



The
Pensions
Ombudsman



Pensions Ombudsman
Pension Protection Fund Ombudsman

Annual Report and Accounts 2019/20

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Annual Report and Accounts

2019/20

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. Ordered by the House of Commons to be printed 16 July 2020.

HC 446



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ISBN 978-1-5286-1839-7
CCS0320322748 07/20

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office.

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About us

The Pensions Ombudsman combines in one organisation the Pensions Ombudsman and the Pension Protection Fund Ombudsman. Our primary function is handling pension complaints. We act impartially and our service is free.

Pensions Ombudsman

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

We operate an early resolution service and a formal adjudication service.

Wherever possible we resolve complaints informally at an early stage, frequently before the issues have been formally considered by the parties. At adjudication stage we investigate and determine complaints that were not resolved by the parties or by us at early resolution stage. Our determinations are final, binding and enforceable in court.

Pension Protection Fund Ombudsman

The Pension Protection Fund Ombudsman determines complaints and reviewable matters concerning the Pension Protection Fund; and also appeals against it in respect of its decisions as manager of the Financial Assistance Scheme. Our governing primary legislation is sections 209 to 218 of the Pensions Act 2004 and sections 191 to 197 of the Pensions (Northern Ireland) Order 2005.

Status and funding

We are a non-departmental public body and are funded by the Department for Work and Pensions (DWP). The grant-in-aid that funds us is largely recovered from the general levy on pension schemes that is administered by The Pensions Regulator.

In 2019/20 the organisation received £7,330,000* grant-in-aid, incurred net expenditure of £7,705,000* and had net assets at 31 March 2020 of £808,000*. Full details are in the accounts.

Our principal place of business is 10 South Colonnade, Canary Wharf, London E14 4PU.

*Rounded to the nearest £'000

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.



Pensions Ombudsman
Pension Protection Fund Ombudsman

Performance report: Overview

The overview section provides a statement from the Pensions Ombudsman on the performance of the organisation in 2019/20. It sets out our purpose and role, along with our strategic aims and objectives.

Ombudsman introduction

Despite the current uncertainty generated by the Covid-19 outbreak and consequent lockdown, it has been another incredibly busy year for us at The Pensions Ombudsman (TPO). Considerable progress has been made in implementing several initiatives that will transform the customer journey.

TPO has continued to evolve and grow in response to the demand for our services. At the end of March 2019, we had 82.7 full-time equivalent members of staff. This year that number has risen to 98.4 meaning that over the last four years our organisation has almost doubled in size.

The demand for our service has never been higher. During 2019/20, our First Contact Team dealt with an incredible 11,552 telephone enquiries, a 41% increase on 2018/19, and 8,977 written enquiries, a 24% increase on 2018/19.

With the change in our approach to resolving cases at an earlier stage using our early resolution team, we have seen a decrease in the number of adjudication cases and a 16% increase in early resolution investigations. This is beneficial for both complainants and pensions providers alike, providing quicker resolution, less stress for the complainant, and the saving of valuable resources.

Our continued focus to resolve complaints informally, without a Determination from the Ombudsman, has resulted in informal resolutions rising to 95% in 2019/20 compared to 80% the previous year.

Regardless of the way in which a complaint is resolved the quality of our service is paramount. Over the last year our expanded quality assurance team has implemented our customer journey Quality Framework across all casework teams. This has involved completing almost 900 quality audits on telephone calls and cases. As well as sharing best practice, the resultant audit feedback has provided an opportunity to identify any training needs, so we can ensure a process of continual improvement for our customers.

With the growing need to do more with less resources, we have focused on implementing the internal changes that offer increased flexibility to deploy resources where they are most needed. We have restructured and expanded our Legal and Corporate Services Teams so that they can provide the vital support for our increasing core business.

With a clear focus on our customers' needs, we began the second phase in the reorganisation of our casework function to create a single customer journey for all occupational and personal pension complaints. The casework teams have been restructured to ensure that the potential needs of each complaint are identified at the outset enabling us to remain focused on

the entire customer journey from the initial application until the case is completed.

Putting our customers' needs first has been extended beyond transforming our internal structures and processes. As part of our Digitalisation Programme, we embarked upon a website redevelopment project that involved customers, stakeholders, staff and volunteers, having a say in the design and development of our new website. This approach will ensure that our new website, which went live on 28 May 2020, better meets our customers' needs.

Our expert volunteers have continued to be a really valued resource, helping us to resolve over 2,000 early resolution investigations during 2019/20. Their expertise and dedication are greatly appreciated. We have increased the support available for them and have developed a strategy which will use their expertise in a variety of different ways, not just assisting with the resolution of a particular complaint.

Although, the public remain our primary focus, engaging with the wider pensions industry is essential and is of benefit to the public in ensuring their complaints are, as far as possible, resolved without the need to come to TPO. So, we have continued to expand our stakeholder engagement activities; building collaborative relationships with strategic partners; and using our stakeholders' experiences to improve and evolve our service.

