

Annual Accounts

Year ended 31 March 2014

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MANAGEMENT COMMENTARY

The Scottish Public Services Ombudsman

The Scottish Public Services Ombudsman is Jim Martin who was appointed 1 May 2009. The Ombudsman was re-appointed on 1 May 2011 for a period of six years. The financial year 2013-14 was the fifth year in post for Jim Martin, who is the Accountable Officer.

Statutory Powers and Responsibilities

The statutory functions of the Ombudsman are:

- to investigate complaints from members of the public about maladministration and service failure by public bodies and others who provide and deliver public services.
- to increase public awareness, knowledge and understanding of the service by, for example, issuing guidance, publishing leaflets and participating in a range of outreach activities.
- to promote good administrative practice and, using the evidence from its investigations, to contribute to the development and improvement of the delivery of public services in Scotland.
- to lead the simplification and standardisation of complaints handling throughout the public sector in Scotland using the responsibility and authority of statutory powers in relation to model Complaints Handling Procedures.

STRATEGIC REPORT

• Basis of accounts

The accounts for the financial year ended 31 March 2014 are presented in accordance with the Accounts Direction given by the Scottish Ministers on 6 November 2006 in pursuance of paragraph 22(1) of the Scottish Parliamentary Commissions and Commissioners etc. Act 2010 (the 2010 Act).

• Background Information

The Scottish Public Services Ombudsman (the Ombudsman) was constituted under Section 1 of the Scottish Public Services Ombudsman Act 2002 which was passed by Parliament on 21 March 2002 and received Royal Assent on 23 April 2002.

• Strategic planning and delivery

The Ombudsman's 2012-16 strategic plan sets out five strategic objectives, which reflect the statutory functions of the Ombudsman identified above, and equalities commitments, and provides the framework for developing annual business plans and accompanying annual performance measures.

In 2013-14 the Ombudsman delivered year two of the 2012-16 strategic plan which was consulted on in March 2012 and published on 30 March 2012 under the terms of the Scottish Parliamentary Commissions and Commissioners etc. Act 2010. The 2014-15 objectives are published as part of the 2013-14 Annual Report, which will be laid before the Parliament in July 2014.

• Risks

The overall risk profile for 2013-14 was low to moderate with no significant risks that did not have effective controls in place. Risks to the business, which are closely monitored by the management team through robust risk management processes, include rising volumes of complaints and reductions in resourcing beyond planned levels.

• Financial performance

The office of the Ombudsman continued its efficiency drive, achieving the three year planned real term reduction of 15% against the 2011-12 baseline budget, with a 3% decrease against the 2012-13 budget this year. The Ombudsman worked closely with the Scottish Parliamentary Corporate

Body (SPCB) to ensure these savings were found in this final year of a three year programme of cuts.

Under shared services agreements, the Ombudsman continues to share its Edinburgh office with the Scottish Human Rights Commission and provide Human Resource (HR) expertise to the Scottish Commissioner for Children and Young People, contributing to these savings.

- **Business performance**

In 2013-14 the Ombudsman received 4,819 complaints and enquiries, compared to 4,651 in the previous year. Of the complaints received, 39% were about local government, 31% about the NHS, 12% about the Scottish Government and its agencies and NDPBs, 8% about housing associations, 7% about Water, 3% about further and higher education and a small number were out of jurisdiction or unclear. In total, the volumes reflect an increase of 4% in overall contact including a 8% increase in the volume of complaints received. The number of complaints resolved increased by 8%, while available case-handling resource remained steady.

2011-12 saw the implementation of two Acts of Parliament - The Public Services Reform (Scotland) Act 2010 and the Scottish Parliamentary Commissions and Commissioners etc. Act. The Public Services Reform Act provided the Ombudsman with new powers and duties to oversee the development and publication of standardised model complaints handling procedures (CHPs) in Scotland. The Act provides the Ombudsman with the authority to require bodies to comply with these procedures; and a duty to monitor and promote best practice in complaints handling for relevant public service delivery staff. In 2013-14 the Ombudsman continued the partnership working with public service providers to develop and implement model complaints handling procedures.

In summary, the Ombudsman fulfilled his new legislative duties, increased productivity within existing resources and met the budgetary reduction requirements outlined above.

- **Future Developments**

The Ombudsman will continue to implement the provisions of the two 2010 Acts. In 2014-15, this will include continuing the partnership working with public service providers, regulators and improvement agencies to implement the Ombudsman's recommendations and continue to drive up complaints handling standards.

