Parliamentary and Health Service Ombudsman

Parliamentary and Health Service Ombudsman

Main Estimate Memorandum for 2022-23

April 2022

1 Overview

1.1 Objective

The Parliamentary and Health Service Ombudsman (PHSO) was set up by Parliament to provide an independent complaint handling service. We make final decisions on complaints that have not been resolved by the NHS in England, UK government departments, and other UK public organisations.

The Ombudsman is a Crown appointment, independent of government, but accountable to Parliament. Our work is scrutinised by the Public Administration and Constitutional Affairs Committee.

The PHSO’s strategy for 2022-2025 sets out three key objectives:

1) **Objective 1**: People who use public services have a better awareness of the role of the Ombudsman and can easily access our service.

2) **Objective 2:** People we work with receive a high quality, empathetic and timely service, according to international Ombudsman principles.

3) **Objective 3:** We contribute to a culture of learning and continuous improvement, leading to high standards in public service.

1.2 Spending Controls

PHSO’s net spending is broken down into four different spending totals, for which Parliament’s approval is sought.

The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit (“Resource DEL”) - a net limit comprising day-to-day running costs
- Capital Departmental Expenditure Limit (“Capital DEL”) - investment in capital projects such as ICT infrastructure
- Annually Managed Expenditure (“AME”) – to recognise changes in our provisions
- Net Cash Requirement (NCR) - the amount of cash PHSO will pay out in the year.

1.3 Comparison of net spending totals sought

	Main Estimate 2022-23 £m	Main Estimate 2021-22 £m	Difference £m	Difference %
Resource DEL	40.973	33.491	7.482	22%
Capital DEL	11.748	2.000	9.748	487%
Of which:				
Amount for adoption of IFRS16	9.748	n/a	9.748	n/a
Other	2.000	2.000	-	0%
Resource AME	0.522	1.499	(0.977)	(65%)
Net Cash Requirement	40.343	35.94	4.403	12%

PHSO did not have a Supplementary Estimate in 2021-22

1.4 Key drivers of spending changes since last year

Resource DEL

The increase in PHSO's resource DEL was approved in Spending Review 2021 (SR21). PHSO's strategy supports the government's agenda on strong and innovative public services, and on levelling up. Our casework supports individuals who have experienced public service failures and promotes the improvement of public services for everyone through learning from complaints and mistakes. We make recommendations to the organisations we investigate, and we lay reports in Parliament to highlight necessary improvements and help Parliament to hold public services to account.

The impact of COVID-19 on public services means that our work has never been more important, and that the complaints we receive have increased substantially. When we delivered our submission to the spending review, we anticipated a 20% increase in complaints into our contact centre: currently, complaints received are 28% higher than before the pandemic.

The increase in our resource DEL will enable us to respond to the increase in demand for our services. It will also fund work to ensure that those who face barriers to accessing our service, whether vulnerable members of society, or disadvantaged communities can do so, supporting the government's access to justice and levelling up priorities.

Some of the increase in RDEL is for depreciation to cover the impact of the adoption of IFRS16 as discussed below under 'Capital DEL'.

Capital DEL

Our 2022-23 capital DEL includes £9.748m for the implementation of International Financial Reporting Standard 16 (IFRS16) on leases. All bodies which prepare their accounts in accordance with the Treasury's Financial Reporting Manual are adopting IFRS16 with effect from 1 April 2022. For the PHSO, this means that the leases we have for our office space in Manchester and London will be capitalised with a corresponding liability for lease payments. The amount of £9.748m covers the estimated initial recognition value of our leases. This is a bookkeeping entry and there is no change in the underlying cash flows.

Excluding the amount for IFRS16 implementation, capital DEL remains constant.

Resource AME

Resource AME is forecast to decrease to £0.522m. This decrease reflects anticipated requirements in relation to office dilapidation costs and litigation cases.

