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PHSO – The value of reform



Social Finance
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Executive Summary

Establishing a modern, accessible, single Public Services Ombudsman (PSO), with the necessary powers to drive impact, increase access to justice, and improve services across the public sector is an opportunity to build a more effective government.

The Parliamentary and Health Service Ombudsman (PHSO) commissioned Social Finance to conduct a cost benefit analysis to model the impacts of creating a Public Services Ombudsman and implementing three additional reforms:

- (1) making the MP filter optional by allowing individuals to file complaints with the PSO with or without going through their MP first,
- (2) establishing Complaints Standards Authority powers, which would allow the PSO to not only set complaint handling standards but enforce that public bodies follow those standards and incorporate learnings directly into service improvements, and
- (3) enabling Own Initiative Investigations that dive into larger, systemic public service issues specifically around issues individuals would not feel comfortable or are unable to complain about.

Social Finance produced the model and prepared the analysis independently and in accordance with the HM Treasury Green Book.

Our analysis shows that implementing the reforms would decrease costs by £7.7 million in nominal terms over a 5-year period, saving 2% compared to a 'Do-Nothing' scenario. Implementing the reforms will require an upfront investment of £1.35m and will increase costs in the first three years by up to 6% annually. However, these costs will be offset by savings of 5% and 13% in years 4 and 5 respectively, due to decreased fixed costs from creating a single Ombudsman, reduced unit costs from improved complaint handling and a reduction in volumes as public services address potential issues earlier and improve service quality more broadly. These savings will yield a return on the upfront investment within a 5-year period. We expect these cost savings to continue, driving a more efficient system that lowers costs for both the Ombudsman and external bodies.

Alongside the cost savings, the suggested reforms will bring wider societal benefits through improved access to, and handling of, complaints services. We gave an indicative value to the potential benefits of the proposed reforms on three areas of justice: improved health patient safety, fewer housing evictions, and improved pension payment communications. These systemic benefits could bring an additional c.£40 million in benefits across the public service system over a five-year period.

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While this is the value of three quantifiable benefits, this does not include a value for benefits such as better customer service, reduced staff and MP time, and better accessibility. In addition, the reforms will create an improved access to justice – driving not only better outcomes for individuals, but also a sense of trust and fairness in public services. We therefore believe this figure underestimates the total benefits to society.

These findings demonstrate that alongside the cost savings to the system from reform, the core driver of value from the proposed changes will be driven from the benefits of an improved experience of public services for individuals.

Fig 1 – Key Stats from modelling costs and benefits of reform to the PHSO, LGSCO, and Housing Ombudsman

	Nominal	Real Discounted
Total Costs (No Reform, 5 years)	£414m	£332m
Total Costs (Post Reform, 5 years)	£406m	£327m
Cost % change by year	**Year 1**: +6% **Year 2**: +5% **Year 3**: +0% **Year 4**: -5% **Year 5:** -13%	
Cost Savings (Post Reform, 5 years)	£8m	£5m
Total Benefits:	c.£ 55m	c.£40m

Note: Nominal reflects the price paid or expected to be paid in the future including inflation. Real discounted refers to the value of money adjusted for inflation and discounted to reflect the time preference of individuals for money today relative to future years, following Green Book guidance.

Context

Globally, Ombuds services help create an open and responsive state. They play a crucial role as an advocate for individuals seeking justice by giving a voice to those who are let down by the system when no one listens. This drives better outcomes for members of the public, public services, and the staff that work in them. This is especially true in the current economic and fiscal climate, in which public services will be required to deliver even greater efficiency and value for money.

The Parliamentary and Health Service Ombudsman (PHSO) has helped to improve a range of health and public services and operations. However, it is not currently able to fulfil its role for individuals. The ability for the Ombudsman to play its role rests on individuals filing complaints when issues arise and escalating it to the Ombudsman when they are not satisfied.

However, only 35% of people stated they filed a complaint when unhappy with a service, according to PHSO Outreach Research in 2022. Similarly, the survey found that only 4% of people not satisfied with the outcome of their complaint take their complaint further to an Ombudsman. This low rate is driven by a belief that i) ‘nothing will change as a result [of a complaint]’ and ii) ‘the process is too complicated or difficult to understand’. Members of the public are entitled to public bodies properly considering their complaints, and the complaint process must be accessible and simple to navigate.

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The PHSO is limited by its statutory remit, which is increasingly out of step with best practice nationally and internationally. The Venice Principles set out the benchmarks for good Ombuds practice during the 2020 UN General Assembly, but the United Kingdom remains an outlier and is not compliant due to the outdated Ombudsman legislation.

There are four key limitations with the current PHSO remit.

1. Multiple Ombudsman cover overlapping public services. This results in confusion for individuals filing complaints about which Ombuds service has jurisdiction over their complaint and how the complaints process works. There lacks a clear pathway to deal with the wide range of public sector complaints.
2. The MP filter adds an additional element for individuals filing complaints by requiring them to go through their MP to escalate complaints to the PHSO. Some MPs are less likely to advance complaints – making it harder for individuals to access fair outcomes. Furthermore, this filter creates regional inequality in the UK as people complaining about devolved matters do not face the same barriers.
3. PHSO investigatory remit is limited to addressing complaints. Therefore, there is no remit around proactive investigations, limiting the impact of the learnings and insights generated by the Ombudsman's work.
4. The Ombudsman lacks the authority to enforce complaint handling standards. PHSO currently sets standards for handling complaints but does not have the power to enforce that government departments and public bodies follow these complaints and embed learnings back into improved services.

The importance of reforming the Ombudsman service has been widely acknowledged, including by Parliamentary Select Committees.[1] However, attempts to modernise legislation were paused in 2016 due to a lack of parliamentary time.[2] Establishing a modern, accessible, single PSO, with the necessary powers to drive impact, increase access to justice, and improve services across the public sector is an opportunity to give members of the public a voice and contribute to the building of a more credible and effective 21st century government.

