

National Assembly for Wales
Finance Committee

Scrutiny of Public Services
Ombudsman for Wales's Estimate
for 2016-2017

November 2015

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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Finance Committee

The Committee was established on 22 June 2011. The Finance Committee's role is to carry out the functions set out in Standing Order 19. This includes consideration of the use of resources by the Assembly Commission or Welsh Ministers, and in particular reporting during the annual budget round. The Committee may also consider any other matter relating to expenditure from the Welsh Consolidated Fund.

The Finance Committee's remit also includes specific statutory powers under the Public Audit (Wales) Act 2013 relating to new responsibilities for governance oversight of the Wales Audit Office.

Current Committee membership:



Jocelyn Davies (Chair)
Plaid Cymru
South Wales East



Peter Black
Welsh Liberal Democrats
South Wales West



Christine Chapman
Welsh Labour
Cynon Valley



Mike Hedges
Welsh Labour
Swansea East



Alun Ffred Jones
Plaid Cymru
Arfon



Ann Jones
Welsh Labour
Vale of Clwyd



Julie Morgan
Welsh Labour
Cardiff North



Nick Ramsay
Welsh Conservatives
Monmouth

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The Committee's Recommendations

The Committee's recommendations to the Public Services Ombudsman for Wales are listed below, in the order that they appear in this report. Please refer to the relevant pages of the report to see the supporting evidence and conclusions:

Recommendation 1. The Committee recommends, following the publication of the draft Wales Bill, that the Ombudsman should initiate work to assess the potential cost to his office of additional functions resulting from further devolved powers in a future Wales Act. (Page 9)

Recommendation 2. The Committee recommends that the Ombudsman monitors the impact of his strategy to reduce the number of complaints and reports back to the Committee in his next estimate. In particular, the Committee would like to see what impact his strategy has on the public bodies that generate the most complaints. (Page 11)

Recommendation 3. The Committee commends the efforts made to collaborate with other public bodies and recommends that the Ombudsman continues to explore further opportunities to share resources, where appropriate. (Page 15)

Recommendation 4. The Committee recommends that the Ombudsman develops the work undertaken to calculate the costs and savings to his office of the proposed extended powers, in order to contribute to a robust regulatory impact assessment to accompany any future Bill. (Page 16)

1. Introduction

The Public Services Ombudsman for Wales's estimate

1. The Public Services Ombudsman for Wales ('the Ombudsman') produces an estimate ('the estimate') for each financial year in accordance with the Public Services Ombudsman (Wales) Act 2005¹, as amended by the Government of Wales Act 2006². The estimate is required to set out the resources required for the Ombudsman to carry out his statutory functions, with the exception of the Ombudsman's own salary (and associated costs) which are directly charged on the Welsh Consolidated Fund.

2. Standing Order 20.23 sets out that:

"The Ombudsman must submit the estimate of income and expenses required under paragraph 15 of Schedule 1 to the Public Services Ombudsman (Wales) Act 2005 to the responsible committee as soon as practicable but in any event no later than 1 November in each financial year."³

3. The estimate for 2016-17 was submitted to the Finance Committee on 22 September 2015.

4. The Committee is responsible for reporting on this estimate. Standing Order 20.24 sets out:

"The responsible committee must consider and lay before the Assembly, no later than 22 November, the estimate, with any modifications which the Committee, having consulted and taken into account any representations made by the Ombudsman, considers appropriate."⁴

5. The Committee considered the Public Services Ombudsman for Wales's estimate on 7 October 2015.

6. The Committee is content with the estimate laid by the Public Services Ombudsman for Wales, attached as Annex C to this report.

¹ [Public Services Ombudsman \(Wales\) Act 2005](#)

² [Government of Wales Act 2006](#)

³ [National Assembly for Wales, Standing Orders of the National Assembly for Wales](#)

⁴ *ibid*

2. The Ombudsman's overall estimate for 2016-2017

Overall changes to the Ombudsman's estimate for 2016-2017

7. The Ombudsman's estimate seeks a 0.7 per cent increase in Total Managed Expenditure ('TME') for 2016-17. This amounts to an additional net cash requirement of £27,000. It is not possible to compare this to the change in the Welsh Government's TME as the draft budget for 2016-17 will not be published until December 2015.

