



Annual Report and Accounts

Year ended 31 March 2017

The accounts for the financial year ended 31 March 2017 are presented in accordance with the Accounts Direction given by the Scottish Ministers, in pursuance of paragraph 15 (1) of Schedule 1 of the Scottish Public Services Ombudsman Act 2002.

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PERFORMANCE REPORT

Overview

The Scottish Public Services Ombudsman (SPSO)'s key roles are to investigate complaints, share best practice in complaints handling and act as the reviewers of Scottish Welfare Fund (SWF) decisions.

Key achievements in 2016-17 included:

- handling around 1,400 enquiries and over 4,000 complaints about a wide range of public services
- making almost 1,400 recommendations to make those public services work better, the vast majority of which were complied with within the timescales set
- setting up a bank of professional advisers based in Scotland to give advice on health issues
- taking on a new role as independent reviewer of councils' SWF decisions
- leading the development of a new NHS complaints handling procedure (CHP) and supporting its implementation
- developing a new social work CHP and supporting its implementation
- establishing a Learning and Improvement Unit to further the impact of our recommendations
- in our first year of SWF reviews, determining 437 reviews (230 community care grants and 207 crisis grants) and making 408 suggestions for improvement about how councils had handled cases.

Background

The SPSO was constituted under Section 1 of the Scottish Public Services Ombudsman Act 2002 and its role was enhanced by two 2010 Acts - the Scottish Parliamentary Commissions and Commissioners etc. Act and the Public Services Reform (Scotland) Act. The latter gave the Ombudsman new powers and duties to oversee the development and publication of standardised model complaints handling procedures. This led to the creation of the SPSO's Complaints Standards Authority.

The current Ombudsman is Rosemary Agnew who was appointed on 1 May 2017 for a period of eight years, and she is the Accountable Officer. The previous Ombudsman was Jim Martin, who demitted office on 30 April 2017 when his term ended after a total of eight years' service.

Strategic Plan

Our 2016-2020 Strategic Plan¹ sets out our six strategic objectives, which are to:

1. provide a high quality, user-focused independent complaints handling service
2. provide a high quality, user-focused independent review service of Scottish Welfare Fund decisions
3. simplify the design and operation of the complaints handling system in Scottish public services
4. improve complaints handling by public service providers
5. be an accountable, best value organisation

¹ <https://www.spsso.org.uk/strategic-plan>

6. support public service improvement in Scotland.

Realisation of these strategic objectives is supported by our 2016-17 annual business plan. Our strategic plan includes five equalities commitments. These, and the measures against which we will demonstrate achievement and performance are interwoven into our annual plan. We monitor and report our performance against targets to help us improve our service.

Here is a summary of how we performed in 2016-17 against our six strategic objectives.

Strategic objective 1: to provide a high quality, user-focused independent complaints handling service

Casework performance information²

We received 5,586 complaints and enquiries (compared to 5,358 in 2015-16), an increase of 4% in overall contact. In 2016-17:

- 1,404 people received advice, support and signposting
- we handled 4,182 complaints
- 1,424 cases were decided following detailed consideration pre-investigation, and we took 805 complaints to full investigation
- the overall rate of upheld complaints investigated dropped from 54% to 52% compared with the previous year
- we made 1,379 recommendations for redress and improvement
- the proportion of complaints that reached us before completing the authority's procedure (premature complaints) dropped again, from 31% to 28%.

We were pleased to note the continuing decrease in the number of premature complaints (complaints that reach the SPSO before completing the authority's procedure). We believe the reduction in premature complaints is largely attributable to improvements in complaints handling by public bodies that have implemented the simplified model complaints handling procedures we put in place from 2012-13. Other reasons are the focussed work we have done with some authorities that have had higher rates of premature complaints than other, comparable organisations, and the impact of our training unit. Our training teaches skills and builds confidence in complaints handling by public service frontline staff and complaints investigators, so that authorities deal with the issues properly first time.

We saw an increase in cases received for decision, including an increase in the complexity of cases. 63% of cases that we closed at full investigation in 2016-17 were about the health sector (compared to 58% the previous year). Health cases are more complex because they often consist of multiple issues and may need specialist advice. This complexity increases the SPSO's staff handling time and also puts pressure on our resources because of the direct costs of sourcing that advice.

² To read our full annual statistics visit <https://www.spsa.org.uk/statistics-2016-17>

Timescales

We consider each complaint on its own merits and clearly the time taken to handle each one varies, depending on the level of advice, resolution work or investigation required. We do, however, set average timescale targets for staff to track and measure our performance across these three main areas of our work, which we publish on our website. We exceeded two of three of our targets for timescales performance indicators in 2016-17:

- PI-1 99.5% (target: 95% of advice stage complaints were handled within 10 working days)
- PI-2 88.0% (target: 95% of early resolution complaints were decided or moved to more complex investigation stage within 70 working days)
- PI-3 96.1% (target: 95% of investigation complaints were decided within 260 working days)

Although we did not reach the PI-2 target as a result of a reduction in investigative resource, we were able to maintain our performance against this indicator, achieving 88% compared with 88.6% in 2015-16.

Improving our service

An internal service improvement group meets quarterly to consider the information we receive from a variety of sources: our quality assurance process, requests for reviews of our decisions, customer service complaints and stakeholder feedback. In 2016-17 we set up a new Customer Forum, made up of recent users of our service. The Forum complements our customer sounding board in providing insight, challenge and feedback on the SPSO's accessibility, communications and the impact of our recommendations.

Quality Assurance

In addition to senior level review of some case decisions, we ensure quality through our QA process. Our current process involves randomly testing a 10% sample of our work on recently closed cases at different stages in our process on a quarterly basis. We did not change any decisions following QA in 2016-17. We gave careful, closer consideration to a small number of cases and found some instances where we could have given a clearer explanation or where we could have obtained more evidence to support our conclusions.

Reviews of our decisions

In 2016-17 we responded to 309 requests for review (14% of cases eligible for review). We changed the original decision in nine of these. In these cases we either did not feel we had enough evidence to reach the original conclusion, or felt we could have exercised our discretion to consider the complaint. We re-opened six complaints in light of new information received (i.e., entirely new and relevant information that we did not have during the original investigation).

Customer service standards: customer surveys and complaints about our service

Our customer service standards apply to everyone who uses our service – members of the public and public authorities. We were pleased that in 2016-17 the Ombudsman Association used the SPSO's service standards as the basis of a generic customer standards framework they have developed for all UK and Ireland ombudsman schemes.

Surveys: In 2016-17 we continued the rolling survey with the public that we began in 2015.³ The results are reported quarterly to our service improvement group so that we can act quickly on the feedback we receive. We will publish the results, our findings and actions later this year. In 2016-17, we also began a survey of public authorities.

Customer service complaints: We look at complaints about the standard of service we provide and whether that service met our service standards. Our process for people who are unhappy with our service has two internal stages, followed by referral to an external Independent Customer Complaints Reviewer (ICCR). We responded to 50 customer service complaints in 2016-17 from 4,182 complaints (1.2% of our caseload), of which 11 (22%) had elements that were upheld or partly upheld. The ICCR received seven referrals and completed two full reviews. One referral was withdrawn by the complainant, and in four cases the ICCR did not carry out a full review because the issues the complainant wished them to look at related to decisions made by the SPSO rather than to a service failure. In the two reviews that were carried out, the ICCR upheld elements of the complaints. The ICCR made three recommendations to the SPSO, which were responded to by the senior management team.

We record and report reviews and customer service complaints internally and to our Audit and Advisory Committee. We publish statistics and summaries on our website.

Sounding boards

In addition to our Customer Forum, we have three sounding boards representing customers, local authorities and the NHS, which meet two or three times a year. Membership and minutes are posted on our website.