The Tailored Review recommended that as TPO had changed and grown radically during the past four years, it was necessary to strengthen the governance structure with a Chief Operating Officer and an additional Non-Executive Director. The Department for Work and Pensions (DWP) decided that there should be a further move to a formal Corporate Board structure with the appointment of a Non-Executive Chair; a new interim Chair, Caroline Rookes, was appointed and joined TPO in September 2019. Caroline has a wealth of pensions experience and I was delighted on her appointment.

I am also pleased that Alex Robertson joined us in June 2020 as our new Chief Operating Officer. Previously Alex was the Executive Director of Strategy and Operations at the Parliamentary and Health Service Ombudsman.

It has been another incredible year as we continue to change the way in which we deliver our services and I am extremely proud of the excellent team that I have at TPO. Without exception, everyone has kept focused on delivering the best possible service for our customers despite the changing environment.

Probably the biggest challenge we have all had to face this year has been the Covid-19 outbreak and subsequent lockdown. However, our forward thinking, flexible, 'smarter' working policy meant that, as soon as the tighter

measures were announced, we were able to continue 'business as usual', with all our staff, including our call centre (the First Contact Team), working remotely.

As a result of the Covid-19 pandemic, over the coming year we are prepared for a potential increase in the number of complaints received. This will include those relating to the furlough scheme, scams and transfers, payment of auto-enrolment contributions, pension benefit claims concerning ill health and redundancy, and delays in providing information and processing requests.

The future is uncertain in many respects, so now more than ever, the public and the pensions providers require a robust pensions disputes resolution service to ensure their pensions issues are resolved fairly and impartially.

I am looking forward to 2020/21; building on the changes we have implemented thus far and continuing to put our customers at the heart of everything we do.



Anthony Arter

Pensions Ombudsman
Pension Protection Fund Ombudsman

10 July 2020

Interim Chair's foreword

In my first seven months at TPO, a number of initiatives have come to fruition that will not only improve the customer journey but will ensure that TPO has the organisational structure it needs to be both more robust and more flexible when facing the challenges ahead.

Following the Tailored Review, we have worked hard to implement its recommendations and great progress has been made. One of these recommendations was to evolve a full Board structure in line with Cabinet Office principles. Following my appointment as interim Chair last September, a Corporate Board has now been set up that meets bi-monthly and focuses on strategic planning including risks, finances and performance against key performance indicators.

One of the Board's first tasks was to improve the management information available to assist with business planning. To this aim, we have developed a 'balanced scorecard' that clearly demonstrates progress made against key performance indicators. Alongside improved risk assessment processes, these systems will ensure the Board has the information it needs to carry out its strategic planning function.

Over the last few years, TPO has been on a transformational journey; reviewing its internal structures and processes to make it quicker and easier for customers to resolve their pension disputes. These changes also strengthen the organisation's resilience; allowing it to divert resources to where they are most needed at any given time. This flexibility will be essential, especially given the uncertainties we all face with the Covid-19 pandemic and the potential impact that may have on pension complaints.

It has been a very significant year for TPO and as the changes are further embedded, we can expect to see cost-efficiencies further down the line. The appointment of a Permanent Chair and additional Non-Executive Directors over the coming year will further strengthen TPO's governance structure, putting TPO in an excellent position for the future.

Caroline Rookes
Interim Chair

The year in summary

Key facts and figures

Pensions Ombudsman



We received **11,552 phone enquiries** from people who thought we might be able to help them



We received **8,977 written enquiries**

We resolved **8,809 written enquiries** (of which **1,979** were quick responses)



We took on **2,400 new early resolution** investigations

We resolved **2,264 early resolution** investigations



We took on **1,192 new adjudication** cases

We resolved **1,204 adjudication** investigations



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

- the complaint was not made within the time limits
- the complaint was not raised with the parties
- the parties were not within our jurisdiction

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

- transfers – general issues around calculation of transfer values or delays in payment
- misquoting/misinformation
- ill health issues



95% of all completed investigations were investigations completed by informal routes

Around **29%** of complaints determined by an Ombudsman were upheld, at least in part

Key performance indicators

Pensions Ombudsman

What we said we would do



Close investigations at a rate equivalent to **90%** of the number taken on in the year



Have no more than **10%** of open investigations aged more than 12 months



Deal with enquiries at a rate equivalent to **90%** of new enquiries received in the year

What we did

We closed a number equivalent to **96.5%** (representing **107%** of our target)

We had **11%** of open investigations aged more than 12 months

We dealt with enquiries at a rate of **98.1%** (representing **109%** of our target)

Pension Protection Fund Ombudsman

2019/20 was similar to the previous year in terms of the number of new matters referred to us. **Eight** matters were investigated and closed.

