



Northern Ireland
Assembly

Research and Information Service Briefing Paper

Paper 45/15

1 October 2014

NIAR 490-14

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Northern Ireland Public Service Ombudsman Bill – Update on Estimated Cost Implications

This paper provides an update on the estimated cost implications for the Northern Ireland Public Service Ombudsman Bill.

This information is provided to MLAs in support of their Assembly duties and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as professional legal advice or as a substitute for it.

Introduction

This Briefing Paper updates the costing provided in RaISe Briefing Paper NIAR 827-013¹ (dated 22 November 2013), which addressed draft legislative proposals (as framed at that time) regarding the amalgamation of the offices of the Assembly Ombudsman and the Commissioner for Complaints, as proposed by the Committee for the Office of First Minister and deputy First Minister (COFMdFM). To address changes arising since NIAR 827-013 was compiled, this Paper re-calculates the figures used to estimate future costs and savings. It takes into account the available 2013-14 data and re-profiles the expenditure in light of the new information and data.

The paper is structured in the following way:

- Section 1 outlines background information about the legislative proposals to contextualise the subsequent sections;
- Section 2 discusses the costing of the proposals, taking account of the 2013-14 data;
- Section 3 re-profiles the expenditure in light of the new information and data for the implementation of the legislative proposals, if enacted;
- Section 4 explores the cost implications arising from key assumption changes;
- Section 5 outlines key additional issues for consideration; and,
- Section 6 provides some concluding remarks.

Findings outlined throughout this Paper are based on the information and data that the Northern Ireland Ombudsman's Office and other relevant sources have shared with RaISe.

¹ Heery M (2013) Northern Ireland Public Service Ombudsman Bill – Estimated Cost Implications (unpublished)

1 Background

The current legislative proposals developed by the Assembly's COFMdFM seek to officially combine the two offices of:

- The Assembly Ombudsman for Northern Ireland; and,
- The Northern Ireland Commissioner for Complaints.²

At the present time, the two offices are collectively known as the “Northern Ireland (NI) Ombudsman.”

1.1 Northern Ireland Ombudsman

The two offices currently operate out of the same premises and share the same:

- Accounting Officer;
- Senior Management Team; and,
- Administrative and Support functions.³

The two offices are differentiated:

in terms of jurisdiction; means of access for complainants and ultimate remedy if a recommendation is ignored.⁴

Details of the existing differences are outlined below, followed by an overview of the current COFMdFM proposals.

1.1.1 The Assembly Ombudsman for Northern Ireland⁵

The office of the Assembly Ombudsman is set up under the Ombudsman (NI) Order 1996.

The Assembly Ombudsman (AO) investigates complaints of alleged maladministration by NI Government Departments, their agencies and the Cross Border institutions set up under the Belfast Agreement. Complaints to the AO are required to be made through a Member of the Northern Ireland Assembly (MLA). The MLA then receives the final report, although he/she may pass a copy to the complainant.

Where a Department refuses to implement any AO recommendation, then the AO has the power to make a Special Report to the Northern Ireland Assembly on the matter.

² 2014 Annual Report of the Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints 2013-14

³ Source: Information provided to RaISe by Northern Ireland Ombudsman on 16 Sep 2014 Page 1.

⁴ Deloitte (2004) Review of the Offices of the Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints

⁵ Deloitte (2004) Review of the Offices of the Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints

1.1.2 The Northern Ireland Commissioner for Complaints⁶

The office of the Commissioner for Complaints (CC) is set up under the Commissioner for Complaints (NI) Order 1996 and the Commissioner for Complaints (Amendment) (NI) Order 1997.

The CC investigates complaints of maladministration against public bodies listed in the legislation. A person can complain directly to the CC and the investigation report is made directly to the complainant.

If a public body refuses to implement recommendations of the CC, the complainant has the right to refer the report to the County Court and ask for the award of damages.

1.2 Current Proposed Changes to the Ombudsman's Office

To address the anomaly whereby the Ombudsman operates under two separate pieces of legislation with different operating arrangements; the COFMdFM developed legislative proposals to combine the two offices into the Office of the Northern Ireland Public Services Ombudsman (NIPSO).

The proposals seek to expand the NIPSO's responsibilities to a number of additional areas, including:

- Maladministration by schools, further and higher education institutions;
- The Assembly Commission;
- The Northern Ireland Audit Office;
- Public procurement by NI departments and their agencies; and
- The exercise of professional judgement in social care, without the need to first make a finding of maladministration.

In addition, the legislative proposals seek to:

- Remove public sector employment issues from the NIPSO's remit; and,
- Include the right to conduct 'Own Initiative Investigation', where complaints concern systemic maladministration, but subject to agreement by the Assembly.

⁶ Deloitte (2004) Review of the Offices of the Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints

2 Costing of Proposals

This Paper updates RaISe Briefing Paper NIAR 827-013. Using a similar approach, it updates the relevant figures to reflect available data from the NI Ombudsman's Office for the 2013-14 financial year.

The approach taken in NIAR 827-013 was as follows:

- calculate the separate cost implications arising from each relevant policy proposal;
- assign the total estimated cost for each proposal to a financial year in which the expenditure was due to occur;
- decide whether the cost would be a one-off expense, or whether it would be an annual recurrent expense.

The outcome of the exercise was a cost figure, which sought to represent the additional resource cost above the present resource consumption of the NI Ombudsman.

