



Pensions Ombudsman
Pension Protection Fund Ombudsman

Annual Report and Accounts

2016/17



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The Pensions Ombudsman's Accounts presented to Parliament pursuant to section 145(9) of the Pension Schemes Act 1993 and the Pensions Ombudsman's report presented to Parliament by Command of Her Majesty.

The Pension Protection Fund Ombudsman's Accounts presented to Parliament pursuant to section 212A of the Pensions Act 2004, and the Pension Protection Fund Ombudsman's report presented to Parliament by Command of Her Majesty.

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2016/17



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About us

We are an independent organisation set up by law to investigate complaints about pension administration. We can also consider complaints about the actions and decisions of the Pension Protection Fund and about some decisions made by the Financial Assistance Scheme.

We look at the facts without taking sides. We have legal powers to make decisions that are final, binding and enforceable in court. Our service is free.

The Pensions Ombudsman combines, in one organisation, the functions of two statutory bodies, the Pensions Ombudsman and the Pension Protection Fund Ombudsman.

▶ **The Pensions Ombudsman**

The Pensions Ombudsman investigates and determines complaints and disputes concerning occupational and personal pension schemes. The establishing legislation is Part X of the Pension Schemes Act 1993 and Part X of the Pension Schemes (Northern Ireland) Act 1993.

▶ **The Pension Protection Fund Ombudsman**

The Pension Protection Fund Ombudsman deals with complaints and “reviewable matters” connected with the Pension Protection Fund (a statutory corporation) and appeals against decisions of the manager of the Financial Assistance Scheme. The establishing legislation is sections 209 to 218 of the Pensions Act 2004.

▶ **Funding**

The service is funded by grant-in-aid paid by the Department for Work and Pensions (DWP). The grant-in-aid is recovered from the general levy on pension schemes that is invoiced and collected by The Pensions Regulator. The levy is set by and owed to the Secretary of State for Work and Pensions.

In 2016/17 the organisation received £3,900,000 grant-in-aid, incurred net expenditure of £4,139,502 and had net liabilities at 31 March 2017 of £33,115. Our agreed budget for the period was £3,803,000. Full details are in the accounts.

We are a Non Departmental Public Body sponsored by the Department for Work and Pensions. Our principal place of business is 11 Belgrave Road, London, SW1V 1RB.

► Our vision

A trusted, fair, impartial service that makes it easy for everyone to resolve pension complaints.

► Our aims

Get the right outcome every time and in good time – by being proportionate, efficient and consistent with the law.

Make it easier to resolve complaints about pensions – by ensuring more people know where to go for help and by working closely with our stakeholders and partners.

Provide a trusted, accessible service – by listening, delivering on promises and being honest about what we can and cannot do.

Deliver value for money – by making a difference to how pension schemes are run and by continually reviewing and improving the way we work.

Ensure everyone who works here is supported to succeed – by being a good employer and helping people develop their potential.

► Our values

We are: **Fair** – we look at the facts, without taking sides and we are always impartial. We take our responsibilities seriously.

Collaborative – we share what we know so everyone can do a better job. We seek out opportunities to work with others and then take action to make it happen.

Open – we are approachable and make it easy for people to get the help they need. We are honest and transparent about how and why we make our decisions.

We: **Show Respect** – we are considerate and take people's needs into account. We believe in treating people with dignity and we welcome different points of view.

Build Trust – we take pride in our work and do our best to get it right. We always do what we say we will.

And we: **Keep Learning** – we are open to change and want to find better ways of doing things. We stay positive, take charge of our own development and support people trying something new.

Ombudsman's Introduction

The Pensions Ombudsman has had another busy year with a 22% increase in enquiries, around 70% of which are now received online since the introduction of our new online facility. The increase in the number of enquiries is perhaps a result of the increasing awareness of the value of pensions and the difficulty in understanding whether the rules, and/or legislation, has been applied correctly.

If groups of complaints emanating from the same issue are discounted the number of individual investigations has increased by 16%. In spite of the increase in the volume of enquiries and accepted investigations, with the introduction of new working practices a higher proportion of investigations are now completed within 6 months – 40% compared with 25% in 2015/16.

One of the immediate challenges was the necessity to reduce the inherited backlog of disputes. In the autumn we established a new team tasked with clearing these unallocated cases. The team has been particularly successful in exceeding its target completing 40% by the year end. We expect the backlog to be completely eliminated during the coming year.

Last year has also been a time of consolidating our new approach for the resolution of disputes, 70% of which are now informally resolved. This approach is also aligned with our communication strategy, both internal and external, to ensure that the customer journey is further improved. Pension disputes are resolved quickly and fairly without loss of quality by picking up the telephone and speaking to the complainant and respondent rather than just relying on written communication. A phone call often saves time, where as a result of a conversation with one of our experienced pension adjudicators, the contentious issue or issues can quickly be identified, and hopefully resolved, without the need for a prolonged process and an Ombudsman Determination.

A further strategic development has been the increased focus on stakeholder engagement. We have appointed a manager and enhanced the relationship teams who work with the large public sector schemes, insurance companies and others involved in the pensions industry. By working together pension disputes can be resolved much earlier in the process which can enhance public trust in pension savings and in the providers; this is surely what we all want to achieve.

With effect from May 2016 all determinations have been anonymised. Although this is not the approach generally taken by tribunals and other judicial bodies, no issue has arisen following the change in our approach and it does give some protection against internet-based criminal activity. This is important given the sensitive financial and medical details often given in pension cases. However, if a determination is appealed then the complainant's name will be made public.

Ombudsman's Introduction

Another change we made concerned participation in Appeals. Following the widely reported case of Donna Marie Hughes v Royal London Mutual Insurance Society Limited, I decided that there was merit in offering to assist the Court in cases where there is a wider public interest, which we did in the case of The Police and Crime Commissioner for Manchester v Butterworth. I sought clarity on whether a public authority, could avoid the effect of its contractual commitment on the ground that making the commitment lay beyond its powers unlike private sector pension schemes who would not normally be able to rely on a lack of power to deny a liability. Unfortunately, the Deputy Judge did not need to address the issue as he decided the matter on other grounds. He did, however, recognise that it was 'a vexed question on which the law remains uncertain'. I will continue to offer to assist the Court in such cases where there is legal uncertainty.

Over the past year, and following the Hughes case, we have seen fewer complaints concerning a refusal to transfer pension savings into more risky or esoteric investments and an increasing number where people are concerned that they have lost their investment. We all have to be vigilant where there may be pension scams and we fully support the actions of our colleagues across the sector to raise awareness of potentially fraudulent activity. Project Bloom, a cross-government taskforce led by The Pensions Regulator through their Scorpion campaign, and the FCA Scam Smart campaign, have been excellent in raising awareness, as have the activities of The Pensions Advisory Service and Pension Wise.

There is a new organisation on the horizon – a single Financial Guidance Body – which will eventually bring together the Money Advice Service, The Pensions Advisory Service and Pension Wise. I will ensure that we work in tandem with the new body, providing a simple pathway and signposting, so that where there is a pension dispute the route to resolving it is clear and we will assist in doing so quickly, fairly and impartially.

With our change in approach we thought it would also be timely to change the way in which we were branded with a clear, simple name, The Pensions Ombudsman (TPO). In the past there were various titles used to identify us, which was likely to lead to confusion. I am pleased that the change of name has been successfully adopted and is now widely recognised.

Ombudsman's Introduction

The coming year will see further major changes in the way we operate. In preparation for our move to new offices in April 2018 we are looking at ways in which we can work more flexibly. We are also establishing a new IT platform as we have had a number of IT issues over the past year which has undoubtedly had an impact on our service and we have also been hampered by not having an efficient knowledge management system. We are addressing these issues together with further refinement of the pension dispute pathway which should result in a clearer, simpler and quicker customer journey.

In summary, the last year has been a time of considerable change for the way in which we handle pension complaints and we have not finished yet! I want to thank all the staff for their dedication, enthusiasm and support in accepting and embracing our new approach. Our success is dependent on us working together as one and I am very fortunate in having such a fantastic team.



Anthony Arter

Pensions Ombudsman
Pension Protection Fund Ombudsman



The year in summary

Key facts and figures

We received **6,121 contacts** (new or repeat) from people who thought we might be able to help them

We took on **1,333 new investigations**

70% of initial contacts were made electronically since launch of our on-line application in April 2016

We completed **1,404 investigations** which is **7% more than 2015/16**

The **most common topics** of completed investigations:

- Failure to provide information or act on instructions
- Misquotations or provision of incorrect information
- Pension liberation

The **most common** reasons for not taking complaints on for investigation:

- The complaint was not made within our time limits
- The complaint had not been taken up with those thought to be at fault

33% of the complaints where an Ombudsman made a final decision were upheld or partly upheld

We completed **70%** of investigations by informal routes

The year in summary

Our key performance indicators

What we said we would do		What we did
<p>End the year with an average age of open investigations of 10 months from the date on which we had a valid application</p>	<p>MET</p>	<p>The average age of open investigations on 31 March 2017 was 10 months</p>
<p>Complete investigations within, on average, 10 months from the date on which we had a valid application</p>	<p>MET</p>	<p>The average time to complete investigations was 10 months</p>
<p>Complete 1,600 investigations</p>	<p>NOT MET</p>	<p>We completed 1,404 investigations</p>

Pension Protection Fund Ombudsman

Pension Protection Fund Ombudsman referrals form a very small part of our work. We received **36 referrals in the year** and accepted **17** for investigation.



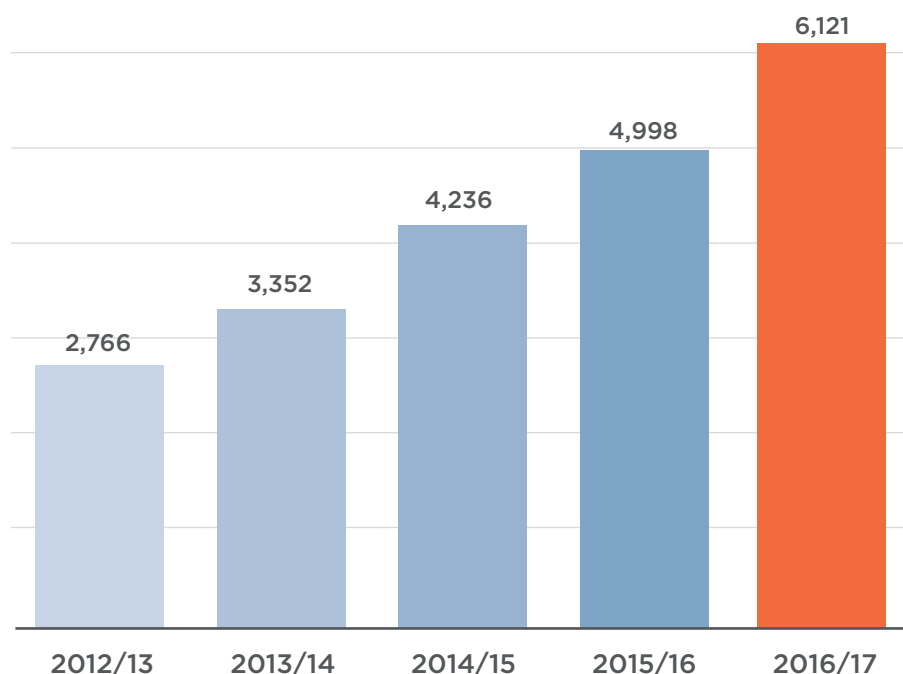
Casework review – Pensions Ombudsman

This part of our report covers the bulk of the work we did in 2016/17. Our work as the Pension Protection Fund Ombudsman is covered in the next section.

Our workload – enquiries

By “enquiries” we mean requests for our help that we received in writing or electronically.

Enquiries received and re-opened – five year comparison



We received or re-opened 6,121 enquiries in 2016/17. This is 22% more than in the previous year. And over the last three years, we have seen annual growth in enquiries of 13%.

We are managing the increase in demand by amending our processes and being more flexible in how staff are deployed. For example, we have more staff who are trained to carry out investigations into complaints as well as make decisions as to whether a complaint falls within our jurisdiction and can be investigated. As a result, we kept pace with incoming enquiries during the year, and made inroads into those awaiting attention at the beginning of the year.



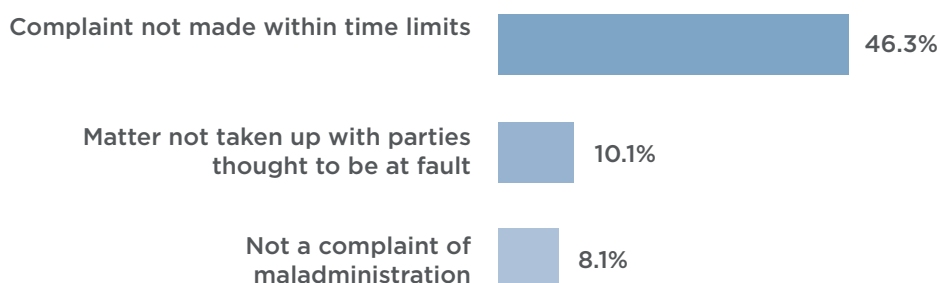
Casework review – Pensions Ombudsman

We dealt with 6,212 enquiries and ended the year with just 116 enquiries in hand – which is the lowest number for some time and is about the optimum number we would expect to have in hand.

A significant number of enquiries fall away in the early stages leaving some that need a decision as to whether or not they can be taken on for investigation. In 2016/17 around 1,600 such decisions were made, 20% of which resulted in an application being rejected.

The most likely reason for an application to be rejected is that it was not made within our time limits (we can only deal with problems that the applicant became aware of within the last three years unless there are special circumstances). Further reasons are that the matter has, on closer scrutiny, been found not to have been properly raised with the parties thought to be at fault, or the complaint turns out not be one relating to maladministration. The remainder of reasons included, but were not limited to, the matter, applicant or respondent not being within jurisdiction.