Finances

In 2019/20 the organisation received £7,330,000* grant-in-aid and incurred net expenditure of £7,705,000*. This increase in expenditure from £6,046,000* in 2018/19 links to the increased workload and associated increase in headcount.

The Statement of financial position shows net assets of £808,000*. There were no fees or charges during the year (subject to audit).

Going concern

The funding estimate for 2020/21 for TPO has been approved by the DWP.

We are satisfied that there are no proposals that give rise to a material uncertainty around the going-concern status of TPO in the forthcoming and future periods and we will continue our operations and meet our liabilities as they fall due.

The accounts are prepared on a going-concern basis.

The following sections cover the work we did in 2019/20, including our work as the Pension Protection Fund Ombudsman. There has been no material impact on our work as a result of the EU exit. Please refer to the accounts at the end of this report for further information about our finances.

*Rounded to the nearest £'000

Pensions Ombudsman
Pension Protection Fund Ombudsman

Performance report: Analysis



Casework review – Pensions Ombudsman

Our workload – enquiries

By ‘enquiries’ we mean requests for our help that we receive by telephone or in writing (by email or letter).

Written enquiries are enquiries which are:

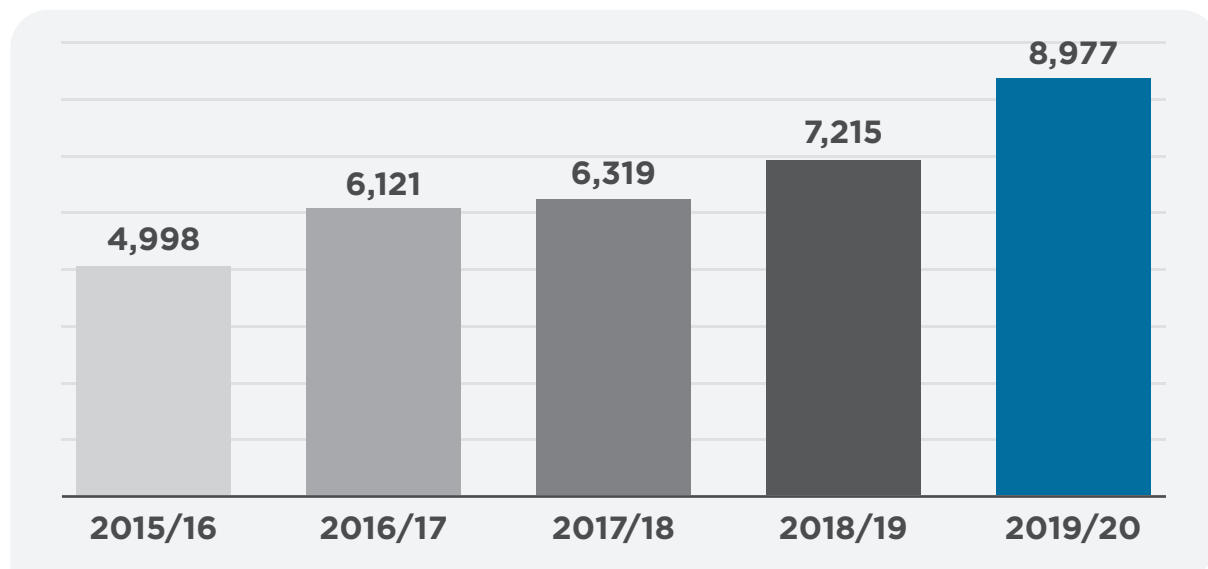
- applications to us with potential pension complaints
- general enquiries about, for example, accessing our service or about issues relating to pensions, or something unconnected with our service
- pension problems that can be resolved immediately with minimum intervention. We call these ‘Quick Responses’.

Our aim, in every request for help, is to:

- **Engage** – we build trust with the customer and ask direct questions to discover what the problem is. This ‘engagement’ sets the tone for the remainder of the customer’s journey through the complaint process and paves the way for what might happen next.
- **Educate** – we explain the options available to the customer including, but certainly not limited to, the service provided by us. If The Pensions Ombudsman (TPO) might be able to help, we will explain what happens next and what steps need to be taken.
- **Resolve** – we will find a solution, where possible, through talking to the customer.

In 2019/20, our First Contact Team handled 11,552 telephone enquiries; this represents a 41% increase on last year.

Our First Contact Team received 8,977 written enquiries in 2019/20; this represents a 24% increase on last year. The chart below illustrates the position in relation to written enquiries over the last five years.