This report sets out to demonstrate the tangible benefits and value for money of reforming the PHSO, Local Government and Social Care Ombudsman (LGSCO), and the Housing Ombudsman. Specifically, this report identifies the cost savings and broader benefits of creating a single Public Services Ombudsman for England along with three reform powers: (1) making the MP filter optional, (2) establishing Complaint Standards Authority powers, and (3) enabling Own Initiative investigations. These reforms would follow recent reform in devolved administrations in the UK.

Scotland set the precedent in Ombudsman reform in 2002 through the Scottish Public Services Ombudsman Act, which brought together various Ombudsman organisations to create an easier complaint process. This enabled collaboration between the Ombudsman with public bodies regarding complaint handling standards.

In 2016, Northern Ireland followed by combining the offices of Northern Ireland Commissioner for Complaints and the Assembly Ombudsman for Northern Ireland to form Northern Ireland Public

[1] Public Administration Committee – Fourteenth Report: Time for a People's Ombudsman Service
[2] Draft Public Service Ombudsman Bill

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Services Ombudsman (NIPSO) and gained own initiative powers to launch investigations into systemic issues even without a complaint being filed.[3]

Wales next passed the Public Services Ombudsman (Wales) Act in 2019.[4] This act gave the Public Services Ombudsman Wales (PSOW) several powers including Complaints Standards Authority powers and Own Initiative powers. These additional powers enabled the PSOW to ensure complaints are handled efficiently and effectively throughout the complaints process, that service issues are investigated and improvements are made, and that broader systemic issues are handled to prevent future complaints.

Fig 2 - Previous Ombudsman reform included the following elements

	Year	Public Service Ombudsman	Complaints Standard	Own Initiative	MP Filter
Scotland	2002				NA
Northern Ireland	2016				NA
Wales	2019				NA

These three examples show that there is precedent for Ombudsman reform across three of the four reform areas proposed by the PHSO. Due to the unique nature of the PHSO's Parliamentary link, there is no direct precedent within the UK for making the MP filter optional. However, there is precedent of similar reform within the Housing Ombudsman which removed its 'democratic filter' where individuals either had to bring a complaint via their councillor, resident's association, or wait for 6 weeks.

Making the MP filter optional is not proposing to eliminate this Parliamentary link but rather to allow for alternative channels for individuals to file complaints if they choose. All these reforms require transformational change and aim to improve complaint experiences for members of the public and increase access to justice.

Methodology

To estimate the value of reform, we built a model which looks at the potential costs savings and benefits resulting from creating a single Public Services Ombudsman and implementing three additional reforms: (1) making the MP filter optional, (2) establishing Complaint Standards Authority powers, and (3) enabling Own Initiative investigations.

We forecasted changes for five years post-reform to model the mid-term trends following the reforms. All costs and benefits were evaluated using the Green Book methodology. This evaluates

[3] Northern Ireland Assembly, Public Services Ombudsman Bill: Explanatory and Financial Memorandum
[4] Public Services Ombudsman (Wales) Bill: Explanatory Memorandum

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figures in real terms, with an additional 3.5% discount for time preference.[5] Throughout the document, we refer to these values as 'real discounted costs/benefits'.

The impact of reforms was assessed relative to a 'Do-Nothing' scenario in which nominal costs rise with inflation and salary growth - rather than against today's budget. Our forecasting assumptions are based on data from the Welsh Ombudsman Regulatory Impact Assessment, LGSCO and Housing Ombudsman annual reports, and PHSO internal and public data. Alongside this, we undertook analysis based on PHSO and publicly available data to generate reasonable benchmarks. Where no data was available, we worked with PHSO to establish assumptions.

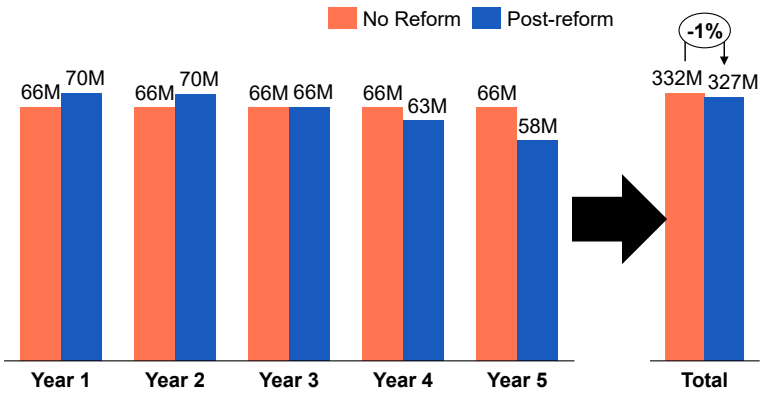
To recognise the uncertainty involved in forecasting, we included three scenarios in our model: optimistic, central, and pessimistic. Even with these scenarios, we recognise that events occur outside the control of the UK public services that could affect future costs and benefits in ways not modelled here. Therefore, the quantified costs and benefits should be considered as the best estimates of the expected costs arising from the reforms.

Model Summary

Costs:

In our central case, we believe the reforms will result in a modest saving of £5 million over a 5-year period, in real discounted terms. Furthermore, by year 5, as reforms are embedded, we estimate the reforms will generate a savings of £9 million or 13% per annum. This highlights the potential of the reforms to drive significant ongoing cost savings.

Fig 3 - Implementing the reforms will bring a 1% cost savings over a 5-year period
Ombudsmen System Cost– Pre vs Post Reform (£m, Indirect and Direct, Real discounted costs)



The reforms require an upfront investment of £1.3 million, factored into Years 1 and 2 above. Both the Ombudsman and external public bodies would incur transition costs. Government departments and public bodies will have to implement new data systems, communicate changes throughout the organisations, and cover training costs. Similarly, within the Ombuds services, we have allocated additional costs for IT systems and internal communication.