Main reasons that enquiries did not become investigations (top 3)



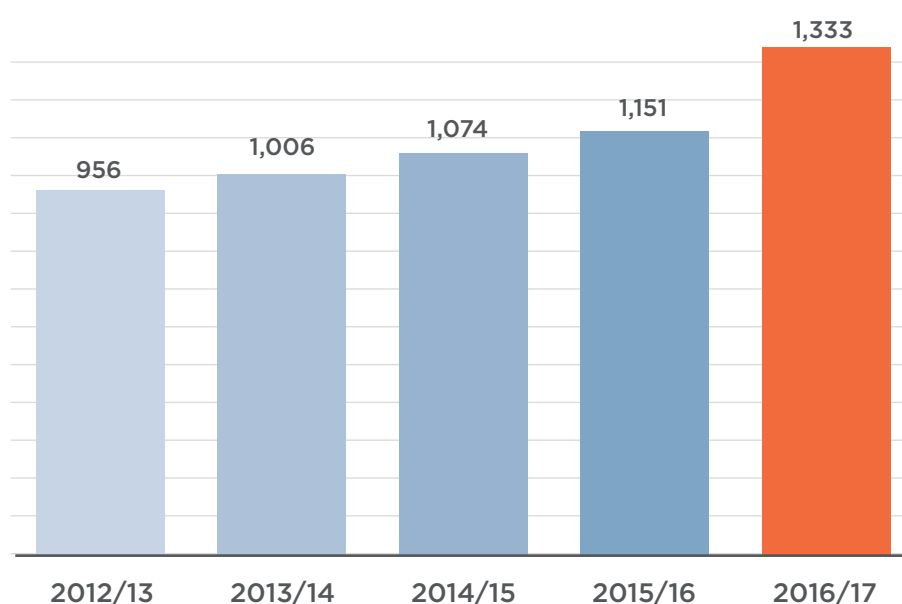
Our workload – investigations

New investigations

We accepted 1,333 complaints for investigation in the year; slightly less than in the previous year.

Unusually, there were no significant groups of complaints in 2016/17. But, in past years we have tended to receive groups of similar, or even identical, complaints. Discounting these groups of complaints changes the position in that the investigations taken on in 2016/17 would represent a 16% increase from the previous year. The trend is still upwards and, over the last three years, we have seen annual growth in new investigations of 7%.



Underlying trend – new investigations with groups removed – five year comparison**Completed investigations**

We completed 1,237 investigations, excluding backlog cases (see later). Our objective was to complete 1,600 investigations. There are a number of reasons why our objective was not met but it is important to note that 2016/17 was a year of significant change: to management structure, processes and approach.

In May 2016 we reorganised our management structure to ensure better oversight of casework – for example, a new role was created for deputy casework managers. This reorganisation, along with some leavers, meant that adjudicator resource reduced from 20.5 full-time equivalents to 18.

Changes to casework procedures and approach were piloted in 2015/16 and implemented in May 2016. We are seeing good results from these changes and expect increased investigation closures to follow in the coming twelve months as they fully take effect.

Included in the completed investigations for 2016/17 are around 60 pension liberation complaints that were linked together because they were similar in nature.



Casework review – Pensions Ombudsman

Investigations in hand

At the end of 2016/17 we had 1,020 investigations in hand. This represents a slight reduction since the beginning of the year. Importantly, more of these investigations were with adjudicators, and being worked, than previously. On 31 March 2017, 64% of open investigations were with adjudicators and being actively worked, compared with 29% at the same point in the previous year.

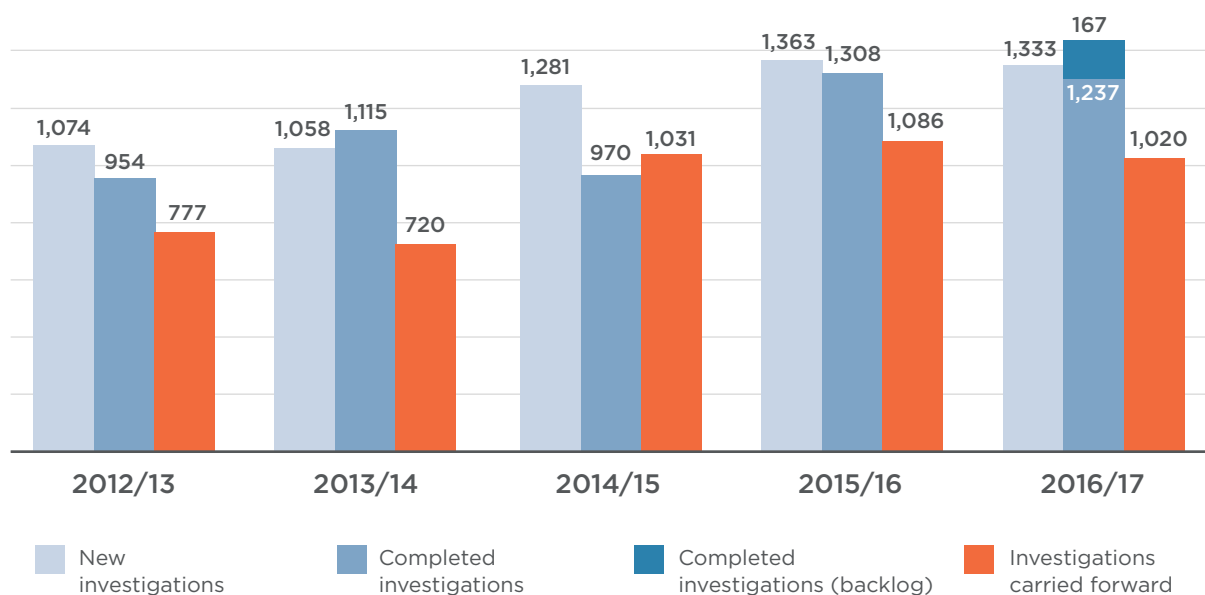
Backlog cases

In late 2016, a new team was formed with the sole purpose of clearing the oldest investigations and enabling us to reduce the number of investigations in hand more quickly than we might otherwise have done.

The team’s objective in its first three months to 31 March 2017 was to complete 110 investigations; it completed 167. Around 400 of the waiting cases had been worked on by 31 March 2017 (40% of which were completed), leaving just 130 where an investigation was yet to begin.

We took a decision in March 2017 to include a further batch of cases in our backlog to free up adjudicators in another area to work on incoming investigations. Despite increasing the scope of the work of the team we have plans in place to eliminate the backlog during 2017/18. With the backlog cleared, we will be fully operating as planned when we introduced the changes to our processes in May 2016.

New, completed and carried forward investigations – five year comparison





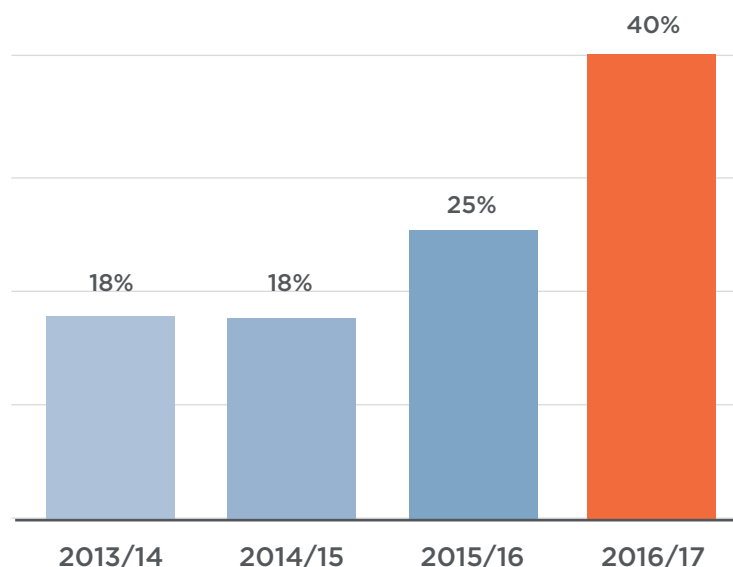
Investigation timescales

The average time for an investigation to be completed was 10 months, against our target of 10 months. We measure time from the date on which we have enough information to make a jurisdiction decision and it includes the time a case waits for an adjudicator to become available to work on it.

A symptom of having a backlog is that the age of open investigations across the population increases. And, as we work through the backlog, the average time to complete investigations is also longer. Timescales are likely to worsen further in the short to medium term until the backlog is reduced and then eliminated.

Nonetheless, as a result of changes to our casework procedures and approach, we again saw an increase in the proportion of investigations that completed in six months or less. In 2016/17, nearly 40% were completed in this timescale. This is a significant shift, as illustrated in this chart showing experience over four years:

Investigations completed in six months or less – four year comparison



The time to complete investigations once they were allocated to adjudicators was, on average, 3.5 months. This is an important indicator; it shows that, with the backlog cleared, timescales will be significantly improved.



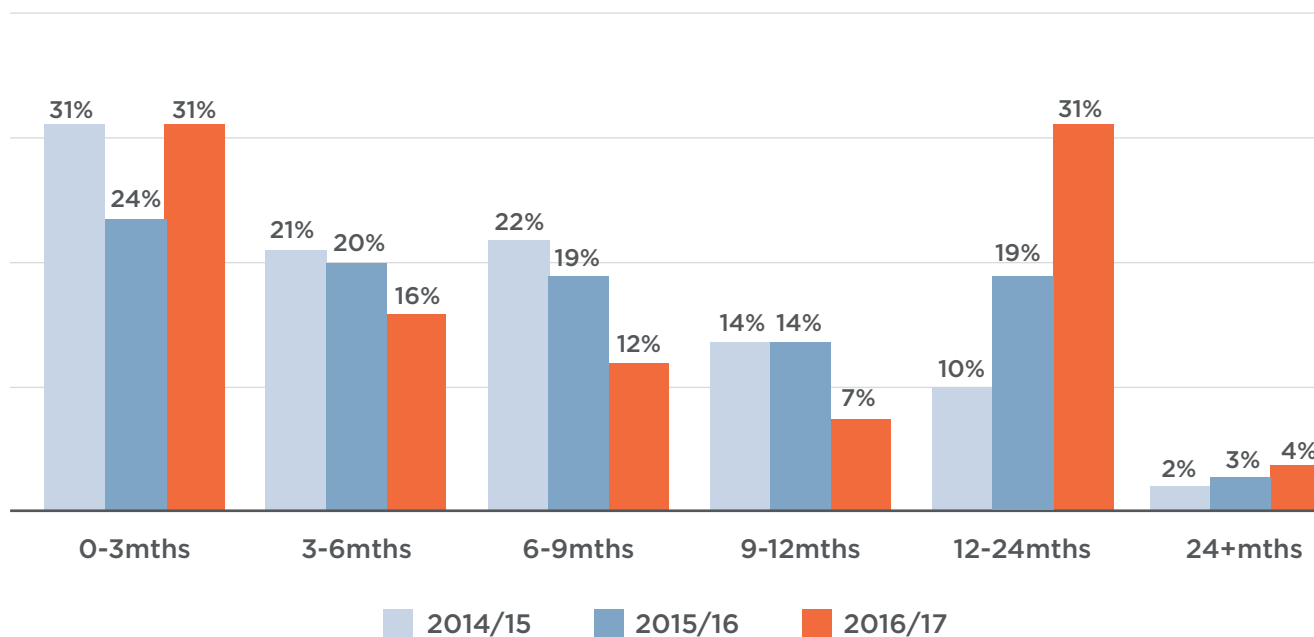
Casework review - Pensions Ombudsman

For open investigations, the average age on 31 March 2017 was 10 months against a target of 10 months.

Age of open and completed investigations - five years comparison

	2012/13	2013/14	2014/15	2015/16	2016/17
Average age of open investigations at 31 March in months	5.0	6.3	6.6	8.1	10.0
Average age of investigations at completion in months	9.6	9.5	9.8	10.0	10.2

Age profile of open investigations at year-end - three year comparison





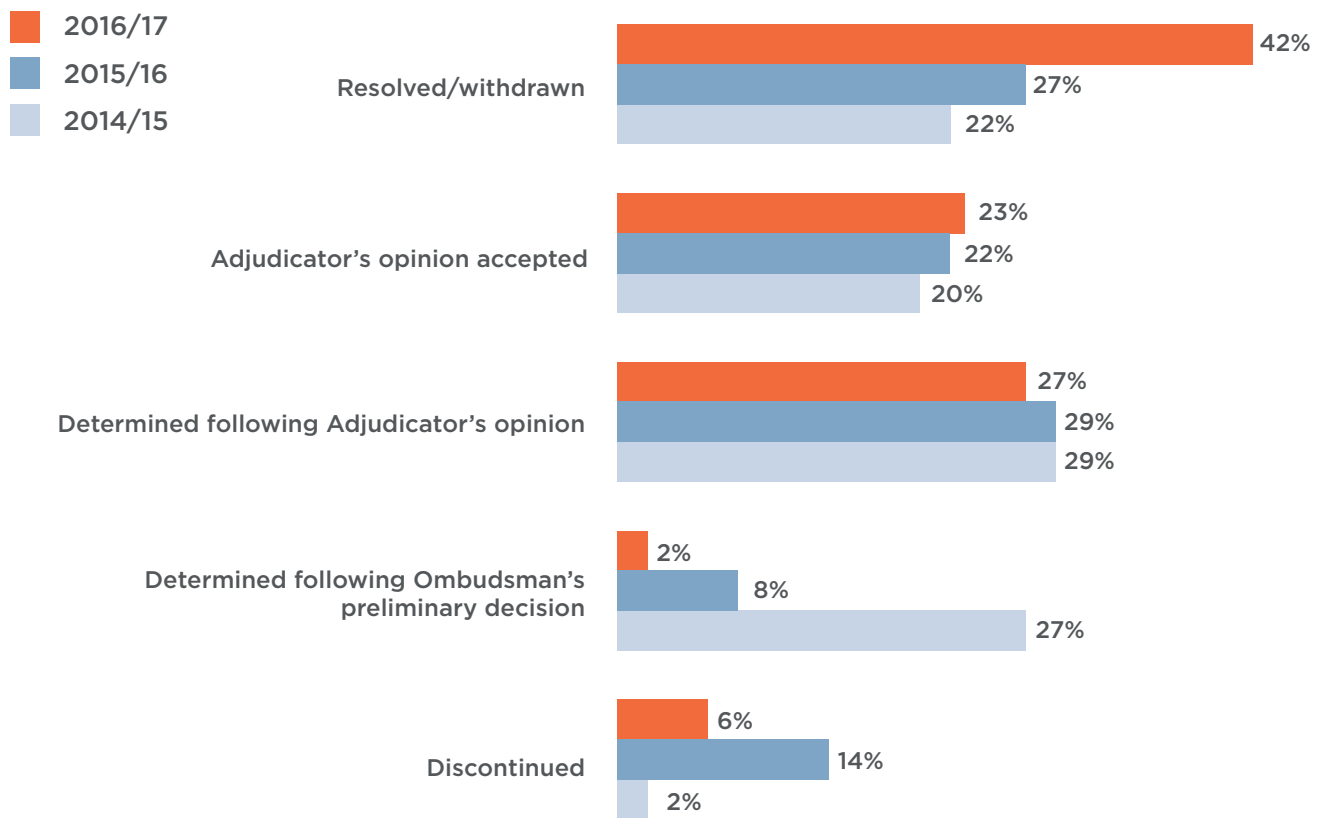
Casework review – Pensions Ombudsman

Decision process

There are several ways in which an investigation can be concluded. During 2015/16 we piloted initiatives that looked to apply the most efficient and proportionate method to every investigation. In 2016/17, we built on what we learnt from the pilots and introduced a number of changes to process and approach.

