entitlement.

Sir Jon Shortridge was appointed Audit Committee chair by the previous Ombudsman after open competition. The present Ombudsman invited him to join the new Unitary Board, in 2012-13, in addition to continuing to chair the Audit Committee. Paula Carter and Linda Charlton were appointed for three years in 2007 following open competition and reappointed from 1 April 2010 for a further three years. Dr Tony Wright and Dr Jane Martin joined the Board at the invitation of the previous and current Ombudsmen respectively. Peter Freedman, Helen Walley and Sharmila Nebhrajani were appointed in 2012-13 following open competition.

³⁰ Includes travel and accommodation costs when attending official meetings.

The Audit Committee: non-executive members

Audit Committee members are now drawn from the non-executive Board members. See page 38 for their details and attendance at committee meetings.

Mei Sim Lai and Brian Landers were members of the Audit Committee (but not Board members) and their salary and benefits in kind were (full-year equivalents, where applicable, are given in brackets):

	2013-14		2012-13	
	Salary £000	Benefits in kind (to the nearest £100)	Salary £000	Benefits in kind (to the nearest £100)
Mei Sim Lai	0-5 (5-10)	-	5-10	-
Brian Landers	-	-	5-10	0.1

Explanation of terms used in the Remuneration report

Salary

'Salary' includes: gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances, and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by us and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefit provided by us and treated by HM Revenue & Customs as a taxable emolument.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007 scheme members may be in one of four defined benefit schemes: either a final salary scheme (**classic**, **premium** or **classic plus**), or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits being met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with pensions increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for **classic** and between 3.5% and 8.25% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2014. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement.

For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with the benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with pensions increase legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the *Finance Act 2004*.

The **partnership** pension account is a stakeholder pension arrangement. The employers make a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website: www.civilservice-pensions.gov.uk.

Cash equivalent transfer values (CETVs)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The *Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008* and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax that may be due when pension benefits are taken.

The actuarial factors used in the calculation of CETVs were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index to the Consumer Prices Index as the measure used to up-rate Civil Service pensions.

Real increase in cash equivalent transfer values

This reflects the increase in CETVs that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Audit of the Remuneration Report

In accordance with the requirements of Schedule 7A of the *Companies Act 1985* (as amended), only certain sections of the Remuneration Report have been subject to full external audit. These comprise the tables on salary and pension entitlements.

Dame Julie Mellor, DBE
Chair, Ombudsman and Accounting Officer

4 July 2014

Statement of Accounting Officer's responsibilities

We prepare resource accounts for each financial year in compliance with the *Government Financial Reporting Manual 2013-14* (as developed and maintained by HM Treasury) and detail the resources acquired, held or disposed of and used by us during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of our affairs, the net resource outturn, net operating cost, changes in taxpayers' equity, and cash flows for the financial year.

The appointment as the Parliamentary Commissioner for Administration and Health Service Commissioner for England carries with it the duties of Accounting Officer, with responsibility for preparing our accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer has complied with the *Government Financial Reporting Manual 2013-14* and in particular:

- observes the relevant accounting and disclosure requirements, and applies suitable accounting policies on a consistent basis
- makes judgments and estimates on a reasonable basis
- states whether applicable accounting standards, as set out in the *Government Financial Reporting Manual 2013-14*, have been followed, and discloses and explains any material departures in the accounts
- prepares the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding our assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Parliamentary and Health Service Ombudsman for the year ended 31 March 2014. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parliamentary and Health Service Ombudsman's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Parliamentary and Health Service Ombudsman's affairs as at 31 March 2014 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the *Government Financial Reporting Manual 2013-14* as published by HM Treasury.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the *Government Financial Reporting Manual 2013-14*
- and the information given in the Strategic Report incorporating the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General

7 July 2014

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2013-14

2013-14								2012-13
Estimate				Outturn				
Note	Voted £000	Non- Voted £000	Total £000	Voted £000	Non- Voted £000	Total £000	Voted outturn compared to Estimate: saving/ (excess) £000	Outturn £000
Departmental Expenditure Limit								
- Resource	33,543	187	33,730	32,948	171	33,119	595	33,166
- Capital	672	-	672	393	-	393	279	354
Annually Managed Expenditure								
- Resource	1,700	-	1,700	1,674	-	1,674	26	209
- Capital	-	-	-	-	-	-	-	-
Total Budget	35,915	187	36,102	35,015	171	35,186	900	33,729
Total Resources	35,243	187	35,430	34,622	171	34,793	621	33,375
Total Capital	672	-	672	393	-	393	279	354
Total	35,915	187	36,102	35,015	171	35,186	900	33,729

Net Cash Requirement 2013-14

		2013-14			2012-13
	Note	Estimate £000	Outturn £000	Outturn compared to Estimate: saving/ (excess) £000	Outturn £000
Net Cash Requirement	SoPS4	32,615	31,197	1,418	32,193

For Estimates purposes, all our income and expenditure is classified as programme. The Statement Of Parliamentary Supply does not therefore report against an administration cost limit.

