



# **Annual Accounts**

**Year ended 31 March 2015**

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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 further period of six years. The financial year 2014-15 was the sixth 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 2015 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 2014-15 the Ombudsman delivered year three 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 2015-16 objectives are published as part of the 2014-15 Annual Report, which will be laid before the Parliament by 1 November 2015.

### • Risks

The overall risk profile for 2014-15 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.

Steps were taken in year to highlight rising volumes beyond planned levels to the SPSO's funding body (the Scottish Parliamentary Corporate Body - SPCB) and the requirement to ensure that sufficient funds are available in future to meet rising activity levels.

- **Financial performance**

Following a three-year planned real term reduction of 15% against the 2010-11 baseline budget, the Ombudsman worked with the SPCB to increase funding to reflect rising demand through a 1% uplift in resourcing.

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 2014-15 the Ombudsman received 5,667 complaints and enquiries, compared to 4,819 in the previous year. Of the complaints received, 38% were about local government, 32% about the NHS, 12% about the Scottish Government and its agencies (including the Scottish Prisons Service) and NDPBs, 8% about housing associations, 6% 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 18% in overall contact including a 10% increase in the volume of complaints received. The number of complaints resolved increased by 9%, while available case-handling resource rose slightly.

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 2014-15, the Ombudsman continued the partnership working with public service providers to help improve complaints handling. The SPSO's Complaints Standards Authority (CSA) continued to provide advice, support and guidance to public bodies to support the successful and consistent operation of the standardised SPSO model complaints handling procedures. In addition, 2014-15 saw the publication, for the first time, of standardised performance information about public bodies' complaints handling in line with SPSO indicators and the requirements of the model CHPs. Local authorities and colleges were amongst the first sectors to start reporting and benchmarking this information through the complaints handling networks established by the SPSO. In 2014-15, networks were in operation for the local government, housing, further education and higher education sectors.

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

- **Future Developments**

The Ombudsman will continue to implement the provisions of the two 2010 Acts. In 2015-16, 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 continue to manage complaints relating to the interim Scottish Welfare Fund (SWF) scheme from 2013. The income in 2014-15 of £9,500 for this work is included in the accounts as Other Income. The Scottish Parliament has proposed in the Welfare Funds (Scotland) Bill that the future permanent arrangements for the SWF scheme's external review will be provided by the SPSO from 1 April 2016.

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 2014-15, the total carbon emission from primary energy supplies was 61 metric tonnes (2013-14 69t). This is an 11.5% decrease on last year's usage, and is 28% 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 2015, before other operating income, totalled £3,504,000 (2013-14 £3,490,000). This was on:

- staffing costs £2,659,000 (2013-14 £2,643,000) which, for historical reasons, includes contracted Internal Professional Adviser costs of £127,000 (2013-14 £120,473);
- other operating costs £734,000 (2013-14 £733,000) and
- depreciation £111,000 (2013-14 £114,000).

Gross income of £122,000 (2013-14 £154,000) was earned resulting in net expenditure on operating activities of £3,382,000 (2013-14 £3,336,000).

Nothing was spent on non-current asset purchases (2013-14 £3,000), leaving the total expenditure for the year of £3,382,000 (2013-14 £3,339,000), including depreciation.

The Scottish Parliament awarded the Ombudsman a budget of £3,241,000 (2013-14 £3,207,000) for financial year, excluding depreciation. The budget was increased in year to £3,271,500 to cover unbudgeted contingencies of judicial review, long-term absence and lift repair works. The Ombudsman's actual cash funding (excluding depreciation) was £3,271,413 (2013-14 £3,209,649).

- **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 receipt of the goods or services. The payment performance for 2014-15 was 96% in 30 days (2013-14 was 96%) and 71% in 10 days (2013-14 was 58%).

- **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	39	76%
	Male	12	24%

- **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 2015, the office of the Ombudsman recorded a total of 261 days absence for the year; amounting to 5 days per employee (2013-14 6.1). This is a decrease of 16% compared against last year's figure of 311.5 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, 169 days were recorded with an average number of 3.25 days per employee, compared to 2.8 days last year.