Social, community and human rights issues

Where such areas are identified in our casework, we may highlight issues and make recommendations which we publicise on our website and through our monthly e-newsletter.

Professional clinical advice

A significant project in 2016-17 was the setting up of a bank of independent Scotland-based professional advisers, whose role is to provide advice to the SPSO on clinical health matters. We have advisers in other sectors too where we require specialist knowledge, such as water and planning complaints, but the vast majority of professional advice we require is about health matters.

For over a decade we had been able to access advice from a central point used by all UK public services ombudsman schemes through the UK Parliamentary and Health Services Ombudsman (PHSO). In 2016 we were informed that the PHSO's service would cease from 1 April 2017.

We were pleased to have the opportunity to develop a larger pool of Scottish clinical advisers, which will allow us to quality assure a broader range of the advice we receive and to facilitate the sharing of knowledge about the SPSO more widely in the NHS in Scotland. For many years we

³³ Read the 2015-16 survey report at:
https://www.spsso.org.uk/sites/spsso/files/communications_material/research/SPSO%202015-16%20Customer%20Satisfaction%20Survey.pdf

have obtained the services of some Scotland-based independent advisers in areas commonly complained about such as GP services, mental health and nursing. The benefits of using advisers based in Scotland is that they are fully aware of the Scottish context which can be different from that elsewhere in the UK and also that it allows us to access advice more directly and quickly.

While there are benefits to this move, it entailed additional costs as we took on the administration and quality assurance services previously provided by PHSO. We discussed the change in detail with the Scottish Parliamentary Corporate Body (SPCB) since we were compelled to seek a modest increase in our budget to meet this unexpected, increased cost.

Risk Management

The number and complexity of complaints and enquiries processed each operational year is demand driven and outwith the control of the SPSO. Due to the impact this fluctuation has on operational activities it is closely monitored by the management team. Regular review and implementation of process efficiency improvements, alongside supporting improvement by public bodies in the handling of complaints, are some of the actions undertaken to mitigate the impact of this fluctuation. This continues to be a challenge and is identified as a risk in the management of the financial arrangements of the SPSO.

Strategic objective 2: to provide a high quality, user-focused independent review service of Scottish Welfare Fund decisions

In 2016-17, we implemented our new function as independent reviewer of the Scottish Welfare Fund (SWF). The SWF provides a safety net for some of the most vulnerable and disadvantaged people in Scotland through the provision of community care grants and crisis grants. It is a national scheme, delivered on behalf of the Scottish Government by local councils in line with the SWF legislation and guidance.

Our role as reviewer of councils' decisions began on 1 April 2016, with recruitment, facilities, guidance and procedure for carrying out reviews and communications materials in place. To ensure a smooth process, we had set up two sounding boards (for local authorities and the third sector) and consulted on our Statement of Practice and on our approach to an Equalities and Human Rights Impact Assessment. We also liaised with the Government, COSLA and the Scottish Parliamentary Corporate Body to make sure that we were adequately resourced for the role.

Our team consisted of five covering the whole of Scotland, replacing the previous scheme where all of the 32 councils had separate review panels in place, each entailing administration and management costs. We handled a comparable number of reviews overall compared with the previous scheme, and saw a 26% increase in the number of crisis grant applications.

Recognising the urgency of the situations many applicants face, accessibility was a key focus. We ensured that people could apply for a review by telephone (when previously applicants had to make review requests in writing). 72% of all initial contact to us was made by phone, and it is likely that the increase in crisis grant applications was in large part a direct result of this increased accessibility.

A significant change in service delivery from the previous scheme is that the SPSO's case reviewers contact every applicant to explain the process and provide an opportunity for them to discuss their case. In addition, we provide detailed reasons for the decisions we make, and also highlight 'suggestions for improvement' which aim to promote better service delivery and decision-making by individual councils.

As well as delivering an accessible, effective service that provides value for money for the public purse and feedback to councils, the new scheme offers unique independent oversight into the way in which SWF guidance is being applied across the country. Our most common finding was councils' poor communication with applicants and in many cases we highlighted that they did not provide a clear rationale for their decision.

Performance information

In 2016-17, our SWF team helped 1,078 people. This included:

- answering 331 enquiries
- signposting and giving advice and support to 310 people
- determining 437 reviews (230 community care grant reviews and 207 crisis grant reviews).

The overall uphold rate for crisis grants was 32% and for community care grants it was 43%. We instructed councils to award:

- 66 crisis grants (our median award was £82.35)
- 98 community care grants (this included 345 individual items, the most common of which were cookers, fridge freezers, carpets/flooring and washing machines).

Timescales

We set ourselves three performance indicators (PIs), and as shown, we exceeded them:

- PI-1 (target: 95% of crisis grant applications determined within one working day from the point at which we have received all information) 99.5%
- PI-2 (target: 95% of community care grant applications responded to within 21 working days from the point at which we have received all information) 97.8%
- PI-3 (target: 95% of cases requested for reconsideration, decision is correct) 99.5%

PI-1 and PI-2 are the timescales that we set out in our Statement of Practice for each type of grant and they are measured from the point at which we have received all the information we require to make our decision. PI-3 is a quality target and is based on the outcome of the small number of cases where we are asked to look again at the decision.

Improving our service

We use the same processes for SWF reviews as we do for complaints to ensure that we gather and respond to feedback: quality assurance; requests for us to reconsider our decisions, customer service complaints and input from stakeholders.

Quality Assurance

As a new service, all decisions were checked and approved by management for the first few months of operation to ensure quality and consistency. After this initial period, a QA process was developed which involves 10% of cases being assessed on a quarterly basis by a senior colleague from outside the team. To ensure learning and improvement, results are fed back to individual case reviewers and considered at our internal service improvement group.

As a high proportion of our customer contact is over the phone, we considered that there should also be a measure for reviewing the quality of our telephone conversations. Following a successful telephone QA pilot in late 2016, the scheme will be rolled out fully during 2017-18.

Reconsideration requests

We test the quality of our decision-making through examining carefully all requests that are made to us for reconsideration. During 2016–17 we responded to 37 requests for reconsideration. This was 8% of our decisions. We changed the original decision in two of these and re-opened a further two cases in light of new information having been received.

Customer service complaints

We have a two stage complaints process, which adopts the principles and approach of the model complaints handling procedure. At the first stage we look at complaints ourselves to try to resolve matters. If the person is still unhappy they can take the matter to our senior management at stage two, after which it can be looked at by an external independent person. We record and publish details of customer service complaints on our website, including any actions taken in response.

During the year we received two customer service complaints about our SWF service, (less than 1% of our SWF caseload). We responded to both complaints on the same day we received them, well within our target of responding to complaints at stage one within five days. Both were responded to by the team manager at stage one and did not progress to the second stage in the process where senior management review complaints.

Stakeholder input

As a new service, raising awareness of our role was a priority during the first year. To help us achieve this, we spoke at a number of events including the Child Poverty Action Group Annual conference, the Scottish Independent Advocacy Alliance Annual Conference, the Welfare Rights Forum and three Scottish Government workshops. Additionally, we met with a number of advice organisations across Scotland and visited 14 SWF teams within councils.

Our two sounding boards (one for local authorities and one for the third sector) provide invaluable feedback and we continued the meetings of the sounding boards throughout the first year of the service and into 2017–18. The local authority sounding board enables us to share information about our processes, gather feedback and respond to queries.

It has also revealed information about broader themes across SWF as we are conscious that we only see the 'tip of the iceberg' in terms of overall SWF applications. Our third sector sounding board has developed our understanding of the needs of specific groups who may access the fund

including people with disabilities, refugees and individuals who have experienced domestic violence.