8. The Ombudsman explained to the Committee how he produced the figures for his estimate:

"...our strategy is based upon our analysis of the internal and external factors that are going to affect us over the next year. Historically, I think this committee will be aware that we've seen an annual year-on-year increase in the number of complaints that we receive. In terms of our internal resource, our staff—our investigators and caseworkers—are the most important resource that we have. We devote 75 per cent of the resources that we receive directly to complaint and casework handling, and the other 25 per cent is mostly devoted to ensuring that we try and have some influence on bodies in jurisdiction so that we can see an improvement in complaint handling and in the quality of public services delivered in Wales."⁵

Sufficiency of the estimate to meet the Ombudsman's statutory obligations

9. The estimate notes a continued increase in workload. Over the five year period from 2010-11 to 2014-15, the number of enquiries and complaints has grown by 104 per cent, with a 7 per cent caseload increase in the last year (2013-14 to 2014-15).⁶ The Ombudsman explained:

"Historically, certainly over the last 10 years, health complaints have more than doubled as a proportion of the complaints that we receive. But over the past year they went up from 759 to

⁵ [Record of Proceedings, 7 October 2015, Paragraph 17](#)

⁶ [Public Services Ombudsman for Wales Annual Report 2014-15](#)

769. So, a 1 per cent increase there. Local authority complaints are up 5 per cent, and housing complaints are up now from a low base of 165, but they have jumped up by almost 50 to 213.”⁷

10. At the Committee’s request, the Ombudsman agreed to provide a breakdown of the types of housing complaints received.⁸

11. The Ombudsman clarified that the 0.7 per cent increase in TME is made up of: 0.3 per cent for the pension deficit payment increase; 0.3 per cent increase in capital costs to fund new investment in technology; and 0.1 per cent for depreciation.⁹

12. When questioned about his ability to maintain the budget as a percentage of the Welsh block grant, if the Welsh Government gained further devolved powers, the Ombudsman said:

“I would certainly hope, if we were to see additional functions come to the Assembly, that funds would follow those functions—that the block would grow if there were to be substantial functional additions to the block. If we were to, therefore, maintain 0.03 per cent, we’d be well placed to be able to cope with that expansion.”¹⁰

Committee view

13. The Committee recognises the challenges associated with forecasting future workload, given the demand-led nature of the Ombudsman’s service. The Committee also acknowledges that these challenges may be exacerbated by the devolution of further powers contained in the draft Wales Bill. However, the Committee continues to be impressed by the Ombudsman’s ability to manage the ever-increasing numbers of enquiries and complaints within his existing budget.

14. The Committee agreed that the strategic approach taken by the Ombudsman to estimating and managing his budget was appropriate, and welcomed the emphasis he placed on engaging with stakeholders

⁷ [Record of Proceedings, 7 October 2015, Paragraph 26](#)

⁸ [FIN\(4\)-23-15 PTN1 Letter to the Chair from the Public Services Ombudsman for Wales](#)

⁹ [Record of Proceedings, 7 October 2015, Paragraph 22](#)

¹⁰ [Record of Proceedings, 7 October 2015, Paragraph 24](#)

in order to promote improvements in public service delivery and complaints handling.

The Committee recommends, following the publication of the draft Wales Bill, that the Ombudsman should initiate work to assess the potential cost to his office of additional functions resulting from further devolved powers in a future Wales Act.

3. Innovation and improvement

15. In his estimate, the Ombudsman stated that he was “acutely aware of the continuing upward trends” in terms of complaint numbers, despite previous work undertaken to streamline the complaints handling process. He explained that, through an innovation project, he has worked with staff to identify further efficiency gains. This has resulted in over 30 action points that focus on the move to becoming a “paperless office”. These include requesting documents only in electronic format and reducing the specified timescales allowed for bodies to provide records.¹¹

16. He told the Committee that the project is already delivering savings in areas such as travel and subsistence and photocopying, and he hopes to see longer term efficiencies that “will be harder to quantify if we’re doing a better job on compliance”.¹²

17. The Ombudsman has also appointed six Investigation and Improvement Officers, following an internal re-organisation exercise. He said:

“Their role will be to work with certain bodies in jurisdiction to try and ensure that they are adopting best practice when it comes to the way in which they handle complaints, the way in which they empower front-line staff, the way in which they have mechanisms to ensure good governance and the fact that there is challenge and reform around these issues.”¹³

Committee view

18. The Committee supports the Ombudsman’s ambition to continually improve the service he provides and commends him on the positive steps taken to pursue further efficiencies.