[5] Government investment programmes: the 'green book'

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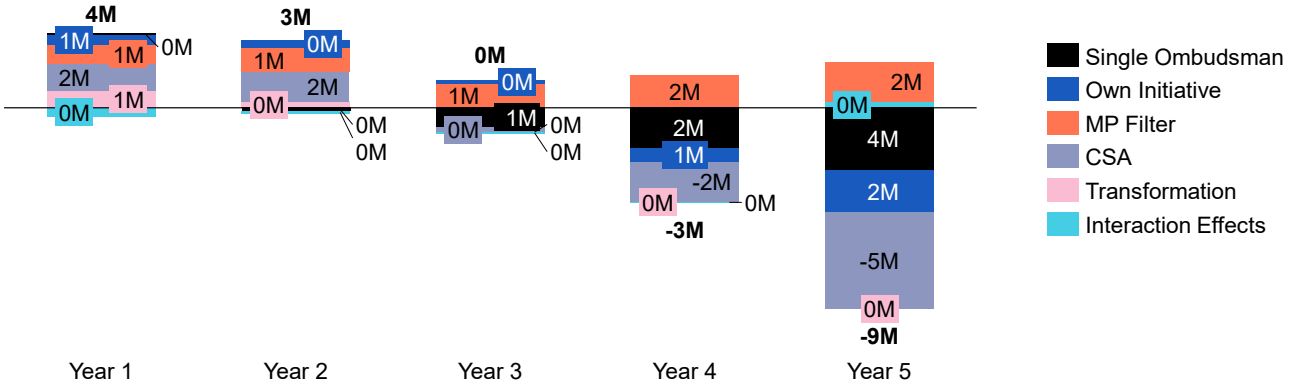
Initially, reforms will drive up the cost of complaints with the Ombuds services. Overall, the reforms aim to increase access to the service, placing upward pressure on volumes. In addition, changing internal processes is likely to initially increase the unit cost of handling complaints.

However, we forecast that, over time, the reforms will result in significant cost savings. We expect the volume of complaints will decrease over time as a more efficient system addresses problems before they reach the Ombudsman. Furthermore, when problems reach the Ombudsman, a single Public Services Ombudsman would likely have a lower cost of handling those complaints.

The reform is composed of different proposals – each having different effects on the costs.

> Public Services Ombudsman: A single PSO will drive cost efficiencies at the centre and support more efficient handling of complaints. This will result in a cost saving of £7 million over the five-year period.
>
> Complaints Standards Authority: The Complaints Standards Authority (CSA) should significantly drive down costs by £4.8 million. Improving the handling of complaints by public bodies will drive down the volume of complaints to the Ombudsman.
>
> Own Initiative: Proactive investigations led by the Ombudsman will enable it to investigate systemic problems. This gives the Ombudsman the ability to act early and prevent problems from escalating. While there would be an initial unit cost increase to set up the investigation capability, the long-term effect would be to decrease costs and complaints further down the line. This should drive down costs by £2.0 million.
>
> MP Filter: In contrast, we expect making the MP filter optional will widen access to the Ombudsman and that this would incur costs of £7.8 million. Evidence suggests that the MP filter can create a barrier to individuals accessing the Ombudsman. Removing the filter will increase accessibility and the volumes and costs of handling complaints.

Fig 4 – Direct cost savings from reforms begin from year 4
Impact of Reforms on Cost, (£m, Indirect and Direct, Real discounted costs)



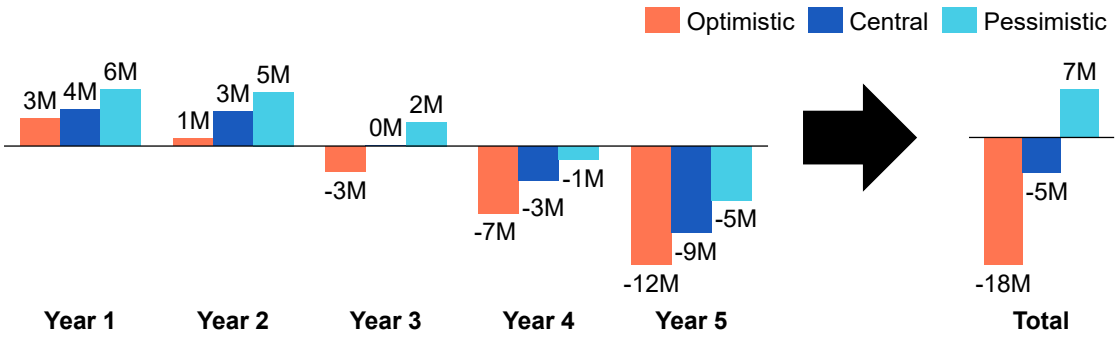
The level of savings is dependent on the ultimate impact of the reforms. We have based our central forecast on a combination of stakeholder engagement, analysis, and benchmarking against other proposals for Ombudsman reform. Nevertheless, significant uncertainty remains. To account for this, we built three scenarios into our model:

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1. Optimistic Scenario: impact of the reforms greater than previous benchmark reforms
2. Central Scenario: assumptions based on previous reform and PHSO data
3. Pessimistic Scenario: assumptions accounting for potential volatility and unforeseen events

These show a range in potential savings of £18 million to a cost of £7 million. However, across all three scenarios, savings from the reforms will begin in Year 4 and increase year-on-year.