Risk Management

The significant risk in relation to strategic objective 2 was whether the SPSO had sufficient resources and hence the ability to respond within the statutory timescales. This risk was the result of uncertainty about workloads in the first year of delivery of the new function. Close monitoring of the case workflow by the management team, engagement with local authorities and the 3rd sector support and advocacy bodies, as well as regular updates with the Scottish Government were undertaken to ensure resourcing was appropriate for the demand.

Strategic objective 3: to simplify the design and operation of the complaints handling system in Scottish public services

Strategic objective 4: to improve complaints handling by public service providers

These objectives are delivered by our Complaints Standards Authority (CSA). Key achievements were:

- leading on the development of the new NHS model complaints handling procedure (CHP)
- developing the new social work model CHP and preparing for the SPSO's extended role to consider professional judgement in relation to social work complaints
- supporting organisations to monitor, report and learn from complaints handling
- providing advice, support and guidance in respect of good complaints handling
- delivering training.

Developing a model CHP for the NHS

In response to the Scottish Health Council's review of NHS complaints handling ('Listening and Learning - How Feedback, Comments, Concerns and Complaints Can Improve NHS Services in Scotland') in 2015-16 the Scottish Government asked the CSA to lead on the development of a standardised, person-centred NHS model CHP. This work continued in 2016-17 in partnership with representatives from across NHS Scotland including territorial boards, the Scottish Health Council, NHS Education for Scotland (NES), NHS National Services Scotland, the National Prisoner Healthcare Network, primary care and the NHS Complaints Personnel Association Scotland. The independent Patient Advice and Support Service and Healthcare Improvement Scotland public partners were also actively involved. We also worked closely with the Government and its legal advisors to identify the required amendments to the relevant legislation.

The new CHP was published by the Government in October 2016, for implementation from 1 April 2017. The procedure supports a consistently person-centred approach to complaints handling across NHS Scotland, and brings the NHS into line with other public services by introducing a two stage process. Following publication, we worked closely with the Government and NES to develop a programme of education and awareness-raising to support staff to implement the new procedure. This included revisions to e-learning material and participating in a programme of events across Scotland.

Social work

Developing a CHP; health and social care integration complaints

Following several years of discussion during which the SPSO raised concerns about the complaints arrangements for often vulnerable social work service users, 2016-17 finally saw some tangible progress being made. Our concerns related to the existing social work complaints procedure and Complaints Review Committees (CRCs), together with the challenges of complaints arising from the integration of health and social care services, which were embedded in different and inconsistent legal frameworks.

Legislative changes in March 2016 abolished the previous social work complaints arrangements (including the requirements for CRC hearings) and introduced a new responsibility for the SPSO to consider the issue of professional judgement in social work complaints.

With the abolition of those arrangements came the requirement for us to develop a new social work model CHP. We followed the same approach as we had for all sectors, including for the new NHS CHP: working in partnership with key stakeholders to take account of issues specific to social work services and those arising from the integration of health and social care services.

Our partners in this work included the Scottish Government, councils, SOLAR, COSLA, the Care Inspectorate, the Scottish Social Services Council (SSSC), advocacy organisations and several third sector representative groups. The social work CHP was published in December 2016, for implementation from April 2017. We provided advice, guidance and support to organisations during the period of implementation.

Integration Joint Boards (IJBs) are listed under the SPSO Act 2002, and must therefore also have a CHP which complies with the Principles approved by the Scottish Parliament in January 2011. To simplify this process, we developed a template CHP for IJBs to adapt and adopt.

Preparing for the SPSO's extended role in relation to social work complaints

The Public Services Reform (Social Work Complaints Procedure) (Scotland) Order 2016 enabled the SPSO to consider professional judgement elements of social work complaints. Importantly, this brings social work into line with health complaints, where we can already assess clinical judgement.

In preparing for the SPSO's extended role, we engaged with the relevant partners and stakeholders, including Social Work Scotland, COSLA, SOLAR and local authorities, the third sector and advocacy groups, the SSSC, the Care Inspectorate, and the Scottish Government's Integration Team. They provided feedback and acted as a sounding board for our work.

We also visited local authority social work services, attended CRC hearings and scrutinised the SPSO's social work cases and CRC outcomes to ensure we were well prepared for this extended role.

We recruited independent professional social work advisers to provide our complaints reviewers with appropriate advice when considering professional judgement in social work complaints. They

helped us prepare for our new role by adding to our knowledge bank and delivering several training events for our staff. We also updated our public facing leaflets on social work complaints and revised our website to ensure it reflected our new powers.

Monitoring compliance and performance

We continued to monitor compliance with model CHPs in all sectors and to respond to any non-compliance issues by feeding back to and supporting individual authorities. We also continued to support organisations in their reporting and publishing of complaints information including through complaints handlers networks and key sector and regulatory bodies (such as Audit Scotland, the Scottish Housing Regulator, the Scottish Funding Council, the Scottish Government and the Scottish Parliamentary Corporate Body). This reporting is done within existing structures, to minimise the regulatory burden.

We also supported the local authority, housing and college sector's complaints handlers networks with their work in benchmarking complaints performance. The college sector has taken this further and have developed standardised categories of complaints across the sector. This will extend understanding of the service areas which generate complaints, and help colleges target learning and improvement activities.

Good practice through advice, support and guidance

A core activity of the CSA is to support public bodies in good complaints handling. One way we do this is by pro-actively providing advice guidance and responding to ad hoc requests. The total number of support engagements during 2016-17 was 370. This is a reduction from the previous year when we had 621 engagements. This has been a continuing trend and recognises our work to create and support knowledge networks across all sectors to identify and share good practice in complaints handling. Three sectors accounted for over half of the requests we received – local authorities (28%), housing (16%) and NHS (11%).

In 2016-17 we participated in over 70 events, meetings, workshops, conferences and so on to promote good practice in complaints handling. For example, we:

- took part in four regional NHS events;
- delivered complaints workshops for primary care providers including practice managers;
- presented to Social Work Scotland's complaints group in relation to the new CHP; and
- spoke directly to elected members in local government about their scrutiny role in monitoring complaints performance.

We also updated our CSA website⁴ in 2016-17 to provide more user friendly access to information for organisations seeking to improve complaints handling.

Networks

We continue to support the sector specific complaints handlers' networks. The networks, which currently include the local government, housing, NHS, college and university sectors, are run by the members and aim to share good practice, develop tools and guidance, support practitioners and facilitate benchmarking of complaints performance information.

⁴ www.valuingcomplaints.org.uk

Training

Our training unit comprises one part-time training co-ordinator with some administration support. In 2016-17 we delivered 39 training courses across all sectors. These were:

- 23 complaints investigation skills courses
- 13 good complaints handling courses
- 3 managing difficult behaviour courses

Almost a third of courses were to the housing sector, followed by Government agencies, local authorities and the NHS and HE/FE sectors. In addition, we delivered three cross-sectoral open courses.

We also continued to promote our e-learning courses. These are free. In addition to this, many public authorities, in particular councils, have adapted the e-learning package for use on their own internal systems. We cannot track the numbers who access the e-learning in this way but it is likely to be larger than the number who register directly.

Risk Management

Three new key strategic projects were delivered under these two objectives this year, introducing CHPs for social work and NHS services and preparing the SPSO to take on an extended role in relation to social work complaints. The main risk related to resourcing and stakeholder engagement. This risk was mitigated through careful project scoping and a well-managed change process. All three projects were delivered successfully by 1st April 2017 in line with the SPSO's statutory obligations.

Strategic objective 5: to be an accountable, best value organisation

Strategic planning and delivery

In 2016-17, we delivered the first year of our 2016–20 strategic plan. Progress against this and annual business plans and measures is reviewed regularly by the senior management team, operational management, the Audit and Advisory Committee, and shared with SPCB officials.