In a number of instances, RaISe has used calculations that result in a fairly specific figure – either in terms of the likely predicted number of future complaints, or in the average cost of investigating a complaint. These figures are the outcome of the particular method used to predict a number or cost, and of the figures used in these calculations. **Whilst the results of these calculations were specific figures, which were taken forward into the costing model, these figures should not be taken as actual predictions. To do so would be to claim a spurious level of forecasting accuracy. Rather, they provide a robust indication of likely levels of complaint numbers and costs.**

Similar to NIAR 827-013, this Paper bases all its costing and related analysis on the data compiled and provided to RaISe by the NI Ombudsman's Office and other relevant sources. As agreed with the COFMdFM, RaISe plays a Quality Assurance role in the production of the costing that is included within this Paper.

In order to prepare this costing, a number of key estimates and assumptions have been made in order to predict likely future costs and savings. These are outlined in the following sub-sections.

2.1 Estimating the Average Cost per Complaint

In line with the costing detailed in NIAR 827-013, two separate approaches are used to estimate the average cost per complaint:

- Calculating the savings arising from the removal from the NIPSO's remit of public service employment issues by using figures which excluded health and social care complaints; and,
- Calculating the costs associated with complaints in areas which are due to move under the remit of the NIPSO, by using figures that included all types of complaints.

The details of the above calculations are provided in the following subsections.

2.1.1 Public Sector Employment Issues

As noted in Section 1.2 public sector employment issues are moving outside the remit of the new NIPSO office. The original figures used for the costing model were taken from a costing report undertaken by consultants in 2011 to calculate the cost per complaint, and exclude health and social care investigation costs, which by their nature are consistently more expensive.

Since there is no time recording system operating within the NI Ombudsman's Office, it has not been possible to undertake any further analysis of the costs associated with the different types of complaint. In light of this, the figures used in NIAR 827-013 have once again been used. Bearing this in mind, the cost per complaint was calculated as £1,753.⁷

2.1.2 Additional Areas of Responsibility

For areas coming within the NIPSO's jurisdiction, the approach is to calculate the average cost per complaint investigated by the NI Ombudsman. This cost is then used to calculate the cost of each new complaint the NIPSO is expected to receive.

To calculate the average cost per complaint, the NI Ombudsman's Net Operating Cost (as reported in the Resource Accounts for the relevant year) was divided by the number of complaints received in that year (as disclosed in the Annual Report for the relevant year).⁸

Figure 1: Average Cost Per Case⁸

Year	Net Operating Cost	No of Written Complaints	Average No of Persons Employed	Average Cost of Complaint
2009-10	£1,635,000	681	30	£2,400
2010-11	£1,799,000	695	33	£2,588
2011-12	£1,866,000	640	32	£2,915
2012-13	£1,685,000	742	27	£2,270
2013-14	£1,762,000*	972	29**	£1,812
AVERAGE	£1,749,400	746	30	£2,397

*NI Ombudsman Resource Accounts disclose the 2013-14 Net Operating Costs as £2,078,000. This figure, however, included expenditure related to a new function – the Local Government Ethical Standards (LGES), at a cost of £67,000, and exceptional expenditure on a legal challenge at a cost of £249,000. For comparative purposes

⁷ Capita Consulting, Costing Report for the Office of the Ombudsman 2010-11, September 2011 Pg 5

⁸ Information for Table obtained from NI Ombudsman Resource Accounts, available online at <http://www.ni-ombudsman.org.uk/Publications.aspx> (accessed on 15 September 2014)

these costs and any associated complaints related to the new function have been excluded from the 2013-14 costs.

**The average number of persons employed, as disclosed within the NI Ombudsman Resource Accounts, was 30 for 2013-14. The figure has been adjusted by the NI Ombudsman to reflect staffing levels for the LGES function.

As a result of the inclusion of the 2013-14 costs, the cumulative average cost per complaint was reduced by £133 to £2,397 ($1,749,000/746 = 2,397$).

In September 2014 the NI Ombudsman explained to RalSe that:

The decrease in average cost per complaint in 2013-14 can be attributed to the efficiency drive adopted by the AOCC [NI Ombudsman] in response to budgetary constraints.⁹

As noted in NIAR 827-013, this figure is higher than the average cost per complaint for the NI Ombudsman, once healthcare complaints have been removed (£1,753). However, it assumes a learning curve for areas that had not come under the remit of the Ombudsman previously.

2.2 Estimating the Number of Complaints

In each area where there is either a cost or saving to be calculated, the NI Ombudsman multiplied the average cost per complaint by the expected number of complaints to be received in each year for that particular area. This methodology is consistent with the principles used in NIAR 827-013.

The estimated number of complaints is calculated with reference to the historic figures for complaint numbers in that area. It is assumed by the NI Ombudsman that these figures would give a reasonably accurate indicator for the number of complaints likely to be received in future years.

The figures used by RalSe to estimate the number of complaints that are likely to be received in relation to areas that had not previously come within the remit of the NI Ombudsman have been extrapolated from complaints to Ombudsmen in other parts of the UK.

A key risk arising from this approach is that if the actual number of complaints submitted differs significantly from that predicted, the calculations in the costing will not accurately forecast the resources that the NIPSO will require to conduct investigations. There already exists a trend for the NI Ombudsman Office, whereby complaint numbers have increased in recent years, as can be seen in **Figure 1**. This may be exacerbated by the additional publicity which is likely to accompany the NIPSO's launch, as people learn about this avenue of complaint.

⁹Email to RalSe (9 Sep 2014): Information supplied by NI Ombudsman, 9 Sep 2014. Page 2.

