

# **Scottish Public Services Ombudsman**

## **Annual Accounts**

**Year Ended 31<sup>st</sup> March 2006**

**Scottish Public Services Ombudsman  
Accounts For The Year Ended 31 March 2006**

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# **Scottish Public Services Ombudsman Accounts For The Year Ended 31 March 2006**

## **FOREWORD**

The accounts for the financial year ended 31<sup>st</sup> March 2006 are presented in accordance with paragraph 15(1) of Schedule 1 to the Scottish Public Services Ombudsman Act 2002, and prepared in accordance with an Accounts Direction given by Scottish Ministers.

## **Background Information**

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

## **Statutory Powers and Responsibilities**

2. The statutory functions of the Scottish Public Services 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. It has a role also 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. The SPSO also has a role to promote good administrative practice and, using the evidence from its investigations, to contribute to the development and improvement of the public sector in Scotland.

## **Financial Position**

3. The Ombudsman's expenditure on operating activities for the year ended 31 March 2006 totalled £2,612,000. This was on staffing costs £1,593,000 other operating costs £932,000 and depreciation £87,000. Income of £89,000 was earned resulting in net expenditure on operating activities of £2,523,000.

4. A further £85,000 was spent on fixed asset purchases giving total expenditure for the year of £2,608,000.

5. The Scottish Parliament awarded the Ombudsman a budget of £2,727,000 for financial year 2005-06. The Ombudsman's actual expenditure at £2,608,000 was under budget. Details of performance against budget are shown in note 2 to the accounts.

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**Financial Administration**

6. During 2004-05 financial administration was provided by the Scottish Parliamentary Corporate Body (SPCB). The SPCB received no remuneration for this support. The SPCB was established under Section 21 of the Scotland Act 1998 and is located at The Scottish Parliament, Edinburgh EH99 1SP. From 1 April 2005 the Office of the Scottish Public Services Ombudsman took over responsibility for its own financial administration.

**Payment of Creditors**

7. 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. SPSO payment performance for 2005-06 was 92% (2004/05, 66.5%).

**Review of 2005/06**

8. The financial year 2005/06 was a significant one for the SPSO with the successful introduction of the revised investigation and reporting process. The SPSO received 3,698 complaints and enquiries over the year 2005/06, compared to 2,377 in the previous year. Of those that were within jurisdiction, 54% were about local government, 28% about the NHS, 8% about Housing Associations, 7% about the Scottish Executive and its Agencies and 3% about further and higher education and other bodies. In total, the 2005/06 volumes reflect an increase of 99% in enquiries and 24% in complaints, representing an increase of 56% in overall contact.

**Future Developments**

9. The SPSO will be pursuing the completion of the 2005/07 Strategic Plan during the year 2006/07.

10. The SPSO will continue to work closely with the Scottish Executive in regard to shared services and other opportunities for improving cross-agency working and multi-organisational efficiencies.

**The Scottish Public Services Ombudsman**

11.    ***The Ombudsman is:***                           Professor Alice Brown  
       ***Appointed:***                                     30 September 2002

The Ombudsman's appointment is for a period not exceeding 5 years and is eligible for reappointment for a further 5 years.

**Equal Opportunities**

12. The Ombudsman supports the principle of equal opportunities in carrying out her operational functions and employment practices. This means she is committed to pursuing positive action in her 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, sexual or marital status or disability.

**Provision of Information to Employees**

13. 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 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.

**Audit**

14. The accounts are audited by auditors appointed by the Auditor General for Scotland in accordance with paragraph 15 (2) of Schedule 1 of the SPSO 2002.

Professor Alice Brown  
Scottish Public Services Ombudsman

Date: 1 November 2006

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**REMUNERATION REPORT**

The Ombudsman's appointment is for a period of 5 years and remuneration of the Ombudsman is set by the Scottish Parliamentary Corporate Body. Following nomination by the Scottish Parliament the Ombudsman is appointed by Her Majesty the Queen.

Under the Scottish Public Services Ombudsman Act 2002, the remuneration of the Ombudsman and her Deputies is set by the Scottish Parliamentary Corporate Body.

The Ombudsman's salary and pension entitlement is set out below, along with that of her Deputies. The Deputies are employed on a part-time basis, working a minimum of 18 ½ hours per week. Their salaries given below are based on part-time employment and include overtime.