The Ombudsman was tasked by the Scottish Government to manage complaints relating to the interim Scottish Welfare Fund (SWF) scheme in 2013-14. The income of £7,240 for this work is included in the accounts as Funding. The Scottish Parliament is currently considering future permanent arrangements for the SWF scheme's external review stage, with SPSO being presented as the preferred option within the proposed Bill.

The Ombudsman will continue to provide information to the Scottish Parliament and work with the SPCB with regards to shared services and other opportunities for improving cross-agency working and multi-organisational efficiencies as well as in managing the introduction of new areas of responsibility agreed by the SPCB.

- **Environmental and sustainable development matters**

The Ombudsman is committed to supporting the Scottish Government's policies on Environmental and Sustainable Development and understands his obligations in these areas. The business plan performance measures include monitoring the year-on-year annual primary energy supply to provide an indicator on how the building work undertaken from 2009-11 and waste recycling initiatives have improved efficiency.

In 2013-14, the total carbon emission from primary energy supplies was 69 metric tonnes (2012-13 72t). This is a 4% decrease on last year's usage, which may be due to the mild winter, and is 19% below our baseline figure from 2009-10 of 85t. We are continuing to find improvements through staff awareness programmes.

- **Financial Position**

The Ombudsman's expenditure on operating activities for the year ended 31 March 2014 totalled £3,490,000 (2012-13 £3,437,000). This was on staffing costs £2,643,000 (2012-13 £2,547,000) which, for historical reasons, includes contracted Internal Professional Adviser costs of £120,473; other operating costs £733,000 (2012-13 £801,000) and depreciation £114,000 (2012-13 £89,000). Gross income of £154,000 (2012-13 £180,000) was earned resulting in net expenditure on operating activities of £3,336,000 (2012-13 £3,257,000).

A further £3,000 (2012-13 £62,000) was spent on non-current asset purchases, giving a total expenditure for the year of £3,339,000 (2012-13 £3,319,000), including depreciation.

The Scottish Parliament awarded the Ombudsman a budget of £3,207,000 (2012-13 £3,292,000) for financial year, excluding depreciation. The budget was increased in year to £3,214,240 to cover the additional work relating to the Scottish Welfare Fund. The Ombudsman's actual cash funding (excluding depreciation) of £3,209,649 (2012-13 £3,222,000) was below budget in part due to additional income generated through training and shared services activities.

- **Payment of Creditors**

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 either receipt of the goods or services. The payment performance for 2013-14 was 96% in 30 days (2012-13 was 95%) and 58% in 10 days (2012-13 was 57%).

- **Social, Community and Human Rights Issues**

Through the Ombudsman's casework, the Ombudsman reviews and makes recommendations in relation to social, community and human rights issues as they relate to complaints brought. These findings are published and laid before Parliament on a monthly basis.

- **Gender profile**

Ombudsman	Male	1	100%
Director	Female	1	100%
Employees	Female	37	74%
	Male	13	26%

- **Equal Opportunities**

The Ombudsman supports the principle of equal opportunities in carrying out his operational functions and employment practices. This means he is committed to pursuing positive action in his 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.

DIRECTOR'S REPORT

- **Provision of Information to Employees**

The office of the Ombudsman has adopted the principles of openness and participation in its organisation and places a high level of importance on both informing and consulting staff. It does 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.

- **Staff Absence**

Absence is monitored and reported to management on a monthly, quarterly and annual basis. At 31 March 2014, the office of the Ombudsman recorded a total of 311.5 days absence for the year; amounting to 6.1 days per employee (2012-13 4.2). This is an increase of 39.69% compared against last year's figure of 223 days. Sickness absence is divided into short and long term; long term absence is defined as any period of/or over 10 consecutive days. Therefore, excluding long term absence, 142.5 days were recorded with an average number of 2.8 days per employee, compared to 3.8 days last year.

The overall figure of 6.1 days per employee is below the average figure of 8.7 days reported for public sector employees (*Chartered Institute of Personnel Development*).

- **Register of Interests**

A register of declarations is held by the Senior Personal Assistant for the Senior Management Team, Audit and Advisory Committee (AAC) members and other staff where required in accordance with the SPSO Code of Professional Conduct.

- **Information management**

In 2013-14 the office of the Ombudsman continued to improve its case-handling application by automating the transfer of information from an online complaint form into the complaints-handling database. This allows these complaints to be processed more efficiently.

There were no significant lapses in data security in the year. The office of the Ombudsman processed 169 information requests in 2013-14, 78 under FOISA and 91 under DPA (2012-13 60 Under FOISA & 73 under DPA). There were six decisions from the Scottish Information Commissioner (SIC), two upheld (for the applicant); two partially upheld; and two not upheld (for the office of the Ombudsman). Two applications to SIC were withdrawn. There were three decisions from the Information Commissioner's Office. Two were partially upheld as we did not comply with requests within the statutory 40 day period, and one was not upheld (for the office of the Ombudsman).