Explanations for variances between Estimate and outturn are given in Note SoPS2.1 and in the Strategic Report.

Figures in the areas outlined in bold are voted totals subject to Parliamentary control.

Notes to the Statement of Parliamentary Supply (SoPS)

SoPS1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the *Government Financial Reporting Manual 2013-14* issued by the Treasury. The Statement of Parliamentary Supply accounting policies contained in the *Government Financial Reporting Manual 2013-14* are consistent with the requirements set out in the *2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual*.

SoPS1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to International Financial Reporting Standards-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant parliamentary authority, in support of the government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SoPS1.2 Comparison with International Financial Reporting Standards-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as detailed below. A reconciliation of the department's outturn as recorded in the SoPS compared to the International Financial Reporting Standards-based SoCNE is provided in SoPS note 3.

SoPS2. Net outturn

SoPS2.1 Analysis of net resource outturn by section

		2013-14					2012-13
		Outturn			Estimate	Outturn compared with Estimate	
		Gross resource expenditure £000	Income £000	Net total £000	Net total £000	Net total £000	Prior year outturn £000
Spending in Departmental Expenditure Limits (DEL)							
Voted expenditure		33,644	696	32,948	33,543	595	32,995
<i>Of which</i>							
A	Programme	33,644	696	32,948	33,543	595	32,995
Non Voted expenditure		171	-	171	187	16	171
<i>Of which</i>							
B	Ombudsman's salary & social security	171	-	171	187	16	171
Total		33,815	696	33,119	33,730	611	33,166
Spending in Annually Managed Expenditure (AME)							
Voted expenditure		1,674	-	1,674	1,700	26	209
<i>Of which</i>							
C	Use of Provision	1,674	-	1,674	1,700	26	209
Total for Estimate		35,489	696	34,793	35,430	637	33,375

Net resource outturn totals £34,793k, which is £637k less than the Estimate provision of £35,430k. Detailed explanations for the variances are given in the Management Commentary. This outturn is 1.8% of Estimated provision.

SoPS2.2 Analysis of net capital outturn by section

	2013-14			2012-13		
	Outturn		Estimate	Outturn compared with Estimate		
	Gross resource expenditure £000	Income £000	Net total £000	Net total £000	Net total £000	Prior year outturn £000
Spending in Departmental Expenditure Limit (CDEL)						
Voted expenditure	605	212	393	672	279	354
<i>Of which</i>						
Annual Capital Costs	605	212	393	672	279	354
Total for Estimate	605	212	393	672	279	354

Capital outturn includes £212k writedown of disposals reported as income. Actual spend during the year was £605k.

Capital spending is 10% lower than the Estimate provision.

SoPS3. Reconciliation of resource outturn to net operating cost

			2013-14	2012-13
			Outturn £000	Outturn £000
		Note		
Total Resource outturn in	Budget	SoPS	34,622	33,204
Statement of Parliamentary Supply	Non-Budget	SoPS2	171	171
Net operating cost			34,793	33,375

SoPS4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimates £000	Outturn £000	Net total outturn compared with Estimate: savings/ (excess) £000
Resource Outturn	SoPS2.1	35,430	34,793	637
Capital Outturn	SoPS2.2	672	393	279
Accruals to cash adjustments:				
<i>Adjustment to remove non-cash items:</i>				
Depreciation	6 & 7	(1,600)	(1,305)	(295)
New provisions and adjustments to previous provisions	12	(1,980)	(1,819)	(161)
Supported capital expenditure (revenue)			-	-
Other non-cash items	4 & SoPS2.2		(42)	42
<i>Adjustments to reflect movements in working balances</i>				
Increase/(decrease) in debtors	9		(148)	148
(Increase)/decrease in creditors	11		(649)	649
Movements in payables/receivables relating to items not passing through Statement of Comprehensive Net Expenditure	11		-	-
Use of provisions	12	280	145	135
		32,802	31,368	1,434
Consolidated Fund	SoPS	(187)	(171)	(16)
Net Cash Requirement		32,615	31,197	1,418