Improving operational efficiency

The outcome of the external audit engagement for the 2015-16 accounts was an unqualified certificate from the external auditors, Audit Scotland.

In 2016-17 our internal auditors, the Scottish Legal Aid Board, looked at the areas of payroll, absence, risk management, accounting and budgeting, procurement and provided a consultancy report on climate change reporting duties. The auditors raised no issues of significance.

We implemented improvements to our case-handling application which refined our casework process from a 5-stage to a 3-stage process, streamlining complaint administration and integrating the new case type for SWF casework. We updated our desktop and laptop computers in

preparation for moving onto Windows 10 in 2017, as part of the SCOTS Connect secure network services.

Our people

We review our own learning and development requirements and deliver training programmes and development opportunities on a rolling basis. Group training sessions are delivered by a mix of internal and external experts and, in 2016-17, this included areas such as prison service, forensic psychology, dementia awareness, social work; presentation skills; leadership development; legal matters and issues; initiatives to promote positive mental health; internal knowledge-sharing sessions.

As we had a higher than usual turnover in 2016-17, we ran a number of new start induction sessions, including telephone training. We developed our new start induction programme to include a 10-week Complaints Handling Induction Programme. We also ran a number of engagement and participation sessions on the work of Learning and Improvement Unit and on a project to review our vision statement and values.

The SPSO achieved gold accreditation in Investors in People for 2016-17, valid to 2020, following the annual review in March 2016. This level of accreditation recognises organisations which strive for the best possible standards in people and management, the nurturing of talent, and which encourage personal development. IIP is an internationally recognised accreditation held by 14,000 organisations across the world, and gold is only awarded to the top 2% of organisations assessed.

We carried out our staff survey in November 2016. The results of the survey were generally very positive, indicating high levels of job satisfaction, engagement and dedication from the SPSO's staff. Staff indicated a strong sense of commitment to the organisation, although the public's high demand for our service has presented challenging circumstances.

Environmental and sustainable development

We have continued to reduce our level of carbon emissions. We are committed to supporting the Scottish Government's policies on Environmental and Sustainable Development and understand our obligations in these areas. Further to the Scotland Climate Change (Scotland) Act 2009, the Scottish Government introduced in 2015 an Order requiring all 151 Public Bodies who appear on the Major Player list to submit an annual Climate Change report to SSN, detailing their compliance with the climate change duties. The SPSO is listed, and we published our second annual report in November 2016. Previously, we published a sustainability report. All our reports on sustainability and climate change duties can be found on our website.⁵

Financial performance

The critical judgement made in the Financial Statements is that the SPSO will continue as a going concern and will be appropriately funded by the SPCB within an annual budget cycle.

Our budget for 2016-17 was £3.25 million. We received an additional £107,000 funding from the Scottish Parliament to set up the Learning and Improvement Unit, and £635,350 from the Scottish

⁵ Read our climate change duties reports at:
<http://www.spsso.org.uk/sustainability-reports>

Government to establish three new areas of jurisdiction. We also generated revenue through our training unit and through shared services agreements (we continue to provide HR expertise to Scotland's Commissioner for Children and Young People).

We publish information on our website on specific expenditure areas, as required under the Public Services Reform Act. Our full audited accounts are also published on our website.

The Ombudsman's financial position for the year ended 31 March 2017 is as follows:

	2016-17 Budget £'000	2016-17 Expenditure £'000	Variance £'000	2015-16 Expenditure £'000
Net operating costs per the accounts	3,253	3,340	87	3,250
Total expenditure	3,253	3,340	87	3,250
<i>Adjustments</i>				
Capital Additions	-	32	32	2
Non-cash items	-	(42)	(42)	(40)
Working Capital (including cash)	-	30	30	61
Cash Funding from SPCB	3,253	3,360	107	3,273

The slight overspend is a direct result of the additional work taken on for 2016-17 as noted above. It was kept to a minimum through careful monitoring and management.

The Ombudsman is committed to the CBI Prompt Payment Code for the payment of bills for goods and services received. Payments are normally made as specified in the agreed contract conditions. Where there is no contractual position or other understanding, they are due to be paid within 30 days of receipt of the goods or services. The payment performance for 2016-17 was 96% in 30 days (2015-16 was 94%) and 65% in 10 days (2015-16 was 61%).

In summary, the Ombudsman's legislative duties were fulfilled within agreed resources and met the budgetary requirements outlined above.

Risk Management

The SPSO's funding is primarily from the SPCB. In addition to the adequacy of resources to deliver business, the SPSO recognises and actively manages risk in relation to how it controls and uses resources. It does this through having in place and monitoring the effectiveness of: financial control systems, robust governance arrangements and appropriate human resource and corporate management policies and procedures.

Strategic objective 6: to support public service improvement in Scotland

Learning and improvement

For the first time, we have dedicated resources to support public bodies in how they learn from complaints and make lasting improvements to the services they provide. We were successful in

applying for one-year funding for 2016-17 for a new learning and improvement unit, a proposal we had made in our 2016-20 strategic plan and which was the most positively commented on aspect of the plan.

In its first year of operations, the focus of our learning and improvement work was on building our capacity to drive improvement through learning from complaints, especially by the public authorities that bring us the largest volume of complaints or that exhibit repeat failings or systemic complaints handling issues. We have embarked on a series of projects, some internal and some external, and these are summarised in the following sections.

Making better use of our data

New approach to recommendations

We improved the way we make recommendations, so they are targeted, deliverable and effective. This project was based on a systematic analysis of over 1,500 recommendations made in 2015-16. We also surveyed public authorities for their views of our recommendations, held workshops for complaints staff to provide input and used insights from our customer sounding board and customer forum. On the basis of this analysis and feedback, we developed a new way of presenting our recommendations aimed at improving clarity and encouraging public authorities to identify and develop their own solutions for preventing repeat mistakes and improving services.

The new approach will enable us to record more detailed information about our findings and recommendations, which will enable us to better understand the impact of our work. We have also improved our methods internally for identifying complaints handling issues. This provides valuable intelligence for internal and external purposes. It has enabled us to strengthen links with key scrutiny and improvement bodies to identify ways in which they can support improvement from complaints, for example by providing organisations such as Audit Scotland with tailored information to feed into their role in carrying out public audits. Complaints should be considered as part of an organisation's overall governance and assurance arrangements, and we are keen to support organisations to ensure that this happens.

This work is still in its early stages and we will continue to monitor and develop it, in light of our own learning and feedback both from complainants and the organisations we investigate.

Learning from complaints: informed consent

In March 2017 we published our first ever thematic report, which highlighted the common failings we see in consent to medical treatment. The report explored recent developments in the law and policy related to consent and used case studies to illustrate the problems we see. We are keen to be able to be part of the solution, as well as highlighting issues, and so the report also included a practical tool (the consent checklist) for health organisations, scrutiny bodies and policy makers to use in evaluating a consent process. We also held an event at the Scottish Parliament for MSPs, health professionals, policy-makers and advocacy workers to discuss the report. The report has been well-received, with positive feedback from health professionals, patient advocacy organisations and others.

Sharing our decisions to inform learning

We continued our practice of publishing almost all of our decisions and recommendations on our website, highlighting any significant issues from the cases in our monthly e-newsletter.

We also provided annual letters to all local authorities, NHS boards, universities, the prison service and water providers we receive complaints about. These contain a breakdown of the complaints that we investigated by subject, outcome, and so on, for each organisation in the relevant year. We publish the annual letters on our website.

Expanding our resources and support to organisations

Targeted assistance

This year we offered direct assistance to two organisations identified through casework as needing to improve the quality of their complaints handling. Both organisations took up this offer and we established work plans with both. This work included working with two pilot areas to scope and plan the changes and resources needed for the whole organisation, developing a Complaints Toolkit for staff on the intranet and meetings between the SPSO and complaints staff to develop relevant skills. Our support to these organisations will continue into 2017/18 and includes developing e-learning resources and quality assurance processes for the complaints handling function.