<b>Remuneration</b>		<b>2005-06</b>	<b>2004-05</b>
		<b>£</b>	<b>£</b>
<b>Ombudsman</b>			
Professor Alice Brown	Salary	80-85	80-85
	Benefits in kind	Nil	Nil
<b>Deputy Ombudsman</b>			
Eric Drake	Salary	25-30	25-30
	Benefits in kind	Nil	Nil
Carolyn Hirst	Salary	25-30	25-30
	Benefits in kind	Nil	Nil
Lewis Shand Smith	Salary	45-50	30-35
	Benefits in kind	Nil	Nil

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<b>Pension Benefits</b>	<b>Salary (as defined below)</b>	<b>Real increase in pension and related lump sum at age 60</b>	<b>Total accrued pension at age 60 as at 31 March 2006 and related lump sum</b>	<b>CETV at 31 March 2005</b>	<b>CETV at 31 March 2006</b>	<b>Value of CETV increase over year</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Ombudsman</b>						
Professor Alice Brown	80 - 85	0 - 2.5 lump sum 2.5 - 5	20 - 25 lump sum 65 - 70	383	555	172
<b>Deputy Ombudsman</b>						
Eric Drake	25 - 30	0 - 2.5 lump sum 0 - 2.5	20 - 25 lump sum 60 - 65	298	419	121
Carolyn Hirst	25 - 30	0 - 2.5 lump sum 0 - 2.5	0 - 5 lump sum 0 - 5	13	23	10
Lewis Shand Smith	25 - 30	0 - 2.5 lump sum 0 - 2.5	0 - 5 lump sum 0 - 5	14	26	12

Salaries include basic salaries, and where appropriate performance bonuses payable, reserved rights, recruitment and retention allowances. They do not include employer National Insurance or Superannuation contributions.

**The Cash Equivalent Transfer Value (CETV)**

This 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. It 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total service, not just their current appointment. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

**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.

Professor Alice Brown  
Scottish Public Services Ombudsman

Date: 1 November 2006

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**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 Executive and published in the Scottish Public Finance Manual.

Under paragraph 15(1) of Schedule 1 to the SPSO 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 her 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.



## **STATEMENT ON INTERNAL CONTROL**

As Accountable Officer, I have responsibility for maintaining a sound system of 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.

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 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.

In this year I have ensured consistent adherence to procedures for internal control introduced during 2004/05, especially in the key business areas of financial management, operational and employee data management and risk management. A formal Scheme of Control and Scheme of Delegation remain in place and were periodically reviewed, as required by the Scheme of Control, and amended as necessary. In this year we have further clarified the roles of the Executive Board and the Management Team. The Executive Board, which I chair, meets at least monthly to consider operational and financial performance, matters of Risk and Audit, the Annual Business Plan and the strategic direction of the organisation. The Management Team meets on a weekly basis and oversees the day-to-day running of the organisation. The Director of Corporate Services leads the Management Team and he is also a voting member of the Executive Board. The HR Manager and Communication Manager have also joined the Executive Board as non-voting members, ensuring their functional expertise is available to the Executive Board.

As Accountable Officer I also have responsibility for reviewing the effectiveness of the system of internal control. I am satisfied that the current Scheme of Control provides a robust and appropriate framework. I chose not to pursue the option of establishing an Internal Audit function during 2005/06. This decision was taken because I was satisfied that, given the very simple process structure of the SPSO and the availability of thorough control statistics, that such a function was not essential during 2005/06 and that all available resources should be devoted to the investigation of complaints.

I also postponed the decision on whether or not to establish an Advisory Group to support both the Executive Board and the Risk and Audit Committee. I remain unconvinced that an Advisory Group, as originally envisaged, is an appropriate and proportional development. I am currently considering an alternative proposal that was developed during the last review of the Scheme of Control. This proposal involves inviting two external persons to join the Risk and Audit Committee, one as Chair, and to allocate the Committee a budget to commission audits of internal processes and controls as deemed necessary. I am minded to introduce this proposal during 2006/07.

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The SPSO formally complies with the principles of the Scottish Public Finance Manual in line with the Financial Memorandum agreed with the SPCB.

