



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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## **Cross-government**

# Public service markets: Putting things right when they go wrong

# Summary

**1** The government has expanded user choice in public services, aiming to improve quality and make services more personalised and responsive to users' needs. Users have more discretion to choose their provider in public services, particularly in care services, education and health. For example, in 2014 the government spent £2.9 billion on education for 2- to 4-year-olds (the early years entitlement) and £3.3 billion on personal budgets for adult social care users.

**2** Having user choice and market-based provision in public services brings risks and opportunities for value for money. Where markets work well, providers are incentivised to offer good-quality services that meet users' needs and poor-performing providers leave the market. However, markets can often fail, for reasons including poor information on service quality, difficulties in changing providers and limited competition. This is particularly so in public markets and is why the government often intervenes. User complaints are an essential part of getting value for money, since they can lead the user to gain redress for any detriment suffered and encourage service providers to improve.

**3** Many bodies are involved in the complaints and redress system, which typically has at least two tiers. The first tier is local resolution, where complaints are raised with the public or private provider and, where relevant, with the commissioning body. The final tier is escalation to an independent review, usually by a public service ombudsman. This tier is intended for users whose complaints have not been remedied at the local level.

**4** Outside of these arrangements, other publicly funded bodies have an interest in complaints and redress, including:

- advocates such as Citizens Advice;
- regulators such as Ofsted and the Care Quality Commission, who can use complaints data to inform inspections and other interventions; and
- government departments who oversee public policy. The Department for Business, Innovation & Skills has overall oversight of consumer issues. The Cabinet Office has general oversight regarding policy on public service complaints and public service ombudsmen, while the Department of Health oversees health complaints policy.

**5** The principle of users complaining to an independent ombudsman and seeking redress first began in the public sector in the 1960s. There are two main public service ombudsmen in England. The Local Government Ombudsman (LGO) has jurisdiction over local authorities in England and registered care providers; it is sponsored by the Department for Communities and Local Government. The Parliamentary and Health Service Ombudsman (PHSO) can investigate complaints about government departments and their agencies, other public organisations and the National Health Service in England; it is directly accountable to Parliament. Together, they cost £48.5 million annually. Other public service ombudsmen cover complaints about social housing, higher education institutions and the police. Several ombudsmen cover private sector markets.

**6** The Cabinet Office oversees public service reform, working in partnership with other government departments. In March 2015, it published a review of ombudsmen arrangements setting out some challenges for the public service ombudsman landscape and making recommendations about potential reforms. In May 2015, the government announced that it intends to introduce a Public Services Ombudsman Bill to set up a public service ombudsman in England. This will absorb the functions of the PHSO, the LGO, and potentially the Housing Ombudsman. This follows work undertaken by the Public Administration Select Committee, the PHSO and the LGO recommending reforms to complaint systems and ombudsmen arrangements.

### **Scope of this report**

**7** In this report we assess the complaints and redress system for public service users who have experienced service failures. We do not look at redress for other problems such as appeals against school allocations. We focus on parts of the public sector where the government has given users most choice, in particular adult social care and early years education, and therefore where user behaviour is vital in achieving value for money. We also examine the overall experience of users in complaining about public services, meaning that the report has relevance to the entire system of complaints and redress.

**8** We assess:

- how complaints and redress help to improve service delivery and describe the main bodies involved (Part One);
- the consumer experience in complaining and seeking redress (Part Two); and
- how well public bodies use complaints and redress data to improve services and systems and the satisfaction of users (Part Three).

## Key findings

### Effective complaints and redress systems

**9 In 2014 around 10.6 million users across the UK (approximately 1 in 5) had a problem with using a public service.** The problems users had ranged from quite straightforward issues, such as the type of food in care homes or an early years setting, to serious and life-threatening safeguarding issues. We estimate that some 320,000 users had problems in adult social care, with the most prominent issues being poor quality of service, communications and service management. Of the 10% of childcare users who experienced a problem, common issues were quality of advice, safety concerns and service quality. Consumer satisfaction with public services is below most comparator sectors in the private sector (paragraphs 2.2 and 2.3, Figures 3, 4 and 5).

**10 The complaints and redress landscape is complex, consumers find it difficult to navigate and there are gaps in the system.**

- Over many years, government has established ombudsmen and complaints bodies in various parts of the public sector, each with different legislative provisions, protocols and powers. There are different processes for complaining about central government, local government and the NHS. Finding out how to complain was difficult for 47% of complainants in health and care (paragraphs 1.7 to 1.9, 2.7 and 2.9).
- Consumers find the system confusing, often have to deal with many different bodies and have low awareness of the key redress organisations. In health and social care, 1 in 4 people who did not complain after seeing or experiencing poor care did not know who to complain to. Around one-third of people contacting the ombudsmen initially contact the wrong organisation, and are redirected to another complaints body (paragraphs 2.8, 2.9 and 2.13 to 2.15).
- There are several areas with no independent formal route to seek redress, such as complaints about academies or general quality of service issues in early years education provided by private or independent organisations (paragraph 2.19).

**11 Consumers are much less likely to complain about a public service than a private service.** Around half of consumers who have a problem with a public service go on to complain. In the private sector, 90% of consumers will complain to a high street retailer, bank or tradesperson, with 83% doing so in the energy sector. The main reasons that consumers do not complain about public services are that they do not feel it would be worth the effort (35%), or they think nothing can be done (35%) (paragraphs 2.4, 2.5 and Figure 6).