The overall figure of 5 days per employee (including long-term absence) is below the average figure of 6.6 days reported for public sector employees in 2014 (*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 2014-15 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 207 information requests in 2014-15 (169 in 2013-14), 114 under FOISA, 10 under EIR and 83 under DPA (2013-14 78 Under FOISA & 91 under DPA). There was one decision from the Scottish Information Commissioner (SIC), which was not upheld (for the office of the Ombudsman). There were no decisions from the Information Commissioner's Office.

- **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 **24 September 2015**.



**Jim Martin**  
**Scottish Public Services Ombudsman**  
**24 September 2015**

## 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 (2013-14 £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 2015.

Remuneration		2014-15	2013-14
		£	£
<b>Ombudsman</b>			
Jim Martin	Salary	80-85	80-85
	Benefits in kind	Nil	Nil
	Pension benefits (i)	<u>32</u>	<u>31</u>
	<b>Total</b>	<b><u>115-120</u></b>	<b><u>110-115</u></b>
<b>Director</b>			
Nicola Maclean	Salary (FTE)	75-80	70-75
	Benefits in kind	Nil	Nil
	Employer pension contribution	<u>10</u>	<u>9</u>
	<b>Total</b>	<b><u>85-90</u></b>	<b><u>80-85</u></b>

Pension Benefits	Total accrued pension at age 60 as at 31 March 2015 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31 March 2015	CETV at 31 March 2014	Value of CETV increase over year funded by the employer	Employer contribution to private pension account
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Ombudsman</b>						
Jim Martin	13	2	209	168	24	
<b>Director</b>						
Nicola Maclean (ii)						10

#### 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 2.07 times (2013-14 1.95) the median remuneration paid to the office of the Ombudsman's staff, which was £39,854 (2013-14 £42,223).

### 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.

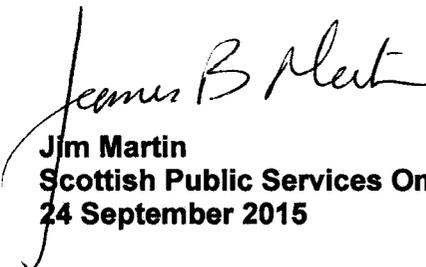
**Service contracts**

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**  
**24 September 2015**

## **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 2014 to 31 March 2015 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 2014-15 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 2014-15 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 rolling three-year internal audit programme in place, of which 2014-15 was the last year. The new three-year plan is in place for 2015-18.

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 2014-15, 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 2014-15 register. The Internal Audit function will review the process for managing risk on an annual basis. The overall risk profile for 2014-15 was low to moderate. The only significant risk to carry forward into 2015-16 was the risk associated with the continuing predicted increase in cases received with the potential to create a backlog of cases. Control actions for this risk include the application for additional resourcing into 2015-16 and beyond to the SPCB as the funding body. There were no significant lapses in data security in the year.



**Jim Martin**  
**Scottish Public Services Ombudsman**  
**24 September 2015**

## **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 2015 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 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 2014/15 Government Financial Reporting Manual (the 2014/15 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 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 report 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 2015 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 2014/15 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 (made up of a Strategic Report and Director's Report) 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**

*1 October 2015.*

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 2015**

	Notes	2015 £'000	2014 £'000
<b>Administrative Costs</b>			
Staff Costs	4,5	2,659	2,643
Other Administration Costs	6	734	733
Depreciation	7,8	111	114
Other Operating Income	3	(122)	(154)
<b>Net Administration Costs</b>		<b>3,382</b>	<b>3,336</b>
<b>Net Operating Costs</b>		<b>3,382</b>	<b>3,336</b>

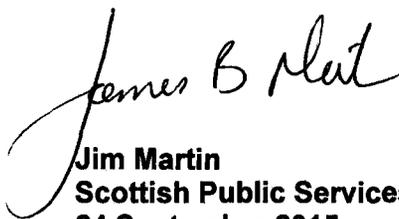
All amounts relate to continuing activities. There have been no gains or losses other than those recognised in the Operating Cost Statement.

The accompanying notes on pages 19 to 24 form an integral part of these accounts.