When we say “the Ombudsman” we mean whichever of the Pensions Ombudsman or Deputy Pensions Ombudsman dealt with the case.

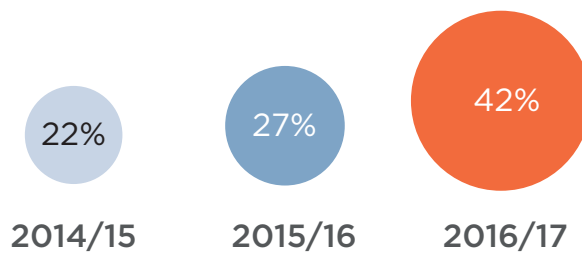
Decision process: three year comparison



Casework review - Pensions Ombudsman

Complaint is completed informally: Resolved or withdrawn complaints

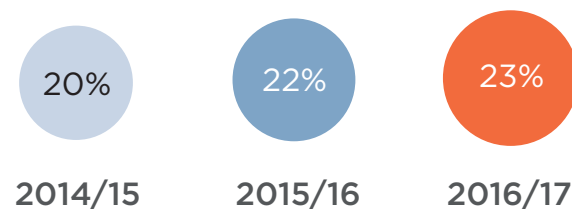
In these cases, an adjudicator will give an informal explanation of the position to the applicant, and possibly others involved in the complaint, with a view to resolving the matter. The proportion of complaints ended by resolution or with the complaint being withdrawn in each of the last three years is:



This shows that in 2016/17, we applied quicker, more efficient methods to a much higher proportion of investigations. We expect this to continue into the future.

Complaint is completed informally: Adjudicator’s Opinion accepted

In these cases, an adjudicator will give everyone involved in the complaint their written view (or “Opinion”) of the outcome. Where investigations can be concluded by agreement, timescales and effort for the people involved in the complaint are kept to a minimum. The proportion of complaints ended through acceptance by the parties of the Opinion in each of the last three years is:

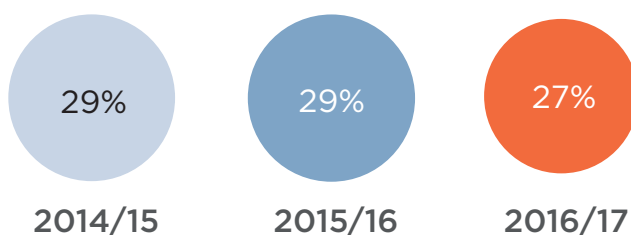




Casework review – Pensions Ombudsman

Complaint is determined following Adjudicator’s Opinion

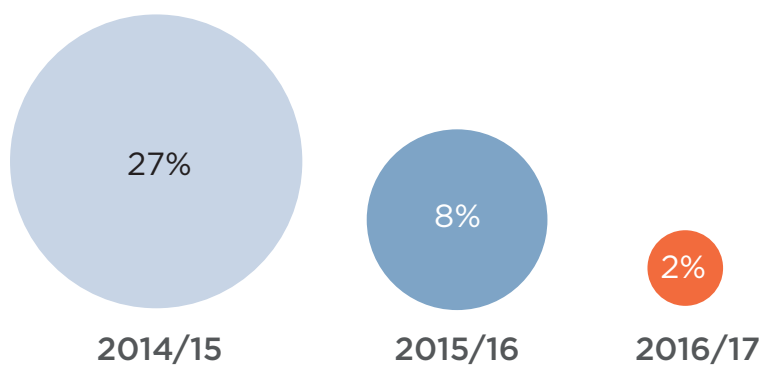
This happens when some or all of the people involved in the complaint do not accept the Adjudicator’s Opinion. The complaint is referred to the Ombudsman and if they agree with the Opinion, a final determination is issued. The proportion of complaints ended by a determination following an Opinion in each of the last three years is:



It is too early to tell if the slight reduction we saw in 2016/17 is the start of a shift away from cases being determined in this way. We are keeping this under review.

Complaint is determined following an Ombudsman’s preliminary decision

In some cases – for example where the complaint is highly complex with a number of issues to be addressed – the Ombudsman might issue a preliminary decision and then go on to make a final determination. The proportion of complaints ended by a determination following the Ombudsman’s preliminary decision in each of the last three years is:



There has been a big change in this area. Far fewer investigations follow this very formal process which represents a significant saving in time and effort for everyone involved in the complaints.



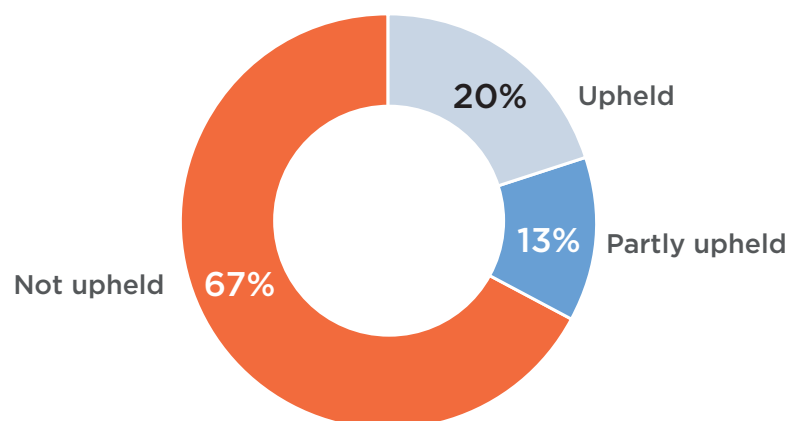
Casework review – Pensions Ombudsman

Complaint is discontinued

In these cases, the Ombudsman decides that the investigation should not continue. Usually, the number of complaints that are discontinued is fairly low and 2016/17 was no exception with 6% of completed investigations ending by discontinuance.

Outcome of complaints determined by an Ombudsman

Only the Ombudsman has authority to decide if a complaint is to be upheld or not. This is the position for 2016/17, and it is very similar to previous years. We have seen little change in the outcome of the complaints that are determined.



What complaints were about

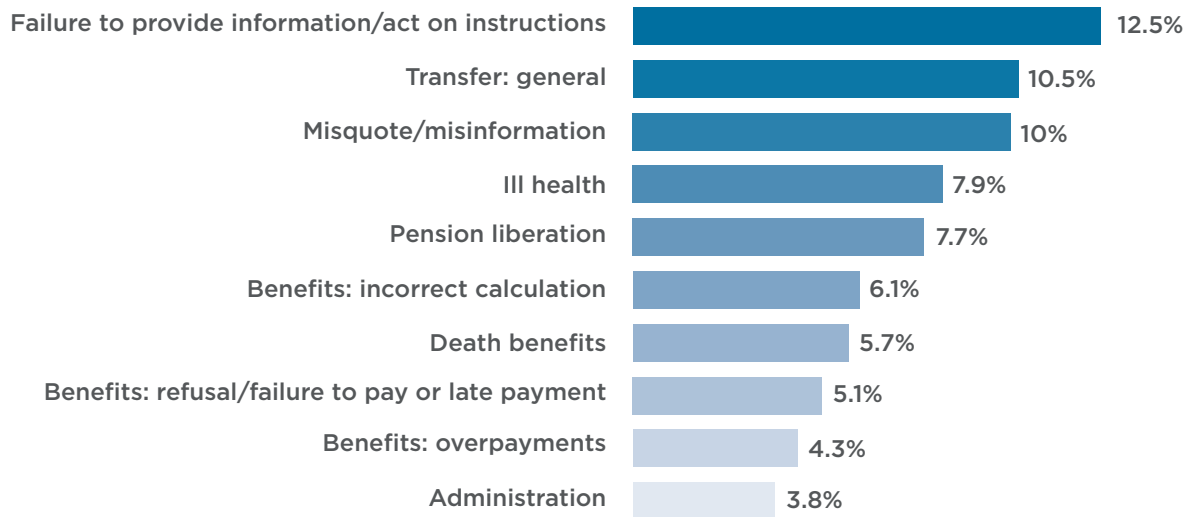
New investigations

In respect of the subject matter of the complaints we took on for investigation, the position is very similar to previous years. However, we have seen a small increase in complaints about transfers (for example the calculation or payment of transfer values). Complaints about overpayment of benefits (usually that the overpaid benefits are being clawed back) increased and now appear in the top 10 topics. Complaints about pension liberation reduced significantly; in 2015/16 this was our top topic, representing nearly 16% of investigations taken on.



Casework review – Pensions Ombudsman

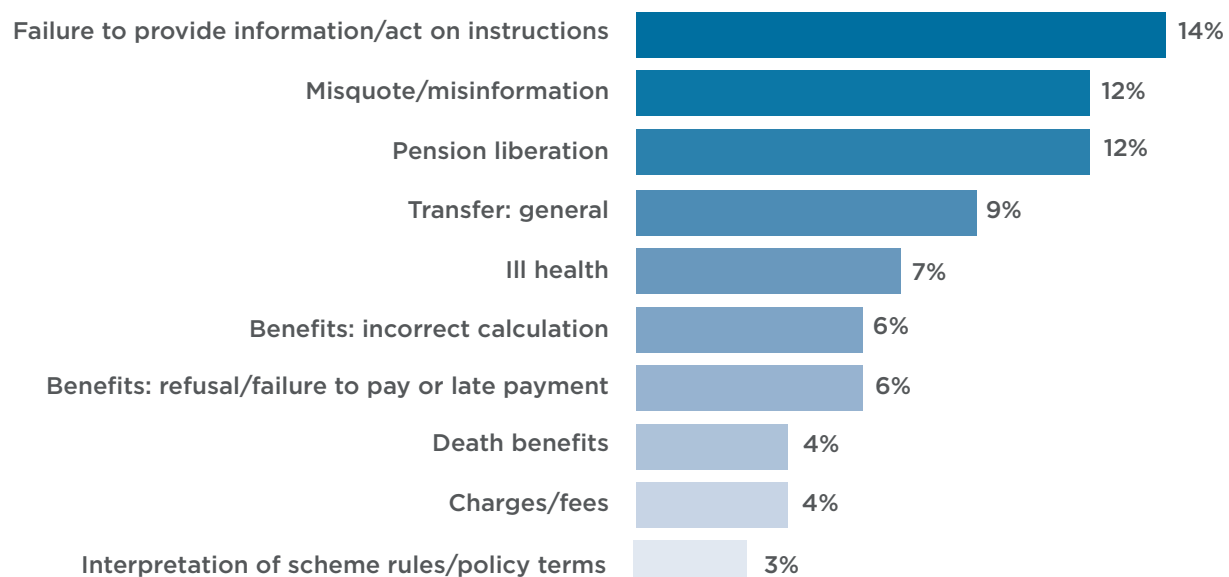
Subject matter of new investigations (top 10)



Closed investigations

Investigations that closed in the year were distributed across the topics in a broadly similar pattern to previous years. The exception was pension liberation, which accounted for a much smaller proportion of completed investigations than previously at around 12% of all completed investigations, compared with 20% in 2015/16.

Subject matter of closed investigations (top 10)



Casework review – Pensions Ombudsman

Some summaries of completed cases

These simplified accounts of our cases give a flavour of what we do. We publish Ombudsman Determinations in full on our website as well as some Opinions made by our adjudicators considered to be of particular interest.

Death benefits

Ms K's complaint was against the trustees of her late partner's pension scheme. Following his death, the trustees paid the death benefits to her late partner's son, in his capacity as an executor of the estate. Ms K complained that the trustees did not carry out due diligence to establish her co-dependency on her late partner before the decision was made.

The Adjudicator's Opinion was that the trustees had not considered whether Ms K was financially dependent on her late partner because the information they relied on had not been provided by Ms K. Consequently, all the subsequent steps taken in the decision making process were flawed. The Adjudicator considered that this amounted to maladministration and that the trustees' failure to follow the correct procedure had undoubtedly caused Ms K significant distress and inconvenience.

The Adjudicator recommended that the trustees reconsider the matter afresh and give Ms K the opportunity to supply evidence of her dependency; disregarding the payment that had already been made. Further, the trustees should pay Mrs K £1,000 for the significant distress and inconvenience caused by the maladministration.

The matter was concluded based on the Adjudicator's Opinion and Ms K subsequently informed us that following the reconsideration, she had been awarded the full death benefits due.

Death benefits

Ms N's complaint was that the trustee of the pension and life assurance scheme that her partner Mr N participated in refused to pay her any part of the lump sum death benefit arising when he died. The trustee paid the lump sum to the deceased's legal personal representatives. This meant that the lump sum was eventually divided between several children of Mr N and Ms N who were named as residual legatees under Mr N's will, which made primary bequests to Ms N.

The Adjudicator said that the complaint was unlikely to be upheld because Ms N had no legal entitlement to receive any of the lump sum, the legal personal representatives were within the class of eligible beneficiaries under the scheme rules, and the trustee had reviewed and reaffirmed its original decision after Ms N submitted further information about the family background.

The matter was then resolved, based on a letter from the Adjudicator to Ms N setting out his thoughts on the case.