General assistance

More generally, as organisations move beyond the implementation of their complaints handling procedures and towards a culture of using complaints to inform wider learning and improvement, we wanted to ensure that our online resources reflected this. Working closely with our Complaints Standards Authority, we redesigned our designated website for complaint handlers⁶) around four key themes: handling complaints, training, learning and improvement and governance and performance. In 2017/18 we will continue to add tools and resources to the site with the aim of supporting public bodies in embedding their learning and improvement activity.

In March 2017 we organised a cross-sector learning event, with nearly 200 delegates from a wide range of public sector organisations. The three themes for the day were:

- Analysing complaints to drive improvements,
- Making the most of the learning from complaints and
- Improving complaints handling.

The SPSO staff led sessions about our QA processes and making impactful recommendations, a complainant spoke about his experiences of complaining, and several organisations shared examples of innovation and good practice. There were presentations about triangulating complaints data and measuring the impact of recommendations. There was also input from academics discussing complaint handlers and complainants as Critical Friends. The event also introduced delegates to some tools we developed in 2016/17: the Quality Assurance Tool and the Decision-making Tool. These, as well as the presentations from the event, were made available on the Valuing Complaints website.

⁶ www.valuingcomplaints.org.uk

Equipping elected members and informing policy

We provided expertise on complaints handling in response to proposed changes in the public sector landscape, and to raise awareness of what we do. In the course of 2016-17, we provided policy input⁷ as follows:

- responding to the Scottish Government's consultation on Social Security in Scotland
- responding to the Scottish Government's proposal for the introduction of a 'No Blame' redress scheme
- evidence to the Scottish Parliament's Health and Sport Committee about our role in NHS complaints
- responding to the Scottish Government's consultation 'Empowering teachers, parents and communities to achieve excellence and equity in education: A Governance Review'
- evidence to the Scottish Parliament's Local Government and Communities Committee on our annual report.

Following the Holyrood elections in May 2016, we refreshed our Guide for MSPs/MPs and Parliamentary Staff. The Guide is part of the material we provide to inform people about our role in resolving complaints about public services in Scotland. Members of the public can bring a complaint to us directly. They do not have to ask an elected representative to do it for them. We know, however, that some people ask their MSP for support in making a complaint. When this is the case, it is important that those helping the person understand our remit and the kinds of outcomes we can achieve. In addition to assisting constituents through complaints processes, elected members also have a crucial role to play in holding public service organisations, including us, to account. Our MSP Guide explains our roles and also outlines the key ways we relate to the Parliament and how we are held to account for our performance.

In conjunction with the Improvement Service, we similarly refreshed our Guide for Councillors in late 2016 in preparation for the new intake of elected representatives in Scotland's local authorities in May 2017.



Rosemary Agnew
Scottish Public Services Ombudsman
5 September 2017

⁷ To read our responses/ evidence visit <https://www.spsso.org.uk/consultations-and-inquiries>

ACCOUNTABILITY REPORT

Corporate Governance Report

1. Ombudsman's report

Background

These accounts for the financial year ended 31 March 2017 are presented in accordance with the Accounts Direction given by the Scottish Ministers, in pursuance of paragraph 15 (1) of Schedule 1 of the Scottish Public Services Ombudsman Act 2002.

Senior Management Team

- Ombudsman
- Director
- Head of Policy and External Communications
- Head of Complaints Standards

Register of Interests

Declarations of Interest for the Senior Management Team, Audit and Advisory Committee (AAC) members are published on the website with their biographies and updated each year. Declarations of interest of other staff are held on the relevant case where required in accordance with the SPSO Code of Professional Conduct.⁸

System of Internal Control

A formal Scheme of Control and Scheme of Delegation are in place and are periodically reviewed, as required by the Scheme of Control, and amended as necessary to ensure principle risks to the achievement of the organisation's objectives are managed efficiently, effectively and economically. An Internal Control Checklist has been completed for 2016-17 to inform the assessment of the Ombudsman's governance arrangements.⁹

Provision of Information to Employees

We have adopted the principles of openness and participation and place a high level of importance on both informing and consulting staff. We do so by providing access to management papers, through oral and written briefings, by regular staff meetings and events. Information is only withheld where this can be shown to be justified or where a duty of confidence is owed to a third party.

Information management

The office of the Ombudsman processed 174 requests for information in 2016-17 (166 in 2015-16), 104 under the Freedom of Information (Scotland) Act 2002, 14 under the Environmental

⁸ Our declarations of interest are published here:

<https://www.spsso.org.uk/senior-management>

<https://www.spsso.org.uk/audit-and-advisory-committee>

⁹ Our scheme of control can be found in the Governance, Risk and Finance handbook here:

<http://www.spsso.org.uk/spsso-policies>

Information (Scotland) Regulations 2004 and 56 under the Data Protection Act 1998. There were two decisions from the Scottish Information Commissioner, one which was upheld for the applicant due to failure to respond to a request within the timescales laid down by FOISA. There was also an appeal determined by the Information Commissioner's office (ICO). The ICO noted there was no breach of the Data Protection Act 1998.

We have clear guidelines that govern how we handle data. There is a clearly established process for recording and investigation of any potential breaches in data security. All incidents are required to be logged using an incident recording system and, following an investigation, any risks are mitigated as far as possible.

Internal audit and risk management

The Ombudsman's AAC supports the Ombudsman in relation to responsibilities for risk, control and governance. The committee met three times and considered each of the internal audit reports. The internal audit reports achieved satisfactory or above from our internal auditors of the Scottish Legal Aid Board (under a shared services agreement).

Audit

The accounts are audited by auditors appointed by the Auditor General for Scotland in accordance with paragraph 15 (2) of Schedule 1 of the Scottish Public Services Ombudsman Act 2002. The Auditor General has appointed Deloitte as the Ombudsman's Auditors for the 5-year period from 2016-17 to 2020-21.

Disclosure of information to auditors

As Accountable Officer, I am unaware of any relevant audit information of which our auditors are unaware. I have taken all necessary steps to ensure that I am aware of any relevant audit information and to establish that the auditors are also made aware of this information.

As Accountable Officer, I authorised these financial statements for issue on **5 September 2017**.

2. Statement of Accountable Officer's Responsibilities

Under paragraph 15(1) of Schedule 1 to the Scottish Public Services Ombudsman Act 2002, the Ombudsman is required to prepare a statement of accounts for each financial year in the form as directed by Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the Ombudsman's affairs at the year-end, and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Ombudsman is required to:

- (i) observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- (ii) make judgements and estimates on a reasonable basis;
- (iii) state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;

- (iv) prepare the financial statements on a "going concern" basis, unless it is inappropriate to presume that the Ombudsman will continue in operation.

The SPCB designated the Ombudsman as the Accountable Officer for the office of the Scottish Public Services Ombudsman. The relevant responsibilities as Accountable Officer are set out in the Memorandum to Accountable Officers of Other Public Bodies issued by the Scottish Government and published in the Scottish Public Finance Manual. These include including the propriety and regularity of the public finances for which the Accounting Officer is accountable, the keeping of proper records, and for safeguarding the SPSO's assets.

3. Governance Statement

I took up the post of Scottish Public Services Ombudsman and Accountable Officer on 1 May 2017 for an eight-year appointment, following on from Jim Martin who was Ombudsman and Accountable Officer for 2016-17. As Accountable Officer, the Ombudsman has responsibility for maintaining a sound system of governance and internal control that supports the achievement of organisational policies, aims and objectives, whilst safeguarding the public funds and the organisation's assets for which I am responsible.