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2015**

	Notes	2015 £'000	2014 As restated £'000
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7	124	173
Intangible Assets	8	4	66
<b>Total Non-Current Assets</b>		<b>128</b>	<b>239</b>
<b>Current Assets</b>			
Trade and Other Receivables	9	90	59
Cash and Cash Equivalents	10	31	35
<b>Total Current Assets</b>		<b>121</b>	<b>94</b>
<b>Total Assets</b>		<b>249</b>	<b>333</b>
<b>Current Liabilities</b>			
Trade and Other Payables	11	(172)	(146)
<b>Total Current Liabilities</b>		<b>(172)</b>	<b>(146)</b>
<b>Non Current Assets plus Net Current Assets</b>		<b>77</b>	<b>187</b>
<b>Non-Current Liabilities</b>		-	-
<b>Assets less Liabilities</b>		<b>77</b>	<b>187</b>
<b>Taxpayers' Equity</b>			
General Fund		77	187
<b>Total Taxpayers' Equity</b>		<b>77</b>	<b>187</b>

The accompanying notes on pages 19 to 24 form an integral part of these accounts.



**Jim Martin**  
Scottish Public Services Ombudsman  
24 September 2015

**STATEMENT OF CASH FLOWS  
FOR YEAR ENDED 31 MARCH 2015**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash Flows From Operating Activities</b>		
Net Operating Cost	(3,382)	(3,336)
Adjustment for Non Cash Transactions		
Depreciation	111	114
<b>Movements in Working Capital</b>		
(Increase)/Decrease in Trade and Other Receivables	(31)	(9)
Increase/(Decrease) in Trade and Other Payables	26	2
<b>Net Cash Outflow from Operating Activities</b>	<u><b>(3,276)</b></u>	<u><b>(3,229)</b></u>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant and Equipment	-	(3)
Purchase of Intangible Assets	-	-
<b>Net Cash Outflow From Investing Activities</b>	<u><b>-</b></u>	<u><b>(3)</b></u>
<b>Cash Flows From Financing Activities</b>		
Financing from the Scottish Parliamentary Corporate Body	3,272	3,210
<b>Net Cash Inflow From Financing Activities</b>	<u><b>3,272</b></u>	<u><b>3,210</b></u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		
Cash and Cash equivalents at the beginning of the period	35	57
Cash Flow in Year	(4)	(22)
Cash and Cash equivalents at the end of the period	<u><b>31</b></u>	<u><b>35</b></u>

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY  
FOR YEAR ENDED 31 MARCH 2015**

	<b>General Fund £'000</b>	<b>Total Reserves £'000</b>
<b>Balance at 31 March 2014 as previously stated</b>	<b>221</b>	<b>221</b>
Prior Year adjustment as explained in note 2	(34)	(34)
<b>Balance at 31 March 2014 as restated</b>	<b>187</b>	<b>187</b>
Net Operating Costs for the Year	(3,382)	(3,382)
Funding From SPCB	3,272	3,272
<b>Balance at 31 March 2015</b>	<b>77</b>	<b>77</b>

## 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](http://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 Prior Years Adjustment

A prior years adjustment has been made for an error in previous years accounts which resulted in under depreciation of Leasehold improvements in the years 2003 to 2008. This amounted to £33,806 in total, and the opening balances at 1 March 2014 have been restated.

## 3 Income

	2015 £'000	2014 £'000
Income from all Sources		
Income from shared services	64	66
Gross income from training	49	88
Other operating income	9	-
	<b>122</b>	<b>154</b>

£29,500 (2014 - £74,000) of Staff Costs and Other Administration Costs (notes 3 and 5) 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:

	2015 FTE	2014 FTE
Ombudsman	1.0	1.0
Staff	42.83	45.4
	<b>43.83</b>	<b>46.4</b>

### 4.2 Breakdown of Staff Costs

	Total £'000	Ombudsman £'000	Staff £'000
<b>Administrative Costs</b>			
Salaries / Wages	1,999	84	1,915
Social Security Costs	161	10	151
Pension Costs	372	20	352
Internal Professional Advisor Fees	127		
	<b>2,659</b>	<b>114</b>	<b>2,418</b>

#### Comparative for Year Ended 31 March 2014

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

#### Staff costs

Staff costs rose in 2014-15 due to a significant number of staff who moved into a higher pension contribution rate due to the salary increase; and the increased use of specialist advisers for rising volumes of complaints.