19. The Committee shares the Ombudsman’s concerns regarding the year-on-year increase in the number of complaints, and supports his decision to direct resources towards strengthening compliance.

¹¹ [Public Services Ombudsman for Wales: Estimate 2016/17, Paragraph 5.4.1](#)

¹² [Record of Proceedings, 7 October 2015, Paragraph 50](#)

¹³ [Record of Proceedings, 7 October 2015, Paragraph 42](#)

The Committee recommends that the Ombudsman monitors the impact of his strategy to reduce the number of complaints and reports back to the Committee in his next estimate. In particular, the Committee would like to see what impact his strategy has on the public bodies that generate the most complaints.

4. Pensions

Pensions of former Ombudsmen

20. The Ombudsman highlighted that his office has absorbed higher than expected costs relating to the pensions for the former Ombudsmen, which are met from within the Ombudsman's budget allocation. The estimate stated that this pension increase will be about 2 per cent in 2016-17, leading to a further £3,000 increase in costs.¹⁴

21. The Ombudsman's Financial Adviser clarified that the pensions of former Ombudsmen relates to a liability, inherited in 2006, for three local government commissioners who were paid pensions by their organisations, rather than via the pension scheme. The Ombudsman will continue to have a liability for life to pay their pensions.¹⁵

22. In terms of managing the liability, he explained that:

“...every year, we review the provision required based on life expectancy tables, discount factors, inflationary factors and things like that, and those figures are audited annually by our external auditors, to be sure that we have sufficient provision in place.”¹⁶

Local Government Pension Scheme

23. In his written evidence, the Ombudsman states that most of his staff are members of the Principal Civil Service Pension Scheme. However, some employees employed before the Ombudsman's office was established are still members of Cardiff County Council Local Government Pension Scheme ('LGPS'), which remains in deficit.¹⁷

24. The issue of LGPS liabilities is a recurring financial issue, which has been discussed in previous years by the Finance Committee, and also by Public Accounts Committee in October 2014.¹⁸ The liability for the Ombudsman's deficit in the LGPS is being paid in additional annual instalments, increased by £13,000 each year, until the deficit is expected to be repaid in 2017-18.

¹⁴ [Public Services Ombudsman for Wales: Estimate 2016/17, Paragraph 9.3](#)

¹⁵ [Record of Proceedings, 7 October 2015, Paragraph 113](#)

¹⁶ *ibid*

¹⁷ [Public Services Ombudsman for Wales: Estimate 2016/17, Paragraph 7.1](#)

¹⁸ [Record of Proceeding - Public Accounts Committee - 7 October 2014](#)

25. When asked about actions taken to ensure that the deficit is repaid by 2017-18, the Ombudsman's Financial Adviser confirmed that this could not be guaranteed, although settlement is currently on track. He explained that he meets annually with the Pension Fund Manager but has no influence over the LGPS funding strategy, highlighting the risks associated with the fund's 80 per cent equity-based investment.¹⁹

Committee view

26. The Committee is grateful for the clarification regarding the pension liability for former Ombudsmen and notes the steps taken to review and manage this indefinite duty.

27. The Committee recognises that the Ombudsman is unable to provide any assurance that the LGPS deficit will be fully repaid by the target date. Nonetheless, the Committee notes the impressive reduction – from an actuarial valuation of £720,000 in 2014 to £490,000 in 2015²⁰ – and is encouraged by the latest projection which indicates that the deficit is on course to be fully repaid by February 2018.