- **Internal audit and risk management**

The Ombudsman's AAC supports the Ombudsman in his responsibilities for risk, control and governance. The committee met four 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 Audit Scotland as the Ombudsman's Auditors for the 5-year period from 2011-12 to 2015-16.

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 **6 August 2014**.



Jim Martin
Scottish Public Services Ombudsman
6 August 2014

REMUNERATION REPORT

The Ombudsman's AAC 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 (2012-13 £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 2014.

Remuneration		2013-14	2012-13
		£	£
Ombudsman			
Jim Martin	Salary	80-85	80-85
	Benefits in kind	Nil	Nil
	Pension benefits (i)	31	33
	Total	<u>110-115</u>	<u>115-120</u>
Director			
Nicola Maclean	Salary (FTE)	70-75	65-70
	Benefits in kind	Nil	Nil
	Employer pension contribution	9	8
	Total	<u>80-85</u>	<u>75-80</u>

Pension Benefits	Total accrued pension at age 60 as at 31 March 2014 and related lump sum	Real increase in pension and related lump sum at age 60	CETV		Value of CETV increase over year funded by the employer	Employer contribution to private pension account
			at 31 March 2014	at 31 March 2013		
	£'000	£'000	£'000	£'000	£'000	£'000
Ombudsman						
Jim Martin	10	2	153	118	23	
Director						
Nicola Maclean (ii)						9

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

The highest paid member of the senior management was the Ombudsman. His remuneration was two times the £42,223 median remuneration paid to the office of the Ombudsman's staff in 2013-14 (2012-13 £38,686).

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.



Jim Martin
Scottish Public Services Ombudsman
6 August 2014

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

The SPCB designated the Ombudsman as the Accountable Officer for the Office of the Scottish Public Services Ombudsman. The relevant responsibilities as Accountable Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Memorandum to Accountable Officers of Other Public Bodies issued by the Scottish Government (formerly Scottish Executive) and published in the Scottish Public Finance Manual.

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 the financial activities of his office during the 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.

GOVERNANCE STATEMENT

This statement is for the period 1 April 2013 to 31 March 2014 and provides an outline of the internal control structure and management of resources that provide assurance about performance and risk management for the Ombudsman.

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 2013-14 to inform the assessment of the Ombudsman's governance arrangements.

Introduction

I took up the post of Scottish Public Services Ombudsman and Accountable Officer on 1 May 2009 and was reappointed in 2011 for a further six years. As Accountable Officer, I have 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.

Governance framework

The Senior Management Team (SMT) is the governing board within the organisation. In 2013-14 the SMT consisted of me, the Director, the Head of Policy and External Communications and the Head of Complaints Standards. The SMT, which is chaired by me, has four quarterly meetings and at least four other minuted meetings per year to consider audit matters, the annual business plan, the register of risks to the business, and the strategic direction of the organisation. We also meet informally on a weekly basis to oversee the day-to-day running of the operation.

A non-statutory, non-executive independent Audit and Advisory Committee (AAC) support me in providing effective governance and management of risks. The AAC meet at least three times a year to consider audit matters, management of risks to the business and the strategic direction of the organisation. The AAC have their own terms of reference and review their performance against the Scottish Government Audit Committee Self-Assessment Checklist annually.

The Ombudsman is provided with an internal audit function through a shared services arrangement with the Scottish Legal Aid Board. There is a three-year internal audit programme in place ending March 2015.

The internal and external auditors report their findings to the AAC at each meeting.

The Ombudsman has 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 a system of delegation and accountability.

Review of effectiveness of internal control and risk management

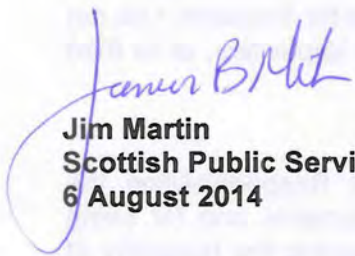
I am satisfied that the current Scheme of Control provides a robust and appropriate framework for good governance and internal control. My office formally complies with the principles of the Scottish Public Finance Manual in line with the Financial Memorandum agreed with the SPCB.

I have ensured consistent adherence to procedures for internal control during the year 2013-14, 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 and have formed the basis for the 2013-14 register. The overall risk profile for 2013-14 was low to moderate with no significant risks that did not have effective controls in place. There were no significant lapses in data security in the year.