I have in place a scheme of control, the key features of which are:

- The Ombudsman holds the role of Accountable Officer.
- The Ombudsman is supported by the Senior Management Team (SMT), which comprises the Ombudsman, the Director, the Head of Policy and External Communications, and the Head of Complaints Standards. Individual members of the SMT have delegated authority to make decisions as set out in the Ombudsman's scheme of delegation.
- The Ombudsman chairs formal meetings of the SMT at least eight times a year to consider finance and audit matters, the annual business plan, the risk register, and the strategic direction of the organisation.
- The SMT also meets informally on a weekly basis to oversee the day-to-day running of the operation.
- The Ombudsman is supported by and the Audit and Advisory Committee (AAC). The AAC supports the Ombudsman in providing advice about governance and management of risks. The AAC meets at least three times a year to consider audit matters and approach to management of risks to the business in relation to strategic direction of the organisation.
- External scrutiny is provided by an internal audit function through a shared services arrangement with the Scottish Legal Aid Board, and external auditors appointed by the Auditor General for Scotland. There is a rolling three-year internal audit programme in place, of which 2016-17 was the second year of the three-year plan for 2015-18.
- Risk is actively managed through a risk policy which sets out the approach to risk management. The risk register, which identifies the key risks facing the organisation, is prepared for the business plan on an annual basis with input from all staff, and is reviewed by the SMT each quarter and the AAC at each meeting.
- The system of internal financial control is based on agreed administrative procedures and the system of delegation and accountability.

Review of effectiveness of internal control and risk management

I am satisfied that the current Scheme of Control provides a robust and appropriate framework for good governance and internal control. My office formally complies with the principles of the Scottish Public Finance Manual in line with the Financial Memorandum agreed with the SPCB.

I am assured that throughout 2016-17 the SMT have ensured consistent adherence to procedures for internal control, especially in the key business areas of financial management, operational and employee data management and risk management. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control will continue to evolve to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The preparation of the annual business plan takes account of the Public Service Improvement Framework, Audit Scotland reports and Best Value in Public Services characteristics.

In February 2012, Audit Scotland reviewed the risk register and provided recommendations to management for improvement that were fully adopted. This has formed the basis for each successive register, including the 2016-17 register. The Internal Audit function reviews the process for managing risk on an annual basis. The overall risk profile for 2016-17 was low to moderate. The only significant risks to carry forward into 2017-18 were the risks associated with an increase in cases received with the potential to create a backlog of cases. Control actions for these risks include the application for additional resourcing into 2017-18 and beyond to the SPCB as the funding body.

We have clear guidelines that govern how we handle data. There is a clearly established process for recording and investigation of any potential breaches in data security. All incidents are required to be logged using an incident recording system and, following an investigation, any risks are mitigated as far as possible. There were no known or reported serious breaches of data security in the year.



Rosemary Agnew
Scottish Public Services Ombudsman
5 September 2017

Remuneration and Staff Report

All information disclosed in the tables below and the 'Fair pay disclosure' are subject to external audit. The other sections in the Remuneration and Staff Report are reviewed by the external auditors to ensure they are consistent with the financial statements.

The Ombudsman's Audit and Advisory Committee has three independent members including the Chair of the committee. The annual remuneration for the independent members of the committee, which is set by the Ombudsman, fell within the band £0-£5,000 (2015-16 £0-£5,000). All independent committee member appointments are part-time and are non-pensionable.

Senior Management

The salaries (including any overtime, but excluding employer's superannuation and national insurance contributions), benefits in kind and pension entitlements of the Ombudsman and Director are set out below. Information is presented for the whole year to 31 March 2017.

Remuneration		2016-17	2015-16
		£'000	£'000
Ombudsman			
Jim Martin	Salary	85-90	80-85
	Benefits in kind	Nil	Nil
	Pension benefits (i)	<u>33</u>	<u>33</u>
	Total	<u>115-120</u>	<u>115-120</u>
Director			
Nicola Maclean	Salary (FTE)	80-85	75-80
	Benefits in kind	Nil	Nil
	Employer pension contribution	<u>12</u>	<u>11</u>
	Total	<u>95-100</u>	<u>90-95</u>

Pension Benefits	Total accrued pension at age 60 as at 31 March 2017 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31 March 2017	CETV at 31 March 2016	Value of CETV increase over year funded by the employer	Employer contribution to private pension account
Ombudsman						
Jim Martin	15-20	0-2.5	300	258	28	0
	+ lump sum 0	+ lump sum 0				
Director						
Nicola Maclean (ii)	0	0	0	0	0	12

Notes:

- The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions

made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

- ii. The Director's pension is a private scheme and has no bearing on Ombudsman's accounts.

The Cash Equivalent Transfer Value (CETV)

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

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

The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the member (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Service contracts

Remuneration of the Ombudsman is set by the SPCB. Following nomination by the Scottish Parliament the Ombudsman is appointed by Her Majesty the Queen. The Director holds an appointment which is open ended until retirement. The terms of employment are set by the Ombudsman and approved by the SPCB, in line with the SPSO Act (2002).

Severance Payments

No severance payments were made during the year.

Staff salary profile as at 31 March 2017

	£'000	
Permanent	1,930	83%
Other	402	17%

Fair Pay Disclosure

The highest paid member of the senior management was the Ombudsman. His salary was 2.27 times (2015-16 2.02) the median salary paid to the office of the Ombudsman's staff, which was £38,516 (2015-16 £41,875). This change in ratio is due to the employee turnover and staffing

changes detailed below. In summary, the median salary has reduced due to the number of new appointments at the starting point of the pay grade, or higher if the required competencies were exceeded, in line with our Pay and Pay Arrangements policy. The SPSO pay range in 2016-17 was £20,656-£80,562 (2015-16 £20,256-£78,974).

During the 2016-17 accounting period, the SPSO initiated seeking the Living Wage Accreditation status.

Employee Turnover and Staffing Changes

In 2016-17 six members of staff retired or resigned, including one member of staff from the management team, one part-time and three full-time members of staff from the complaints handling teams and one member of staff from business support functions. In response to this we recruited six people into these roles. Additionally, we developed 12 new posts to support our extended responsibility for social work complaints, the new Scottish Welfare Fund Review Team, the Learning and Improvement Unit and extended Professional Adviser function. 10 vacancies were created as a result of internal promotions. We had one member of staff on maternity leave during 2016-17 for which we recruited maternity cover.

The various vacancies we recruited for included: Advice Assistant, Advice Officer, Assistant Team Manager (Internal), Communications Officer, Complaints Reviewers, CSA Officer, Executive Casework Officer, Head of CSA, Learning and Improvement Officers (Internal), Performance and Quality Manager, Project Officer, SWF Case Reviewers (Internal), Team Assistants.

Staff profile

	<i>Full time</i>	<i>Part time</i>
Female	52%	19%
Male	27%	2%
Total	79%	21%

Gender profile

Ombudsman	Male	1	100%
Director	Female	1	100%
Employees	Female	44	71%
	Male	18	29%
Total		64¹⁰	

Staff Absence

Absence is monitored and reported to management on a monthly, quarterly and annual basis. At 31 March 2017, the office of the Ombudsman recorded a total of 279.5 days' absence for the year for 67 staff compared against last year's figure of 191 days for 54 staff. The average number of days per employee was 4.37 compared to 3.5 in 2015/16 and 5 days in 2014/15. In 2016/17 64% of staff had a period of absence compared to 83% in 2015/16.

¹⁰ The SPSO employed 67 staff during 2016-17, including leavers. The number of staff employed at 31 March 2017 was 64 (59 FTE)

The overall figure of 4.37 days per employee (including long-term absence) is below the average figure of 6.3 days reported for public sector employees in 2016 (*Chartered Institute of Personnel Development 'Absence Management 2016: Public Sector Summary' Published Nov 2016*).