Guaranteed Annuity Rates

Mr K was sold a directors' Executive Pension Plan in 1979. Mr K was sent a copy of the Trust Deed and Rules which included the provision of Guaranteed Annuity Rates (GARs). The Rules include a table of the GARs at the applicable age of the member. This table shows GARs for males between the ages of 60 and 70 and details the annuity rate at each age. The table does not confirm what annuity rates are applicable after age 70. However the rules do state that Normal Retirement Age for males is between age 60 and age 70. Additional correspondence was issued to Mr K between age 60 and 70 with a similar GAR table to that shown in the Rules. There were no rates shown after age 70.

While Mr K was age 71, a quotation to retire at the age of 72 was requested. The administrator issued the quotations using standard annuity rates rather than GARs. Mr K believed that the GAR at age 70 would apply should he retire at any later age and that he had suffered financial loss.

The Ombudsman determined that the Rules were clear in that GARs were intended to only apply between age 60 and 70 and that no GARs would apply at a later age. The administrator was entitled to use standard annuity rates after age 70.

Incorrect name on policy

Mr R took out a Personal Pension Plan (the Plan) in 1985, however the application form was incorrectly completed in that his first name was incorrect and his surname was misspelt. All correspondence issued by the Plan was issued using the incorrect name. Rather than requesting that his name was corrected Mr R signed all letters he wrote to the Plan with the incorrect name. Every contribution made to the plan was paid by his partner, Ms L, from her account between 1985 and 2003.

Casework review – Pensions Ombudsman

When Mr R requested to retire the Plan administrators became aware that the name was incorrect and asked Mr R to provide evidence that he was the Plan holder – the evidence they suggested was a Deed Poll or something similar showing change of name. As Mr R had not actually changed his name he could not supply this. Ms L did confirm that Mr R was in fact the Plan holder, however the administrator said it could not release the pension without documentation to confirm that Mr R was the Plan holder.

The Adjudicator requested that the administrator decide what evidence Mr R was required to provide, to prove that Mr R was the Plan holder. An informal resolution was reached where Mr R would provide a Statutory Declaration and Ms L an Indemnity confirming that Mr R is the Plan holder, that he is rightfully entitled to claim the benefits and that he will reimburse the company should a future valid claim be made. In addition the administrator requested that payments were made to Mr R and Ms L's joint account.

Pension Liberation

Miss H complained that her pension provider, Fast Pensions, failed to respond to her enquiries about the status of her Pension Plan. They also refused to provide her with the information that she required to move to another pension provider.

The Pension Plan was set up in October 2012 after Fast Pensions were recommended to her, and she subsequently contacted them through their website. Around October 2013 Miss H contacted Fast Pensions as she had not received any correspondence from them, since she first established the Pension Plan with them a year earlier. As she was concerned about this she requested a transfer and was informed that there would be a penalty applied unless she could provide details of a medical condition signed by a doctor – which she was able to do in 2013.

Fast Pensions did not respond to the complaint, and the Adjudicator's Opinion that was sent to their registered address in London was returned to us. We dealt with a number of other similar cases involving Fast Pensions, where there were continued failures to respond to members' requests and transfer applications. Fast Pensions also failed to communicate with us.

The Ombudsman directed that Fast Pensions should contact Miss H and, providing she still wished to transfer her funds, provide her with a transfer value, and assist her with a transfer to the provider of her choice.

He also directed that they should pay Miss H £1,000 to reflect the significant distress and inconvenience caused to her by their maladministration.



Public Sector Transfer Restrictions

Dr Y, a member of a public sector defined benefit scheme (the Scheme), decided that he wanted to transfer his benefits to a defined contribution scheme when he was made aware of the restrictions to be placed on transfers out of public sector defined benefit schemes by the Pensions Schemes Act 2015 (the Act). He had enquired about transferring previously and had been issued an estimated Cash Equivalent Transfer Value (CETV) in August 2014. On 2 April 2015, Dr Y requested by email to transfer his pension out of the Scheme to a Self-Invested Personal Pension, however no specific scheme details such as its name and address were provided.

The Act allowed for transfer applications received prior to 6 April 2015 to be processed, however Dr Y's request did not constitute an application under the Scheme Regulations or the Pension Schemes Act 1993. These require that a guaranteed CETV is requested, that within three months the Scheme administrators provide a guaranteed CETV and then, after sight of this guaranteed CETV the member requests the transfer to be paid, by completing the relevant paperwork. The Scheme said that Mr Y had not completed these steps prior to 6 April 2015 and therefore it was unable to process his transfer.

Dr Y said that the Scheme had a duty of care towards him to inform him of the restrictions imposed by the Act upon his benefits and that it failed in this duty.

The Ombudsman agreed that Dr Y's request did not qualify as an application under regulations or legislation and that the administrators were correct to refuse the transfer. The Ombudsman also said that the Scheme was not under any legislative obligation to inform its members of the expected implications of the Act. In addition to this, the Scheme is not able to provide advice. Ultimately, the legislation did not bring about a change to Dr Y's benefits within the Scheme. His entitlement to benefits accrued under the Scheme remains unchanged. The complaint was not upheld.

Retention of Benefits by a Scheme

Mr A complained that the respondent was unlawfully withholding his pension benefits. Mr A had been employed as Head of Finance but was made redundant following the restructuring of his company. A year later, his employer became aware of Mr A's fraudulent activities. Subsequently Mr A was convicted and sentenced to imprisonment.

The employer sought to retain Mr A's pension rights in order to set off the debt which was owed to it. In order to do this, it relied on Regulation 74 of the Local



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Government Pension Scheme Regulations, which provided for the retention of a member's pension rights where a person had left an employment in consequence of a criminal, negligent or fraudulent act or omission on his part in connection with that employment.

The Ombudsman held that in Mr A's case, the employer could not retain Mr A's pension as the Regulation stated that the employee needed to have left the employment "in consequence of" the criminal act. The Ombudsman said that the employer should reassess the method it wished to apply in the recovery of this debt; or allow Mr A to access his benefits.

Transfer of Benefits

Dr R was a member of an unfunded public sector defined benefit scheme and wanted to transfer to a recognised overseas pension scheme because he had moved abroad. However, a change in legislation meant that from 6 April 2015 restrictions were placed on transfers out of unfunded schemes.

Dr R complained that the administrator caused delays processing his request, causing him to miss the deadline. After the deadline had passed, the administrator asked Dr R if he still wanted a transfer value – he confirmed he did.

Dr R's complaint was upheld in part. The Ombudsman concluded the administrator was not responsible for the delay Dr R had alleged, which caused him to miss the deadline.

However, the statutory position is that, if requested, the administrator has three months to provide a transfer value. Dr R said he still wanted a transfer value, but the administrator did not provide this.

The administrator was ordered to pay £500 for the significant distress it caused Dr R by failing to fulfil his request.

Transfer Value Resolution

Mrs R's complaint was against the administrators and trustees of the pension scheme she was an active member of. Following changes in pensions' flexibility legislation, Mrs R chose to opt out of the scheme and transfer her benefits to a personal pension arrangement.

The administrators had provided Mrs R with a Cash Equivalent Transfer Value (CETV) which was guaranteed for three months. On that basis she arranged

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financial advice and decided to transfer her benefits to the new provider. A number of delays occurred and the transfer could not be completed within the guarantee period. During this time a new actuary had been appointed and the trustees of the pension scheme had agreed to a change in the CETV calculation basis.

However, due to personal and financial reasons, Mrs R was committed to the transfer, and the final CETV that was paid across to the new pension provider had reduced by £91,000.

The Adjudicator highlighted three distinct areas where the scheme administrators had caused specific delays, which in turn attributed to the original transfer not being completed within the three month guarantee. The Adjudicator communicated his general observations to the administrators and suggested that the complaint might be resolved informally.

The trustees discussed Mrs R's case and in conjunction with the principal employer, it was agreed (without admission of liability) that an additional £91,000 would be paid to Mrs R and transferred to her new provider. An ex-gratia payment of £1,000 was also awarded to Mrs R in recognition of the significant distress and inconvenience caused over a two year period. The matter was therefore resolved informally without the need for a determination by the Ombudsman.

Casework review – Pension Protection Fund Ombudsman

This part of our report describes the relatively small part of our work concerning the Pension Protection Fund (PPF) Ombudsman’s jurisdiction.

PPF maladministration. We can investigate and determine complaints of maladministration on the part of the PPF.

PPF reviewable matters. We can review these decisions made by the Board of the PPF.

Financial Assistance Scheme (FAS) appeals. We have jurisdiction to determine appeals against decisions made by the Board of the PPF, as scheme manager of the FAS, relating to the scheme or the member.

The year’s cases

	In hand at 01/04/16	New/reopened matters	Accepted for investigation	Not accepted for investigation	Completed investigations	In hand at 31/03/17
PPF maladministration	2	5	0	4	0	3
PPF reviewable matter	9	15	12	0	1	11
FAS appeal	3	16	5	10	6	3
Total	14	36	17	14	7	17

In 2016/17 we again saw a reduction in the number of new matters referred to us. In terms of investigations, we took on a few more than in 2015/16 and completed slightly fewer.

The majority of complaints we investigated were FAS appeals and were largely about the level of benefits being paid to members.

Case summary – Referral to the Pension Protection Fund Ombudsman

The Ombudsman received a reference of a reviewable matter concerning a decision, by the PPF, not to recognise a Type A contingent asset for the levy year 2013/14.

Schemes may take a number of steps to reduce their risk-based PPF levy. One of these is to submit a contingent asset certificate. Part G of the PPF determination for the levy year 2013/14 set out the requirements for a contingent asset to be accepted. Further requirements were contained in the Contingent Asset Appendix to the PPF determination.

Casework review – Pension Protection Fund Ombudsman

A contingent asset may be one of three types: A, B or C. The applicant had submitted a contingent asset certificate for a type A contingent asset. This is a guarantee from a parent company or a relevant associated undertaking. The PPF rejected the contingent asset on the grounds that there was insufficient evidence that the named guarantor would be able to meet its full commitment under the guarantee.

Under section 175 of the Pensions Act 2004, the PPF is obliged to calculate a risk-based levy in respect of all eligible schemes. In doing so, it may take into account “any arrangements which [it] considers may reduce the risk of compensation being payable – in the event of an insolvency event occurring in respect of an employer in relation to the scheme”. However, it is not obliged to do so. For the year 2013/14, the conditions under which the PPF was prepared to consider a contingent asset were set out in its determination; in particular, in rule G2. This rule applied if a contingent asset certificate, together with satisfactory hard copy supporting documents, had been supplied before the relevant Measurement Time.

The applicant had submitted a contingent asset certificate by the relevant Measurement Time. However, the information supplied by the applicant in relation to the contingent asset was incorrect/incomplete. In particular, the financial information supplied by the applicant did not relate to the guarantor. The applicant subsequently submitted accounts relating to the guarantor but in Swedish.

The Ombudsman found that the applicant had not complied with the requirements set out in Part G of the PPF determination and/or the Contingent Asset Appendix. It was reliant on the PPF being able/willing to consider the additional financial information it had supplied after the Measurement Time. There was scope for the PPF to correct the data used to calculate a scheme’s levy but it was under no obligation to do so. Nor was there any obligation on the PPF to seek further information in respect of a contingent asset. The submission of a contingent asset was an option which had been made available to schemes wishing to have their PPF levies reduced. It behoved those responsible for taking up this option to make sure that they complied with the requirements set out by the PPF.

It was for the PPF to determine whether a contingent asset reduced the risk of compensation being payable. Despite the confusion about the company name, the PPF had made its decision by reference to its assessment of the ability of the guarantor to meet its commitment in full. In doing so, it could place such weight as it considered appropriate on any of the evidence presented to it. The applicant disagreed with the PPF’s assessment. However, it had not pointed to any error or omission of fact on the part of the PPF. It simply disagreed with the PPF’s assessment. This was insufficient to find that the PPF’s assessment could be said to be perverse.



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Appeal figures

Determinations of the Pensions Ombudsman and the Pension Protection Fund Ombudsman are final and binding, subject to appeal on a point of law to the High Court in England and Wales, the Court of Appeal in Northern Ireland and the Court of Session in Scotland.

Pensions Ombudsman appeals

Outstanding at the start of the year	8
New	9
Heard/settled/withdrawn during the year	11
Remaining at year-end	6

Pension Protection Fund Ombudsman appeals

Outstanding at the start of the year	1
New	2
Heard/settled/withdrawn during the year	1
Remaining at year-end	2

Right of appeal

Appeals to the High Court in England and Wales against a determination of either the Pensions Ombudsman or the Pension Protection Fund Ombudsman are subject to the Civil Procedure Rules. Since 6 April 2014, a party applying to the court has required the consent of the High Court for any appeal against a determination or direction in England and Wales. The requirement seeking consent to appeal came about because the judiciary had expressed concerns about appeals made by litigants-in-person seeking to reopen issues of fact rather than raising issues of law – and about the risks they then face of having costs awarded against them.

Liaising with the courts

In last year's annual report we highlighted a significant improvement in our dealings with the High Court. We recognised the valuable role which both the Court and Pensions Litigation Court Users Committee played in urging appellants and respondents to serve us with notice of appeals against Ombudsman Determinations, and amendments made to the Chancery Guide. This has helped to ensure that our office is always notified of such appeals and we are pleased to report a continued improvement in this respect. However, there are still aspects of this process that could benefit from further refinement.

This year we wish to continue to build on the very positive relationship with the Court and the Pensions Litigation Court Users Committee, and highlight pertinent issues which our office faces in appeals against Ombudsman Determinations and explore how these might be mitigated. For example, the parties, do not always provide us with updates (including notice of permission hearings, skeleton arguments etc.) as the appeal progresses. This can make accurately monitoring the progress of appeals or deciding whether we should participate very difficult.

The introduction of the permission requirement in appeals to the High Court (since April 2014) should save the court time although our experience is that it is rarely refused to litigants-in-person. As identified in last year's report, where permission is refused at first instance appellants in Ombudsman appeals are often applying for an oral hearing (to renew their application for permission to appeal) in an attempt to revisit that decision – even where there appears to be no real basis for doing so.

In a complaint made to us this year, Mr Speed¹ complained that his ill health pension was stopped by Teachers' Pensions (TP) in 2005; they then refused to reinstate it in 2012. The Ombudsman concluded that Mr Speed knew his pension was stopped in 2005 so this part of the complaint was outside of our requisite time limits. In relation to the 2012 matter, Mr Speed had made no formal application for reinstatement; therefore we could not consider this any further until such an application had been made and a decision had been received.