Jim Martin
Scottish Public Services Ombudsman
6 August 2014

INDEPENDENT AUDITOR'S REPORT TO THE SCOTTISH PUBLIC SERVICES OMBUDSMAN, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

I have audited the financial statements of the Scottish Public Services Ombudsman for the year ended 31 March 2014 under the Scottish Public Services Ombudsman Act 2002. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. 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 2013/14 Government Financial Reporting Manual (the 2013/14 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the Annual 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 me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the 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 2014 and of its net operating cost 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 2013/14 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.

Opinion on regularity

In my 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.

Opinion on other prescribed matters

In my opinion:

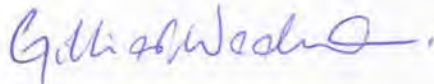
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.



Gillian Woolman MA FCA
Assistant Director
Audit Scotland
18 George Street
Edinburgh
EH2 2QU

6 August 2014

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2014**

	Notes	2014 £'000	2013 £'000
Administrative Costs			
Staff Costs	3,4	2,643	2,547
Other Administration Costs	5	733	801
Depreciation	6,7	114	89
Other Operating Income	2	(154)	(180)
Net Administration Costs		3,336	3,257
Net Operating Costs		3,336	3,257

All amounts relate to continuing activities. There have been no gains or losses other than those recognised in the Operating Cost Statement.

The accompanying notes on pages 18 to 23 form an integral part of these accounts.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014**

	Notes	2014 £'000	2013 £'000
Non-Current Assets			
Property, Plant and Equipment	6	207	256
Intangible Assets	7	66	128
Total Non-Current Assets		273	384
Current Assets			
Trade and Other Receivables	8	59	50
Cash and Cash Equivalents	9	35	57
Total Current Assets		94	107
Total Assets		367	491
Current Liabilities			
Trade and Other Payables	10	(146)	(144)
Total Current Liabilities		(146)	(144)
Non Current Assets plus Net Current Assets		221	347
Non-Current Liabilities			-
Assets less Liabilities		221	347
Taxpayers' Equity			
General Fund		221	347
Total Taxpayers' Equity		221	347

The accompanying notes on pages 18 to 23 form an integral part of these accounts.


Jim Martin
 Scottish Public Services Ombudsman
 6 August 2014

**STATEMENT OF CASH FLOWS
FOR YEAR ENDED 31 MARCH 2014**

	2014	2013
	£'000	£'000
Cash Flows From Operating Activities		
Net Operating Cost	(3,336)	(3,257)
Adjustment for Non Cash Transactions		
Depreciation	114	89
Movements in Working Capital		
(Increase)/Decrease in Trade and Other Receivables	(9)	32
Increase/(Decrease) in Trade and Other Payables	2	(30)
Net Cash Outflow from Operating Activities	(3,229)	(3,166)
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(3)	-
Purchase of Intangible Assets	-	(62)
Net Cash Outflow From Investing Activities	(3)	(62)
Cash Flows From Financing Activities		
Financing from the Scottish Parliamentary Corporate Body	3,210	3,222
Net Cash Inflow From Financing Activities	3,210	3,222
Net Increase/(Decrease) in Cash and Cash Equivalents		
Cash and Cash equivalents at the beginning of the period	57	63
Cash Flow in Year	(22)	(6)
Cash and Cash equivalents at the end of the period	35	57

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR YEAR ENDED 31 MARCH 2014**

	General Fund £'000	Total Reserves £'000
Balance at 31 March 2013	347	347
Net Operating Costs for the Year	(3,336)	(3,324)
Funding From SPCB	3,210	3,210
Balance at 31 March 2014	221	233

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 (2-3 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
Furniture and equipment	5 years
Fixtures and Fittings	5 years
IT Equipment	3 years
Software and licences	2-3 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 his office staff are members of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme and the SPSO is unable to identify its share of the underlying assets and liabilities and, therefore, there is no liability in the Statement of Financial Position. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the separate

scheme statement of the PCSPS Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

In order that any defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that 'the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years'. The last formal actuarial valuation undertaken for the PCSPS was completed in 2007. Consequently, a formal actuarial valuation would have been due by 31 March 2011. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

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'.

2 Income

	2014 £'000	2013 £'000
Income from all Sources		
Income from shared services	66	69
Gross income from training	88	111
	<u>154</u>	<u>180</u>

£74,000 (2013 - £49,000) of Staff Costs and Other Administration Costs (notes 3 and 5) have been identified as being directly attributable to the Training Unit.