Fig 5 - Savings from reform will begin in Year 4 across all three scenarios
Ombudsmen System Cost by Scenario (£m, Indirect and Direct, Real discounted costs)



Benefits:
Alongside the cost savings, the suggested reforms will bring wider societal benefits through improved problem resolution and access to justice. To give a sense of the potential benefits we estimated the benefits of these reforms on three areas of justice: increased patient safety, reduced housing evictions, and improved pension payments. As an indicative figure we believe these systemic benefits could bring an additional c.£40 million in benefits to broader society over the first five years post reform.

We believe these are a fraction of the monetisable benefits the reforms will generate. In addition, there are many non-monetisable benefits associated with reform that an improved complaint experience will bring, such as increased trust in public service delivery and increased access to justice. These findings demonstrate that even with the cost savings to the three Ombudsman services from reform, the core value of reform changes will be in the wider benefits it brings to the public sector.

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Fig 6 – Costs and Benefits of Reform Central Case, (£m, Indirect and Direct, Real discounted costs)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
'Do-Nothing' Costs						
Total Direct	**£54.5M**	**£54.3M**	**£54.1M**	**£53.9M**	**£53.8M**	**£270.6M**
Variable Costs	£33.3M	£33.8M	£34.3M	£34.8M	£35.3M	£171.5M
Fixed Costs	£21.2M	£20.5M	£19.8M	£19.1M	£18.5M	£99.1M
Total Indirect	**£12.0M**	**£12.1M**	**£12.3M**	**£12.5M**	**£12.7M**	**£61.5M**
Total Cost	**£66.5M**	**£66.4M**	**£66.4M**	**£66.4M**	**£66.4M**	**£332.1M**
Reform Costs						
Total Direct	**£57.4M**	**£57.1M**	**£54.0M**	**£51.0M**	**£47.1M**	**£266.7M**
Variable Costs	£35.8M	£36.7M	£34.6M	£32.8M	£29.9M	£169.8M
Fixed Costs	£21.5M	£20.4M	£19.4M	£18.2M	£17.2M	£96.8M
Total Indirect	**£12.8M**	**£12.8M**	**£12.4M**	**£11.9M**	**£10.6M**	**£60.4M**
Total Cost	**£70.2M**	**£69.9M**	**£66.5M**	**£62.9M**	**£57.7M**	**£327.1M**
Change in Costs from Reform Compared to No Reform						
Cost Saving	-£3.7M	-£3.5M	-£0.1M	£3.5M	£8.7M	£5.0M
% Costs	106%	105%	100%	95%	87%	99%
Benefit case studies						
Housing	£2.1M	£2.0M	£2.0M	£1.9M	£1.8M	£9.8M
Pensions	£0.4M	£0.4M	£0.4M	£0.3M	£0.3M	£1.8M
Healthcare	£0.0M	£0.0M	£0.0M	£15.6M	£15.1M	£30.7M
Total Benefit	**£2.5M**	**£2.4M**	**£2.3M**	**£17.8M**	**£17.2M**	**£42.3M**
Net Benefit	**-£1.2M**	**-£1.1M**	**£2.2M**	**£21.3M**	**£26.0M**	**£47.2M**

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Model Detail

Structure

The cost model estimates the overall system costs and benefits associated with the proposed reforms, following Green Book methodology. We broke down this down into:

i) Direct costs to the three Ombuds services (PHSO, LGSCO, and Housing Ombudsman)
ii) Indirect costs to the system (UK Government, Councils, Social care providers, NHS, Housing Associations, etc.).
iii) Impacts of each reform – including three scenarios (optimistic, central, and pessimistic)
iv) Benefits - broader benefits the reforms could bring e.g. via positive complaint resolution and improved customer service.

Direct Costs

Direct costs are divided into fixed and variable costs. Variable costs account for the cost of handling complaints and grow in line with the volume of complaints. Fixed costs do not change based on the number of complaints. For instance, rent, central services, and utility bills are included in these costs. Using PHSO organisational expenditure data, we estimated 60% of PHSO costs were variable and 40% fixed.

Within variable costs, we identified three different categories of complaints – split in line with their complexity and how much time it takes to resolve at each stage:

i) Intake/Early Resolution: resolved within seven days and require basic checks.
ii) Primary Investigations: take on average 136 days to resolve and require PHSO staff to conduct research into the issue to make a final decision.
iii) Detailed Investigations: tend to be more sensitive and/or tackle more complex issues and take on average 364 days to resolve.

We split fixed costs into five business areas for the Ombudsman – Operations and Quality; Legal, Clinical, and Data; Strategy and Communications; Corporate Services; and Office and IT.

Throughout the model, we identified how each reform would change the volume of complaints, the unit costs of those complaints, and how the reforms would impact fixed costs.

Indirect Costs

The Ombuds services have a significant level of influence and interaction with the wider set of public bodies they oversee. Indirect costs account for the costs that external public bodies (NHS England, government departments, local authorities, Housing Associations, etc.) have when working with the Ombudsman.

We split Indirect costs into:

i) Costs of cooperating with the Ombudsman in the context of Detailed Investigations,
ii) Additional one-off transition costs necessary for external bodies to embed the reforms.

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We did not include costs of handling complaints by public bodies. We assumed that the effects of the reforms are cost neutral. This assumption is in line with the Welsh Ombudsman, which found that the reforms had no significant financial impact on complaint handling for these organisations[6].

Benefits

Alongside the costs of the system, we consider the reforms will have a significant positive impact on individuals. In general, these effects are harder to quantify. However, we identified three indicative benefits that would come from the reforms to give a sense of the potential benefits:

i) Improved patient safety via decreased need for compensation in health,
ii) Fewer housing evictions,
iii) Increased pension stability through more accurate payments.