## 5 Pension Costs

For 2014-15 employer's contributions of £340,100 were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% 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 2015 (2014 £1,300).

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.

Two 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 £11,700 in 2014-15. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay.

**6 Other Administrative Costs**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Property Costs	273	279
Professional Services	197	149
General Office Running Costs	153	166
Training	25	34
Travel and Expenses	23	21
Printing and Publications	13	29
Telephones and Postage	31	37
Outreach	19	18
	<b>734</b>	<b>733</b>

The above total includes £15,000 (2013-14 £16,000) for external auditor's remuneration. The external auditor received no fees in relation to non-audit work. Included within General Office Running Costs are £1,387 (2014 £4,050) of equipment rental costs in association with operating leases.

**7 Property, Plant and Equipment**

	<b>Leasehold Improvements</b>	<b>Equipment</b>	<b>Furniture Fixtures &amp; Fittings</b>	<b>IT Hardware &amp; Systems</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>					
At 1 April 2014	493	21	186	180	880
Disposals	-	-	-	-	-
Additions	-	-	-	-	-
At 31 March 2015	<b>493</b>	<b>21</b>	<b>186</b>	<b>180</b>	<b>880</b>
<b>Depreciation</b>					
At 1 April 2014 as restated	343	21	177	166	707
On disposals	-	-	-	-	-
Charge for Year	33	-	5	11	49
At 31 March 2015	<b>376</b>	<b>21</b>	<b>182</b>	<b>177</b>	<b>756</b>
<b>Net Book Value at 31 March 2015</b>	<b>117</b>	<b>-</b>	<b>4</b>	<b>3</b>	<b>124</b>
<b>Net Book Value at 31 March 2014 as restated</b>	<b>150</b>	<b>-</b>	<b>9</b>	<b>14</b>	<b>173</b>

A prior years adjustment has been made for an error in previous years accounts which resulted in under depreciation of Leasehold improvements in the years 2003 to 2008. This amounted to £33,806 in total, and the opening balances at 1 March 2014 have been restated.

**8 Intangible Assets**

	<b>£'000</b>
<b>Cost</b>	
At 1 April 2014	270
Disposals	-
Additions	-
At 31 March 2015	<u>270</u>
<b>Depreciation</b>	
At 1 April 2014	204
On disposals	-
Charge for Year	62
At 31 March 2015	<u>266</u>
<b>Net Book Value at 31 March 2015</b>	<u><u>4</u></u>
<b>Net Book Value at 31 March 2014</b>	<u><u>66</u></u>

**9 Trade Receivables and Other Current Assets**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Prepayments	82	56
Other Debtors	8	3
	<u>90</u>	<u>59</u>

**10 Cash and Cash Equivalents**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	35	57
Net change in cash and cash equivalents	(4)	(22)
Balance at 31 March	<u>31</u>	<u>35</u>
Cash held at commercial banks	<u>31</u>	<u>35</u>

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Trade Payables	25	7
Accruals – HMRC	49	52
Accruals – non-government bodies	98	87
	<u>172</u>	<u>146</u>

**12 Operating Leases**

Annual Operating Lease Payment Commitments Expiring:	<b>Buildings</b>	<b>Totals</b>
	<b>£'000</b>	<b>£'000</b>
Within One Year of the Balance Sheet Date	163	163
Within Two to Five Years of the Balance Sheet Date	397	397
Over Five Years of the Balance Sheet Date	-	-
<b>Total</b>	<b>560</b>	<b>560</b>

**Comparative for Year Ended 31 March 2014**

Annual Operating Lease Payment Commitments Expiring:	<b>Buildings</b>	<b>Totals</b>
	<b>£'000</b>	<b>£'000</b>
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	-	-
<b>Total</b>	<b>723</b>	<b>723</b>

**13 Capital Commitments**

There were no contracted capital commitments as at 31 March 2015 (2014 £nil).

**14 Contingent Liabilities**

There is a potential future liability to repair the lift, which was condemned in 2014-15, and is contained within our leased building of which the funding body, SPCB, has been made fully aware.

**15 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.

**16 Post Balance Sheet Events**

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

**17 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.

A handwritten signature in black ink, appearing to read 'Alison Stelfox', written in a cursive style.

Signed by the authority of the Scottish Ministers

Dated 6 November 2006