¹⁹ [Record of Proceedings, 7 October 2015, Paragraph 101-105](#)

²⁰ [Public Services Ombudsman for Wales: Estimate 2016/17, Paragraph 7.3](#)

5. Accommodation and technology

28. The estimate for 2016-17 seeks an increase of £8,000 for premises. Additional office space for archiving has been secured at no additional rental cost, as part of the 10 year lease renewal negotiations with the existing landlord. The estimate states that there will be an increase in service charges and other premises related costs, but the lease renewal “has reduced the rental cost per square foot from £13 to £9, resulting in significant value for money for office space”.²¹

29. The Ombudsman acknowledged that storing documents electronically will reduce the physical pressure in terms of archiving, but explained that the additional space will future-proof the office for the next ten years, enabling the use of more innovative technologies such as document scanning, as well as accommodating any additional staffing requirements.²²

30. The Committee asked the Ombudsman whether any consideration had been given to sharing accommodation, technology and support arrangements with any other public bodies. The Ombudsman explained:

“We are open to collaboration, where we can. Clearly, there are statutory provisions that would prevent us from sharing certain costs with the Welsh Government; clearly, we have to be very much at arm’s length there.”²³

31. He indicated that a service level agreement is already in place for HR support with the Wales Audit Office and that he is currently exploring a shared arrangement on internal audit with the Children’s Commissioner for Wales, the Commissioner for Older People in Wales and the Welsh Language Commissioner.²⁴

Committee view

32. The Committee recognises that the independent nature of the Ombudsman’s role prevents him from sharing certain costs such as accommodation, and believes that the 10-year lease provides excellent value for money.

²¹ [Public Services Ombudsman for Wales: Estimate 2016/17, Paragraph 9.4](#)

²² [Record of Proceedings, 7 October 2015, Paragraph 147-148](#)

²³ [Record of Proceedings, 7 October 2015, Paragraph 135](#)

²⁴ [Record of Proceedings, 7 October 2015, Paragraph 135-136](#)

The Committee commends the efforts made to collaborate with other public bodies and recommends that the Ombudsman continues to explore further opportunities to share resources, where appropriate.

6. Updating legislation

Inquiry considering extending the powers of the Ombudsman

33. In May 2015 the Finance Committee undertook an inquiry into extending the powers of the Ombudsman²⁵ through changes to the Public Service Ombudsman (Wales) Act 2005. The main recommendations from the inquiry detailed that there was evidence to support extending the role of the Ombudsman, including initiating investigations and accepting oral complaints. The Committee recommended that a Bill be introduced to ensure engagement with public bodies and the general public affected by the legislation and policy intentions.

34. If a Bill is introduced in the 2016-17 financial year, the Ombudsman's intention is to manage the transitional phase of a new Act within existing budgets. In estimating these costs, he advised the Committee that he had already undertaken some work including looking at what is done in Scotland, Northern Ireland and other jurisdictions.²⁶ He added:

“But I should also remind the committee that there is an efficiency here. If we have a complaints standards authority that is effective, then it should lead to better complaint-handling by bodies in jurisdiction. So, it's the legislative version of what we're trying to do with improvement officers.”²⁷

Committee view

The Committee recommends that the Ombudsman develops the work undertaken to calculate the costs and savings to his office of the proposed extended powers, in order to contribute to a robust regulatory impact assessment to accompany any future Bill.

²⁵ [Inquiry into extending the powers of the Ombudsman](#)

²⁶ [Record of Proceedings, 7 October 2015, Paragraph 162](#)

²⁷ [Record of Proceedings, 7 October 2015, Paragraph 163](#)

Annex A - Witnesses

The following witnesses provided oral evidence to the Committee on the date noted below. The transcripts of the oral evidence session can be viewed at:

www.senedd.assembly.wales/documents/s44714/7%20October%202015.pdf

7 October 2015

| <i>Name</i> | <i>Organisation</i> |
|--------------|---|
| Nick Bennett | Public Services Ombudsman for Wales |
| Susan Hudson | Policy and Communications Manager for the Public Services Ombudsman for Wales |
| David Meaden | Financial Adviser for the Public Services Ombudsman for Wales |

Annex B - List of written evidence

The following provided written evidence to the Committee.