Mr Speed's appeal against the Ombudsman's Determination seemed, in essence, to be one of a judicial review claim against TP; the Secretary of State for Education; and one against our office for refusing to look at the 2005 decision when there were allegedly exceptional circumstances for extending our normal time limits.

Mr Justice Henderson consequently refused Mr Speed's application for permission to appeal. He pointed out that the main relief Mr Speed sought was 'judicial review of various decisions of the respondents' and stated that such proceedings needed

¹ Unreported

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to be brought by way of separate action in the Queen's Bench Division (as opposed to the Chancery Division of the High Court). Mr Justice Henderson also noted that:

'the Ombudsman was in my view clearly correct not to uphold the Appellant's complaint, for the reasons which he gave in his Decision'.

Consequent to the order of Mr Justice Henderson, Mr Speed applied for a renewal of the decision not to grant him permission to appeal and following this application Mr Speed was granted an oral hearing.

This was surprising in light of Mr Justice Henderson's decision stating that Mr Speed's claim should be made by way of judicial review, not an appeal, and that the Ombudsman was clearly correct in his decision not to uphold the complaint. However, only if Mr Justice Henderson had said that the appeal was totally without merit, would such an oral hearing in the Chancery Court have been prevented.

On a different issue, we had an appeal from Mr Wise². On its facts, we had decided not to participate in this appeal (see also referenced below under 'Other decided appeals'). However, our Higher Rights Advocate went to the hearing to monitor proceedings. He reported that judgment had been reserved but he was concerned by what had been said in the hearing. New evidence had been obtained since we had dealt with the case and the parties did not want the case to be remitted back to the Ombudsman if it succeeded. So in effect a full rehearing took place. But this was not evidence that the Ombudsman had heard.

This appears to have been a *fait accompli* for Mr Justice Arnold; and in any event something desired by the parties. Following the hearing, we wrote to the Court, explaining that new evidence at the hearing had not been before the Ombudsman in the original complaint. We asked that the judgment would recognise and acknowledge that the Court heard new evidence under its own specific powers. We explained that it is important for the pensions industry, when reading the judgment, to understand the difference between cases as presented originally, and on appeal.

The judgment did recognise that the parties produced evidence which was not before the Ombudsman; that it was 'sensibly' agreed between the parties that the appeal should proceed by way of re-hearing rather than being limited to a review of the Ombudsman's decision; and finally that although an appeal only lies on a point of law from the Ombudsman, it was agreed that the Court should re-consider the real issue between the parties on the appeal, which is essentially one of primary fact, in the light of all the evidence that was now introduced.

² [2016] EWHC 2814 (Ch)



Participating in appeals

In July this year we announced that The Pensions Ombudsman would be more proactive in intervening in appeals of determinations where, for example, the decision may have a wider impact on industry (such as pensions liberation, auto-enrolment etc.); where the Ombudsman has an established position on an unclear issue (i.e. the Hughes case); where the Ombudsman has large number of cases accepted for investigation on the same issue; or where there is a real and significant concern over access to justice and participation is necessary in order to properly argue the points (“equality of arms”). The overarching position in relation to our extended participation should always be that our participation is intended to “seek to assist the court”. Each case will be considered on its own facts and circumstances. This is a change from our previous policy of generally only participating in appeals where there is an issue of wider importance – in particular one that may impact on jurisdiction or process.

Where we participate, we can instruct specialist counsel or our in-house Higher Rights Advocate to represent The Pensions Ombudsman. Even if we do not participate, we regularly attend hearings as we find that the court often has questions we can assist with in relation to our processes and powers.

The first and only appeal this year that we intervened in under the revised approach was *Police and Crime Commissioner for Manchester v Butterworth*³.

In his determination the Ombudsman found that the Commissioner’s predecessor made a commitment to Mrs Butterworth, following settlement negotiations at the termination of her employment, to provide her with an unreduced pension when she reached age 55 and that there was no justification for the Commissioner to subsequently renege on that commitment. Broadly, the Commissioner argued that as a matter of construction the commitment made to Mrs Butterworth by its predecessor did not bind it in the circumstances and, in any case, it was not within its powers to provide such a benefit.

Deputy Judge Crow QC (sitting as a Deputy Judge of the High Court) found, as a matter of construction, that the wording of the clause containing the commitment did not bind the Commissioner to provide the benefit.

Mrs Butterworth was not represented in the appeal. The Ombudsman had hoped that by participating he would obtain clarity as to whether the Commissioner, as a public authority, could avoid the effect of its contractual commitment to Mrs Butterworth on the ground that making the commitment lay beyond its powers.



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The Ombudsman sought clarity on this point because the legal position is uncertain and it is a matter of potential relevance with regard to a significant number of complaints that he receives. The Ombudsman's view is that the effect of the current uncertainty creates an inequality between public and private sector pension schemes. In private sector schemes, employers who make pension commitments to members would not ordinarily be able to rely on a lack of power to deny a liability to fulfil such commitments. By contrast, it seems that the legal principles applying to public sector employers can produce a different outcome for members.

Although Deputy Judge Crow QC had no need to tackle the issue head-on, he acknowledged that

"...whether a public authority can avoid the ostensible effect of a contractual commitment on the ground that making the commitment lay beyond its powers" was a "vexed question on which the law remains uncertain" (paragraph 25 of the judgment).

The Ombudsman hopes that, in the interests of providing clarity, this difficult issue will come before the courts for consideration in the near future.

The absence of a decision on this key aspect was disappointing. However industry commentators have broadly been supportive and encouraging of the Ombudsman's decision to intervene:

*"...I hope it doesn't dissuade the service from this course of action entirely. The service has been clear that it will get involved in appeals, not to justify its own decision, but to assist the court in understanding the issues at hand. We cannot expect all judges to be pension experts and such intervention can bring much needed clarity. Whether the final decision goes for or against the Ombudsman's determination, if it has been made with a fuller grasp of the key issues than before then that can only be a good thing."*⁴

In the last two annual reports we mentioned the previous complaints brought by Mr Webber against the administrator of the Teachers' Pension Scheme about the abatement of his pension. We explained that the Ombudsman had recently issued a Determination which Mr Webber had appealed to the High Court.

In the most recent Determination, the Ombudsman held that the applicable cut-off date for the purposes of the Limitation Act 1980 (the Limitation Act), which

⁴ Ombudsman should not be deterred from intervening in appeals - 15 November 2016, Professional Pensions, Helena Morrissey.

decided when the Department of Education was able to seek recovery of the overpayment from, was 24 November 2009. This was on the basis that the applicable cut-off date should be the date closest to when Teachers' Pensions (TP) had demanded payment from Mr Webber because, by analogy, that was when TP made its claim under the Limitation Act. The Ombudsman also held that Mr Webber's complaints of maladministration were not relevant to the issues before him, as they were dealt with by the High Court and a Determination by the previous Deputy Pensions Ombudsman in 2012. (This was in fact Mr Webber's third Determination and subsequent appeal to the High Court in respect of complaints made to The Pensions Ombudsman).

Mr Webber⁵ appealed the latest Determination, asserting that the applicable date for Limitation Act purposes should be the date when The Pensions Ombudsman accepted his complaint for investigation; and that the Determination failed to deal adequately, or at all, with his complaints of maladministration. At Mr Webber's previous appeal hearing in the High Court in 2012, Mr Justice Nugee gave a provisional view that the closest analogy to the issue of a claim form was the formal making of a complaint under Part X of the Pension Schemes Act 1993.

The Ombudsman decided to intervene in Mr Webber's latest appeal because the issues under consideration raised wider issues for our office. In particular the issue that the statutory time limits affecting The Pensions Ombudsman's jurisdiction are distinct from the Limitation Act.

Both parties and the High Court accepted that it would assist proceedings if The Pensions Ombudsman participated in the appeal and we consequently instructed counsel to represent us. Mr Justice Bartley-Jones QC (sitting as a Deputy Judge of the High Court) acknowledged that our counsel

"...sought to ensure to the very best of [her] abilities that [Mr Justice Bartley-Jones QC] was fully aware of the arguments which could be deployed on Mr Webber's behalf".

On appeal, Mr Justice Bartley-Jones QC dismissed the part of the appeal relating to maladministration stating that there was no merit in this argument whatsoever. However, in relation to the Limitation Act he held that the applicable cut-off was not as the Ombudsman had decided, nor the provisional date promulgated by Mr Justice Nugee, or indeed the other dates explored by counsel. Mr Justice Bartley-Jones QC held that the date was when TP brought its claim during the course of The Pension Ombudsman's complaints procedure.

5 [2016] EWHC 2519 (Ch);

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This means that where a member complains to The Pension Ombudsman about a manager or trustee attempting to recover a pension overpayment, the cut-off date is when The Pension Ombudsman receives the manager's or trustee's response rejecting the member's complaint.

Mr Justice Bartley-Jones QC quite rightly recognised that the processes of the Court and The Pensions Ombudsman are different and looked to accommodate that. However, the case highlights the difficulties between the role of the respondent in seeking to obtain recovery of an overpayment while complying with their complaint-handling duties through the Internal Dispute Resolution Procedure and the Ombudsman process – and the resulting tension between the two.

Since the judgment we have been taking steps to review our processes and procedures for dealing with overpayment cases, together with existing legislative provisions, with a view to whether any possible amendments are necessary.

Other decided appeals

Non-financial injustice

Dr Baugniet⁶, complained to us that Teachers' Pensions (TP) and the Department of Education (DE) failed to process his transfer-in request properly which resulted in him receiving a smaller service credit than the one previously notified to him. The Ombudsman determined that, although there had been maladministration, which warranted a payment for non-financial injustice, Dr Baugniet had himself delayed in completing paperwork. The Ombudsman was not, therefore, persuaded that any financial loss sought for the failure to complete the transfer before an embargo began should be directed against the respondents.

His Honour Judge Simon Barker QC (sitting as a Judge of the High Court) upheld the appeal and remitted the matter back to us for further consideration on causation and additional calculation errors made by the respondents after the determination.

More notably, perhaps, he also indicated that the time was now right to increase our 'upper limit' of awards for non-financial injustice, for conduct falling short of exceptional, from £1,000 to £1,600.

6 [2017] EWHC 501 (Ch)

Membership

Mr McShee⁷ appealed against the decision of the Ombudsman dated 31 July 2015 refusing to uphold his complaint against the respondent to the effect that he was entitled to a deferred pension from the MMC UK Pension Fund in respect of his service as an employee of Duncan C Fraser & Co (DCF) between about April 1973 and 26 September 1978. Mr McShee's case was that he was a member of the DCF Staff Pension Scheme (the DCF Scheme), to which the MMC Scheme is a successor, and that he is entitled to a deferred pension under the rules of the DCF Scheme.

The Ombudsman found there was no evidence to support what Mr McShee said, and that on balance he considered that to be outweighed by the documentary evidence recording that Mr McShee was a member of another scheme (Heywood).

The appeal was heard on 10 March 2016 but judgment was not handed down until 30 June 2016. His Honour Judge David Cooke (sitting as a Judge of the High Court) held that due to the lack of records there was currently no explanation for why Mr McShee would have been a member of the Heywood scheme rather than the DCF Scheme, but it was not at all incredible that a large employer would have more than one scheme, or that some employees would be members of one scheme and others of another. The Ombudsman was entitled to conclude that the mere possession of a copy of the DCF Scheme booklet was not itself evidence that Mr McShee was a member of that scheme. The appeal was dismissed.

The case of Mr Wise⁸, mentioned above, was another appeal to the High Court, this time from a decision of the Deputy Pensions Ombudsman. The member complained about having lost his guaranteed annuity right when Sun Life policies held by a pension scheme were terminated in 1990. The Deputy Ombudsman held that the policies would have been terminated at the trustees' instruction and that Sun Life were not responsible for the loss.

The member appealed, producing new witness statements and other documents which had not been before the Deputy Ombudsman. The parties agreed that the appeal should proceed by way of re-hearing rather than merely reviewing the Ombudsman's decision, and that – although an appeal from the Ombudsman lies only on a point of law – the Court would reconsider the real issue between the parties, which was essentially one of primary fact, on the new evidence. After doing so, the judge dismissed the appeal. He said that it was “overwhelmingly probable” that the scheme employer or trustees, not Sun Life, were responsible for cancelling the policies: and in any event doing so would have seemed reasonable in 1990, when market annuity rates were consistently high.

7 [2016] EWHC 1574 (Ch)

8 [2016] EWHC 2814 (Ch)

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Other appeal updates

At the start of this year, judgment was handed down in the Court of Appeal case of NHS Business Services Authority (NHS BSA) and Mrs Young⁹. We were not notified that the Determination had been appealed until we saw the High Court judgment¹⁰ (which came out after last year's annual report - and so it was not included in the relevant appeal figures for the year 2014/2015 or mentioned last year). The High Court set aside the former Deputy Ombudsman's Determination of 28 November 2014 and NHS BSA subsequently appealed to the Court of Appeal.

Mrs Young had applied for Permanent Injury Benefit pursuant to the National Health Service (Injury Benefits) Regulations 1995. The appeal turned on the construction of 4(1) of the Regulations and the words "by reason of the injury" in someone with an underlying degenerative condition. NHS BSA submitted that Mrs Young's degenerative condition was not attributable to her NHS employment and was, in fact, the operative cause of her permanent loss of earning ability. Dismissing the appeal, Lord Justice Sales and Lord Justice Flax held that Regulation 4(1) imported a "but for" test of causation as to whether the injury was an operative or effective cause of Mrs Young's permanent loss of earning ability. It did not import a requirement that the injury was "the" effective or "the" operative cause.

In last year's Annual Report, we provided an update on the long-running case brought by Mr Bradbury¹¹ against the BBC about the imposition of a cap on pensionable salary through the mechanism of his pay award. We issued Determinations in October 2011 and, following remittance, in December 2013.

The High Court, Chancery Division, heard the case on 14 January 2015 and Mr Justice Warren handed down judgment on 15 May 2015. Mr Bradbury's appeal was dismissed. Mr Bradbury had already made an application for permission to appeal on the effect of section 91 of the Pensions Act 1995. He did so some time ago, since the court's Order when the case originally remitted to the Ombudsman required any application for permission to be made within 42 days of the Ombudsman's decision on reconsideration. Mr Bradbury then applied to the Court of Appeal for permission to appeal the other issues as well, namely the content and effect of the duty of good faith and the effectiveness of a 'South West Trains' agreement in the absence of free and informed consent. The appeal was heard in February 2017 and judgment is awaited.