3 Staff Numbers and Costs

3.1 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:

	2014 FTE	2013 FTE
Ombudsman	1.0	1.0
Staff	45.4	45.9
	<u>46.4</u>	<u>46.9</u>

3.2 Breakdown of Staff Costs

	Total £'000	Ombudsman £'000	Staff £'000
Administrative Costs			
Salaries / Wages	1,999	84	1,915
Social Security Costs	176	9	167
Pension Costs	348	20	328
Internal Professional Advisor Fees	120		
	2,643	113	2,410

Comparative for Year Ended 31 March 2013

	Total £'000	Ombudsman £'000	Staff £'000
Administrative Costs			
Salaries / Wages	1,929	83	1,846
Social Security Costs	161	9	152
Pension Costs	347	20	327
Internal Professional Advisor Fees	110		
	2,547	112	2,325

Staff costs

Staff costs rose in 2013-14 due to a 1% cost of living salary increase award in line with other public body settlements and an increase in overtime payments and the use of specialist advisers due to rising volumes of complaints.

4 Pension Costs

For 2013-14 employer's contributions of £318,037 were payable to the PCSPS at one of four rates in the range 16.2% to 24.6% 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 outstanding scheme contributions of £1,347 at 31 March 2014 (2013 £Nil).

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.

One employee has opted for a partnership pension account with a private sector pension scheme into which the SPSO made an employer contribution to the value of £8,958 in 2013-14. Employer contributions are age-related and range from 3% to 14.5% of pensionable pay.

5 Other Administrative Costs

	2014 £'000	2013 £'000
Property Costs	279	257
Professional Services	149	138
General Office Running Costs	166	261
Training	34	29
Travel and Expenses	21	18
Printing and Publications	29	35
Telephones and Postage	37	40
Outreach	18	23
	733	801

The above total includes £16,000 (2013 £19,000) for external auditor's remuneration. The external auditor received no fees in relation to non-audit work. Included within General Office Running Costs are £4,050 (2013 £12,009) of equipment rental costs in association with operating leases.

6 Property, Plant and Equipment

	Leasehold Improvements	Equipment	Furniture Fixtures & Fittings	IT Hardware & Systems	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2013	493	21	186	177	877
Disposals	-	-	-	-	-
Additions	-	-	-	3	3
At 31 March 2014	493	21	186	180	880
Depreciation					
At 1 April 2013	276	21	171	153	621
On disposals	-	-	-	-	-
Charge for Year	33	-	6	13	52
At 31 March 2014	309	21	177	166	673
Net Book Value at 31 March 2014	184	-	9	14	207
Net Book Value at 31 March 2013	217	-	15	24	256

7 Intangible Assets

	£'000
Cost	
At 1 April 2013	270
Disposals	-
Additions	-
At 31 March 2014	<u>270</u>
Depreciation	
At 1 April 2013	142
On disposals	-
Charge for Year	62
At 31 March 2014	<u>204</u>
Net Book Value at 31 March 2014	<u><u>66</u></u>
Net Book Value at 31 March 2013	<u><u>128</u></u>

8 Trade Receivables and Other Current Assets

	2014 £'000	2013 £'000
Prepayments	56	45
Other Debtors	3	5
	<u>59</u>	<u>50</u>

9 Cash and Cash Equivalents

	2014 £'000	2013 £'000
Balance at 1 April	57	63
Net change in cash and cash equivalents	(22)	(6)
Balance at 31 March	<u>35</u>	<u>57</u>
Cash held at commercial banks	<u>35</u>	<u>57</u>

**10 Trade Payables and Other Current Liabilities
Amounts Falling Due Within One Year**

	2014 £'000	2013 £'000
Trade Payables	7	13
Accruals	139	131
	<u>146</u>	<u>144</u>

11 Operating Leases

Annual Operating Lease Payment Commitments Expiring:	Buildings	Totals
	£'000	£'000
Within One Year of the Balance Sheet Date	163	163
Within Two to Five Years of the Balance Sheet Date	560	560
Over Five Years of the Balance Sheet Date	-	-
Total	723	723

Comparative for Year Ended 31 March 2013

Annual Operating Lease Payment Commitments Expiring:	Buildings	Totals
	£'000	£'000
Within One Year of the Balance Sheet Date	163	163
Within Two to Five Years of the Balance Sheet Date	652	652
Over Five Years of the Balance Sheet Date	71	71
Total	886	886

12 Capital Commitments

There were no contracted capital commitments as at 31 March 2014 (2013 £nil).

13 Contingent Liabilities

There were no contingent liabilities as at 31 March 2014 (2013 £nil).

14 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 his staff has undertaken material transactions with the SPCB nor with the Ombudsman's Office during the year.

15 Post Balance Sheet Events

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

16 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 following assumption:

- 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