3 Main Cost Calculation

In **Figure 2**, RaISe presents the re-profiled estimated cost implications of the NIPSO, and includes additional areas in its remit, given the current legislative proposals. The notes following the table explain how each figure has been calculated.

Figure 2: Profile of NIPSO Costs

Cost Line	2014-15		2015-16		2016-17		Reference
	One-Off	Recurrent	One-Off	Recurrent	One-Off	Recurrent	
Admin							
Rebranding/Website			45,140			4,460	3.1
Transfer of Staff		49,500		51,026		51,026	3.2
Financial Accountability	4,000	670	2,000	1,675		35,567	3.3
New Remits							
Schools, FE & HE						251,685	3.4
NIAO						2,397	3.5
Assembly Commission						2,397	3.5
Public Procurement						35,955	3.6
Own Initiative					4,000	91,506	3.7
Social Care Professional Judgement						2,046	3.8
SUB-TOTAL	4,000	50,170	47,140	52,701	4,000	477,039	
Savings							
Pub Sector Employment						131,475	3.9
SUB-TOTAL						131,475	
TOTAL	£4,000	£50,170	£47,140	£52,701	£4,000	£345,564	

RaISe estimates that the total cost of the proposals over the 2014-15 to 2016-17 period is £503,575. This figure can be broken down over the three financial years as follows:

Table 3: Breakdown of Expenditure by Financial Year

Financial Year	Expenditure
2014-15	£54,170
2015-16	£99,841
2016-17	£349,564

The expected on-going annual cost from 2017-18 onwards is estimated by RaISe to be £345,564. This represents a 20 per cent increase in operating costs from the Net Operating Cost figures reported for the 2013-14 year.

Individual cost items are explained in the following sub-sections.

3.1 Rebranding/Website Costs

The costs related to the procurement of the contract have been revised upward by RaiSe, after consultation with the Department of Finance and Personnel's Central Procurement Directorate, which results in costs doubling to £8,000. This is prudent given the proximity of the forecast costs to the threshold for increased charges. The remainder of costs in respect of office rebranding/website remain consistent with those detailed in NIAR 827-013.

The timing of the costs, however, has been re-profiled to reflect the fact that the procurement exercise has not yet taken place.

3.2 Transfer of Staff

As noted previously in a report by the Committee of the Office of the First Minister and deputy First Minister (COFMdFM):

[Department of Finance and Personnel] DFP recommended that the Bill provide for the direct employment of staff by the NIPSO.¹⁰

Consequently NIAR 827-013 included recurrent costs for the employment of a Human Resources (HR) Officer at Deputy Principal level. The HR expert has now been employed within the NI Ombudsman's Office at a slightly lower cost - £49,500 for the 2014-15 financial year, as the post was vacant for a short period while the recruitment process was undertaken. The costs for the 2015-16 and 2016-17 therefore are slightly different, as the staff member should be employed for the whole of each of these financial years. Since the staff member was employed in the 2014-15 financial year (as originally planned), there were no changes required under the re-profiling exercise.

3.3 Financial Accountability

NIAR 827-013 explained both the increased scope of the NIPSO's activities and the new arrangements concerning the NIPSO's accountability to the Assembly would require additional staff to be employed. The additional staff posts have been identified by the NI Ombudsman's Office as an additional Independent Non-Executive Board Member and a Finance Office at Executive Officer 1.

It was originally explained to RaiSe by the NI Ombudsman Office that the recruitment of the additional staff members would take place in the 2014-15 financial year, with on-going staff costs included as a recurrent cost from the 2015-16 financial year onward. Given the new information and data, these costs have since been re-profiled by the NI Ombudsman as follows:

¹⁰ Committee for the Office of the First Minister and deputy First Minister, Report to the Northern Ireland Assembly 16 Sep 13.

Figure 4: Re-Profiling of Financial Accountability

Officer	Cost	Recurrent/One-Off	2014-15	2015-16	2016-17
Finance Officer	Recruitment	One-Off		2,000	
	Salary	Recurrent			33,892
Board Member	Recruitment	One-Off	4,000		
	Attendance	Recurrent	670	1,675	1,675
TOTAL		One-Off	4,000	2,000	
TOTAL		Recurrent	670	1,675	35,567

As can be seen in **Figure 4**, the additional Non Executive Board Member has been recruited by the NI Ombudsman's Office in the current financial year, and that Board Member is due to attend two Audit Committee meetings before the end of the financial year.

The recruitment of the Finance Officer, however, is not anticipated to occur to the 2015-16 financial year.

3.4 Schools, Further and Higher Education

The COFMdFM legislative proposals for the NIPSO include the power to investigate complaints of maladministration within schools, further and higher education institutions. RaISe calculated the cost of this additional work by multiplying the estimated number of complaints that the NIPSO is likely to receive each year, by the average cost per complaint calculated at section 2.1.2 (£2,397).

In line with the costing methodology used in NIAR 827-013, RaISe bases the NI calculation on the Scottish Public Services Ombudsman (SPSO), who performs a similar role to that proposed for the NIPSO. The number of complaints received by the SPSO was adjusted by RaISe to reflect the relevant student populations as a proportion of that in Scotland.

The additional cost to NIPSO was calculated by RaISe as £251,685. This can be seen in **Figure 5**.