Organisation

Reference

Nick Bennett, Public Services Ombudsman for Wales

[FIN\(4\)-21-15 P2](#)

[FIN\(4\)-23-15 PTN1](#)



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

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

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1. Introduction to this Estimates Submission

- 1.1 I submit this budget estimate as required by paragraph 15 of Schedule 1 of the Public Services Ombudsman (Wales) Act 2005, as amended by the Government of Wales Act 2006. It sets out the resources required from the Welsh Consolidated Fund to carry out my statutory functions apart from my salary, National Insurance and pension costs, which are a separate direct charge on the Welsh Consolidated Fund and do not, therefore, form part of this estimate. However, they are reported in my Annual Accounts in order to ensure that they reflect the total running costs of the office.
- 1.2 This is the fifth submission of the Public Services Ombudsman for Wales's (PSOW) estimates to the Fourth Assembly. The Finance Committee is responsible for considering this estimates submission. The Communities, Equality and Local Government Committee is responsible for considering the work of the office. The PSOW also appears before the Public Accounts Committee to discuss the Annual Accounts as and when required by that Committee. The information provided in this paper relates particularly to those matters within the remit of the Finance Committee.
- 1.3 The Public Services Ombudsman (Wales) Act 2005 establishes the office of the Ombudsman as a 'corporation sole'. The Ombudsman is accountable to the National Assembly for Wales, both through the mechanism of the Annual Report, and as Accounting Officer for the public funds with which the National Assembly entrusts the Ombudsman to undertake their functions.
- 1.4 The net resource expenditure sought for 2016/17 is £4,090k, with a net cash requirement of £4,279k. This represents a flat settlement and maintains my budget at no more than 0.03% of the Welsh Block. It accommodates both staff pay awards and other inflationary pressures other than the annual pension deficit payment increase and a £12k increase in capital to invest in new technologies to increase efficiencies. The detail in this paper supports this estimate submission.

2. The Role of the Public Services Ombudsman for Wales

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

2.2 Complaints about public service providers

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

- local government (both county and community councils);
- the National Health Service (including GPs and dentists);
- registered social landlords (housing associations);
- and the Welsh Government, together with its sponsored bodies.

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

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

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

2.3 Code of Conduct complaints

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

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

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

3. Corporate Governance

3.1 The constitutional position of a corporation sole means that responsibility and accountability for the activities carried out by my office must remain with me, as Ombudsman.