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

		2013-14	2012-13
	Note	£000	£000
Operating expenditure			
Staff costs	3	21,150	21,505
Other costs	4	14,339	12,513
Gross costs		35,489	34,018
Operating income	5	(696)	(643)
Net costs		34,793	33,375
Net operating cost		34,793	33,375
 Other comprehensive expenditure			
Net gain/(loss) on revaluation of property, plant and equipment	6	-	-
Other comprehensive expenditure		-	-
 Total comprehensive expenditure for the year ended 31 March		34,793	33,375

All operations are continuing.

We no longer revalue property, plant and equipment as of 1 April 2012.

Statement of Financial Position as at 31 March 2014

		31 March 2014	31 March 2013
	Note	£000	£000
Non-current assets			
Property, plant and equipment	6	2,328	3,203
Intangible assets	7	407	443
Total non-current assets		2,735	3,646
Current assets			
Trade and other receivables	9	1,510	1,658
Cash and cash equivalents	10	150	71
Total current assets		1,660	1,729
Total assets		4,395	5,375
Current liabilities			
Trade and other payables	11	(3,183)	(2,466)
Other liabilities	11	(221)	(140)
Total current liabilities		(3,404)	(2,606)
Non-current assets less net current liabilities		991	2,769
Non-current liabilities			
Provisions	12	(2,405)	(730)
Other liabilities	11	(264)	(334)
Total non-current liabilities		(2,669)	(1,064)
Assets less liabilities		(1,678)	1,705
Taxpayers' equity			
General Fund		(2,004)	1,245
Revaluation Reserve		326	460
Total taxpayers' equity		(1,678)	1,705

Dame Julie Mellor, DBE

Chair, Ombudsman and Accounting Officer

4 July 2014

Following the change in its accounting policy, the Revaluation Reserve will be a reducing balance as non-current assets are disposed of or written down.

Total taxpayers' equity is negative because of the increase in provisions for dilapidations. However, because our service is provided for in statute, we are able to continue on a going concern basis supported by Parliament.

Statement of Cash Flows for the year ended 31 March 2014

		2013-14	2012-13
	Note	£000	£000
Cash flows from operating activities			
Net operating cost	3,4,5	(34,793)	(33,375)
Adjustments for non-cash transactions	4	3,378	2,032
(Increase)/decrease in trade and other receivables	9	148	(283)
Increase/(decrease) in trade payables	11	728	61
Movements in payables/receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	11	(79)	1
Use of provisions	12	(145)	(105)
Net cash outflow from operating activities		(30,763)	(31,669)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(468)	(406)
Purchase of intangible assets	7	(137)	(286)
Net cash outflow from investing activities		(605)	(692)
Cash flows from financing activities			
From the Consolidated Fund (Supply): current year		31,278	32,197
From the Consolidated Fund (Non-Supply)	3	171	171
Net financing		31,449	32,368
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		81	7
Payments of amounts due to the Consolidated Fund	11	(2)	(4)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	10	79	3
Cash and cash equivalents at the beginning of the period	10	71	68
Cash and cash equivalents at the end of the period	10	150	71

Statement of Changes in Taxpayers' Equity for the Year ended 31 March 2014

		General Fund	Revaluation Fund	Total Reserves
	Note	£000	£000	£000
Balance at 31 March 2012		2,201	475	2,676
Net Parliamentary Funding – drawn down		32,197	-	32,197
Net Parliamentary Funding – deemed		65	-	65
Consolidated Fund Standing Services		171	-	171
Supply payable adjustment		(69)	-	(69)
CFERs payable to the Consolidated Fund		(2)	-	(2)
Comprehensive net expenditure for the year		(33,375)	-	(33,375)
Non-cash charges – auditor's remuneration		42	-	42
Net gain/(loss) on revaluation of property, plant and equipment	6	-	-	-
Net gain/(loss) on revaluation of intangible assets	7	-	-	-
Transfers between reserves		15	(15)	-
Balance at 31 March 2013		1,245	460	1,705
Net Parliamentary Funding – drawn down		31,278	-	31,278
Net Parliamentary Funding – deemed		69	-	69
Consolidated Fund Standing Services	3	171	-	171
Supply payable adjustment	11	(150)	-	(150)
CFERs payable to the Consolidated Fund	11	-	-	-
Comprehensive net expenditure for the year	3,4,5	(34,793)	-	(34,793)
Non-cash charges – auditor's remuneration	4	42	-	42
Net gain on revaluation of property, plant and equipment	6	-	-	-
Transfers between reserves		134	(134)	-
Balance at 31 March 2014		(2,004)	326	(1,678)

The General Fund serves as the operating fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

The Revaluation Reserve records the unrealised gain or loss on revaluation of assets. As from 2012-13 assets are held at cost as a basis for fair value.