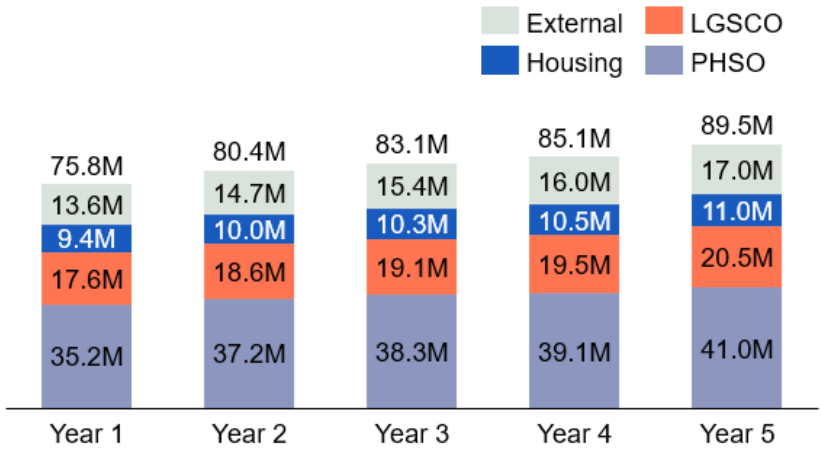
We believe that these gains are a fraction of the monetisable benefits the reforms will generate. In addition, there are many non-monetisable benefits associated with reform such as increased public confidence in public service delivery.

'Do-Nothing' Case

Even without reforms it is likely Ombudsman costs will continue to grow. The 'Do-Nothing' scenario establishes a benchmark for future cost growth. In this scenario, costs grow from £75.8 million in year 1 to £89.5 million by year five, in nominal terms.

Currently, the budget for the three Ombuds services is a combined £62.2 million, with an estimated additional £13.6 million spent by external public bodies to work with the Ombudsman – resulting in a total system cost of £75.8m, in nominal terms.

Fig 7 - In a 'Do-Nothing' case, costs will grow from £75m to £90m
(£m, Variable and Fixed, Nominal costs)



We expect both fixed and variable costs will grow.

[6] Proactive Powers Report

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i) Variable costs – Following COVID, there has been an increase in complaints. We assumed this growth continues with a 5% complaint growth assumption each year.
ii) Fixed Costs – We believe overheads will grow by the minimum of inflation and 5% growth.

Reform Impact

This section looks at the impacts of the four major reforms proposed - i) Creating a single Public Services Ombudsman, ii) Making the MP filter optional, iii) Complaints Standards Authority and i) Own Initiative on both the **costs of the transition** and then the **ongoing costs** thereafter.

Costs of Transition

We expect there to be £1.35 million nominal investment in transition costs over the first two years post-reform across both direct and indirect costs. This includes £470k in direct transition costs to the PHSO and £800k in indirect costs to external public bodies to implement new data systems, communicate changes throughout the organisations, and cover training costs.

The indirect cost for external bodies to implement Complaint Standards Authority powers comes from upgrading IT systems and improving complaint handling processes. The high indirect transition cost arises from the number of public bodies within the Ombudsman's jurisdiction. The cost for each body to update IT systems and implement improved complaint handling processes will be c. £2,000 over the first two years. Note that we believe this is a high estimate. External bodies have an existing obligation to have sufficient IT capabilities to manage its complaints. The cost of the reform should only reflect the additional cost of any adaptations to that system made for any shift in reporting to the Ombudsman.

The main transition costs to the Ombudsman will be:

1. £250k in Office and IT costs. This accounts for changes to office rental contracts and IT investment for implementing Complaints Standards Authority powers. The need for an IT upgrade will come from increased monitoring of external public bodies complaint handling, which will require an additional data system.
2. £120k in Corporate Services costs. This cost is mainly driven by the need to integrate three corporate strategies and corporate service teams.

Fig 8 – Costs of Transition Benefits of Reform Central Case, (£m, Indirect and Direct, Nominal costs)

Cost Line	Type	Year 1	Year 2	Total
Operations & Quality	Indirect	£48k	£23k	£71k
Office & IT	Indirect	£493k	£241k	£734k
Legal, Clinical, & Data	Direct	£77k	£26k	£103k
Strategy & Comms	Direct	£49k	£25k	£74k
Corporate Services	Direct	£121k	£0k	£121k
Office & IT	Direct	£163k	£84k	£247k
Total		**£951k**	**£399k**	**£1,350k**

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Ongoing Costs

Public Services Ombudsman

Context:
Currently, the three Ombuds services work across similar areas that requires a joint working relationship between PHSO and LGSCO and can lead to confusion for individuals around which Ombudsman handles which complaints. These issues lead to avoidable costs for the Ombuds services and poor service experiences and visibility for individuals.

A Single Public Service Ombudsman (PSO) will bring together the PHSO, LGSCO, and Housing Ombudsman to create a system that invokes a 'no wrong door' policy and a more efficient Ombudsman service that is in line with international and national standards.

This reform will increase awareness and ease access for populations that have historically been less likely to lodge complaints.

Impact:
Under our central scenario, a single PSO will lead to £8.8 million nominal savings over five years post reform. This includes £2.6 million in savings from complaint handling costs and £3.5 million in fixed cost savings.

Direct Cost – Variable
A single PSO will create increased public awareness of the Ombudsman's service. This will, in turn, drive increases in the volume of complaints and investigations by 1.5% annually for the first two years, flattening in Year 3 as the increased awareness subsides.

However, the cost of this increase will be offset by a more streamlined complaint handling process and not needing to continuously redirect complaints.

Direct Cost – Fixed
The main fixed cost savings (nominal) over the five years post reform will come from:

1. £1.9 million from Corporate Services. This savings comes from the salaries and costs as three corporate strategies align over the five years. Similarly, promoting and distinguishing the three Ombuds services is expensive and hard as they have similar remits and names, making it confusing to individuals filing complaints.
2. £540k in Operations and Quality. This savings is primarily due to staff attrition as business needs change – e.g. no more need for joint working relationships between the Ombuds services, less liaising with MPs, a single corporate strategy, etc.