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

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

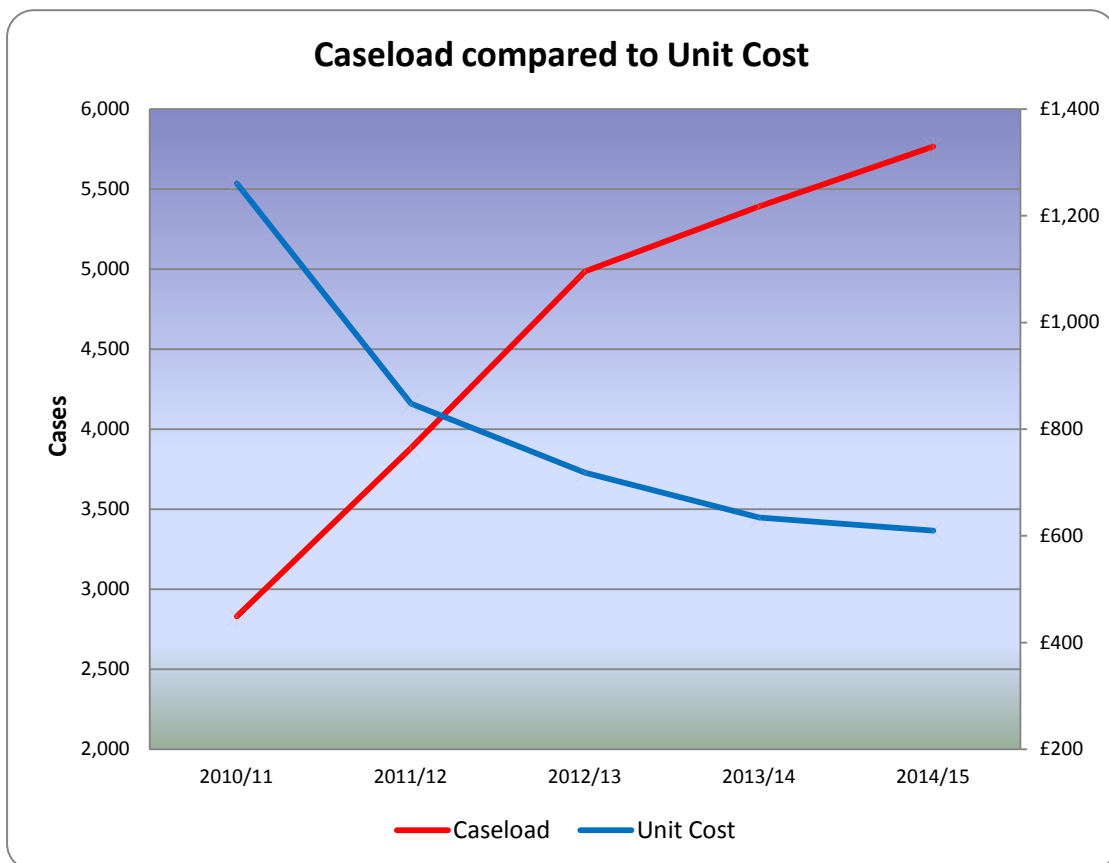
4. Financial Performance

- 4.1 The arrangements for financial management and internal control have been independently reviewed by Deloitte as the PSOW's internal auditors. Deloitte were appointed with effect from 1 April 2011. The work of Deloitte was planned on the basis of their overall needs assessment. Their reports have highlighted the satisfactory internal control framework within the organisation and made recommendations for improvement where necessary.
- 4.2 The Deloitte Internal Audit Annual Report in respect of the year 2014/15 stated: "Based on the work we have undertaken during the year we are able to conclude that the Public Services Ombudsman for Wales (PSOW) has a basically sound system of internal control, which should provide **substantial assurance** regarding the achievement of PSOW's objectives." There were six new recommendations (two medium and four low priority).
- 4.3 The Auditor General gave the annual accounts for the year 2014/15 an unqualified audit opinion in keeping with all previous years.
- 4.4 The PSOW has worked on the principle that the overheads of the office should be less than 5% of the total expenditure. This has always been achieved since the office was established under the Public Services Ombudsman (Wales) Act 2005 and is a principle that was derived from good practice within the public sector. This is evidenced in the analysis of expenditure on the aims and objectives of my Strategic Plan as set out in the Annual Accounts where overheads are identified as 4.5% of total costs.

5. Efficiency and Effectiveness

5.1 The PSOW has previously reported to the Finance Committee on the concerted effort made to provide a more efficient and effective service at the early stages of the complaints handling process, together with streamlining the investigation stage. These arrangements have continued to be crucial in the context of dealing with the ever increasing number of enquiries and complaints received by my office.

5.2 That upward trend continues, as illustrated below:



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

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

5.4 Innovation

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

5.5 Turning the Curve

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

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

5.6 Professional advisers

5.6.1 I use clinical advisers with expertise in various areas of the health professions to assist me with the consideration of health cases. Previously, the office relied solely on advisers engaged through an arrangement with the Office of the Parliamentary and Health Service Ombudsman (OPHSO), which is subject to a recharge to my office. The Committee has been previously advised of the PSOW's decision to directly engage a number of clinical advisers who come in to the office as required. We continue to be very pleased with the positive impact on the PSOW's service as a result. This has enabled a more prompt review of cases at the early stages of the consideration of a complaint, and more focussed and effective interaction with other specialist advisers at OPHSO during investigations. This has reduced costs for my office due to fewer case files needing to be sent to OPHSO in Manchester or London. However, whilst seeking to minimise the call on the arrangement with OPHSO as far as possible, we still have a significant reliance on this service. Further, in view of the continued increase in health complaints to my office, it is likely that I will need to also increase the number of requests for advice, meaning an even greater cost to my office.

5.6.2 I also engage directly a number of other professional advisers in the fields of social care and planning. These also prove their worth by, in particular, enabling early decisions to be made at pre-investigation stage of the complaints process. I am conscious that it is highly likely that I will need to increase the use of the advisers providing me with professional advice on social care matters in view of the additional complaints of this type that will need to be considered by my office as a result of the revised statutory social care complaints procedure and extension of my jurisdiction in this area.