Figure 5: Additional Costs for Schools, Further and Higher Education

	Average No of Complaints	Note
Schools	53	1
Further Education and Higher Education	52	2
TOTAL	105	
Average Cost per Complaint	2,397	
TOTAL COST	£251,685	

Note 1 - Schools

The average number of complaints relating to schools that the SPSO receives each year is 108. This has been calculated by taking the average from the previous three years – 77 in 2011-12,¹¹ 76 in 2012-13¹² and 171 in 2013-14.¹³

In line with the costing methodology used in NIAR 827-013, the figure was then apportioned by RalSe to NI. This was carried out by calculating the percentage of the NI school population to that of Scotland. This approach is reflective of the fact that the most likely driver for complaint numbers would be student numbers (possible complainants), rather than educational establishments.

The most up-to-date available figures for pupil numbers in Scotland relates to the 2013 year, when the school population was 673,530.¹⁴ In NI the school population was 333,000.¹⁵ RalSe calculates this as 49 per cent.

Therefore the number of complaints estimated by RalSe is calculated as 49 per cent of 108, which is 53.

Note 2 – Further and Higher Education

The average number of complaints received by the SPSO in relation to both further and higher education is 127. This has been calculated by taking the average from the previous three years – 130 in 2011-12,¹⁶ 127 in 2012-13¹⁷ and 125 in 2013-14.¹⁸

To arrive at a total population for both regions, RalSe has combined the most up to date population statistics for both types of institutions. As was noted in NIAR 827-013, the most recent figures for the two types of establishment differ, those for further education relate to the 2011-12 year, whilst those for higher education relate to the 2012-13. Despite the difference in years, - as noted in NIAR 827-013 - it is reasonable to combine the populations to arrive at a total population. This allows for both sets of figures to be based upon those most current when writing this Paper.

¹¹ Figures for 2011-12 available online at http://www.spsso.org.uk/sites/spsso/files/communications_material/statistics/2011-12/Enquiries%20and%20complaints%20received%20by%20subject%20%282011-12%20website%20version1.1%29.pdf accessed 18 Sep 14.

¹² Figures for 2012-13 available online at http://www.spsso.org.uk/sites/spsso/files/communications_material/statistics/2012-13/Enquiries%20and%20complaints%20received%20by%20subject%202012-2013%20v1.0%20web.pdf accessed on 18 Sep 14.

¹³ Figures for 2013-14 available online at http://www.spsso.org.uk/sites/spsso/files/communications_material/statistics/2013-14/EnquiriesComplaintsReceivedSubject2013-14v1.0.pdf accessed on 18 Sep 14.

¹⁴ <http://www.scotland.gov.uk/Topics/Statistics/Browse/School-Education/TrendPupilNumbers> accessed on 17 Sep 14

¹⁵ <http://www.nisra.gov.uk/publications/default.asp6.htm> accessed on 17 Sep 14

¹⁶ Figures for 2011-12 available online at http://www.spsso.org.uk/sites/spsso/files/communications_material/statistics/2011-12/Enquiries%20and%20complaints%20received%20by%20subject%20%282011-12%20website%20version1.1%29.pdf accessed 18 Sep 14.

¹⁷ Figures for 2012-13 available online at http://www.spsso.org.uk/sites/spsso/files/communications_material/statistics/2012-13/Enquiries%20and%20complaints%20received%20by%20subject%202012-2013%20v1.0%20web.pdf accessed on 18 Sep 14.

¹⁸ Figures for 2013-14 available online at http://www.spsso.org.uk/sites/spsso/files/communications_material/statistics/2013-14/EnquiriesComplaintsReceivedSubject2013-14v1.0.pdf accessed on 18 Sep 14.

Within further education institutions, the total population in Scotland was 256,500, compared to 141,700 in NI.¹⁹

Within higher education institutions, the total population in Scotland was 214,785,²⁰ compared to 51,715 in NI.²¹

These figures give a total population of 471,285 in Scotland, and 193,415 in NI. NI's total population represents 41 per cent of the Scottish population. In line with the costing methodology used in NIAR 827-013, RaISe applies this percentage to the total average number of complaints in Scotland, and estimates 52 complaints per year to the NIPSO.

3.5 NIAO and Assembly Commission

The incidence of maladministration complaints against the NIAO and the Assembly Commission is relatively rare. The Assembly Commission has received no complaints of maladministration in the last four years,²² while NIAO, received two complaints in that period.²³

Using this data and the costing methodology used in NIAR 827-013, RaISe estimates one complaint for each body per year. This is a prudent approach given the previous complaint years' complainant histories. It is appropriate, however, as the size of the figures involved are less than 2 per cent of the recurrent costs that would arise from the legislative proposals, if enacted. The expenditure timing has been re-profiled to reflect the fact that the potential enactment of the current legislative proposals is not likely to take place until April 2016.

3.6 Public Procurement

Complaints about procurement in NI are currently dealt with by DFP. DFP confirmed that there had been a total of 64 complaints received in the last four years, as **Figure 6** highlights.

Figure 6: Procurement Complaints

	2010-11 ²⁴	2011-12 ²⁴	2012-13 ²⁴	2013-14 ²⁵	AVERAGE
Stage 1 Complaints	24	20	15	0	15
Stage 2 Complaints	4	0	1	0	1
TOTAL	28	20	16	0	16

¹⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/255083/v01-2013.pdf accessed on 18 Sep 14.

²⁰ <https://www.hesa.ac.uk/sfr197#tables> accessed on 18 Sep 14

²¹ <https://www.hesa.ac.uk/sfr197#tables> accessed on 18 Sep 14

²² Email to RaISe (24 Sep 2014): Information supplied by NI Ombudsman, 24 Sep 2014. Page 1.

²³ Email to RaISe (18 Sep 2014): Information supplied by NI Ombudsman, 18 Sep 2014. Page 1.