Professor Alice Brown  
Scottish Public Services Ombudsman

Date: 1 November 2006

## **Scottish Public Services Ombudsman Accounts For The Year Ended 31 March 2006**

### **Independent auditor's report to the members of Scottish Public Services Ombudsman, the Auditor General for Scotland and the Scottish Parliament**

We have audited the financial statements of the Scottish Public Services Ombudsman for the year ended 31 March 2006 under the Scottish Public Services Ombudsman Act 2002. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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 the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

### **Respective responsibilities of the Ombudsman and auditor**

The Ombudsman is responsible for preparing the annual report and the financial statements in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers. The Ombudsman is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Accountable Officer's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers. We also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the body has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

We review whether the Statement on Internal Control reflects the body's compliance with the Scottish Executive's guidance. We report if, in our opinion, it does not comply with the guidance or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Scottish Public Services Ombudsman Accounts For The Year Ended 31 March 2006

### Basis of audit opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Ombudsman in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### Opinion

#### *Financial statements*

In our 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 affairs of the body as at 31 March 2006 and of its surplus, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers.

#### *Regularity*

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

Signed

Scott-Moncrieff  
Chartered Accountants  
Registered Auditor  
31 October 2006

17 Melville Street  
Edinburgh  
EH3 7PH

**Scottish Public Services Ombudsman  
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**Operating Cost Statement for the year ended 31st March 2006**

		<b><u>2006</u></b>	<b><u>2005</u></b>
	<b><u>Notes</u></b>	<b>£'000</b>	<b>£'000</b>
<b><u>Income</u></b>			
Income from all Sources	3	(89)	(9)
<b><i>Total Income</i></b>		(89)	(9)
<b><u>Expenditure</u></b>			
Staff Costs	4,5	1,593	1,476
Other Operating Costs	6	932	561
Depreciation	7,8	87	80
<b><u>Total Expenditure</u></b>		2,612	2,117
<b><u>Net Expenditure for the Year</u></b>		2,523	2,108

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 14 to 21 form an integral part of these accounts.

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**Balance Sheet as at 31st March 2006**

	<u>Notes</u>	<u>2006</u> £'000	<u>2005</u> £'000
<b><u>Fixed Assets</u></b>			
Tangible Assets	7	593	598
Intangible Assets	8	12	9
<b><i>Total Fixed Assets</i></b>		<b>605</b>	<b>607</b>
<b><u>Current Assets</u></b>			
Debtors	9	117	130
Cash at Bank and in Hand		102	-
		<b>219</b>	<b>130</b>
<b><u>Current Liabilities</u></b>			
Creditors - Amounts Falling Due Within One Year	10	<b>(240)</b>	<b>(137)</b>
		<b>(21)</b>	<b>(7)</b>
<b><i>Net Current Assets</i></b>		<b>(21)</b>	<b>(7)</b>
		<b>584</b>	<b>600</b>
<b>Total Net Assets</b>		<b>584</b>	<b>600</b>
<b><u>Financed by:</u></b>			
<b>Capital and Reserves</b>			
General Fund	11	584	600
		<b>584</b>	<b>600</b>

The accompanying notes on pages 14 to 21 form an integral part of these accounts.

Professor Alice Brown  
Scottish Public Services Ombudsman

Date: 1 November 2006

**Scottish Public Services Ombudsman  
Accounts For The Year Ended 31 March 2006**

**Cash Flow Statement for Year Ended 31<sup>st</sup> March 2006**

<b><u>Operating Activities</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
	<b>£'000</b>	<b>£'000</b>
Net Cash Outflow from Operating Activities (i)	(2,301)	(2,032)
<b><u>Capital Expenditure</u></b>		
Purchase of Tangible/Intangible Fixed Asset	(85)	(61)
	<u>(2,386)</u>	<u>(2,093)</u>
<b><u>Financing From the SPCB</u></b>		
From the SPCB	2,488	2,093
<b><u>Increase in Cash</u></b> (ii)	<u><u>102</u></u>	<u><u>0</u></u>

**(i) Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities**

	<b><u>2006</u></b>	<b><u>2005</u></b>
	<b>£'000</b>	<b>£'000</b>
Net Expenditure for the Year	(2,523)	(2,108)
Decrease/( Increase) in Debtors	13	(40)
Increase in Creditors and Provisions	103	19
Depreciation	87	80
Notional Costs	19	17
<b>Net Cash Inflow from Operating Activities</b>	<u><u>(2,301)</u></u>	<u><u>(2,032)</u></u>

**(ii) Analysis of Changes in Cash & Bank**

	<b>At 1<sup>st</sup> April 2005 £'000</b>	<b>Cash Flow</b>	<b>At 31<sup>st</sup> March 2006 £'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at Bank and in Hand	0	102	102

## **NOTES TO THE ACCOUNTS**

### **1 Accounting Policies**

#### **1.1 Basis of Accounting**

These accounts cover the year to 31 March 2006. The financial statements have been prepared under the historical cost convention, and in accordance with the Accounts Direction issued by Scottish Ministers. They meet the requirements of the Companies Act 1985, and of the Statements of Standard Accounting Practice / Financial Reporting Standards issued and adopted by the Accounting Standards Board, so far as these requirements are appropriate.