Notes to the Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted and interpreted by the *Government Financial Reporting Manual 2013-14* issued by HM Treasury. The accounting policies contained in the *Government Financial Reporting Manual 2013-14* comply with International Financial Reporting Standards as adapted or interpreted for the public sector context.

Where the *Government Financial Reporting Manual 2013-14* permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to our particular circumstances for the purpose of giving a true and fair view has been selected. The particular policies adopted by us are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention as a proxy for fair value for property, plant and equipment. In line with Audit Committee agreement, property, plant & equipment (1.8) and intangible assets (1.9) are no longer revalued.

1.2 Financing

We are primarily resourced by funds approved by the House of Commons through the annual *Supply & Appropriation Act*. Resources are drawn down each month to meet expenditure requirements and are credited to the General Fund.

1.3 Operating income

Operating income relates directly to the operating activities and management of Estate by us. We have parliamentary approval to retain the following income:

- income for services provided to the Scottish Public Services Ombudsman, the Public Services Ombudsman for Wales, and the Northern Ireland Ombudsman
- income from sharing accommodation with and providing corporate services to the Local Government Ombudsman for England and other public sector bodies
- recoveries in respect of outward secondments
- sub-letting accommodation on our estate
- monies received from sale of goods or services and recovery of costs or miscellaneous income.

The level of income that we may use in support of our activities is set out in our Estimate. Income earned in excess of the approved level, or income of a type for which we do not have parliamentary approval, cannot be used in support of our activities and is required to be paid over to the Consolidated Fund as excess income in accordance with Consolidated Budget Guidance.

1.4 Administration and programme expenditure

Most organisations whose funds are approved by the House of Commons are required to provide an analysis, in their Statement of Comprehensive Net Expenditure, between 'administration' and 'programme' expenditure. However, all our funding is classified as 'programme' and therefore no such analysis is provided.

1.5 Pensions

Our past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme. These defined benefit schemes are unfunded and are non-contributory except in respect of dependents' benefits. We recognise the expected cost of these elements on a systematic and rational basis over the period during which we benefit from employees' services by payment to the Principal Civil Service Pension Scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Principal Civil Service Pension Scheme. In respect of the defined contribution element of the schemes, we recognise the contributions payable for the year.

1.6 Early departure costs

We are required to meet the additional cost of benefits beyond the normal Principal Civil Service Pension Scheme's benefits in respect of employees who retire early. We recognise in full for the cost when the early retirement programme has been announced and is binding on us.

1.7 Operating leases

The total cost of operating leases is expensed in equal instalments over the life of the lease. In accordance with Standards Interpretations Committee Interpretation 15: Operating Leases - Incentives, lease incentives (such as rent-free periods) are considered an integral part of the net cost of the lease and are recognised over the full lease term.

1.8 Property, plant and equipment

Expenditure on property, plant and equipment of £1,000 or more is capitalised. Assets costing less than £1,000 may be capitalised, providing they are capital in nature and there are enough assets to be worth more than £1,000 in total.

On initial recognition, assets are measured at cost including any costs, such as installation costs, directly attributable to bringing them into working condition. All property, plant and equipment is reviewed annually for impairment and is carried at cost for a proxy for fair value.

1.9 Intangible assets

Expenditure on intangible assets, which are software licences and the associated costs of implementation, is capitalised when the cost is £1,000 or more. Intangible assets costing less than £1,000 may be capitalised, providing they are capital in nature and there are enough assets and associated costs to be worth more than £1,000 in total. Licenses for one year or less are expensed not capitalised regardless of cost.

Intangible assets are reviewed annually for impairment and are valued on the basis of amortised replacement cost as an approximation of fair value.

1.10 Depreciation

Property, plant and equipment is depreciated at rates calculated to write assets down to their estimated residual value on a straight-line basis over their estimated useful lives. Software licences are amortised over the shorter of the term of the licence and the useful economic life. Asset lives are normally in the following ranges:

- furniture and fittings – 10 years
- IT software and equipment – three to five years
- office machinery – five years
- refurbishment – the lesser of 10 years or the lease term.