MP filter

Context:
The MP filter applies in relation to complaints to the PHSO against UK central government departments and public bodies. Making the MP filter optional means that individuals would no longer have to access the PHSO through an MP but could do so directly.

While some MPs effectively filter and refer complaints relevant to the PHSO, 29% of MPs referred no complaints to PHSO in 2021-22 and 39% of MPs surveyed by PHSO in 2021 said they were either

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'unfamiliar' or 'neither familiar nor unfamiliar' with the Ombuds service.[7] This suggests that there is a breakdown in this channel.

Furthermore, of the complaints that the PHSO receives but cannot look at because they do not come via the requisite MP referral, only 12% later return to PHSO. This means that 88% of people who come to PHSO with an issue about a public body either give up when they realise that they need to go to their MP first, or their MP does not correctly refer their complaint on to PHSO. This is just the complaints that PHSO is aware of, and so it may be that a large proportion of people are put off from complaining by the requirement to go through an MP.

Making the MP filter optional would bring the PHSO in line with devolved administrations (Housing, NHS, and other UK Ombuds services) and increase equality as other elected representatives (city mayors, members of devolved legislatures, etc.) cannot refer complaints even if their constituents want them to. This reform would not eliminate the MP filter as a channel for members of public to file complaints but would rather offer alternatives to those who choose not to file complaints through their MP.

Impact:
Making the MP filter optional will increase costs by £9.3 million, in nominal terms, after five years post-reform. This is due to an additional £8.5 million in complaint handling costs and £890,000 in external costs.

Direct Cost – Variable
Making the MP filter optional will significantly increase the number of complaints coming to the PHSO annually. We believe this will impact Intake/Early Resolution the most[8] with an initial 4% increase in year 1 growing to 12% by year 5. This increase assumes that all MPs make at least the average number of referrals, and that all individuals who were previously turned away by the PHSO file complaints. Primary and Detailed Investigations will similarly increase, as more significant grievances can reach the Ombudsman.

Alongside this, we believe the unit costs of Intake/Early Resolution and Investigations will increase. MPs can play an important role in casework. Removing the filter will decrease their involvement in some cases and the resource they provide, but will also release capacity on hard-pressed MP offices. Unit costs will therefore initially increase slightly and decrease over time as this additional step is embedded into the complaint process and becomes more efficient.

Overall, increased complaint volumes will add operational costs onto the PHSO. However, these costs will bring wider benefits by enabling direct public access to the Ombudsman. A larger number of complaints will allow PHSO more opportunities to support government bodies to improve services by learning from trends identified in the complaints. This will then drive broader benefits to society.

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[7] PHSO response to MoJ Victims' Bill consultation
[8] Given that only 12% of complaints return to PHSO after complainants are told they need to go through their MP, we estimate a 3-11% annual increase in Complaints over the five years post reform.

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Complaints Standards Authority

Context:
While the PHSO sets complaint handling standards for external public bodies, it lacks the statutory authority to enforce these standards. This lack of enforcement leads to varied complaint handling methods and can be seen through the number of complaints about complaints handling[9]. Improving complaints handling standards and giving the PHSO the authority to enforce the standards would decrease the number of complaints about complaint handling. It would also create more consistency in high quality responses and actively improve public services to prevent many complaints from being filed in the first place.

Impact:
Giving the PHSO Complaint Standards Authority powers will lead to £6.7 million in nominal cost savings after five years post-reform. Savings from complaint handling costs will be £6.2 million and £490k in savings to external bodies.

Direct Cost – Variable

Giving the PHSO Complaint Standards Authority powers will significantly decrease the number of complaints they receive. This effect will be delayed as external bodies implement the complaint handling standards during years 1 and 2. Intake/Early Resolution will increase in year 2 as members of the public develop more trust in the system that their complaints will be taken seriously and change that will come from them. However, from year 4, complaints will decrease across all categories from 2% for Detailed Investigations to 5% for Intake/Early Resolution. Complaints will continue to decline in following years as public bodies implement learning from complaint data and improve services.

Complaints Standards Authority powers will initially increase unit cost for handling complaints across all three categories. Savings in unit cost will come in year 3 for Intake/Early Resolution and Primary Investigations as there will be a learning curve to implementing the new complaint handling standards. Savings will be especially delayed in Detailed Investigations as the aim of Complaints Standards Authority powers is that the external public bodies will effectively handle minor or less resource-intensive complaints. Therefore, the more costly complaints will continue to come to the PHSO and savings will not be translated until year 4 post-reform.

Direct Cost – Fixed
Fixed costs will increase slightly to implement Complaints Standards Authority powers, primarily in Legal, Clinical, and Data. This increase is due to the need to establish a Compliance Team to ensure that external public bodies are following complaint handling standards and actively incorporating learning from complaints data into making service improvements.

Own initiative

[9] 10% of complaints received by the Housing Ombudsman in 2020 were due to issues complainants had during the complaint handling process.

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Context:
Own Initiative powers would allow the Ombudsman to investigate known issues without needing to wait for a complaint. Without these powers, the Ombudsman is unable to investigate faults and problems within public services that, for instance, cause injustice to vulnerable people who are less likely to complaint. While the PHSO already investigate systemic issues, these investigations are primarily targeted at specific complaints and the scope for change is limited.

Own Initiative powers would allow the Ombudsman to conduct systemic investigations to address wider issues that people may not feel comfortable or be able to make complaints. For example, an asylum seeker or refugee may not feel capable of complaining about a service they receive from the Home Office and people living with long-term mental health or learning disabilities may find it difficult to navigate the complaints system. Similarly, PHSO Outreach Research in 2022 found that when unhappy with a service, only 35% of people file a complaint. And of those people who file complaints, only 4% bring their complaints to an Ombudsman. This shows that many issues are left unresolved due to the PHSO's inability to investigate outside of the confines of complaints.