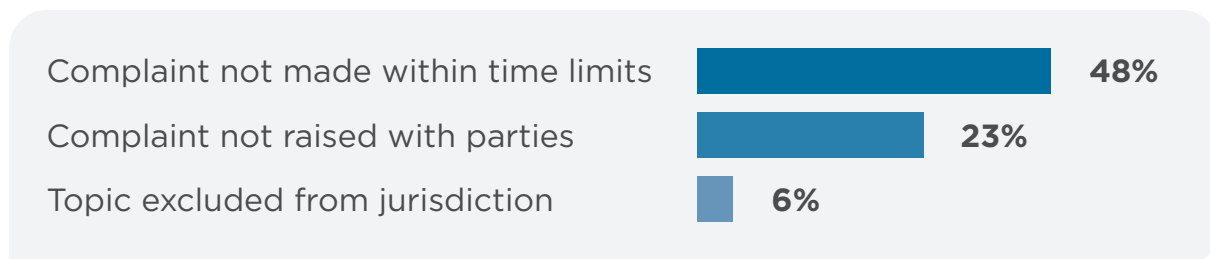
Our aim for 2019/20 was to clear written enquiries at a rate equivalent to 90% of the number received in the year. We dealt with a number equivalent to 98% of enquiries received in the year.

The 8,809 resolved written enquiries were dealt with as follows:

- 5,698 were treated as applications with a potential pension complaint. A significant proportion of these were closed at a very early stage by, for example, being referred elsewhere or because they did not represent a complete application.
- 1,979 were pension problems that were resolved with minimum intervention. We call these 'Quick Responses'.
- 1,132 were dealt with as general enquiries about, for example, accessing our service or about issues related to pensions, or something unconnected with our service.

Of the 5,698 applications with a potential pension complaint, 3,055 were referred to our early resolution service and 2,643 were assessed as potential adjudication investigation.

Of those cases not taken on for adjudication investigation, 411 were rejected on jurisdiction grounds. The top three reasons are illustrated below:



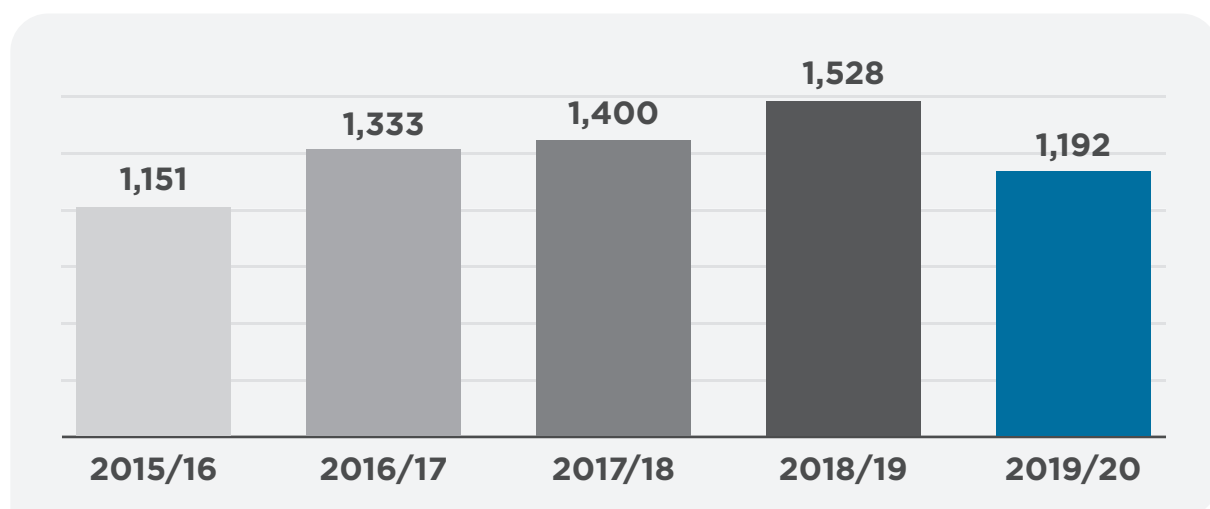
Our workload – investigations

By ‘investigation’ we mean any complaint that requires an Adjudicator or a Resolution Specialist to get involved to bring it to a conclusion:

- **Adjudication.** These complaints have already been through the formal complaint process offered by the pension scheme or provider. They might follow one of several routes to conclusion but any party involved in this process has the right to ask for the complaint to be considered by the Ombudsman.
- **Early resolution.** Generally, these complaints have not been through the formal complaint process offered by the pension scheme or provider. We aim to get involved as early as possible in the complaint to avoid parties having to go through further, lengthy processes. These complaints cannot culminate in a decision from the Ombudsman because the matter has not usually been formally considered by the party thought to be at fault.