²⁴ Email from DFP to NI Ombudsman dated 19 June 2013. Contained within: Assembly Ombudsman for Northern Ireland and Northern Ireland Commissioner for Complaints Legislative Reform Costing model Supporting documentation – June 2013.

²⁵ Email to RaISe (11 Sep 2014): Information supplied by NI Ombudsman, 11 Sep 2014. Page 2.

A Stage 1 complaint is where a complaint is received, which is then investigated by a Divisional Director. Stage 2 complaints are where a complainant is dissatisfied with the outcome of this process, and writes to the Director of the Central Procurement Directorate, who carries out a further investigation.

In line with the costing methodology used in NIAR 827-013 RaISe bases this costing on Stage 1 complaints; and excludes Stage 2 complaints as their inclusion would double-count such complaints.

Further to its analysis, RaISe outlines the outcome of the above Stage 1 complaints in **Figure 7**.

Figure 7: Outcome of Stage 1 Procurement Complaints

	2010-11 ²⁶	2011-12 ²⁶	2012-13 ²⁶	2013-14 ²⁷	AVERAGE
Upheld	6	1	1	0	2
Not Upheld	18	19	14	0	13
TOTAL	24	20	15	0	15

To calculate the likely number of complaints to the NIPSO, RaISe bases the calculation on the average number of 'Not Upheld' complaints received by DFP. This is based on the assumption that where a complaint is 'Upheld', that the complainant is unlikely to then forward the complaint to the NIPSO. Consequently RaISe estimates that NIPSO would receive 15 complaints per year concerning procurement.

While RaISe's calculation does not take account of complainants who may be happy with the explanation provided for their 'Not Upheld' complaint, it also discounts the fact that increased numbers of complainants may wish to make a complaint to a new independent oversight body. In light of these opposing factors, RaISe deems it appropriate to base the calculation upon the average of the four year average, as detailed in the section above and reflected in **Figure 8**.

Figure 8: Cost of Procurement Complaints

Estimated Number of Complaints	Average Cost of Complaints	TOTAL COST
15	2,397	£35,955

3.7 Own Initiative

The current COFMdFM legislative proposals include provision for NIPSO to develop an annually flexible work programme for own initiative investigations. COFMdFM

²⁶ Email from DFP to NI Ombudsman dated 19 June 2013. Contained within: Assembly Ombudsman for Northern Ireland and Northern Ireland Commissioner for Complaints Legislative Reform Costing model Supporting documentation – June 2013.

²⁷ Email to RaISe (11 Sep 2014): Information supplied by NI Ombudsman, 11 Sep 2014. Page 2.

anticipated that this would ensure sufficient redress for citizens who experienced significant maladministration of public services.²⁸

Since such provision was amended to incorporate oversight by an Assembly Committee (the Audit Committee), for this type of investigation, it is anticipated that this change may impact on the number of investigations that are undertaken. However, since the figures for 'Own Initiative' investigations were quite small in the original costing model – one to two investigations annually, potentially rising to a maximum of four when competence has increased - RaISe believes it appropriate to continue using the original proposal costing specified in NIAR 827-013.

The timing of the cost has, been adjusted in **Figure 2** to reflect the likely legislative timeframe for the current proposals, if enacted. RaISe estimates the costs include £91,506 recurrent salary, and associated costs arising from two additional Deputy Principal investigators, and the £4,000 one-off recruitment costs for the posts.

3.8 Social Care and Professional Judgement

The current legislative proposals include an additional provision that enables the NIPSO to investigate complaints of professional judgement in social care, without an initial finding of maladministration. This is likely to lead to an increase in the number of complaints for the NIPSO to investigate. The NI Ombudsman estimated that an additional 20 per cent should be added to the current social care budget.²⁹

The current budget for social care complaints within the existing office is set at £10,000 per annum. Actual expenditure for these complaints over the last five years is provided in **Figure 9**.

Figure 9: Social Care and Professional Judgement Expenditure

Year	Cost
2009-10	7,365
2010-11	18,870
2011-12	6,425
2012-13	8,270
2013-14	4,100
AVERAGE	£9,006

The NI Ombudsman has stated, however, that the 2013-14 expenditure is:

²⁸ NI Ombudsman, Assembly Ombudsman for Northern Ireland and Northern Ireland Commissioner for Complaints Legislative Reform Costing model Supporting Documentation, June 2013.

²⁹ NI Ombudsman, Assembly Ombudsman for Northern Ireland and Northern Ireland Commissioner for Complaints Legislative Reform Costing model Supporting Documentation, June 2013.

not representative of 'normal' expenditure in this area. The AOCC has already spent £3,120 on social work advice in this financial year and is forecasting a spend of £12,000.³⁰

In light of this, the NI Ombudsman Office requested that the original costing should not be changed; and due to the small difference in cost - £244, this would appear to RalSe to be reasonable.

3.9 Public Sector Employment

The current COFMdFM legislative proposals would remove complaints relating to public sector employment from the NIPSO's remit.

In NIAR 827-013 the costing estimated the annual savings likely to be delivered by the removal of these complaints from the NIPSO's remit. RalSe did this by calculating an average annual number of complaints received, and multiplying this by the average cost of complaint.

Figure 10: Public Sector Employment Complaints

Year	Number of Complaints
2009-10	60
2010-11	79
2011-12	102
2012-13	59
2013-14	72
AVERAGE	75

As noted in the costing, average complaint numbers were used by the NI Ombudsman to try to smooth out the obvious volatility of the number of complaints shown in **Figure 10**.

Since the cost of complaints and the average number of complaints in this area have remained unchanged from that specified in NIAR 827-013, RalSe reasonably assumes that the total annual expected saving has remained unchanged.