1.11 Financial instruments

We do not hold any complex financial instruments. The only financial instruments included in the accounts are receivables, payables, cash and cash equivalents (Notes 13 to 15). Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that we will be unable to collect an amount due in accordance with the agreed terms.

1.12 Provisions

We provide for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury discount rate.

1.13 Value added tax

We are not registered for value added tax (VAT) and these accounts are prepared on a VAT-inclusive basis.

1.14 Accounting estimates

Dilapidations have been reviewed and provision put through based on best estimate of costs. We have made no other significant accounting estimates or judgments in preparing these accounts.

1.15 Going concern

The Parliamentary Commissioner for Administration, otherwise known as the Parliamentary Ombudsman, is an independent Office-holder appointed by the Crown under the *Parliamentary Commissioner Act 1967*. The Parliamentary Ombudsman is also currently appointed as the Health Service Commissioner for England, an independent Office-holder appointed by the Crown under the *Health Service Commissioners Act 1993*. We exist to support the work of the Ombudsman and, in her opinion, as long as the provisions of the *Parliamentary Commissioner Act 1967* and the *Health Service Commissioners Act 1993* apply, it is appropriate for us to continue to support her work and for our accounts to be prepared on a going concern basis.

1.16 Impending application of newly issued Accounting Standards not yet effective

There were no new Accounting Standards issues for 2013-14 that would materially affect these accounts.

2. Statement of Operating Costs by Operating Segment

For internal reporting purposes, our resource costs are broken down on a 'divisional' basis, and further classified by expenditure type.

Group Executive Directors of Operations and Investigations, External Affairs and Strategy, and Business Transformation are all members of our Board. The main activities carried out by the four groups are:

- Operations and Investigations: responsible for the delivery of casework and customer service
- External Affairs and Strategy: responsible for media, communications, public affairs, policy and insight, and external affairs
- Business Transformation: responsible for delivering financial, facilities, ICT, knowledge, information management and centrally managed costs such as maternity leave and losses, and human resources services and systems
- Others: the Legal Adviser and the Executive Office.

Only the Operations and Investigations Group is classified as a 'segment' as per the criteria of IFRS8; the other group results are disclosed in order to allow reconciliation back to our full cost for 2013-14.

Staff costs (including on-costs such as pensions and National Insurance), general budgets (including travel and subsistence expenses), the direct costs of our casework, and related income are allocated for internal management reporting purposes as follows:

	Operations and Investigations £000	External Affairs and Strategy £000	Business Transformation £000	Others £000	Total £000
	2013-14				
Staff costs	14,959	1,420	3,062	1,709	21,150
General budgets	178	12	46	44	280
Professional advice – casework	377	-	-	146	523
Professional advice – non casework	18	32	279	13	342
Associate caseworkers	95	-	-	-	95
Income	(278)	-	(418)	-	(696)
Total	15,349	1,464	2,969	1,912	21,694
Our overhead costs					13,099
Total					34,793

2. Statement of Operating Costs by Operating Segment (continued)

	Operations and Investigations £000	External Affairs and Strategy £000	Business Transformation £000	Others £000	Total £000
2012-13					
Staff costs	14,237	1,100	3,551	2,431	21,319
General budgets	246	30	70	31	377
Professional advice – casework	354	-	-	116	470
Professional advice – non casework					
Associate caseworkers	177	-	-	-	177
Income	(186)	-	(323)	(134)	(643)
Total	14,828	1,130	3,298	2,444	21,700
Our overhead costs					11,675
Total					33,375

The majority of our overhead costs, such as accommodation costs, telephones and staff learning and development, are managed centrally. We do not reallocate these costs to the other divisions on a headcount or other basis.

We operate across two sites – approximately two-thirds of our staff are based in London, and one-third in Manchester. However, we operate as one office: staff in London and Manchester do the same work and receive the same corporate services. We do not, therefore, report internally, or allocate overheads, on the basis of location.