Net Cash Requirement

The increases in Net Cash Requirement reflect the changes in RDEL and will ensure sufficient liquidity.

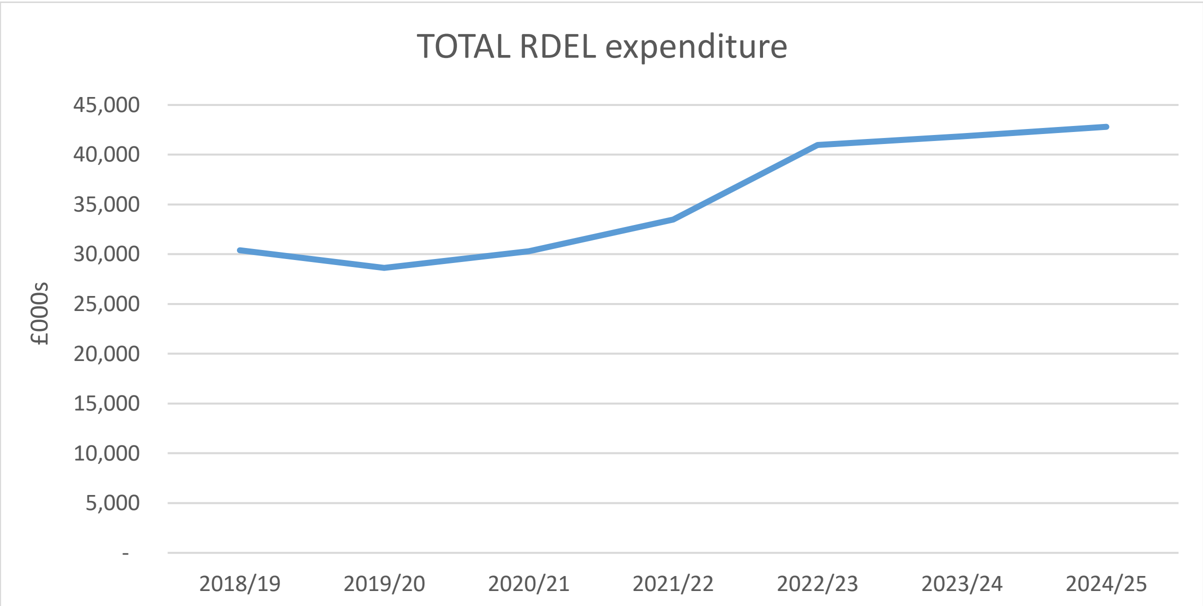
1.5 New policies and programmes, ambit changes

There have been no ambit changes.

1.6 Spending trends

The chart below shows Resource DEL from the previous three years, 2021-22, and the three future years per SR21.

Resource DEL



Amounts per the Main Estimate or Supplementary Estimate where applicable and SR21

1.7 Administration costs and efficiency plans

PHSO is funded on a Programme Costs basis.

1.8 Funding: Spending Review and budgets

PHSO does not charge for its services and all costs are funded from the Exchequer. The three-year plan per SR21 has been approved.

1.9 Funding: other spending announcements

None.

2 Spending Detail

2.1 Explanations of changes in spending

Significant changes in expenditure are explained in section 1.4.

<table>
<tr><th rowspan="3"></th><th colspan="5">DEL</th></tr>
<tr><th>This year (2022-23 Main Estimates budget sought)</th><th>Last year (2021-22 Supp. Estimates budget sought)</th><th colspan="2">Change from last year</th><th rowspan="2">Is change significant? See explanation, note number</th></tr>
<tr><th colspan="3">£m</th><th>%</th></tr>
<tr><td>Programme expenditure (Resource DEL)</td><td>41.0</td><td>33.5</td><td>7.5</td><td>22%</td><td>No</td></tr>
<tr><td>Gross expenditure</td><td>41.0</td><td>33.5</td><td>7.5</td><td>22%</td><td>No</td></tr>
<tr><td>Income</td><td>0.0</td><td>0.0</td><td>0.0</td><td></td><td>No</td></tr>
<tr><td>Net Expenditure</td><td>41.0</td><td>33.5</td><td>7.5</td><td>22%</td><td>No</td></tr>
<tr><td>Capital DEL</td><td>11.7</td><td>2.0</td><td>9.7</td><td>487%</td><td>Note 1</td></tr>
<tr><td>Annually Managed Expenditure</td><td>0.5</td><td>1.5</td><td>1.0</td><td>(65%)</td><td>No</td></tr>
</table>