The timing of the cost has, however, been adjusted by the NI Ombudsman in **Figure 2** to reflect the likely timeframe within which the legislative proposals are to be enacted.

³⁰ Email to RalSe (18 Sep 2014): Information supplied by NI Ombudsman, 18 Sep 2014. Page 1

4 Sensitivity Analysis

This section of the Paper contains a sensitivity analysis carried out by RaISe, which explores the cost implications should the key assumptions underpinning this Paper do not hold true. Section 4.1 considers the effect of administrative expenses increasing, while subsequent sections consider the effect on NIPSO costs of:

- An increase in the number of complaints;
- An increase in the cost of investigating complaints; and
- A decrease in the cost of investigating complaints.

4.1 Variable Administration Costs

The below table is taken from NIAR 827-013. However, it has been amended by RaISe to reflect the fact that procurement costs have doubled since the original costing exercise. **Figure 11** shows the impact of increases in costs for rebranding the Ombudsman's Office, including creating and managing the new website.

Figure 11: Sensitivity Analysis for Administration Costs

Description	Original Cost	+20%	+50%	+100%
Leaflet Design	450	540	680	900
Leaflet Circulation	15,000	18,000	22,500	30,000
New Office Signage	1,300	1,560	1,950	2,600
Website – Procurement	8,000	9,600	12,000	16,000
Website - Annual Maintenance	4,460	5,350	6,690	8,920
Website - Development	9,640	11,570	14,460	19,280
Website – Content Management	10,750	12,900	16,130	21,500
TOTAL	£49,600	£59,520	£74,410	£99,200

As noted in NIAR 827-013, the costs were based on recent invoices. However, due to the significant increase in procurement costs – 100 per cent – RaISe would have concerns in respect of the efficacy of the remainder of the costs and the robustness of the figures used.

4.2 Variable Number of Complaints

This subsection looks at how costs would vary if the number of complaints estimated in each additional area of NIPSO's remit differs from the estimate. As costs for each area were based on a single cost per complaint, RaISe estimates that the cost of each additional complaint would be £2,397 – which is also the saving for each complaint not received.

Figure 12 shows the number of complaints estimated in each area, as well as the effects should complaints differ by either 5 or 20 per cent from the original estimate. Complaints in relation to the NIAO, the Assembly Commission and Social Care

Professional Judgement have not been considered by RaiSe, as the costs are so insignificant that even a 20 per cent increase would only involve a cost increase of £500 at most.

Figure 12: Sensitivity Analysis for Numbers of Complaints

Area	Estimated Number of Complaints	Cost with 5% Fewer Complaints	Cost with 5% More Complaints	Cost with 10% More Complaints	Cost with 20% More Complaints
School, FE & HE	105	£239,100	£264,269	£276,853	£302,022
Public Procurement	15	£34,157	£37,753	£39,551	£43,146

4.3 Variable Cost of Complaints

The cost per complaint for areas coming within the remit of the NIPSO has been calculated by the NI Ombudsman at £2,397. RaiSe's analysis – stated below - considers the implications to overall costs if the average cost per complaint differs from that calculated at sub-section 2.1.2. In line with Section 4.2, **Figure 13** only considers areas where significant cost exist (i.e. schools, FE, HE and public procurement).

Figure13: Sensitivity Analysis for Cost of Complaints

Area	Cost per Complaint	No of Complaints	Total Cost with Cost per complaint 10% Lower	Total Cost with Cost per complaint 10% Higher	Total Cost with Cost per complaint 50% Higher	Total Cost with Cost per complaint 100% Higher
School, FE & HE	£2,397	105	£226,517	£276,854	£377,528	£503,370
Public Procurement	£2,397	15	£32,360	£39,551	£53,933	£71,910

4.4 Variable Cost per Complaint and Variable Number of Complaints

This sub-section considers the range of costs for these areas, if both the cost per complaint and the number of complaints received differs from the values predicted. RaiSe's main focus in this subsection is the potential for an increase in costs, as this is likely to have a more significant impact than if costs were less than estimated. The figures in red within **Figure 14** show the increase in value from the costs estimated in section 3.

Figure 14: Sensitivity Analysis Incorporating Variable Cost per Complaint and Number of Complaints

Cost per Complaint	110%	110%	110%	150%	150%	150%	200%	200%	200%
No of Complaints	105%	110%	120%	105%	110%	120%	105%	110%	120%
Schools, FE & HE	290,696	304,539	332,224	396,404	415,280	453,033	528,539	553,707	604,044
Diff from Main Costing (Figure 2)	39,011	52,854	80,539	144,719	163,595	201,348	276,854	302,022	352,359
Public Procurement	41,528	43,506	47,461	56,629	59,326	64,719	75,506	79,101	86,292
Diff from Main Costing (Figure 2)	5,573	7,551	11,506	20,674	23,371	28,764	39,551	43,146	50,337
TOTAL	332,224	348,044	379,685	453,033	474,606	517,752	604,044	632,808	690,336
Diff from Main Costing (Figure 2)	44,584	60,404	92,045	165,393	186,966	230,112	316,404	345,168	402,696

In the above table RaISe calculates the cost of the worst case scenario (i.e. the cost of complaint to double and the number of complaints to rise by a fifth). RaISe estimates this would involve a cost of £690,336 for complaint investigations in relation to schools, further and higher education and public procurement. Whilst this would seem an unlikely scenario (since the cost per complaint has been calculated at a higher rate than it is likely to be – see the following sub-section), it is important that the COFMdFM is fully informed and aware of the potential for increased costs, particularly in the early years of the NIPSO.