Impact:

Giving PHSO Own Initiative powers will lead to £2.7 million in nominal savings after five years post-reform. This accounts for £2.3 million in savings from complaint handling costs and £390k in savings to external bodies.

Direct Cost – Variable

Own Initiative would lead to 2 to 3 wider, systemic investigations per year, which would require 2 to 3 dedicated members of staff. This team would identify key issue areas and conduct in-depth investigations into administrative wrongdoing to recommend service changes. The cost of handling these investigations was included in the forecast of complaint handling costs.

Over the long-term, Own Initiative powers will drive down complaint volumes. This decrease is because Own Initiative investigations seek to resolve problems earlier in the system and to drive wider improvements in government and public services for the public benefit. The results from these investigations will lead to improvements in public service delivery.

This effect is likely to reduce the total complaints reaching the Ombudsman. This decrease will be between 3% for Detailed Investigations and 5% for Intake/Early Resolutions by year 5, with more significant reductions in following years. This delayed impact is due to the extensive nature of Own Initiative investigations, with effect on complaints delayed by multiple years as systemic issues are addressed.

Unit cost of complaint handling will not be affected by implementing Own Initiative investigations at the Intake/Early Resolution and Primary Investigation levels. Detailed Investigation unit costs will increase initially to accommodate for knowledge transfer and collaboration between the in-depth investigations but will then decrease over time as Systemic Investigations encompass some of the resource-intensive complaints.

Direct Cost – Fixed

There is a minimal fixed cost associated with implementing improved databases to store data on Systemic Investigations.

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Benefits

The overarching benefits of these reforms would be to establish a responsive, proactive and modern Public Services Ombudsman. In line with national and international best practice, this new Ombudsman would:

1. Be easier and simpler to access, including for populations that have historically been less likely to lodge complaints,
2. Have a broad reach, extending to a range of public bodies across national and local government, and adult social care and the NHS, and
3. Be supported by a streamlined, modern governance infrastructure.

This could have significant benefits to individuals such as increased access to justice and improved complaint feedback loops to improve public services. These benefits aim increase the level of trust in public institutions and improve general experience of public services. These impacts are challenging to attach a monetary value to – but should be at the core of public service delivery.

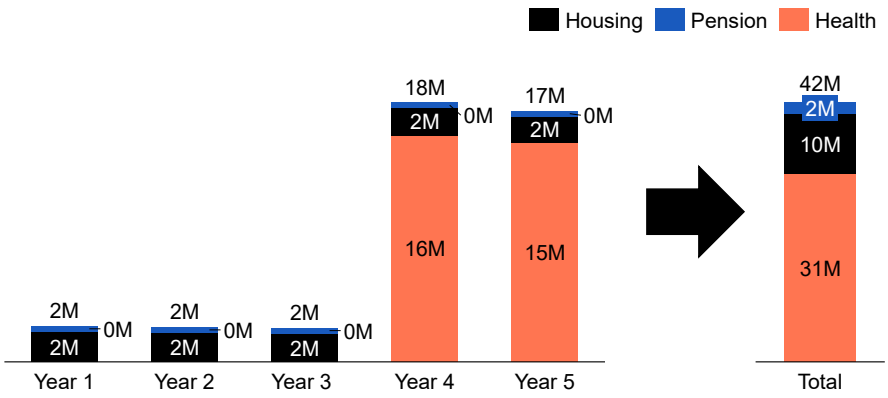
Alongside this, we believe there are specific quantifiable benefits from the reforms. Below we have illustrated the potential benefits of these reforms on three areas of justice: health housing, and pensioners. These values were estimated using publicly available data on complaint costs, compensation levels, and the Greater Manchester Combined Authority (GMCA) Unit Cost database. We believe these will likely be a fraction of the quantifiable benefits of the reforms, with a significant number of unidentified benefits across the public services the single PSO would work with.

Identified Benefits

Three indicative benefits were identified that would come from the reforms to give a sense of the potential benefits: i) lower compensation for health, ii) fewer housing evictions, and iii) more accurate pension payments,

Overall, we believe that these could total c. £17 million per annum. Although there is a significant degree of uncertainty with these estimates, we believe this shows that the reforms would yield significant benefits to society.

Fig 9 – Indicative value of Benefits, (£m, Real discounted)



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Health:
NHS compensation has doubled since 2013 and is currently £2.2bn[10][11]. This has partially been driven by legal costs increasing the value of each complaint. However, alongside this, the number of complaints has risen significantly. Complaints to the NHS almost doubled to over 200,000 from 2008 to 2018.[12]

Patient complaints are a crucial tool in monitoring and improving patient safety.[13] Establishing a clear and consistent framework for complaints will help identify issues in healthcare delivery. However, the complaints system is currently not playing the dual role of supporting individual complaints and generating system-wide learnings.

We believe that the proposed reforms could help generate improvements in the system. Complaints Standards Authority powers would improve complaint response standards and create a culture that learns from and takes action to avoid mistakes. Own Initiative powers would then enable the Ombudsman to take early intervention and support public services to improve in a timely manner. This enables the PSO to identify learnings in areas where there are high barriers to complaining – for instance in mental health services – supporting it to develop a clearer picture of service problems and make practical and well in-informed recommendations, learning from the complaints and highlight where change is necessary before problems worsen and continue to cause harm.

We believe there is a potential for significant savings from improved healthcare quality. Since 2015, the costs of negligence claims have grown by 17% in real terms[14]. Although the external evidence consistently highlights the potential for cost savings from improved complaints handling,[15] there is limited quantitative analysis. To give an indicative figure of the potential benefits we have assumed a 10% reduction in the 17% growth in healthcare costs. This would save c.£15 million in compensation costs each year. Assuming this occurs from year 4 post reforms, an additional c.£30m in benefit would be generated.