New investigations

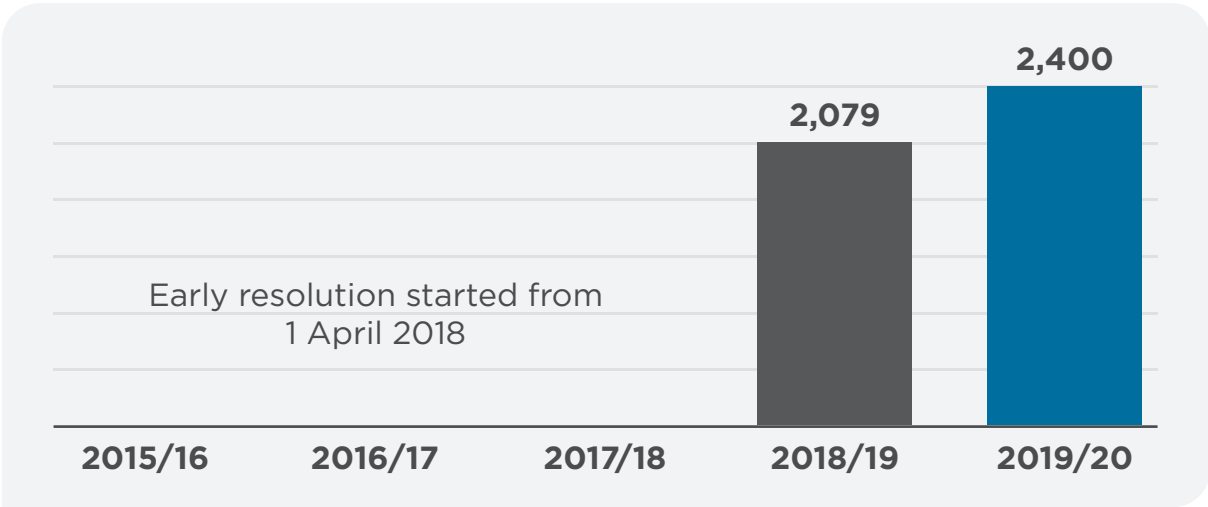
We took on 1,192 new adjudication investigations. The chart below shows that this is a reduction when compared with recent years:



This does not mean our workload is reducing. The principal reasons for the reduction in adjudication investigations is:

- We are identifying more complaints early in the process that are suitable for early resolution. There are still a number of complaints where a resolution cannot be reached, and the matter will be concluded through adjudication.
- Our customers have embraced the early resolution concept. We have worked with the pensions industry and potential complainants, to promote our aim of bringing complaints to a conclusion as early as possible. This approach means fewer complainants and respondents have to go through lengthy, formal and sometimes costly processes when dealing with pension complaints.

We took on 2,400 new cases for early resolution this year. We now have data for two full years since taking on early resolution work. Last year we reported 2,566 early resolution complaints. We now differentiate between those closed at a very early stage and those that proceed to investigation which is why the chart below shows the figure of 2,079. The chart below shows our experience of incoming complaints that have been taken on for early resolution. In 2019/20 we saw an increase of 15% in this work when compared with 2018/19.