2.1 Reconciliation between Operating Segments and Statement of Parliamentary Supply

	Operations and Investigations £000	External Affairs and Strategy £000	Business Transformation £000	Others £000	PHSO Overhead £000	Total £000
2013-14						
Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment	15,349	1,464	2,969	1,912	13,099	34,793
Reconciling items:						
Non-supply income	-	-	-	-	-	-
Expenditure – Ombudsman				(171)		(171)
Total	15,349	1,464	2,969	1,741	13,099	34,622
2012-13						
Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment	14,828	1,130	3,298	2,444	11,675	33,375
Reconciling items:						
Non-supply income						-
Expenditure – Ombudsman	-			(171)		(171)
Total	14,828	1,130	3,298	2,273	11,675	33,204

3. Staff numbers and related costs

A) Staff costs comprise:

	2013-14		2012-13
	Permanently employed staff £000	Others £000	Total £000
Wages and salaries ³¹	15,654	1,143	16,797
Social security costs	1,264	1	1,265
Other pension costs	2,916	1	2,917
Sub total	19,834	1,145	20,979
Ombudsman's salary:			
Consolidated Fund Standing Services	171	-	171
Total gross costs	20,005	1,145	21,150
Less recoveries in respect of outward secondments	(30)	-	(30)
Total net costs	19,975	1,145	21,120

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme, but we are unable to identify our share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of *Cabinet Office: Civil Superannuation* at www.civilservice.gov.uk/pensions.

For 2013-14 employers' contributions of £2,872k were payable to the Principal Civil Service Pension Scheme (2012-13: £2,943k) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £20.9k were paid to one or more of a panel of three appointed stakeholder pension providers (2012-13: £26.4k). Employers' contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employers' contributions of £1.6k, 0.8% of pensionable pay (2012-13: £1.9k 0.8%), were payable to the Principal Civil Service Pension Scheme to cover the cost of the future provision of lump-sum benefits on death-in-service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £1.8k. Contributions prepaid at that date were nil.

³¹ 2012-13 £119k Conversion to contract charges have been adjusted from Wages and salaries to Recruitment and training in Other Administration costs (Note 4).

B) Average number of persons employed

The average number of full-time equivalent persons employed, including the Ombudsman, during the year was:

	2013-14				2012-13
	Senior management	Other permanent staff	Others	Total	Total
Full-time equivalent	5	402	26	433	435

The number of full-time equivalent persons employed as at 31 March 2014 was 427.

3.1 Reporting of civil service and other compensation schemes – exit packages

	Number of exit packages 2013-14			2012-13
Exit package cost band	Compulsory redundancies	Other departures	Total	Total
<£10,000	-	2	2	-
£10,001 - £25,000	-	9	9	2
£25,001 - £50,000	-	10	10	1
£50,001 - £100,000	-	3	3	1
£101,001 - £150,000	-	1	1	-
£150,001 - £200,00	-	1	1	-
£200,001 - £250,000	-	1	1	-
Total number of exit packages	-	27	27	4
Total resource cost (£000)	-	1,210	1,210	155

Payments, when made, are in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the *Superannuation Act 1972*. Other departure costs have been paid in accordance with the terms of compromise agreements between us and individual staff members.

Exit costs are accounted for in full in the year of departure. Where we have agreed early retirements, the additional costs are met by us and not by the Principal Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

4. Other administration costs

		2013-14		2012-13
	Note	£000	£000	£000
Cash items				
External professional advice (casework-related)		560		583
Associate caseworkers		95		64
Professional services		529		356
Consultancy		310		745
Information and communications technology		1,543		1,227
Recruitment and training ³²		774		443
Travel, subsistence and hospitality		242		357
Publicity		123		141
Stationery and postage		225		239
Accommodation costs		2,089		2,409
Accommodation operating leases		2,840		3,212
Other operating leases		42		37
Early departures		1,210		136
Other		379		651
			10,961	
Non-cash items				
Depreciation and amortisation of fixed assets:				
Property, plant and equipment	6	1,132		1,215
Intangible assets	7	173		126
Loss on disposal of fixed assets		212		338
Auditor's remuneration		42		42
Other		-		(3)
Provisions:				
Provided in year	12	1,861		314
Provisions not required written back	12	(42)		-
			3,378	
Total			14,339	12,632

Auditors have received no remuneration for non-audit work.

2012-13 £37k operating leases costs have been adjusted from accommodation costs to information and communications technology.

³² 2012-13 £119k Conversion to contract charges have been adjusted from Wages and salaries (Note 3) to Recruitment and training.