Sickness absence is divided into short and long term; long-term absence is defined as any period of/over 10 consecutive days. Therefore, excluding long-term absence, 209.5 days were recorded with an average number of 3.27 days per employee, compared to 0.95 days in 2015/16 and 3.2 in 2014/15.

Equal Opportunities

The Ombudsman supports the principle of equal opportunities in carrying out operational functions and employment practices. This means the Ombudsman is committed to pursuing positive action through the organisation's policies and practices to ensure that no individual is discriminated against, either directly or indirectly, unlawfully or unjustifiably because of their personal status in relation to race, ethnic or national origin, religion, age, gender, disability and sexual or marital status.



Rosemary Agnew
Scottish Public Services Ombudsman
5 September 2017

Independent Auditor's Report to the Scottish Public Services Ombudsman, the Auditor General for Scotland and the Scottish Parliament

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of the Scottish Public Services Ombudsman for the year ended 31 March 2017 under the Scottish Public Services Ombudsman Act 2002. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2016/17 Government Financial Reporting Manual (the 2016/17 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2017 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 FReM; and
- have been prepared in accordance with the requirements of the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the

Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements.

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on other prescribed matters

We are required by the Auditor General for Scotland to express an opinion on the following matters.

In our opinion, the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers.

In our opinion, based on the work undertaken in the course of the audit

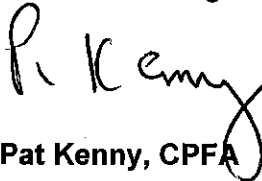
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Pat Kenny, CPFA

(for and on behalf of Deloitte LLP)

110 Queen Street, Glasgow G1 3BX

13 September 2017

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2017

	Notes	2016-17 £'000	2015-16 £'000
Administrative Costs			
Staff Costs	4,5	3,208	2,785
Other Administration Costs	6	788	806
Depreciation	7	42	40
Other Operating Income	3	(698)	(381)
Net Administration Costs		3,340	3,250
Net Operating Costs and total comprehensive net expenditure for the year		3,340	3,250

All amounts relate to continuing activities. There have been no gains or losses.

The accompanying notes on pages 33 to 40 form an integral part of these accounts.

Statement of Financial Position as at 31 March 2017

	Notes	2016-17 £'000	2015-16 £'000
Non-Current Assets			
Property, Plant and Equipment	7	80	90
Intangible Assets	8	-	-
Total Non-Current Assets		80	90
Current Assets			
Trade and Other Receivables	9	114	128
Cash and Cash Equivalents	10	94	40
Total Current Assets		208	168
Total Assets		288	258
Current Liabilities			
Trade and Other Payables	11	(168)	(158)
Total Current Liabilities		(168)	(158)
Non Current Assets plus Net Current Assets		120	100
Non-Current Liabilities		-	-
Assets less Liabilities		120	100
Taxpayers' Equity			
General Fund		120	100
Total Taxpayers' Equity		120	100

The accompanying notes on pages 33 to 40 form an integral part of these accounts.



Rosemary Agnew
Scottish Public Services Ombudsman
5 September 2017

Statement of Cash Flows for Year Ended 31 March 2017

	2016-17	2015-16
	£'000	£'000
Cash Flows From Operating Activities		
Net Operating Cost	(3,340)	(3,250)
Adjustment for Non Cash Transactions		
Depreciation	42	40
Movements in Working Capital		
(Increase)/Decrease in Trade and Other Receivables	14	(38)
Increase/(Decrease) in Trade and Other Payables	10	(14)
Net Cash Outflow from Operating Activities	(3,274)	(3,262)
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(32)	(2)
Purchase of Intangible Assets	-	-
Net Cash Outflow From Investing Activities	(32)	(2)
Cash Flows From Financing Activities		
Financing from the Scottish Parliamentary Corporate Body	3,360	3,273
Net Cash Inflow From Financing Activities	3,360	3,273
Net Increase/(Decrease) in Cash and Cash Equivalents		
Cash and Cash equivalents at the beginning of the period	40	31
Cash Flow in Year	54	9
Cash and Cash equivalents at the end of the period	94	40

Statement of Changes in Taxpayers' Equity for Year Ended 31 March 2017

	General Fund £'000
Balance at 31 March 2016	100
Net Operating Costs and Total Comprehensive Net Expenditure for the Year	(3,340)
Funding From SPCB	3,360
Balance at 31 March 2017	120

Notes to the Accounts

1 Accounting Policies

These financial statements have been prepared in accordance with the *Government Financial Reporting Manual (FReM)* in compliance with the accounts direction issued by Scottish Ministers. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Ombudsman for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Ombudsman are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

1.2 Property, Plant and equipment

1.2.1 Capitalisation

Capital purchases for a value exceeding £500 inclusive of irrecoverable VAT are treated as capital. However, the threshold for land and buildings is set at £10,000 and the IT equipment threshold is where the group value exceeds £500.

1.2.2 Software licences are capitalised as intangible fixed assets and amortised on a straight-line basis over the expected life of the asset (2 or 3 years).

1.2.3 Valuation

As appropriate, non-current assets are valued at their value to the organisation by reference to current costs.

1.2.4 Depreciation

Depreciation is provided on all non-current assets at rates calculated to write off the cost or valuation in equal instalments over the remaining estimated useful life of the asset. These are as follows:

Leasehold improvements	over the period of the lease
Equipment	5 years
Furniture, Fixtures and Fittings	5 years
IT Hardware and Systems	2 or 3 years

1.2.5 There are no assets held for resale.

1.3 Funding Receivable

Funding received through the Scottish Parliamentary Corporate Body (SPCB) is credited directly to the General Fund in the period to which it relates.

1.4 Leases

The Ombudsman holds no finance leases. Costs in respect of operating leases are charged to the income and expenditure account as they fall due.

1.5 Pension Costs

The Ombudsman and office staff are members of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme with benefits underwritten by the Government. As a result, the SPSO is unable to identify its share of the underlying assets and liabilities and, therefore, it is accounted for as a defined contribution scheme and no liability is shown in the Statement of Financial Position. A full actuarial valuation was carried out as at 31 March 2012. The PCSPS is financed by payments from the employer and from those current employees who are members of the PCSPS, who pay contributions at different rates which depend on their salaries and the section of the pension scheme of which they are a member. The rate of employer contributions is typically set following an actuarial valuation. The previous valuation was carried out as at 31 March 2007 and this recommended an employer contribution rate of 18.9% of pensionable pay. Government Actuary's Department has been appointed as the PCSPS actuary. Further details can be found in the separate scheme statement of the PCSPS Actuarial valuation:

<http://www.civilservicepensionscheme.org.uk/media/94676/pcspss-2012-valuation-final-report-final-22072014.pdf>

1.6 Value Added Tax

The office of the Ombudsman is not registered for VAT, as such all amounts are recorded inclusive of VAT.

1.7 Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual agreement, as either financial assets or financial liabilities.

The office of the Ombudsman has classified its financial instruments as follows:

Financial Assets

Cash and cash equivalents, trade debtors, accrued income and amounts receivable are reported in the 'Current Assets' category.

Financial Liabilities

Trade payables, accruals and creditors are classified as 'Current Liabilities'.

1.8 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in these Notes, the Ombudsman has had to make judgements about financial transactions or those involving uncertainty about future events. The critical judgement made in the Financial Statements is that the organisation will continue as a going concern and will be appropriately funded by the SPCB.

1.9 Critical Accounting Estimates

The Financial Statements contain estimated figures that are based on assumptions about the future or that are otherwise uncertain. These estimates relate to the value of tangible and intangible assets. Estimates are made taking account of historical experience, current trends and other relevant factors but cannot be determined with certainty. Actual results could be different from the assumptions and estimates, but are unlikely to be material.