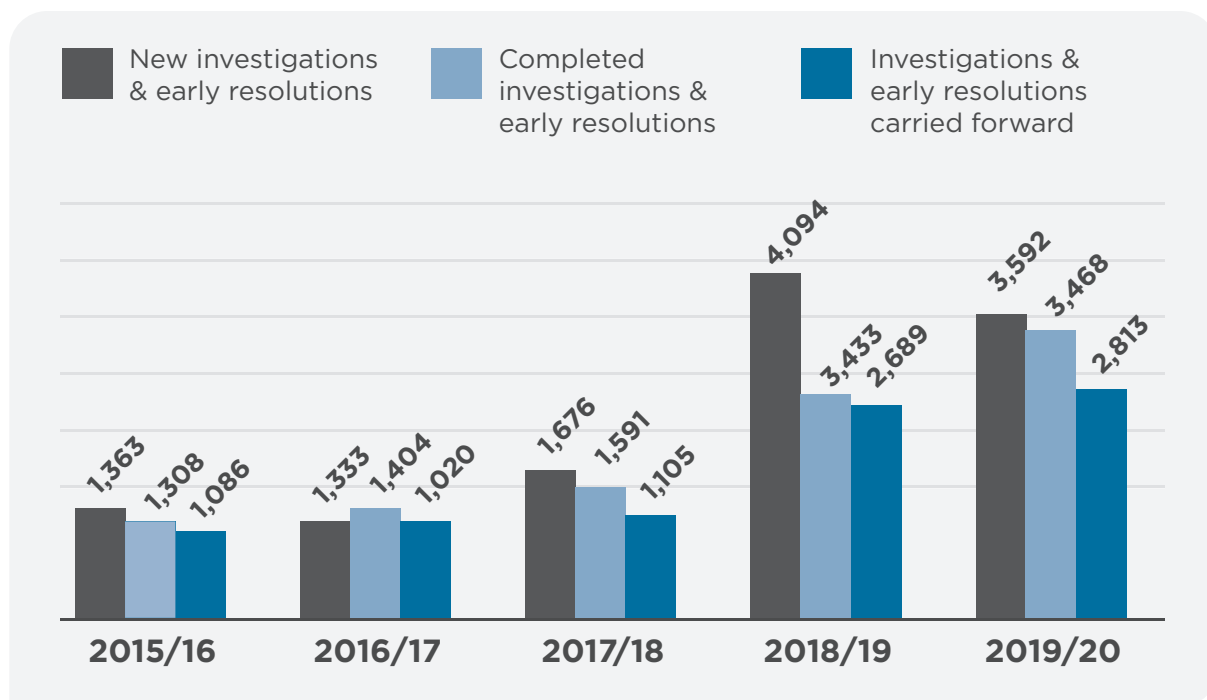
Completed investigations

Our aim for 2019/20 was to close investigations at a rate equivalent to 90% of the number taken on in the year. We dealt with a number equivalent to 96.5% of investigations taken on in the year.

We completed 2,264 early resolution investigations and 1,204 adjudication investigations. 65% of completed investigations were therefore resolved at an early stage which meant that the parties involved in those complaints were not required to go through lengthy and complex complaint processes. Further, our adjudication staff are able to concentrate on the complaints that require a full investigation, making better use of our resources.

We have been using the early resolution approach since March 2018. This chart includes that new workstream.

New, completed and carried forward investigations, including early resolution cases – five years



Timescales for investigations

For adjudication investigations we measure time from the date on which we have enough information to make a jurisdiction decision. For early resolution investigations, we measure time from when we receive consent from the parties to investigate the complaint.

The average time for new early resolution investigations to be completed was 3.9 months, while the average time for new adjudication investigations to be completed was 5.3 months.

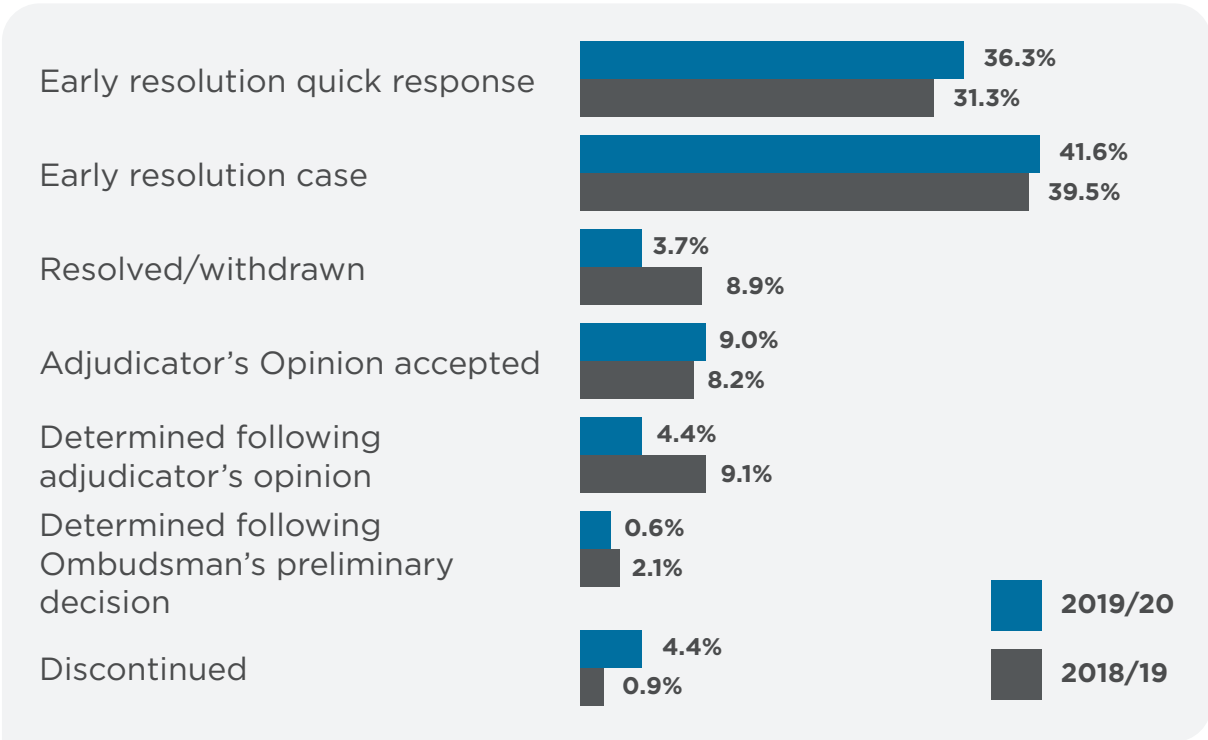
We always have a number of investigations in hand that cannot be moved on for reasons outside of our control; for example, pending or ongoing court proceedings which could affect our investigation. But we have continued to focus on clearing older cases where we can.

For 2019/20, we set ourselves a key performance indicator that cases aged 12 months or more at the end of 2019/20 would not exceed 10% of our open caseload.