5. Income

	2013-14	2012-13
Note	£000	£000
Recovery of direct and overhead costs from the:		
Local Government Ombudsman for England	3	5
Public Services Ombudsman for Wales	116	103
Scottish Public Services Ombudsman	87	69
Northern Ireland Ombudsman	25	15
Office of the Ombudsman Ireland	13	4
Rental income	418	311
Recoveries in respect of outward secondments	30	134
Other miscellaneous operating receipts	4	2
Total	696	643

6. Property, plant and equipment

	Furniture and fittings £000	Information technology £000	Office machinery £000	Refurbish- ment £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2013	1,820	2,093	529	5,296	29	9,767
Additions	21	378	20	49	-	468
Disposals	(92)	(66)	(21)	(1,391)	-	(1,570)
Reclassifications	-	29	-	-	(29)	-
At 31 March 2014	1,749	2,434	528	3,954	-	8,665
Depreciation						
At 1 April 2013	1,148	1,439	482	3,495	-	6,564
Charged in year	163	333	17	618	-	1,131
Disposals	(71)	(62)	(22)	(1,203)	-	(1,358)
At 31 March 2014	1,240	1,710	477	2,910	-	6,337
Carrying amount as at 31 March 2014	509	724	51	1,044	-	2,328
Carrying amount as at 31 March 2013	672	654	47	1,801	29	3,203

All property, plant and equipment held at 31 March 2014 is owned rather than leased or held as non-current assets through PFI contracts. We hold no third-party assets.

	Furniture and fittings £000	Information technology £000	Office machinery £000	Refurbish- ment £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2012	1,946	2,203	519	5,916	-	10,584
Additions	9	322	18	28	29	406
Disposals	(135)	(432)	(8)	(648)	-	(1,223)
Reclassifications	-	-	-	-	-	-
At 31 March 2013	1,820	2,093	529	5,296	29	9,767
Depreciation						
At 1 April 2012	1,060	1,515	476	3,185	-	6,236
Charged in year	171	354	14	676	-	1,215
Disposals	(83)	(430)	(8)	(366)	-	(887)
At 31 March 2013	1,148	1,439	482	3,495	-	6,564
Carrying amount as at 31 March 2013	672	654	47	1,801	29	3,203
Carrying amount as at 31 March 2012	886	688	43	2,731	-	4,348

All property, plant and equipment held at 31 March 2013 is owned rather than leased or held as non-current assets through PFI contracts. We hold no third-party assets. Property, plant and equipment is valued using Office for National Statistics indices. Refurbishment assets are not revalued because they are classified as operating leases.

7. Intangible assets

Intangible assets are purchased software licences and the associated implementation costs.

	<u>£000</u>
Cost or valuation	
At 1 April 2013	1,651
Additions	137
Disposals	-
Reclassifications	-
At 31 March 2014	<u>1,788</u>
Amortisation	
At 1 April 2013	1,208
Charged in year	173
Disposals	-
At 31 March 2014	<u>1,381</u>
Net book value:	-
Carrying amount as at 31 March 2014	<u>407</u>
Carrying amount as at 31 March 2013	<u>443</u>

All intangible assets held at 31 March 2014 are owned rather than leased or held as non-current assets through PFI contracts. We hold no third party assets.

	<u>£000</u>
Cost or valuation	
At 1 April 2012	1,720
Additions	286
Disposals	(355)
Revaluation	-
Reclassifications	-
At 31 March 2013	<u>1,651</u>
Amortisation	
At 1 April 2012	1,435
Charged in year	126
Disposals	(353)
Revaluation	-
At 31 March 2013	<u>1,208</u>
Net book value:	-
Carrying amount as at 31 March 2013	<u>443</u>
Carrying amount as at 31 March 2012	<u>285</u>

All intangible assets held at 31 March 2013 are owned rather than leased or held as non-current assets through PFI contracts. We hold no third-party assets. Intangible assets are valued using Office for National Statistics indices.

8. Financial instruments

As our cash requirements are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of similar size. The majority of financial instruments relate to contracts for non-financial items in line with our expected purchase and usage requirements, and we are therefore exposed to little credit, liquidity or market risk.