Note 1:

Capital DEL includes £9.748 for IFRS16 additions. Non-IFRS16 Capital DEL is £2m, which is comparable with the previous year.

2.2 Restructuring

No significant restructuring is planned during 2022/23, although there will be a substantial increase in staff to deliver new strategy objectives and to respond to COVID-19.

2.3 Ring-fenced budgets

Depreciation is the only ringfenced budget in PHSO finances. The increase in depreciation is a consequence of the capitalisation and depreciation of property leases required in the implementation of IFRS16, as described in section 1.4 above.

	Main Estimate 2022-23 £m	**Main Estimate 2021-22 £m**	**Difference £m**	**Difference %**
Depreciation	2.859	1.312	1.547	118%

2.4 Changes to contingent liabilities

PHSO does not have any contingent liabilities.

3 Priorities and Performance

3.1 How spending relates to objectives

The table below lays out the financial allocation of the funding to these objectives.

	Objective 1: People who use public services have a better awareness of the role of the Ombudsman and can easily access our service £m	**Objective 2:** People we work with receive a high quality, empathetic and timely service, according to international Ombudsman principles £m	**Objective 3:** We contribute to a culture of learning and continuous improvement, leading to high standards in public service £m	**Total** £m
Operations	9,036	6,036	3,732	18,804
Legal, Clinical and Data	2,002	1,250	858	4,110
Strategy and Communications	1,714	569	767	3,050
Corporate Services	5,361	3,554	3,235	12,150
Total	**18,113**	**11,409**	**8,592**	**38,114**

Figures in the table exclude depreciation of £2.859m which is not allocated across objectives.

3.2 Measures of performance against each priority

PHSO's Service Charter sets out commitments to the service provided at different stages of the complaints investigation process. Information is gathered by an independent company from individual complainants and from the organisations we investigate about performance against these commitments, to measure views about how well the service is being delivered and where improvements could be made. The results are published on the PHSO website on a quarterly basis and have remained broadly stable in the year to date despite the impact of COVID-19 on our service.

COVID-19 has an ongoing impact on PHSO's operational performance. The impact of COVID-19 on public services means we are receiving many more complaints, and it is taking longer to investigate them. Since the start of the pandemic, both our caseload and the length of time to resolve cases have increased. Our priorities are to reduce the queue of cases that have not yet been allocated to a caseworker and to resolve the oldest open cases. We measure performance through a series of key performance indicators (KPIs) which are set out in our business plan and budget for 2022-23. The KPIs include measures of the length of time to close cases.

The business plan includes additional resources for new casework teams to respond to complaints, and a programme to transform the efficiency of the casework function over the next three years, including development of automation. However, our focus on closing the oldest cases means that in the short term, reported performance on the length of time to close cases is likely to deteriorate before it improves.

3.3 Commentary on steps being taken to address performance issues

The steps taken to help to address the areas where performance is being impacted are summarised below:

- Recruitment of additional caseworkers to address the increase in the number of people waiting to access our service
- Prioritisation of cases where greater injustice has occurred
- Targeted action to reduce the number of cases over 18 months duration.
- Development of a comprehensive wellbeing programme to support staff during the pandemic.

3.4 Major Projects

None.

4 Other Information

None

5 Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by me as Accounting Officer.

Rob Behrens

Rob Behrens
Ombudsman
6th April 2022