Housing Evictions:

Shelter research in 2021 estimated that 1 in 17 private renters are at risk of eviction.[16] Since then, the cost-of-living crisis has placed significant pressure on households. This is reflected in the rising number of evictions, which increased by 39% last year as energy prices rose and protections to renters during the pandemic were lifted.

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[10] Negligence in the NHS: liability costs
[11] NHS Resolutions Annual Report 2021
[12] Learning from complaints in healthcare: a realist review of academic literature, policy evidence and front-line insights
[13] Patient complaints in healthcare systems: a systematic review and coding taxonomy
[14] Payments made by NHS Resolution in respect of negligence claims
[15] Learning from complaints in healthcare: a realist review of academic literature, policy evidence and front-line insights
[16] Shelter England, 14,000 renters face eviction as living costs soar

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This has a significant cost to individuals and society. The GMCA Unit Cost database estimates that a complex eviction costs £6,860 per household to the public sector.[17] On top of this, there are likely additional costs as evicted households face a higher risk of homelessness.

Citizens Advice Bureau research found that advice and mediation could play a significant role in decreasing housing evictions. 40% of those with debt concerns worried about housing reported feeling significantly more secure after receiving CAB services.[18]

We believe that the reforms could improve outcomes for individuals in two ways.

1. A single Public Services Ombudsman could help individuals reaching the Ombuds service to resolve their challenges more effectively. Assuming 50% of Detailed Investigations in the Housing Ombudsman are at risk of housing eviction, if a PSO increased outcome resolution by 10%, c. £200k of benefits would be generated each year.
2. Complaints Standards Authority powers could improve resolution between households and their landlords and reduce the number of disputes which originate from poor communication, record keeping and complaint handling. There are approximately 12,000 bailiff evictions each year. We have assumed Complaints Standards Authority powers will help improve resolution in 5% of cases – and then applied a further 50% discount due to optimism bias. This would drive £2 million in benefits per annum.

Pension Payments:

The National Audit Office report from 2007 estimated that the Department for Work and Pensions (DWP) was spending c. £2 million to deal with complaints and a further £2 million in special payments because of those complaints[19]. In 2022 prices, this would be equivalent to c.£6 million in expenditure.

The reforms have a significant potential to improve the outcomes for individuals, including in improving pension payments. Complaints Standards Authority powers could enable the Ombudsman to improve the standards within DWP. If this reform reduced the costs of handling complaints by 10%, this would save c. £260k per annum. We believe the 10% figure is a low estimate relative to other industry benchmarks. The Citizen's Advice Bureau found that its services frequently improved client outcomes from 40-55%.[20]

Beyond reducing costs to DWP and the Ombudsman for complaint handling, better complaint handling practices and incorporating complaint findings could improve the quality of DWP services. Complaints and special payments are a sign of a breakdown in the pension payment system, impacting people's ability to plan for retirement. Recently, the PHSO conducted, a Detailed Investigation into the DWP's communication of changes to women's State Pension age.[21] Stage 1 of this investigation found maladministration, as women were unable to properly plan for retirement and incurred financial loss.

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[17] Unit Cost Database v2.0
[18] Citizens Advice Bureau research
[19] NAO, Department for Work and Pensions: Handling Customer Complaints
[20] Citizens Advice Bureau research
[21] Complaints about communication of changes to women's State Pension age

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Broader Benefits:

On top of these three cases studies, we believe the reforms will have significant benefits to public services.

There is currently significant lack of trust in Ombuds services. 12.4% of individuals have confidence in public sector Ombuds services[22]. Similarly, PHSO Outreach Research found that 94% of respondents identified one or more barriers to filing complaints. These included a lack of trust that their complaint will lead to change and fear of future negative treatment from the public body after complaining.

Reform is an opportunity to transform trust in Ombuds and public services. This paper has identified four key elements of that reform.

1. A single PSO will create a 'no wrong door' approach, which can simplify the customer experience by removing barriers and improving accessibility of the Ombuds services. By creating a clearer route to complain, a single PSO could minimise confusion and frustration, especially as complaints are increasingly related to cross organisational services and transcend jurisdictional boundaries.

2. Making the MP filter optional will allow direct access to the Ombudsman and create an open channel for individuals to file complaints. This reform aims to reduce the difficulty of navigating the complaints process, which could be especially beneficial for marginalised communities who may already have poor experiences with complaining to public services. Additionally, making the MP filter optional can reduce work for MP offices who are already asked to respond to a large number of requests and queries.

3. Complaint Standards Authority seeks to improve complaints handling and data collection on public services, supporting government departments and public bodies to learn from service failings. Improved oversight over complaint handling could create a public sector that is more receptive to members of the public by actively addressing service failures thereby increasing trust in the Ombuds service.

4. Own initiative powers aims to have a positive impact by investigating suspected systemic injustice and maladministration in public services where recipients may be less likely or able to file and sustain complaints.[23] These powers could be an important tool in holding public services to account and improving social inclusion and equality. Individuals who are physically or emotionally vulnerable via a disability, poor educational attainment, or fearful of challenging a public authority will be represented even when they are reluctant to complain.

Collectively, these reforms could enable the Ombudsman to hold public services accountable, facilitating a well-functioning democracy and increasing the access to justice for individuals. They will empower

[22] Project Report - Trusting the middle-man: Impact and legitimacy of ombudsmen in Europe
[23] Northern Ireland Assembly, Public Services Ombudsman Bill: Explanatory and Financial Memorandum

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individuals, protect access to their rights, and encourage them to make complaints when faced with injustice.

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