Cases aged 12 months or more represented just over 11% of open adjudication investigations at the end of 2019/20, excluding those related to early resolution. Four years ago, cases in this age bracket accounted for nearly 35% of our open workload.

Decision-making process

The chart shows how complaints were concluded for the two years to the end of 2019/20.



In 2019/20 around 95% of all complaints were concluded without an Ombudsman's decision.

In the last few years, the number of complaints requiring an Ombudsman's Determination has been decreasing. This has been our aim. We want to ensure that complaints are dealt with at the most appropriate stage to ensure a swifter and clearer journey through the process for our customers. We are now in the position where, for nearly all complaints, timescales and effort for the people involved in the complaint are kept to a minimum.

Ways in which a complaint can be concluded

Quick responses

We apply this approach to problems that are clearly resolvable with the minimum of intervention. It will happen at the very early stages in the process and usually involves just ourselves and the person making the complaint.

Early resolution

This applies to complaints where the matter appears to be resolvable with a limited amount of intervention. It is usually necessary for a Resolution Specialist to liaise with the complainant and the party being complained about. We call these 'early resolution' investigations because we aim to get involved as early as possible in the process to avoid parties having to go through further, lengthy processes. If a complaint cannot be resolved this way, the Resolution Specialist will explain the possible next steps, which might include the complaint being considered by an Adjudicator and ultimately the Ombudsman.

Resolved or withdrawn complaints

In these cases, which are not handled under our early resolution service, an Adjudicator will explain the position to the complainant, and possibly others involved in the complaint, with a view to resolving the matter informally. Any agreement will be followed up by a written report issued to everyone involved in the complaint and the investigation will be closed.

An Adjudicator's Opinion accepted

In these cases, an Adjudicator will give everyone involved in the complaint their written view (or '**Opinion**') of the outcome. If all parties agree with the Adjudicator's Opinion, the investigation will be closed.

Complaint is discontinued

In these cases, the Ombudsman decides that the investigation into the complaint should not continue. Before discontinuing an investigation, we will tell all parties to the complaint why the investigation is likely to be discontinued and give them an opportunity to make representations.

Complaint is determined following Adjudicator's Opinion

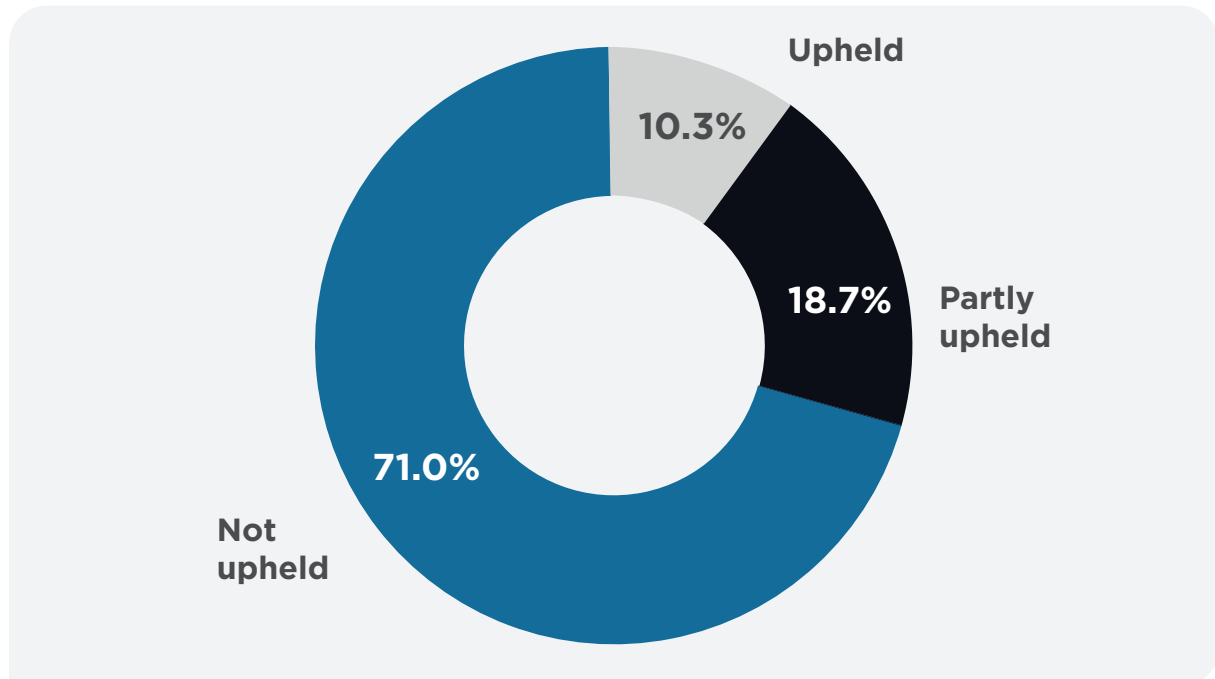
This happens when some or all of the people involved in the complaint do not accept the Adjudicator's Opinion. The complaint is referred to an Ombudsman along with all the submissions made by the parties. The Ombudsman will make their own decision, based on the evidence, and issue a Determination. Before making their final decision, the Ombudsman might decide to call for additional evidence, or further investigation. In certain circumstances, this may include an oral hearing.