#### **1.2 Fixed Assets**

##### **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 (3 years).

##### **1.2.3 *Valuation***

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

##### **1.2.4 *Depreciation***

Depreciation is provided on all tangible fixed 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 & Fittings	5 years
IT Equipment	3 years

### **1.3 Funding Receivable**

Funding received through the SPCB is credited directly to the general fund in the period to which it relates.



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**1.4 Leases**

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

**1.5 Notional Costs**

In line with HM Treasury's Fees and Charges Guide and DAO letter 8/96, The Ombudsman includes notional costs for cost of capital at the rate approved by HM Treasury of 3.5% (2005/06, 3.5%) in real terms on all assets and liabilities.

**1.6 Pension Costs**

***The Ombudsman and Deputy Ombudsmen***

The Ombudsman and Deputy Ombudsmen are paid through the Scottish Parliamentary Corporate Body's payroll. All are members of the Principal Civil Service Pension Scheme (PCSPS).

***Employees***

The staff of the SPSO are also members of the PCSPS. This is an unfunded multi-employer defined benefit scheme, but the SPSO is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk))

**1.7 Value Added Tax**

The SPSO is required to pay VAT on the provision of goods and services. All VAT is charged to the income and expenditure account.

**Scottish Public Services Ombudsman  
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**2 Performance Against Budget**

The Ombudsman is funded through the SPCB. For financial year 2005-06 the Ombudsman was allocated a budget of £2,727,000, including £29,000 for fixed asset additions. Net expenditure for the year at £2,663,000 was below budget.

	<b>2006 Budget £'000</b>	<b>2006 Expenditure £'000</b>	<b>Variance £'000</b>	<b>Variance %</b>
<b><u>Income</u></b>	0	(89)	89	0%
<b><u>Expenditure</u></b>				
Operating Activities	2,698	2,612	86	3%
Fixed Asset Additions	29	85	(56)	(193%)
	<b>2,727</b>	<b>2,697</b>	<b>30</b>	<b>1%</b>
<b><u>Net Expenditure for the Year</u></b>				
	<b>2,727</b>	<b>2,608</b>	<b>119</b>	<b>4%</b>

**3 Income**

	<b><u>2006</u> £'000</b>	<b><u>2005</u> £'000</b>
Income from all Sources		
Income from lease of parking spaces	12	6
Pension costs recovered (note 14)	42	-
Insurance recovery	1	3
Travel expenses reimbursed	2	-
Licence fees	25	-
Bank interest	7	-
	<b>89</b>	<b>9</b>

**Scottish Public Services Ombudsman  
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**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 SPSO during the period was as follows:

	<b>2006 FTE</b>	<b>2005 FTE</b>
Ombudsman	1.0	1.0
Deputies	2.4	1.5
Staff	35.9	31.9
	<b>39.3</b>	<b>34.4</b>
	<b>39.3</b>	<b>34.4</b>

**4.2 *Breakdown of Staff Costs***

	<b>Total £'000</b>	<b>Ombudsman and Deputies £'000</b>	<b>Staff £'000</b>
Salaries / Wages	1,265	193	1,072
Social Security Costs	98	19	79
Pension Costs	230	40	190
	<b>1,593</b>	<b>252</b>	<b>1,341</b>
	<b>1,593</b>	<b>252</b>	<b>1,341</b>

**5 Pension Costs**

For 2005-06 employer's contributions of £229,836 were payable to the PCSPS at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation.

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 or prepaid scheme contributions at 31 March 2006.

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 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.

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**6 Analysis of Operating Expenditure**

	<u>2006</u> £'000	<u>2005</u> £'000
Property Costs	309	142
Professional Services	331	146
General Office Running Costs	130	137
Training	32	30
Travel and Expenses	32	26
Printing and Publications	2	23
Advertising	0	22
Telephones and Postage	25	18
Outreach	52	0
Notional Cost of Capital	19	17
	<b>932</b>	<b>561</b>
	<b>932</b>	<b>561</b>

The above total includes £18,900 (2005 £18,230) for external auditor's remuneration. External audit received no fees in relation to non audit work. Included within Administration costs are £17,316 (2005 £13,664) of equipment rental costs in association with operating leases.