6. Strategic Planning

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

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

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

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

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

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

7. Local Government Pensions

- 7.1 Under the Public Services Ombudsman (Wales) Act 2005, most of my staff are members of the Principal Civil Service Pension Scheme (PCSPS). In previous submissions I have reported that when the office of the Public Services Ombudsman for Wales was established in 2006, a number of members of staff formerly employed by the Commission for Local Administration in Wales were entitled to remain in the Local Government Pension Scheme. Since then, the scheme, which is administered by Cardiff County Council, continues to remain in deficit. This has arisen because of the increases in life expectancy that affect the liabilities of the pension scheme while its assets have been reduced by decreases in the value of its investments and by lower rates of return.
- 7.2 The liability for the deficit was identified following a three year actuarial review and was included within the second supplementary estimate for 2011/12 as Annually Managed Expenditure (AME), however; the annual payments are treated as Departmental Expenditure Limit (DEL). These payments are increased by £13k each year and will continue to be made until 2017/18.
- 7.3 The Scheme funding position had deteriorated since 31 March 2010 primarily due to fluctuations in financial conditions (which has affected actual investment returns since 31 March 2010 as well as expected returns in the future). This has been partially offset by pay increases being lower than expected and shortfall contributions paid since 31 March 2010. The latest actuarial valuation as at 31 March 2015 recognises a reduction of £230k in the deficit from £720k at 31 March 2014 to £490k. It is anticipated that the deficit should be eliminated over the next 3 financial years by the additional payments made to the Scheme in 7.2 above.

8. Pay awards

- 8.1 Office salaries are based on England and Wales Local Government pay scales with uplifts applied depending on settlements agreed at the National Joint Council for Local Government Services. A 2% uplift to pay was agreed in 2014/15 covering the two years from April 2014 to March 2016.

9. Cost Pressures

- 9.1 Despite the cost and other pressures on my service, for this budget estimate submission for 2016/17, I propose a flat settlement and to remain at less than 0.03% of the anticipated Welsh block. The only additional cash sought is the £13k agreed annual increase in pension deficit payments and a small increase in capital of £12k.
- 9.2 The office continues to absorb cost increases. HM Treasury is stating that the GDP Deflators, as the measure of inflation for the forthcoming years, are estimated currently to be 1.0% for 2015/16 and 1.7% for 2016/17.
- 9.3 The office has absorbed higher costs relating to the pension increases for the former Ombudsmen whose pensions are met from within my budget allocation. In line with the Pensions Increase Order for 2015 these pension payments have increased by 1.2% and added £2k to the costs of running this office. It is likely that the pension increase will be about 2% in 2016/17 resulting in a further increase in costs of £3k.
- 9.4 The office continues to meet increases in service charges, rates and utilities at the premises in Pencoed. There is, however, a requirement for additional archive space, which has arisen due to the increase in case files which need to be retained. In addition, this will enable us to realise our innovation actions as regards the use of technology for matters such as video-conferencing, Skype and document scanning. In addition, it future-proofs the office for the next ten years, including the potential for additional staff should the Ombudsman be given additional powers in any new Act. Therefore, as part of the 10 year lease renewal negotiations with our existing landlord, we acquired additional office space within the same building at nil additional rental cost although there will be an increase in service charges and other premises related costs. This has reduced the rental cost per square foot from £13 to £9, resulting in significant value for money for office space.
- 9.5 Despite the cost of printing, postage and carriage continuing to rise we intend to absorb these costs by implementing various efficiency and cost reduction schemes such as – encouraging the use of double sided printing, more use of second class mail and constant evaluation of courier costs.

- 9.6 We continue to embrace technological advances to improve efficiency and take the office towards becoming a paperless office. We need to increase our capital budget from £13k to £25k to enable us to continue to invest in these technologies.

- 9.7 In relation to procurement, when new contracts are negotiated and exiting contracts reviewed the aim is to secure cost reductions and/or enhancements in the method of working. Examples include a new integrated mobile phone and tablet solution, replacement of low specification PCs for front line staff, increased internet bandwidth at no extra cost and improved management performance measuring tools via new telephone software. We continue to enhance our complaints handling system to improve usability, reflect developments in our internal processes and keep up with legislation.