4.5 Average Cost per Complaint with Health Care Complaints Excluded

Sub-section 2.1.2 detailed how the costs have been used by the NI Ombudsman to estimate the cost per complaint of both public service complaints, and complaints in areas that are coming within remit of the NIPSO. For public service employment complaints, the average cost of complaint was calculated as £1,753; while the cost per complaint of £2,397 was used for new areas that would come within NIPSO's remit under the current proposals. RaISe estimates that this is a difference of £644 per complaint. **Figure 15** recalculates the figures in **Figure 2**, using the lower cost per complaint figure for those areas within the remit of the NIPSO under the current proposals (with the number of complaints remaining the same as in the original calculation).

RaISe shows in the below table that if the average cost per complaint were to be more reflective of the cost per complaint (excluding healthcare), then the costs of the

proposals – if enacted - would be significantly different; both over the three year implementation period, and in future years.

Figure 15: Average Cost of Complaint Figures with Healthcare Complaints Excluded

Cost Line	2014-15		2015-16		2016-17	
	One-Off	Recurrent	One-Off	Recurrent	One-Off	Recurrent
<u>Admin</u>						
Rebranding/Website			45,140			4,460
Transfer of Staff		49,500		51,026		51,026
Financial Accountability	4,000	670	2,000	1,675		35,567
<u>New Remits</u>						
Schools, FE & HE						184,065
NIAO						1,753
Assembly Commission						1,753
Public Procurement						26,295
Own Initiative					4,000	91,506
Social Care Professional Judgement						2,046
SUB-TOTAL	4,000	50,170	47,140	52,701	4,000	398,471
<u>Savings</u>						
Pub Sector Employment						131,475
SUB-TOTAL						131,475
TOTAL	£4,000	£50,170	£47,140	£52,701	£4,000	£266,996

RaISe estimates the costs over the three year implementation period would be £425,007 (as opposed to £503,575 a difference of £78,568). It further estimates that the recurrent cost of managing investigations in future years would be £266,996 (as opposed to £345,564 - a difference of £78,568 per year).

As previously noted, RaISe deems it prudent to cost the current proposals using the higher cost per complaint, so that the costing reflects the fact that investigations are likely to be more difficult for NIPSO staff in the early years if the new remit of NIPSO is enacted as currently proposed. Importantly RaISe notes that as experience and expertise increases, the cost of these investigations would come closer to the current average cost per complain (excluding healthcare). As such, it may be that the recurrent figure calculated here may be more accurate than the figure used throughout Section 3. RaISe emphasizes the need to monitor costs in the following section.

5 Issues for Consideration

The following sections of this Paper discuss the importance of continual monitoring of the assumptions and estimates used throughout, both prior to and post enactment if the COFMdFM legislative proposals are successful.

5.1 Own Initiative Investigations – Savings

The costing model at **Figure 2** includes the resources to finance ‘Own Initiative’ investigations. However, RaISe notes that the costing model has not taken account of the potential for any efficiencies/savings, which could result from the inclusion of this additional feature of COFMdFM’s current legislative proposals if enacted.

As noted in NIAR 827-013, it seems reasonable to assume that this type of investigation is likely to focus on areas where the NIPSO would otherwise receive a number of complaints from citizens.

Furthermore, it could be argued that a large-scale ‘Own Initiative’ investigation could result in a reduced number of complaints in future years, assuming that malpractice in a particular area was effectively redressed by the investigation.

As noted previously in this Paper, due to a lack of robust evidence or data, RaISe is still unable to identify an appropriate basis to quantify the saving which may result. Therefore, RaISe thought it inappropriate to include these potential savings in the costing model at **Figure 2**.

Figure 16 calculates that were ‘Own Initiative’ investigations to reduce complaints by 40 (5 per cent of the average number of complaints) within a year, this aspect of the legislation would effectively ‘break even’:

Figure 16: Potential Complaint Numbers Reductions

Number of Complaints not Individually Investigated	Potential Saving
10	£23,970
20	£47,940
30	£71,910
40	£95,880
50	£119,850
60	£143,820
70	£167,790

RaISe notes that this is a rather simplistic model; but observes that the model does illustrate the potential for this aspect of the legislative proposals to mitigate the associated costs, with savings elsewhere, if the current proposals are enacted. RaISe believes it is desirable to quantify any such savings and include them in this costing model.

The current version now incorporates oversight by an Assembly Committee (the Audit Committee) for this type of investigation. As part of this oversight role, RaISe suggests that; that Committee could ask NIPSO about the potential for such savings to manifest.

5.2 Power to take action to Resolve Complaints without Investigation

As noted in NIAR 827-013 the proposed legislation would grant the NIPSO similar powers to the Welsh Ombudsman – if enacted - in terms of the ability to resolve complaints without an investigation.

The granting of this power could therefore potentially lead to a reduction in the number of full investigations carried out, and result in a resource saving. Full investigations would be replaced by alternative processes designed to remedy an issue.

The NI Ombudsman argues, however, that this measure would not result in overall savings. Rather, this power would provide the ability to manage complaints more flexibly and efficiently. The NI Ombudsman deems this necessary in order to manage the costs of the office in the context of an increasing number of complaints.