**7 Fixed Assets**

	Leasehold Improvements	Equipment	Furniture Fixtures & Fittings	IT Hardware & Systems	Total
<u>Cost</u>	£'000	£'000	£'000	£'000	£'000
At 1 <sup>st</sup> April 2005	493	18	114	85	710
Additions	0	3	26	48	77
Disposals	0	0	0	0	0
At 31 <sup>st</sup> March 2006	493	21	140	133	787
	493	21	140	133	787
	493	21	140	133	787
	493	21	140	133	787
	493	21	140	133	787
	493	21	140	133	787
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	493	21	140	133	787
	493	21	140	133	787

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Accounts For The Year Ended 31 March 2006**

**8 Intangible Assets**

<b><u>Cost</u></b>	<b><u>2006</u> <u>£'000</u></b>
At 1 <sup>st</sup> April 2005	15
Additions	8
Disposals	0
At 31 <sup>st</sup> March 2006	<b><u>23</u></b>
<b><u>Depreciation</u></b>	
At 1 <sup>st</sup> April 2005	6
Charge for Year	5
Disposals	0
At 31 <sup>st</sup> March 2006	<b><u>11</u></b>
<b><u>Net Book Value at 31<sup>st</sup> March 2006</u></b>	<b><u>12</u></b>
<b><u>Net Book Value at 31<sup>st</sup> March 2005</u></b>	<b><u>9</u></b>

**9 Debtors**

	<b><u>2006</u> <u>£'000</u></b>	<b><u>2005</u> <u>£'000</u></b>
Prepayments	55	127
Other Debtors	62	3
	<b><u>117</u></b>	<b><u>130</u></b>

**10 Creditors: Amounts Falling Due Within One Year**

	<b><u>2006</u> <u>£'000</u></b>	<b><u>2005</u> <u>£'000</u></b>
Trade Creditors	175	14
Accruals	65	123
	<b><u>240</u></b>	<b><u>137</u></b>

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**11 General Fund**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
As at 1 April 2005	600	598
Net Expenditure for the Year	(2,523)	(2,108)
From the SPCB	2,488	2,093
Notional Cost of Capital	19	17
As at 31 March 2006	<b>584</b>	<b>600</b>

**12 Operating Leases**

	<b>Office Equipment</b>	<b>Buildings</b>	<b>Totals</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating Lease Payment Commitments Expiring:			
Within One Year of the Balance Sheet Date	0	0	0
Within Two to Five Years of the Balance Sheet Date	21	0	21
Over Five Years of the Balance Sheet Date	0	150	150
Total	<b>21</b>	<b>150</b>	<b>171</b>

**13 Capital Commitments**

There were no contracted capital commitments as at 31<sup>st</sup> March 2006.

**14 Pension Costs Recoverable**

Under the Scottish Public Services Ombudsman Act 2002, property and liabilities to which a previous Ombudsman was entitled transferred to the Ombudsman on 1 October 2002. A liability exists to the Lothian Pension Fund with regard to pension payments due to individuals including a former member of staff and three Ombudsmen of the forerunner bodies. An actuarial valuation of the pension liability in respect of the relevant individuals was carried out at 31 March 2005 by Hymans Robertson which valued this liability at £283,400.

The SPSO disputed the transfer of this liability to the Ombudsman. The liability was made up of amounts due to the three former Ombudsmen under the Lothian Pension Fund by-analogy scheme and a discretionary pension enhancement to a former member of the Ombudsman's staff. Under the Local Government (Scotland) Act 1975 the liability for pensions lies with the designated body who was responsible for the Commissioner for Local Administration at the time. Legal opinion has now established that confirms that, as the liability for payment of pensions never lay with the Commissioner for Local Administration in the first place, the provisions of the 2002 Act are incapable of transferring such a liability to the SPSO. The discretionary pension enhancement was awarded to the former member of staff in April 2001 and the individual was not employed at the time of the transfer to the SPSO in October 2002. Notwithstanding this £43,475 was included within staff costs in the 2005/06 income and expenditure account. This related to amounts paid to Lothian Pension Fund in relation to these liabilities or to amounts accrued at the year end and paid in 2005/06. Now that legal opinion has been established this amount is recoverable by SPSO

**SCOTTISH PUBLIC SERVICES OMBUDSMAN**

**DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of Schedule 1, paragraph 13 of the Public Appointments and Public Bodies etc. (Scotland) Act, hereby give the following direction.
2. 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.
3. 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.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction issued on 1 December 2004 is hereby revoked.

Signed by the authority of the Scottish Ministers

Date