9 [2017] EWCA Civ 8

10 [2015] EWHC 2686 (Ch)

11 Our ref PO-636

Also in last year's annual report, we provided an update on Mr Hampshire's¹² appeal, in respect of a Pension Protection Fund Ombudsman determination, to the Court of Appeal which was due to be heard in the Court of Appeal in late June. Judgment was handed down on 28 July 2016. The Court of Appeal ordered a reference to the European Court of Justice (ECJ) on two points: the meaning of Article 8 of the EU Insolvency Directive and whether it has direct effect in the UK. Given the current uncertainty about the extent to which ECJ decisions will apply after Brexit takes effect Mr Hampshire will likely wish for the ECJ to determine the reference before the UK leaves the EU. It has been said that ECJ decisions handed down before our exit will be binding on the UK courts in relation to the past, but will only have persuasive force for the future.

Judicial reviews

We received no new judicial reviews this year. However, we did receive a Pre-Action Protocol letter in relation to a complaint we had declined to investigate as it was received outside our time limits and we considered it was not reasonable for it to have been delayed. We responded to this in detail, maintaining our position, and this was ultimately not pursued to the courts.

¹² Our ref PPFO-750; Grenville Holden Hampshire v The Board of the Pension Protection Fund [2014] EWHC 4402 (Ch)

Other activities

Stakeholder Engagement

In January 2017 we launched a stakeholder engagement project, with the objective of working more closely with private pension providers and public sector pension schemes. We want to strengthen signposting to our services and increase customer satisfaction.

We launched our first Stakeholder Newsletter in March which was circulated to approximately 500 people working on the front line of handling pension complaints, thereby improving communication and sharing good practice.

We have recruited 20 Stakeholder Managers from our team of experienced adjudicators who are now working directly with a number of our key stakeholders. We want to identify and share emerging issues more quickly, and work with them to reduce and avoid complaints. Our Stakeholder Managers have visited a number of our key stakeholders and have been invited to attend a number of key industry conferences. Through those new relationships we are beginning to share good practice and improve access to our services, ultimately improving the customer journey.

We are working to establish a Legal Forum, to improve communication with stakeholders' legal teams to discuss how changes in legislation and significant rulings impact upon all of our work, and have received very positive feedback on this initiative.

Communications

Customer survey

An annual customer survey was sent in February to over 1,850 individuals who made a complaint application to us during 2016 and for whom we had an email address. 451 individuals responded, a response rate of 24%. Around half of respondents first became aware of The Pensions Ombudsman either as a referral from The Pensions Advisory Service or through searching on the Internet. 46% of the survey's respondents first made contact with us by completing our application form with 83% saying it was very to fairly easy to contact us and 71% finding the application process easy to follow.

Initial information provided over the phone was viewed as clear, accurate and helpful by around 70% of respondents. Overall satisfaction levels for those whose complaint was being or had been investigated were around 20% higher than for those waiting to hear whether their complaint would be investigated or waiting for the investigation to begin. The survey highlighted the need to provide clear information at an early stage around the complaint process and timescales and keep customers regularly updated on the progress of their complaint and investigation.



Website

Our website was rebranded in September to reflect the change of our name to The Pensions Ombudsman along with the rest of our communications materials. Our new name, similar in style to our main partner organisations, The Pensions Regulator and The Pensions Advisory Service, aims to give clarity for the public when they look for advice, guidance and resolution of pension complaints.

The introduction of a 'Make a Complaint' button on the home page of our website linking to a new page setting out our complaints process with an online application form has overcome the primary cause of dissatisfaction with our website - that our complaint process was hard to find. Complaint applications to us are increasingly made in this way.

There were 58 responses to our rolling website survey during the year. 49% of respondents were satisfied with their visit, with a further 15% neither satisfied nor dissatisfied and 36% dissatisfied. 76% rated the website as good to very good in terms of ease of use, with 10% rating it as poor. The ease of finding information on our site was rated by 64% as good to very good compared to 26% who rated this as poor. The feedback will inform future changes to improve the site's search facility so people can find information quickly and easily.

Media and events

Members of our Executive Board spoke at 11 external events during the year, including five annual conferences. We gave four interviews to pensions and financial trade media, two of these tied in with keynote conference speeches from the Pensions Ombudsman and one was to explain our new approach around participation in Appeals. Media coverage and mentions during the year were overwhelmingly neutral to positive in tone, reporting on our decisions and approach. The positive articles in outlets including Professional Pensions, Pensions Insight, Money Marketing and FT Adviser are the result of a more proactive and open approach with the media.

Evaluation

Following an audit of communications by the Government Internal Audit Agency (GIAA) in the summer of 2016, the Executive Board now receive a quarterly set of metrics in the form of a communications dashboard and accompanying narrative. The dashboard combines proposals set out in the GIAA's final report together with meaningful measures used by other government bodies and recommendations from the Government Communications Service. This information is enabling improved evaluation and measurement of our communications activity.



Accountability report

Statement of Accounting Officer's responsibilities

Under Section 145(8) of the Pension Schemes Act 1993 and Section 212A of the Pensions Act 2004, the Secretary of State for Work and Pensions (with the consent of the Treasury) has directed the Pensions Ombudsman and Pension Protection Fund Ombudsman to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Pensions Ombudsman and Pension Protection Fund Ombudsman and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State for Work and Pensions, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Department for Work and Pensions has designated the Pensions Ombudsman as Accounting Officer of the Pensions Ombudsman and Pension Protection Fund Ombudsman. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Pensions Ombudsman and Pension Protection Fund Ombudsman's assets, are set out in the Non-Departmental Public Bodies Accounting Officers Memorandum and in Managing Public Money issued by the Treasury.

Governance statement

Scope of responsibility

The statutory role of the Pensions Ombudsman is primarily determined by Part X of the Pension Schemes Act 1993 and Part X of the Pension Schemes (Northern Ireland Act) Act 1993. The statutory role of the Pension Protection Fund Ombudsman is primarily determined by sections 209 to 218 of the Pensions Act 2004.

The Pensions Ombudsman and Pension Protection Fund Ombudsman is a statutory commissioner appointed to both posts by the Secretary of State for Work and Pensions. As post-holder I am the designated Accounting Officer, accountable (through the DWP Principal Accounting Officer) to Parliament for regularity and propriety in use of public finances. I therefore have responsibility for maintaining a sound system of internal control that supports the statutory functions of The Pensions Ombudsman.

Governance framework

Framework agreement with DWP

The Framework Document identifies the differing responsibilities of the DWP Principal Accounting Officer and The Pensions Ombudsman Accounting Officer. In particular it describes the requirements for the keeping of records and access to them, preparation of corporate and business plans and annual reports, arrangements for audit, spending controls and delegations, and in-year reporting.

DWP receives reports on performance, finance and risk at quarterly accountability meetings.

Corporate governance

The Pensions Ombudsman and Pension Protection Fund Ombudsman is a statutory commissioner and The Pensions Ombudsman is not a corporate body. However, we comply with the Corporate Governance Code as far as possible for a small Non Departmental Public Body.

As I reported last year, I introduced a new Executive Board in February 2016 that included Business, Casework and Legal Director roles.

The remaining managers are responsible for the day to day operational running of the service.

Executive Board

Pensions Ombudsman
Casework Director
Business Director
Legal Director

Operational Managers

Business Manager x 1
Casework Manager x 3
Deputy Casework Manager x 3
HR Manager x 1
Lawyer x 1

Internal Governance

The overarching aim of the Executive Board is to take a long term strategic view in order to meet the challenges facing us in the months, and years, ahead.

The role of the Executive Board is to:

- set strategy – for casework handling, finance, HR and communications (internal and external)
- initiate policies
- plan for the mid and long term
- monitor and measure achievement
- provide leadership – which will include modelling behaviours
- be outward facing – maintaining and further developing links with stakeholders

The Executive Board is not involved in the day-to-day running of the service as a rule but there are occasions when members of the Executive Board will take part in everyday decisions.

Responsibility for the day-to-day running of the service rests with the operational managers and the directors meet with their respective operational managers at least monthly to discuss relevant operational issues.

As indicated above the operational managers are responsible for the day-to-day running of the service. Their role is to:

- develop and implement measures to deliver the objectives and meet the strategic aims as generated by the Executive Board;
- generate ideas to feed into the Executive Board;
- share good practice across the service; and
- develop consistency in output.

The operational managers report to their respective director who in turn reports to the Executive Board monthly.

The Executive Board and the operational managers meet quarterly.

In the year there were twelve meetings of the Executive Board and three joint meetings with the operational managers.

I have introduced a Non-Executive Director role to the Executive Board from April 2017. The Non-Executive Director will provide support, advice and challenge to the executive team in providing leadership and good governance.

Risk assessment

A system of internal control is in place to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievements of our policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of control has been in place for the year ended 31 March 2017, and up to the date of approval of the annual report and accounts, it accords with Treasury guidance.

The Executive Board has determined, in the light of the size of the organisation and our relatively straightforward functions, that risk should be managed proportionately and reasonably in order to ensure that value is added to the office's objectives. We seek to avoid risk, but we do not expect to eliminate all risk. We do expect to manage risk so as to be able to fulfil our functions effectively and efficiently in order to maintain public confidence.

Being a small organisation, those engaged in strategic risk management are also close to operational matters. We adapt to change by identifying and managing risks both informally and formally at operational level, recording and acting on any strategic implications of those risks.

I am confident that the quality of the data used by the Board is reliable. All reports prior to submission to the Board are subject to quality assurance processes and are sponsored by a Board member. The effectiveness of the systems that generate the financial and performance data contained within the reports is evidenced through positive internal and external audit results. None of these results this year, were of a low or inadequate opinion. We aim to keep reports clear, concise and focussed on the purpose of the Board's review.

As a result of the introduction of the new governance structure in February 2016, we thought it appropriate to review our approach to risk management in the year. All operational managers and Executive Board members completed questionnaires which helped us identify our current risk appetite and the level of exposure we faced.

We also redesigned our risk register which has resulted in a more focussed and informed risk management process.

The register defines those risks that are regarded as strategic – and so within the Executive Board's remit and those that are operational – and dealt with by operational managers.

Within that structure, risk is controlled through the following steps:

- key risks to the achievement of strategic and or business delivery, aims, objectives, and targets, are identified and assigned to named individuals;
- causes and consequences of those risks are identified;
- there is a consistent scoring system for the assessment of risks on the basis of likelihood and impact;
- we determine appropriate controls and activities to mitigate the risks identified, having regard to the amount of risk deemed to be tolerable and justifiable;
- risks are measured, at both inherent and residual level, to assess the reliance placed on mitigating controls and activities and the office's exposure should they fail;
- measures and indicators are identified to provide assurance that the mitigation actions are appropriate and effective; and
- regular monitoring and updating of risk information to ensure new and emerging risks are captured.

The Audit Committee

In the year, the Audit Committee consisted of two independent members, Roy Field, chair (appointed March 2010, chair from April 2014) and Mark Ardron (appointed April 2014). They are unpaid volunteers, with board level experience in public bodies. They were appointed by the Accounting Officer. Their appointments are for three years.

The Business Manager, Business Director, and other staff, the external auditors (National Audit Office), the internal auditors (DWP) and a DWP observer, attend meetings by invitation.

The committee's role is to advise the Accounting Officer on the strategic processes for risk, control and governance:

- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including external audit's management letter;
- assurances relating to the corporate governance requirements for the organisation;
- proposals for tendering, for either Internal or External Audit services, or for purchase of non-audit services, from contractors who provide audit services; and
- anti-fraud policies, whistle blowing processes, and arrangements for special investigations.

The committee met four times during 2016/17. Roy Field and Mark Ardron attended all four meetings.

Whistleblowing

Our Whistleblowing policy is contained within our staff guide. In our latest annual staff survey, 100% of staff said they knew how to raise a concern if they had one. No issues were raised in the year.

Information security

In accordance with our responsibilities under the Data Protection Act, and HMG Security Policy Framework, The Pensions Ombudsman has in place arrangements for data security. In particular, we have assessed our casework-related data as requiring to be treated as “official”. Staff are security cleared to a minimum of baseline clearance (BPSS), receive annual training, and are contractually required to follow documented security operation procedures.

There were no breaches requiring notification to the Information Commissioner in the year.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

I am satisfied that the arrangements described above are fit for purpose and effective, having themselves been subject to appropriate review during the year.

My review of the effectiveness of our internal controls is informed by the work of the internal auditors, and comments made by the external auditors, in their management letter and other reports. I have been advised on my review concerning the effectiveness of the system of internal control by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement is in place.

At the end of 2016/17 our internal auditors, in their assurance report, gave an overall assurance level of “moderate”.



Anthony Arter

Pensions Ombudsman
Pension Protection Fund Ombudsman
21 June 2017

Remuneration and staff report

Ombudsman remuneration policy

In accordance with Sections 145 and 145A of the Pension Schemes Act 1993, the current and future remuneration of the Pensions Ombudsman and the Deputy Pensions Ombudsman is determined by the Secretary of State for Work and Pensions. The current and future remuneration of the Pension Protection Fund Ombudsman and Deputy Pension Protection Fund Ombudsman, is determined by the Secretary of State in accordance with Sections 209(4) and 210(6) of the Pensions Act 2004.

Ombudsman service contracts

The length of service contracts is determined by the Secretary of State for Work and Pensions.

Anthony Arter was appointed as Pensions Ombudsman and Pension Protection Fund Ombudsman for 4 years on 23 May 2015. Karen Johnston was appointed Deputy Pensions Ombudsman and Deputy Pension Protection Fund Ombudsman for three years from 1 July 2015.

Name	Dates of appointment	Unexpired term as of 31/3/16	Notice period
Anthony Arter	23 May 2015	2 years 2 months	6 months from employee
Karen Johnston	1 July 2015	1 year 3 months	6 months from employee

The Pensions Ombudsman and Deputy Pensions Ombudsman appointment may be terminated early by the employer on the following grounds:

1. Misbehaviour
2. Incapacity
3. Bankruptcy or arrangement with creditors.

Any decision to remove on one or more of the above three grounds will be taken by the Secretary of State with the concurrence of the Lord Chief Justice. No compensation will be paid if the appointment is terminated on any of the grounds set out above. Should the appointment be terminated on the basis of misbehaviour one month's notice will be given. Where conduct is so serious as to warrant immediate removal from office pay in lieu of notice will be paid.