In the following table RaISe shows the rate of increase/decrease in complaints received by the NI Ombudsman over the period 2008-2013.³¹

Figure 17: Rate of Change of Complaint Numbers

Period	Increase/(Decrease) in Number of Complaints
2008-09 to 2009-10	15.4%
2009-10 to 2010-11	2%
2010-11 to 2011-12	(8%)
2011-12 to 2012-13	13.8%
2012-13 to 2013-14	23.7%

Whilst there is a decrease in the period 2010-11 to 2011-12, RaISe identifies a clear trend for increasing numbers of complaints to be made. This would be in line with a general expectation that as levels of public expenditure fall, there is a greater risk of citizens' dissatisfaction with delivery of services, and a subsequent increase in complaints to watchdogs about this.

It is likely that this trend will continue given tighter budgets. In light of this, RaISe accepted this proposal as cost neutral, given the currently available information. Whilst this type of resolution would reduce the average cost per complaint, the NI Ombudsman believes it will not affect total costs given the greater number of complaints the NIPSO is expected to receive.

However, it is important that the accuracy of this assumption is monitored if the current proposals are enacted and implemented. The level of complaint numbers that the

³¹ NI Ombudsman e-mail to RaISe, dated 15 November 2013.

NIPSO receives, the average cost per complaint investigation, and the level of use of this power should be monitored, to ensure that any potential future savings or trends are detected and scrutinised.

5.3 Need to Monitor Developments and Revisit The Costing Model

This costing model has been prepared to reflect all information available to RaISe at 1 October 2014. It updates the figures provided in the original costing model in NIAR 827-013 and provides a base to help inform the Explanatory and Financial Memorandum that will accompany the Bill when introduced to the Assembly in 2015. However, it is important where there are any future amendments to the current proposals, or where any other significant events occur, that this costing should be further revisited, and revised as necessary. This would ensure that the costing remains an accurate reflection of the estimated costs arising from the current legislative proposals, if enacted. In particular:

- There may be need to revisit the savings which may be expected from introducing Own Initiative investigations (section 3.7 and 5.1); and,
- There may be a need to adjust the recurrent costs beyond 2016-17, once it is clear what level of HR expertise the NIPSO office requires (section 3.2).

Furthermore, a system should be put in place to ensure both Assembly scrutiny of the operation of the new office, and to assess the on-going accuracy of this costing in the early years of the NIPSO's existence. For example, it will be important to monitor the actual costs incurred in relation to complaints coming within the remit of the NIPSO, in particular in Schools, Further Education and Higher Education, and, Public Sector Procurement. Should the cost of these investigations, or the number of complaints received, be significantly higher than expected, the resources required by the NIPSO would be greater than predicted in this costing.

There is also the potential that the costs for areas coming within the NIPSO's remit could be high in the first year, and then reduce as experience and competence within the NIPSO's office increases. It may be expected that the average cost of these complaints would come into line with the general average once health care complaints are excluded (as was modelled in Figure 15). This process should be monitored beyond 2016-17, as it could impact upon the recurrent costs as calculated in this Paper.

This is particularly important given the changes made to the proposals' costing when the NI Ombudsman submitted a bid in June monitoring for £108,000. This was due to the NI Ombudsman Office's decision to recruit the Finance Officer and an independent Audit Committee member in the 2014-15 financial year, rather than 2015-16 as originally forecast. Although this decision has subsequently been reversed, and the funding for the Finance Officer post surrendered at October 2014 monitoring, the

events highlight the fluidity of the implementation process and the need to continually monitor and revise costs to reflect on-going changes, if any.

5.4 In-Year Monitoring

The NI Ombudsman submitted a bid in the June 2014 Monitoring Round to reflect the costs included in NIAR 827-013 as follows:³²

Figure 18: June Monitoring Round Bid for Resources

Cost Line	Original Costing 2014-15		June Monitoring Round 2014-15		Costs 2014-15	
	One-Off	Recurrent	One-Off	Recurrent	One-Off	Recurrent
<u>Admin</u>						
Rebranding/Website	40,960		44,960			
Transfer of Staff		51,026		49,500		49,500
Financial Accountability	6,000		4,000	9,505	4,000	670
TOTAL	£46,960	£51,026	48,960	59,005	4,000	50,170

The original cost estimate for the 2014-15 financial year was £97,986. However; the June Monitoring Round bid included additional costs for CPD fees, and the earlier employment of a Finance Officer and the independent Board member.

The NI Ombudsman is due to surrender £50,000 of the £108,000 June bid. These costs relate to the recruitment of the Finance Officer and the rebranding/website costs, which are not now due to take place until the 2015-16 financial year. Costs related to the transfer of staff, and a *'very modest £3,835 contingency [are] to be retained in the Office at this time'*.³²

Within the context of this costing exercise, the fact that these costs have changed by 10 per cent between November 2013 and June 2014, RaISe considers this to highlight the need for on-going, careful scrutiny to identify deviations from the original costing model.

³² Email to RaISe (11 Sep 2014): Information supplied by NI Ombudsman, 11 Sep 2014. Page 1

6 Conclusion

This Paper has presented a basis for the COFMdFM's further consideration of the current legislative proposals. It estimates the costs of the proposals' key intentions, and subjects these estimates to sensitivity analysis. The total cost of the proposals over the 2014-15 to 2016-17 financial years is predicted to be £503,575, and the on-going cost for each year beyond that is predicted to be £345,564. This costing reflects the information available to RaiSe at 1 October 2014.

However, the Paper has also identified issues which may merit further consideration by COFMdFM.

To ensure that the Paper is reflective of the most recent data available, and the proposals as they are considered, this document should be revisited, and revised as necessary, during the forthcoming months. This would ensure that the costing is as accurate as possible in predicting the costs associated with COFMdFM's legislative proposals.