Pension benefits are provided through the Civil Service pension arrangements. The Civil Service pension arrangements are unfunded multi-employer defined benefit schemes in which the Ombudsman's office is unable to identify its share of the underlying assets and liabilities.

1.10 Standards issued not effective

- IFRS 9 Financial Instruments was issued in July 2014, effective for periods beginning on or after 1 January 2018. This was EU endorsed in November 2016. HM Treasury is working towards implementing the standard in the FReM from 2018-19.
- IFRS 15 Revenue from Contracts with Customers was issued in May 2014, effective for periods beginning on or after 1 January 2018. It is not yet endorsed by the EU but is expected to be in 2017. HM Treasury is working towards implementing the standard in the FReM from 2018-19.
- IFRS 16 Leases was issued in January 2016, effective for periods beginning on or after 1 January 2019. It is not yet endorsed by the EU but is expected to be in late 2017. The introduction of IFRS 16 is subject to analysis and review by HM Treasury and the other Relevant Authorities. HM Treasury will issue an Exposure Draft on IFRS 16 in advance of the effective date.
- IAS 7 Statement of Cash Flows disclosure initiative issued in January 2016, effective for periods beginning on or after 1 January 2017. It is not yet endorsed by the EU but is expected to be in 2017. HM Treasury is working towards implementing the standard in the FReM from 2018-19.

2 Prior Year Adjustment

No prior year adjustment has been made.

3 Income from all Sources

	2016-17	2015-16
	£'000	£'000
Income ¹¹	634	258
Gross income from training ¹²	58	117
Other operating income	6	6
	698	381

¹¹ This funding was received directly from the Scottish Government for the SPSO to fulfil its new statutory duties in relation to the Scottish Welfare Fund and Social Work complaints.

¹² £30,058 (2015-16 - £34,500) of Staff Costs and Other Administration Costs (notes 4 and 6) have been identified as being directly attributable to the Training Unit.

4 Staff Numbers and Costs

4.1 Average Staff Employed (Full Time Equivalent)

The average number of full time equivalent (FTE) persons employed in the office of the Ombudsman during the period was as follows:

	2016-17	2015-16
	FTE	FTE
Ombudsman	1	1
Staff	58	48
	59	49

This increase of 9.5 FTE can be directly attributed to recruitment carried out over the year and the creation of new roles.

4.2 Breakdown of Staff Costs

	Ombudsman	Staff	Other	Total
	£'000	£'000		£'000
Administrative Costs				
Salaries / Wages	86	2,277		2,363
Social Security Costs	11	228		239
Pension Costs	21	447		468
Internal Professional Advisor Fees			138	138
	118	2,952	138	3,208
Comparative for Year Ended 31 March 2016				
Administrative Costs				
Salaries / Wages	87	2,000		2,087
Social Security Costs	9	156		165
Pension Costs	19	397		416
Internal Professional Advisor Fees			117	117
	115	2,553	138	2,785

Staff costs rose in 2016-17 due to annual increments, our new role as independent reviewer of Scottish Welfare Fund (SWF) from 1 April 2015, our new Learning and Improvement Unit, and recruitment of staff in preparation for the new jurisdiction of Social Work complaints (SW) from 1 April 2016.

5 Pension Costs

For 2016-17, employer's contributions of £419,081 were payable to the PCSPS at one of four rates in the range 20.0% to 24.5% of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. There were no outstanding scheme contributions at 31 March 2017 (2016 £0).

On death, pensions are payable to the surviving spouse at the rate of half of the member's pension. On death in service, the scheme pays a lump sum benefit of at least twice

pensionable pay, depending on the scheme joined within PCSPS, and also provides a service enhancement on computing the spouse's pension. The enhancement depends on the length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Seven employees have opted for a partnership pension account with a private sector pension scheme into which the SPSO made an employer contribution to the value of £28,068 in 2016-17. Employer contributions include a matching contribution up to 3% and are age-related and ranging from 8% to 13.5% of pensionable pay.

6 Other Administrative Costs

	2016-17	2015-16
	£'000	£'000
Property Costs	296	271
Professional Services	174	215
General office Running Costs	209	208
Staff Training	29	26
Travel and Expenses	22	25
Printing and Publications	14	16
Telephones and Postage	26	30
External Communications and Training Unit Costs	18	15
	788	806

The above total includes £17,260 (2016-17 £15,000) for external auditor's remuneration. The external auditor received no fees in relation to non-audit work. Included within General Office Running Costs are £6,207 (2016 £1,026) of equipment rental costs in association with operating leases.

7 Property, Plant and Equipment

	Leasehold Improvements	Equipment	Furniture Fixtures & Fittings	IT Hardware & Systems	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2016	493	21	186	182	882
Disposals	-	-	-	-	-
Additions	-	1	-	31	32
At 31 March 2017	493	22	186	213	914
Depreciation					
At 1 April 2016	409	21	184	178	792
On disposals	-	-	-	-	-
Charge for Year	36	-	2	4	42
At 31 March 2017	445	21	186	182	834
Net Book Value at					
31 March 2017	48	1	-	31	80
31 March 2016	84	-	2	4	90

8 Intangible Assets

	Software and Licences £'000
Cost	
At 1 April 2016	270
Disposals	-
Additions	-
At 31 March 2017	270
Amortisation	
At 1 April 2016	270
On disposals	-
Charge for Year	-
At 31 March 2017	270
Net Book Value at 31 March 2017	-
Net Book Value at 31 March 2016	-

9 Trade Receivables and Other Current Assets

	2016-17	2015-16
	£'000	£'000
Prepayments	102	87
Other Debtors	12	41
	114	128

10 Cash and Cash Equivalents

	2016-17	2015-16
	£'000	£'000
Balance at 1 April	40	31
Net change in cash and cash equivalents	54	9
Balance at 31 March	94	40
Cash held at commercial banks	94	40

11 Trade Payables and Other Current Liabilities - Amounts Falling Due Within One Year

	2016-17	2015-16
	£'000	£'000
Trade Payables	7	21
Accruals – HMRC	72	59
Accruals – non-government bodies	89	78
	168	158

12 Operating Leases

	Buildings	Totals
	£'000	£'000
<i>The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:</i>		
Within One Year of the Balance Sheet Date	163	163
Within Two to Five Years of the Balance Sheet Date	71	71
Over Five Years of the Balance Sheet Date	-	-
	234	234
Comparative for Year Ended 31 March 2016		
Within One Year of the Balance Sheet Date	163	163
Within Two to Five Years of the Balance Sheet Date	234	234
Over Five Years of the Balance Sheet Date	-	-
	397	397

13 Related Party Transactions

The Scottish Public Services Ombudsman was constituted by the Scottish Parliament which provides funding for the Ombudsman. The SPCB is regarded as a related body. Neither the Ombudsman nor the Ombudsman's staff have undertaken material transactions with the SPCB nor with the Ombudsman's office during the year.

14 Post Balance Sheet Events

No event has occurred since the date of the balance sheet which materially affects the financial statements.

15 Financial Instruments

Financial assets are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the assumption that the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Credit risk - The Ombudsman receives funding on a monthly basis and restricts cash holdings to a minimum.

Liquidity risk - The Ombudsman does not have any external borrowings.

Market risk - Changes in market interest rates influence the interest on borrowings and on interest receivable on surplus funds invested. The Ombudsman does not rely on interest receivable as its key source of income.

Appendix 1: Direction by the Scottish Ministers



SCOTTISH PUBLIC SERVICES OMBUDSMAN

DIRECTION BY THE SCOTTISH MINISTERS

The Scottish Ministers, in pursuance of paragraph 15 (1) of Schedule 1 of the Scottish Public Services Ombudsman Act 2002, hereby give the following direction.

The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 1 December 2004 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 6 November 2006