The notice periods shall not prevent the Ombudsman, Deputy Ombudsman or Secretary of State, waiving the right to notice, or the Ombudsman or Deputy Ombudsman accepting a payment in lieu of notice.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Pensions Ombudsman, Casework Director, Legal Director and Business Director.

The Deputy Pensions Ombudsman is not part of the Executive Board and is not involved in the management of the organisation so her salary and pension details are not reported here.

The information in this table is subject to audit.

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) ¹		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Anthony Arter	130-135	115-120* 130-135**	-	-	-	-	-	-	130-135	115-120
Jane Carey	65-70	10-15* 60-65**	0-5	-	-	-	67	13	130-135	10-15
Fiona Nicol	65-70	10-15* 60-65**	0-5	-	-	-	21	3	85-90	10-15
Claire Ryan	50-55* 65-70***	5-10* 40-45**	0-5	-	-	-	60	6	110-115	10-15

* actual salary ** annualised salary *** full time equivalent salary

¹ 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.

Bonuses

Bonuses are based on performance levels attained and are made as part of the performance review process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2016-17 relate to performance in 2015-16.

Pay multiples

	2016/17 (£'000)	2015/16 (£'000)
Band of highest paid director's total remuneration	130-135	130-135
Median total remuneration	37	36
Ratio	3.6	3.6

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the financial year 2016-17 was £130-135,000 (2015-16, £130-135,000). This was 3.6 times (2015-16, 3.6) the median remuneration of the workforce, which was £36,757 (2015-16, £36,392).

No employees received remuneration in excess of the highest paid office holder.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Pension Benefits

The information in this table is subject to audit.

	Accrued pension at age 65 as at 31/3/17 (£'000)	Real increase in pension at age 65 (£'000)	CETV at 31/3/17 (£'000)	CETV at 31/3/16 (£'000)	Real Increase in CETV (£'000)
Jane Carey	20-25 plus a lump sum of 60-65	2.5-5 plus a lump sum of 5-7.5	396	337	42
Fiona Nicol	10-15	0-2.5	259	227	18
Claire Ryan	10-15 plus a lump sum of 30-35	2.5-5 plus a lump sum of 5-7.5	222	172	40

Related lump sum at 31/3/17 and at pension age is Nil.

Anthony Arter does not receive any pension benefits.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their current service in a senior capacity to which disclosure applies. CETVs are calculated 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 is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the individual and is worked out using common market valuation factors for the start and end of the period.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3.8% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha - as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Although the PCSPS is unfunded, employer contributions are set at the level of contributions that would be paid by private sector employers to pension schemes for their employees. For 2016/2017, employers' contributions were payable to the Principal Civil Service Pension Scheme in the range 20% to 24.5% of pensionable pay. From 1 April 2017 the percentages remain the same but the salary bands have changed.

New career average pension arrangements came into force from 1 April 2015 and the majority of classic, premium, classic plus, and nuvos members joined the new scheme.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Further staff cost disclosures are included in the notes to the accounts in note 3.

The financial disclosures within the Remuneration Report are subject to audit.

Our people

Ombudsmen

The holders of the posts of Pensions Ombudsman/Pension Protection Fund Ombudsman and Deputy Pensions Ombudsman/Pension Protection Fund Ombudsman are statutory commissioners. They are excluded from the figures below.

Staff

Staff numbers at year end

Staff numbers at year end			
	2016/17	2015/16	2014/15
Full time equivalent	53.64	45.14	40.3

We have increased our investigation resource given the increase in our workload.

	2016/17	2015/16	2014/15
Staff costs	£2,728,467	£2,223,816	£2,077,857

Pay

We are bound to follow Treasury guidance for the public sector, so the maximum consolidated increase in total payroll allowed was 1%. For non-consolidated awards we were able to use up to an equivalent sum to the performance pot from the year before.

To be eligible for an award in 2016/17, staff needed to have been in post on 31 March 2016. All eligible staff received a consolidated 1% increase.

Diversity

Gender of staff in post (headcount)

	Year end 2016/17		Year end 2015/16	
	Male	Female	Male	Female
Ombudsmen	1	1	1	1
Managers	6	5	3	6
Other employees	19	26	23	16

Over the last few years we have collected diversity statistics for our staff using an anonymous survey. Our last diversity survey was conducted in the latter part of September and into October 2016. In the survey we aim to capture information across all nine of the protected characteristics as defined by the Equality Act 2010. We also seek information about caring responsibilities, discrimination, bullying and harassment.

In 2016, 74% of staff completed the survey, which is higher than the previous year which was 56%. Because the sample size is small we are not in a position to say that the sample is representative of staff as a whole, but it is getting closer to the mark and we can have more confidence that the results are giving us meaningful data than we did in 2015.

Summary of key results at September 2016

- Our statistics for gender, ethnic group and sexuality are of similar proportions to that of the UK national and where appropriate local populations. (Note however that the recruitment of a new casework team changed the gender composition of our workforce, so that in October 2016 it was representative of the UK population, but by March 2017 we had an over-representation of female staff.)
- Compared with 2015 our workforce has a younger profile and a lower proportion of staff are over the age of 55. Only 18% of the workforce are aged 55 or over compared with some 30% (aged 55 to 75) in the general population.
- We have a higher proportion of single / cohabiting people in our workforce compared with the general population, which may be reflective of a younger age profile.

-
- Within the general UK population 18% of people are disabled compared to 8% of our workforce. As it happens the same number of staff as in 2015 said they have a disability (3). Because our workforce has increased and a higher proportion of staff completed the survey in 2016, 3 people translates into only 8% of the workforce in 2016 compared to 13% in 2015.
 - Our workforce is over-represented by people who say they have no religion.
 - 32.4 percent of staff say they have caring responsibilities for children.
 - 27 percent of staff say they look after or give help to family members or friends who have a long-term physical or mental impairment or who have problems related to old age.
 - One person said they have experienced discrimination.
 - Four people said they have experienced bullying or harassment. We investigated further and the examples seemed to be about feedback and communication styles. We have since provided training for all staff and managers on effective feedback, specifically focussing on how to give feedback that is meaningful and specific; how to be more resilient, effective and comfortable giving and receiving feedback.

Staff satisfaction

We introduced our staff survey in 2010-11 and have run it every year since. It now gives us a valuable insight into how people feel, where we can improve and how things are changing. We conducted the survey in March 2017. For the first time this year we have compared the results of our survey with data from other organisations, specifically the Civil Service People Survey benchmark scores and three other Ombudsmen.

Summary results at March 2017

Overall the results of this year's staff survey are very positive with upward trends compared to last year being noted in nearly all sections of the survey. In addition our results compare favourably with other organisations. In a year where there has been major changes in ways of working and with the addition of new staff we can regard the results as indicative of significant achievements. Although it is not easy to attribute cause and effect we can perhaps suggest that some of the improvements in effective leadership and management highlighted by the staff survey, have contributed to the improvements in customer service we have made over the last year.

Specific conclusions

After last year's staff survey we completed motivation training for managers (that had been initiated the year before), we have provided effective feedback training for all staff, most middle managers have attended 2.5-day workshops on general management skills and some of the senior managers have been teamed up with an external coach. This has paid off with notable improvements being highlighted in the survey results for line manager effectiveness, recognition review and feedback, and leadership and managing change.

The increase in positive responses for the management questions is quite significant. These in particular are around managing change, managers being accessible, the belief that management has a clear vision for future and confidence in the decisions made by management.

In earlier years we had some concerns about the results for managing change, but we have seen improvements and now we compare favourably with other organisations.

We also scored well in people being interested in the work itself and it leading to a sense of personal accomplishment; people feeling valued for the work they do; having a clear understanding of the vision, aims and values of The Pensions Ombudsman; in learning and development; in inclusion and fair treatment; and in teamwork. The results suggest a very strong teamwork ethic within the teams.

Opportunities for career progression within the organisation are probably consistent with an organisation of our small size and this is reflected in the survey results. There is some perception that pay at The Pensions Ombudsman is lower than that for similar jobs in other organisations and we could do more to support people's health and wellbeing.

Our plans for the coming year include continuing with the good work around leadership and management; holding a wellbeing day and considering other initiatives to support health and wellbeing; developing a smarter working policy that will be fit for purpose for our office move to the new government hub in 2018; engaging with staff about plans for the new office; and researching salaries to establish if those at The Pensions Ombudsman are in line with similar jobs in comparable organisations.

Sickness

The average absence for the year was 5.8 days per capita. This figure is higher than last year which was 3.5 days per capita. We have seen three long term absences in the last year and some increase in the proportion of short-term sickness days.

Parliamentary accountability and audit report

The Pensions Ombudsman is a statutory commissioner appointed by the Secretary of State for Work and Pensions under section 154 of the Pension Schemes Act 1993. The jurisdiction and powers of the Pensions Ombudsman are derived from Part X of the Pension Schemes Act 1993 and regulations thereunder.

The Ombudsman for the Board of the Pension Protection Fund (the Pension Protection Fund Ombudsman) is a statutory commissioner appointed by the Secretary of State for Work and Pensions under section 209 of the Pensions Act 2004. The jurisdiction and powers of the Pension Protection Fund Ombudsman are contained in sections 209 to 218 of the Pensions Act 2004 and regulations thereunder.

The respective legislation also provides for the appointment by the Secretary of State for Work and Pensions, of a Deputy Pensions Ombudsman and a Deputy Ombudsman for the Board of the Pension Protection Fund (Deputy Pension Protection Fund Ombudsman).

At present the postholder of Pensions Ombudsman also holds the post of Pension Protection Fund Ombudsman. Similarly, the Deputy Pensions Ombudsman also holds the post of Deputy Pension Protection Fund Ombudsman.

Other interests

Neither the Pensions Ombudsman nor the Deputy Pensions Ombudsman had any significant external interests that conflicted with their management responsibilities.

Accounting and audit

The accounts have been prepared under a direction issued by the Secretary of State for the Department for Work and Pensions in accordance with Section 145(8) - (10) of the Pension Schemes Act 1993 and section 212A of the Pensions Act 2004 as inserted by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2008.

There are no significant future net liabilities that will be financed by grant-in-aid. Details of the treatment of pension liabilities in the accounts can be found in the Remuneration Report, in the accounting policies and note 3.

There were no remote contingent liabilities at the year end. There were no losses or special payments made in the year.

The office has a policy of paying invoices within 10 days and monitors compliance with it. The process is such that invoices are in fact paid within a maximum of five working days, unless there is a query on the invoice.

The auditors did not receive any remuneration for non-audit work.

So far as the Pensions Ombudsman is aware, there is no relevant audit information of which the auditors are unaware, and the Pensions Ombudsman has taken all the steps that he ought to have taken to make him aware of any relevant audit information and to establish that the auditors are aware of that information.

The Pensions Ombudsman confirms that the annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.



Anthony Arter

Pensions Ombudsman
Pension Protection Fund Ombudsman
21 June 2017

Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Pensions Ombudsman and Pension Protection Fund Ombudsman for the year ended 31 March 2017 under the Pension Schemes Act 1993 and the Pensions Act 2004. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Ombudsman as the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, and express an opinion on the financial statements in accordance with the Pension Schemes Act 1993 and the Pensions Act 2004. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 Pensions Ombudsman and Pension Protection Fund Ombudsman's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Pensions Ombudsman and Pension Protection Fund Ombudsman; and the overall presentation of the financial statements. 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 or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Pensions Ombudsman and Pension Protection Fund Ombudsman's affairs as at 31 March 2017 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Pension Schemes Act 1993 and the Pensions Act 2004 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited has been properly prepared in accordance with Secretary of State directions made under the Pension Schemes Act 1993 and the Pensions Act 2004; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
23 June 2017



Pensions Ombudsman
Pension Protection Fund Ombudsman

Financial statements

2016/17



The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)

Statement of comprehensive net expenditure

Year ended 31 March 2017

	Note	2016/17 £	2015/16 £
Expenditure			
Staff costs	3	(2,728,467)	(2,223,816)
Other expenditure	4	<u>(1,411,035)</u>	<u>(1,157,057)</u>
Operating deficit		<u>(4,139,502)</u>	<u>(3,380,873)</u>
Total comprehensive expenditure		<u>(4,139,502)</u>	<u>(3,380,873)</u>

The notes on pages 72 to 83 form part of these accounts.

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)

Statement of financial position

31 March 2017

	Note	As at 31 March 2017 £	As at 31 March 2016 £
Non-current assets			
Property, plant and equipment	5	16,675	29,149
Intangible assets	6	<u>32,166</u>	<u>105,348</u>
Total non-current assets		48,841	134,497
Current assets			
Trade and other receivables	7	71,312	64,206
Cash and cash equivalents	8	<u>20,323</u>	<u>187,328</u>
Total current assets		<u>91,635</u>	<u>251,534</u>
Total assets		<u>140,476</u>	<u>386,031</u>
Current liabilities			
Other payables	9	<u>173,591</u>	<u>179,644</u>
Total current liabilities		<u>173,591</u>	<u>179,644</u>
Assets less liabilities		<u>(33,115)</u>	<u>206,387</u>
Capital and reserves			
General reserve		<u>(33,115)</u>	<u>206,387</u>

The financial statements on pages 68-71 were approved on 21 June 2017

and signed by



Anthony Arter
Pensions Ombudsman
Pensions Protection Fund Ombudsman

The notes on pages 72 to 83 form part of these accounts.