**12 The complaints process can take too long to provide timely redress.** In 2014, 36% of complainants spent more than a year trying to resolve their problem with their local authority, care provider or school before going to the LGO. An ombudsman investigation then takes, on average, a further 4 months to reach a finding. In complex cases, investigations can take more than a year to conclude. We examined some adult social care cases where the complainant was no longer alive to benefit from redress (paragraphs 2.17, 2.18, Figures 11 and 12).

**13 Across public services only 31% of complainants were satisfied with the outcome of their complaint.** The main reasons users were dissatisfied were because they lacked confidence that the complaint had been taken on board, or lacked feedback on what had happened after complaining. Financial redress is not intended to be punitive on providers and can be small. Of the 691 complaints upheld by the LGO in 2014, more than 80% involved financial redress of less than £500. Satisfaction with the performance of the individual ombudsmen is substantially higher (paragraphs 2.20 to 2.25, Figures 13, 14 and 15).

#### Using complaints and redress to improve services

**14 There is poor central leadership to make system-wide improvements to the complaints process.** Parliament has recently inquired into complaints handling in public services and ombudsmen arrangements, and many stakeholders we met during our review accepted the need for improvements. However, there is no overall coordination or leadership. Responsibility for different parts of the system sit with different parts of central and local government, each with different governance and accountability arrangements. The government is improving consumer complaints and redress in private markets (following the Consumer Rights Act and Alternative Disputes Resolution Directive) as a separate process from work in public markets. This is despite many public markets being mixed economies – with public and private funding and providers (paragraphs 1.13 to 1.15 and 3.4 to 3.6).

**15 Public service organisations do not make enough use of complaints to improve services and there are serious impediments to doing so.** Complaints intelligence and the ability to intervene are fragmented across the system, and neither the LGO nor the PHSO can enforce redress. There is no standard approach to recording or reporting on complaints. Data cannot be aggregated beyond each organisation to identify emerging trends in complaints, or analyse the user's perspective. Despite some examples of good practice, data-sharing is irregular and informal. Public service organisations rarely take an active approach to gathering information about consumer concerns. While more than 90% of local authorities in the UK have Twitter accounts, neither they nor other complaints and redress bodies use social media to gather consumer views (paragraphs 3.8 to 3.19).

## Conclusion on value for money

**16** Effective consumer complaints and redress systems enable providers to be held accountable, improve quality, and identify failure and malpractice. Around 10.6 million users (1 in 5) had a problem with a public service in 2014. And serious detriment can occur. If government took the power of complaints and redress to improve public services seriously, it would recognise that the present landscape is incoherent and dissatisfying to users, and would show urgency in reforming and rationalising the system. At present the complaints and redress system cannot be regarded as good value for money.

## Diagnosis and recommendations

**17** Public service providers and their commissioners frequently see complaints as an embarrassment, rather than information to help them improve. This is reinforced by incentives and reporting structures that can encourage them to downplay or attempt to dissuade complaints. Fragmentation of complaints bodies makes it hard for information to reach the organisations that can make use of it, and means that consumers can be frustrated in their attempts to gain redress. Our recommendations aim to achieve substantial change in these structures. If implemented rapidly, they could provide important assistance in improving public services for users.

**18** The Cabinet Office should:

- a** **Nominate an authority within government to manage reforms.** The nominated authority should have the governance and mandate to change the complaints and redress system. It should have a mandate to consider how to integrate the redress system in public markets with that in private markets.

The Cabinet Office should work with Whitehall departments including the Department for Communities and Local Government, the Department for Business, Innovation & Skills, and the Department of Health to:

- b** **Ensure that service users can access redress easily and increase consistency in complaints handling across ombudsmen and other complaints bodies.**  
It should remove gaps in providing redress and assess how the system as a whole can become more integrated in light of recent proposals for a single ombudsman for England.
- c** **Make the complaints and redress system easier to navigate for consumers.**  
Many consumers who have problems with public services do not complain. They are vulnerable, cannot navigate the system and find the process lengthy and unwieldy. Better signposting could help consumers, particularly those who are vulnerable, to get consistent support when they complain.

- d Review the effectiveness of complaints-handling arrangements for private providers where they receive public money.** Currently, public authorities are unable to enforce complaints-handling standards or levels of redress from private providers and have been using tools such as commissioning mechanisms to influence provider behaviour. This review should consider the effectiveness of these approaches, possibly involving the behavioural insights unit, against a more formal enforcement approach.

The ombudsmen should:

- e Encourage better collection and use of complaints data across the system, to improve quality.** The incentives on many complaints bodies within the system work against a culture that welcomes complaints. The ombudsmen should work with public service leaders to set out best practice. This should include consideration of reporting arrangements to encourage a positive culture towards complaints, and introducing data standards to use complaints more, as intelligence. The ombudsmen should work with the bodies in the complaints system to use social media to understand where problems occur.

Local authorities and government departments should:

- f Ensure that council executives and departmental boards review their own complaints and complaint handling as a matter of course, and that complaints handling meets best practice.** The ombudsmen have outlined best practice for handling complaints, and authorities can also learn from each other. However, there are wide variations in the quality of complaints handling across local authorities. This limits opportunities to improve services and reduces user confidence in the system.