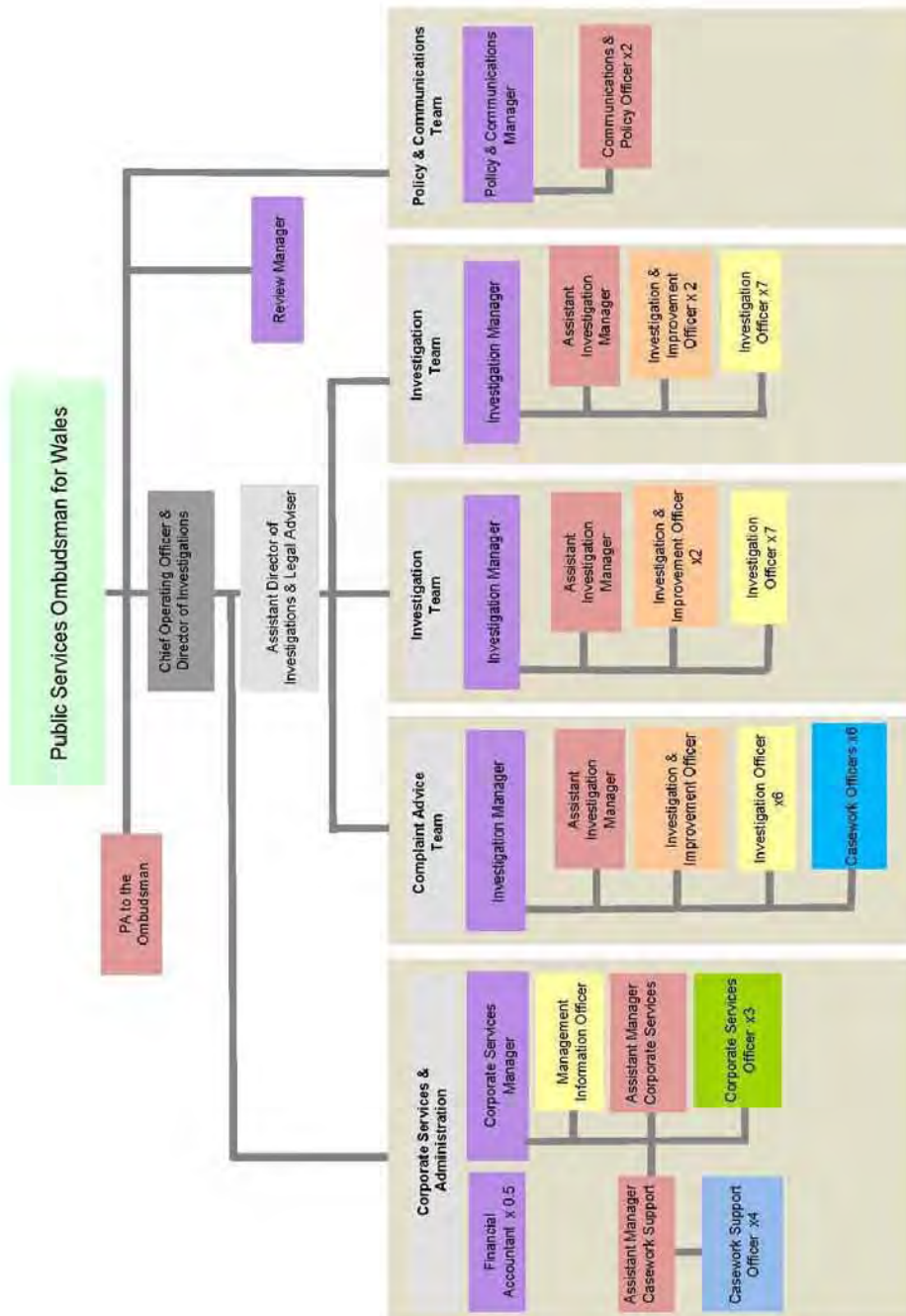
- 9.8 Finally, I would draw the Committee’s attention to the fact that my budget estimate does not include any contingency provision for meeting unexpected items of expenditure, such as legal challenges to my casework decisions.


Public Services Ombudsman for Wales
September 2015

Appendix 1 Estimates 2016/17

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

Appendix 2 Organisational Structure since June 2015





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