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)

Statement of cash flows

Year ended 31 March 2017

	Note	2016/17 £	£	2015/16 £	£
Cash flows from operating activities					
Net expenditure		(4,139,502)		(3,380,873)	
Depreciation	5	14,888		5,238	
Amortisation	6	73,182		73,182	
(Increase)/Decrease in receivables	7	(7,106)		6,820	
Increase/(Decrease) in payables	9	<u>(6,053)</u>		<u>43,685</u>	
Net cash outflow from operating activities			(4,064,591)		(3,251,948)
Cash flows from investing activities					
Purchase of property, plant and equipment		<u>(2,414)</u>		<u>(10,134)</u>	
Net cash outflow from investing activities			(2,414)		(10,134)
Cash flows from financing activities					
Grants from sponsor department			<u>3,900,000</u>		<u>3,432,000</u>
Net financing			3,900,000		3,432,000
Net increase/(decrease) in cash and cash equivalents in the year			<u>(167,005)</u>		<u>169,918</u>
Cash and cash equivalents at the beginning of the year			<u>187,328</u>		<u>17,410</u>
Cash and cash equivalents at the end of the year			<u>20,323</u>		<u>187,328</u>

The notes on pages 72 to 83 form part of these accounts.



The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)

Statement of changes in taxpayers' equity

Year ended 31 March 2017

	General Reserve £
Balance at 1 April 2015	<u>155,260</u>
Changes in Taxpayers' Equity	
Comprehensive expenditure for the year	<u>(3,380,873)</u>
Grant from sponsor department	<u>3,432,000</u>
Balance at 31 March 2016	<u>206,387</u>
Changes in Taxpayers' Equity	
Comprehensive expenditure for the year	<u>(4,139,502)</u>
Grant from sponsor department	<u>3,900,000</u>
Balance at 31 March 2017	<u>(33,115)</u>

The notes on pages 72 to 83 form part of these accounts.



The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)**Notes to the accounts**

Year ended 31 March 2017

1. Accounting Policies**Basis of accounting**

These financial statements have been prepared in accordance with the 2016-17 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. 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 the Pensions Ombudsman for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Pensions Ombudsman are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

International Financial Reporting Standards Amendments and Interpretations effective in 2016-17

No Amendments or Interpretations that have been issued but are not yet effective, and that are available for early adoption, have been applied by the Pensions Ombudsman in these financial statements. The new financial reporting standard for leases (IFRS 16) – which has been issued but is not yet effective – will have an impact on the financial statements in the future, in particular in relation to the Statement of financial position.

Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

Going concern

Future financing of the Ombudsman will be met by grant-in aid from the Department for Work and Pensions, as the Ombudsman's sponsoring dept. The amount for 2017/18 has already been agreed and there is no reason to suppose that this will not continue. It has accordingly been considered appropriate to adopt the going concern basis for the preparation of these financial statements.

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)**Notes to the accounts**

Year ended 31 March 2017

1. Accounting Policies (continued)**Grant-in-aid**

Grant-in-aid received used to finance activities which support the statutory and other objectives of the entity are treated as financing, credited to the General Reserve, because they are regarded as contributions from a controlling party. Grant-in-aid is accounted for on a cash basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

Other income and expenditure

Other income and expenditure is recognised on an accruals basis. Where income received relates to the period of time covering more than one accounting period that part extending beyond the current accounting period is treated as deferred income.

VAT

The Ombudsman was not registered for VAT during the financial year 2016/17.

Property, plant and equipment

Property, plant and equipment are stated at historic cost less depreciation. The Ombudsman is required to remit the proceeds of disposal of non-current assets to the Secretary of State.

Non-current assets are recognised where expenditure is in excess of £500.

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)**Notes to the accounts**

Year ended 31 March 2017

1. Accounting Policies (continued)**Depreciation**

Depreciation is calculated so as to write off the carrying value of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office Equipment	- Straight line over 5 to 11 years
Leasehold Improvements	- Straight line over estimated remaining life of the lease

Assets are not depreciated until they are commissioned or brought into use.

During 2016-17 the Ombudsman conducted a review of its depreciation rates to ensure assets were charged over the expected useful economic life of the assets. This resulted in some items of Office Equipment being charged over a revised 11 years (10 years 2015-16).

During 2016-17 the estimated remaining life of the lease was determined to be the 2 years up to 31 March 2018. Therefore the useful economic life of the leasehold improvements was revised to 2 years to reflect this.

It is the Ombudsman's view that this is an accurate estimate of the remaining life of the lease.

Intangible assets

Intangible assets are stated at historic cost less depreciation. The Ombudsman is required to remit the proceeds of disposal of non-current assets to the Secretary of State.

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)**Notes to the accounts**

Year ended 31 March 2017

1. Accounting Policies (continued)**Amortisation**

Amortisation is calculated so as to write off the carrying value of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Information Technology - Straight line over 5 years

Intangible assets are not depreciated until they are commissioned or brought into use.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the relevant lease.

Pension arrangements

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory, except in respect of dependants' benefits, but the Ombudsman is unable to identify its shares of underlying assets and liabilities. The Ombudsman recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employers' service by payment to the PCSPS of amounts calculated on an accruing basis. Liability for the payment of future benefits is a charge on the PCSPS.

Financial instruments

The Pensions Ombudsman determines the classification of financial assets and liabilities at initial recognition. They are derecognised when the right to receive cash flows has expired or when it transfers the financial asset and the transfer qualifies for derecognition.

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)**Notes to the accounts**

Year ended 31 March 2017

1. Accounting Policies (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost. The fair value of trade and other receivables is usually the original invoiced amount.

Cash at bank and in hand comprises cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

The Pensions Ombudsman assesses at each Statement of Financial Position date whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Statement of Financial Position date and whether such events have had an impact on the estimated future cash flows of the financial instrument and can be reliably estimated.

Interest determined, impairment losses and translation differences on monetary items are recognised in the Statement of Comprehensive Net Expenditure.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements.

We consider there to be no areas of critical judgement used in applying the accounting policies.

There are no significant sources of estimation uncertainty.

Operating Segments

The Pensions Ombudsman only report one operating segment to management for the entire organisation. As such there is no additional analysis requiring disclosure in the accounts.

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)

Notes to the accounts

Year ended 31 March 2017

2. Pension Protection Fund Ombudsman (PPFO) element of costs

PPFO activity continues to be of relatively limited scale. An informal time recording arrangement is in place to support the split of costs. During the year ending 31 March 2017, 7 PPFO cases (2015/16: 12 cases) and 1404 PO cases (2015/16: 1308 cases) were closed. Approximately 0.4% (2015/16: 1.1%) of expenditure and total net liabilities (corresponding to £16,491 for the year ended 31 March 2017) is deemed attributable to the PPFO (2015/16: £37,190).

No further analysis of costs is made between PPFO and PO cases and these costs are not separately reported to management. Therefore the Ombudsman is considered to only have one operating segment and as such there is no additional segmental analysis requiring disclosure in the accounts.

3. Staff costs

	Year ended 31 March 2017			Year ended 31 March 2016
	Total	Permanently employed staff	Others	Total
	£	£	£	£
Wages and salaries	2,111,618	2,086,558	25,060	1,747,790
Social security costs	226,562	226,562	-	155,083
Other pension costs	<u>390,287</u>	<u>390,287</u>	-	<u>320,943</u>
	<u>2,728,467</u>	<u>2,703,407</u>	<u>25,060</u>	<u>2,223,816</u>

The average number of staff employed during the period was 54 (2015/16: 44). The average number of other staff was 1 (2015/16: 1).

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)

Notes to the accounts

Year ended 31 March 2017

4. Other expenditure

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Computer expenses	438,265	405,777
Rent and rates	338,487	352,290
Legal and professional fees	208,735	36,072
Staff Recruitment	79,577	53,452
Subscriptions	75,461	67,759
Printing, stationery and postage	41,930	52,623
Staff training	34,623	26,360
Hire of equipment	29,575	14,871
Auditors remuneration	20,500	20,500
Accountancy fees	16,170	15,930
Travel and subsistence	13,290	6,840
Sundry expenses	11,836	6,868
Business continuity	7,140	12,017
Telephone	5,493	5,195
Insurance	1,506	1,287
Bank charges	377	796
Non cash items		
- Amortisation	73,182	73,182
- Depreciation	<u>14,888</u>	<u>5,238</u>
	<u>1,411,035</u>	<u>1,157,057</u>

The auditors did not receive any remuneration for non audit work (2015/16: £Nil).

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)

Notes to the accounts

Year ended 31 March 2017

5. Property, plant and equipment

	Office Equipment	Leasehold Property	Total
	£	£	£
Valuation			
At 1 April 2016	44,906	35,668	80,574
Additions	<u>2,415</u>	<u>-</u>	<u>2,415</u>
At 31 March 2017	<u>47,321</u>	<u>35,668</u>	<u>82,989</u>
Depreciation			
At 1 April 2016	42,352	9,074	51,426
Charge for the year	<u>1,060</u>	<u>13,828</u>	<u>14,888</u>
At 31 March 2017	<u>43,412</u>	<u>22,902</u>	<u>66,314</u>
Carrying amount			
At 31 March 2017	<u>3,909</u>	<u>12,766</u>	<u>16,675</u>
At 31 March 2016	<u>2,554</u>	<u>26,594</u>	<u>29,148</u>
Valuation			
At 1 April 2015	44,282	26,158	70,440
Additions	<u>624</u>	<u>9,510</u>	<u>10,134</u>
At 31 March 2016	<u>44,906</u>	<u>35,668</u>	<u>80,574</u>
Depreciation			
At 1 April 2015	41,651	4,537	46,188
Charge for the year	<u>701</u>	<u>4,537</u>	<u>5,238</u>
At 31 March 2016	<u>42,352</u>	<u>9,074</u>	<u>51,426</u>
Carrying amount			
At 31 March 2016	<u>2,554</u>	<u>26,594</u>	<u>29,148</u>
At 31 March 2015	<u>2,631</u>	<u>21,621</u>	<u>24,252</u>

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)

Notes to the accounts

Year ended 31 March 2017

6. Intangible assets

	Information Technology	Total
Valuation	£	£
At 1 April 2016	324,212	324,212
At 31 March 2017	<u>324,212</u>	<u>324,212</u>
Amortisation		
At 1 April 2016	218,864	218,864
Charge for the year	73,182	73,182
At 31 March 2017	<u>292,046</u>	<u>292,046</u>
Carrying amount		
At 31 March 2017	<u>32,166</u>	<u>32,166</u>
At 31 March 2016	<u>105,348</u>	<u>105,348</u>
Valuation		
At 1 April 2015	324,212	324,212
At 31 March 2016	<u>324,212</u>	<u>324,212</u>
Amortisation		
At 1 April 2015	145,682	145,682
Charge for the year	73,182	73,182
At 31 March 2016	<u>218,864</u>	<u>218,864</u>
Carrying amount		
At 31 March 2016	<u>105,348</u>	<u>105,348</u>
At 31 March 2015	<u>178,530</u>	<u>178,530</u>

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)

Notes to the accounts

Year ended 31 March 2017

7. Trade and other receivables

	31 March 2017	31 March 2016
	£	£
Other receivables	18,139	12,824
Prepayments	<u>53,173</u>	<u>51,382</u>
	<u>71,312</u>	<u>64,206</u>

8. Cash and cash equivalents

	31 March 2017	31 March 2016
	£	£
Balance at 1 April	187,328	17,410
Net change in cash and cash equivalent balances	<u>(167,005)</u>	<u>169,918</u>
Balance at 31 March	<u>20,323</u>	<u>187,328</u>

9. Other payables

	31 March 2017	31 March 2016
	£	£
Accruals	<u>173,591</u>	<u>179,644</u>

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)

Notes to the accounts

Year ended 31 March 2017

10. Commitments under operating leases

The total future minimum lease payments under operating leases are given below, analysed according to the period in which payments fall due:

Buildings

	31 March 2017	31 March 2016
Obligations under operating leases comprise: -	£	£
Not later than one year	281,179	57,713
Later than one year and not later than five years	-	-
	<u>281,179</u>	<u>57,713</u>

Other

	31 March 2017	31 March 2016
Obligations under operating leases comprise: -	£	£
Not later than one year	83,625	121,967
Later than one year and not later than five years	27,846	130,642
	<u>111,471</u>	<u>252,609</u>

11. Related party transactions

The Department for Work and Pensions are our Sponsor Department and grant-in-aid is received from them. The amounts are disclosed in the Statement of Changes in Taxpayers' Equity. Service Charges in respect of the accommodation were reimbursed to the Department for Work and Pensions in the sum of £21,284 during the year (2015/16: £23,616). At 31 March 2017 £1,954 was due to the Department for Work and Pensions (2015/16: £1,905) in respect of services charges.

During the year the office accommodation was rented from HM Revenue and Customs at an annual cost of £314,066 (2015/16: £320,111). At 31 March 2017 £57,145 was due to HM Revenue and Customs (2015/16: £65,244) in respect of office accommodation.

The Ombudsman's internal audit services are provided by the Government Internal Audit Service and invoiced by HM Treasury Group. The annual cost was £18,412 for 2016/17 (2015/16: £20,300). At 31 March 2017 £2,418 was due to the HM Treasury Group (2015/16: £20,300) in respect of internal audit work.

The Pensions Ombudsman (incorporating the Pension Protection Fund Ombudsman)

Notes to the accounts

Year ended 31 March 2017

During the year the Department for Work and Pensions commissioned a one off piece of work on behalf of the Ombudsman to scope out future IT requirements. At 31 March 2017 £25,440 was due to the Department for Work and Pensions in respect of this work.

12. Financial instruments

It is, and has been, the Pension's Ombudsman policy that no trading in financial instruments is undertaken.

The Ombudsman does not face the degree of exposure to financial risk that commercial businesses do. In addition financial assets and liabilities generated by day-to-day operational activities are not held in order to change the risks facing the Pensions Ombudsman in undertaking its activities. The Ombudsman relies upon the Department for Work and Pensions for its cash requirements, having no power itself to borrow or invest surplus funds and the Ombudsman's main financial assets and liabilities have either a nil or a fixed rate of interest related to the cost of capital (currently 3.5%). The short-term liquidity and interest rate risks are therefore slight. Therefore the liquidity, interest rate and foreign currency risks facing the Ombudsman are not significant.

The fair values of the Ombudsman's financial assets and liabilities for both the current and comparative year do not differ materially from their carrying values.

Financial liabilities by category at fair value

	2017 Measured at amortised cost £	2016 Measured at amortised cost £
Accruals	<u>173,591</u>	<u>179,644</u>

13. Events after the reporting date

No material events have occurred since the reporting date that have an effect on the accounts. The Accounting Officer authorised these financial statements for issue on the same date as the Certificate and Report of the Comptroller and Auditor General.



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