9. Trade receivables and other current assets

	31 March 2014	31 March 2013
	£000	£000
Amounts falling due within one year:		
Trade receivables within one year	132	134
Deposits and advances	113	129
Prepayments and accrued income	1,265	1,395
Total	1,510	1,658

10. Cash and cash equivalents

	2013-14	2012-13
	£000	£000
Balance at 1 April	71	68
Net change in cash and cash equivalent balances	79	3
Balance at 31 March	150	71
The following balances at 31 March were held:		
Government Banking Service	149	69
Cash in hand and cash equivalents	1	2
Total	150	71

11. Trade payables and other current liabilities

	31 March 2014	31 March 2013
	£000	£000
Amounts falling due within one year		
Trade payables	264	90
Taxation and social security	427	418
Other payables	334	304
Accruals and deferred income	2,158	1,652
Rent-free period accrual	71	71
Amounts issued from the Consolidated Fund for supply but not spent at year end	150	69
Consolidated Fund extra receipts due to be paid to the Consolidated Fund: Received	-	2
Sub total	3,404	2,606
Amounts falling due after more than one year		
Rent-free period accrual	264	334
Total	3,668	2,940

12. Provisions for liabilities and charges

	2013-14			2012-13	
	Early departure costs £000	Legal claims £000	Accom £000	Total £000	Total £000
Balance at 1 April	352	-	379	731	521
Provided in the year	-	-	1,861	1,861	314
Provisions not required written back	-	-	(42)	(42)	-
Provisions utilised in the year	(51)	-	(94)	(145)	(105)
Borrowing costs (unwinding of discount)	-	-	-	-	-
Balance at 31 March	301	-	2,104	2,405	730

Early departure costs

We meet the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme's benefits in respect of employees who retire early by paying the required amounts annually to the Principal Civil Service Pension Scheme over the period between early departure and normal retirement date. We provide for this in full when the early retirement programme becomes binding on us by establishing a provision for the estimated payments with all payments bar one finalising in the financial year 2015-16.

Legal claims

The above liability is based on management's best estimate of amounts likely to be paid with respect to legal costs awarded against us.

Accommodation

We are contractually obliged to restore the floors currently occupied in the Exchange Building, Manchester, and Millbank Tower, London to their condition before our refurbishment work, at the end of the lease. We are also required to take out any specific modifications currently in place in both the Manchester and London sites. The above increased liability represents management's best estimate of the specific modifications required for this work.

13. Capital commitments

There were no contractual capital commitments as at 31 March 2014 or 31 March 2013.

14. Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the lease expires.

	31 March 2014	31 March 2013
	£000	£000
Buildings		
Not later than one year	3,190	2,733
Later than one year and not later than five years	13,074	11,895
Later than five years	-	2,233
Total	16,264	16,861
Other		
Not later than one year	55	57
Later than one year and not later than five years	49	51
Later than five years	-	-
Total	104	108

15. Other financial commitments

We entered into non-cancellable contracts (which are not leases or PFI contracts) for the service and maintenance of information technology equipment and the service of its leased buildings. The total payments to which we are committed are:

	31 March 2014	31 March 2013
	£000	£000
Not later than one year	2,768	2,624
Later than one year and not later than five years	3,107	6,250
Later than five years	-	-
Total	5,875	8,874

We have not entered into any financial guarantees or indemnities, nor provided any letters of comfort.

16. Contingent liabilities disclosed under IAS 37

We have no disclosable contingent liabilities.

17. Losses and special payments

	2013-14		2012-13	
	No. of cases	£000	No. of cases	£000
Total	98	71	73	167

No individual cases in either 2013-14 or 2012-13 exceeded £250,000.

Losses and special payments include compromise agreements, special payments and minor accounting adjustments.

18. Related-party transactions

We contract with a number of external professional advisers, who are experts in their field and who provide specialist advice, including advice on clinical matters, when required, regarding investigations. The Public Services Ombudsman for Wales, the Scottish Public Services Ombudsman and the Northern Ireland Ombudsman contract with us for the services of these external professional advisers in accordance with their respective service level agreements. The cost of these services to us is recovered, and is disclosed as Appropriations in Aid in these resource accounts.

We undertake with the Local Government Ombudsman for England joint working and collaboration across a wide number of areas and initiatives. We sub-let one floor of our Millbank building to The Green Investment Bank Plc.

In addition, we have a small number of transactions with government departments and health service bodies.

Neither the Ombudsman nor any other members of the Executive Board, Unitary Board or key managerial staff have undertaken any material transactions with us during the reporting period.

19. Events after the reporting period date

In accordance with the *Government Financial Reporting Manual 2013-14*, the Ombudsman is required to consider the impact of events since the closing date of the Statement of Financial Position and up to the date on which the accounts are authorised for issue, which is interpreted as the date the accounts are laid before Parliament. In the Ombudsman's opinion there have been no events since 31 March 2014 that would affect the financial statements.

**Parliamentary and Health Service
Ombudsman**

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