Complaint is determined following an Ombudsman's preliminary decision

In some cases, an Ombudsman might issue a preliminary decision and then go on to make a Determination, for example, where the complaint is highly complex with many issues to be addressed.

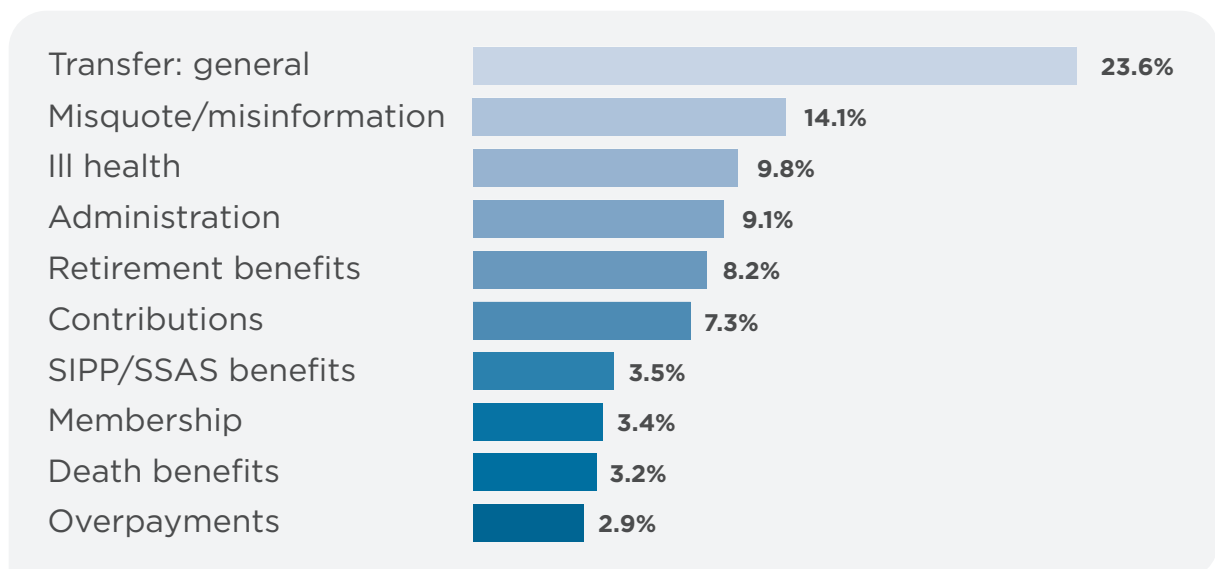
Outcome of complaints determined by an Ombudsman

Only complaints determined by an Ombudsman can be said to have been upheld or not. This is the position for 2019/20 and it is similar to previous years:



What complaints were about

Subject matter of closed investigations (top 10)



The subject matter of closed investigations was broadly similar to previous years.

Some summaries of completed adjudication investigations

British Steel cases (not upheld)

In March 2016, the Tata Steel Group announced that it had begun a portfolio restructuring exercise and that it had started to investigate the possibility of selling Tata Steel UK (TSUK), the principal sponsoring employer of the Old British Steel Pension Scheme (**OBSPS**). The OBSPS' future was therefore uncertain and its entry into the Pension Protection Fund (PPF) seemed likely. The trustee of the OBSPS (the **Trustee**) issued a series of announcements to members of the OBSPS throughout the course of discussions and negotiations concerning the OBSPS' future, to update members on the situation as it unfolded.

In March 2017, as the OBSPS' future had become less uncertain, a new statement of investment principles was adopted, to reflect de-risking changes that had been made to the OBSPS' investment strategy. Having considered actuarial advice, the Trustee made the decision to adopt a new basis for calculating cash equivalent transfer values (CETVs) payable to members who chose to transfer their benefits out of the OBSPS, with effect from 1 April 2017. CETVs calculated on the new, post-1 April 2017 basis were, in many cases, significantly higher than those calculated on the pre-1 April 2017 basis.

These changes to the CETV calculation basis also affected the early retirement factors (ERF) that were applied when deferred members started to take their pension benefits before reaching their normal retirement date. This meant that members who took early retirement from deferment after the changes had been implemented generally received more generous benefits than they would have done had ERFs been applied on the previous basis.

We received complaints from 233 members of the OBSPS that:

- the Trustee's communications concerning the OBSPS' future scared them into transferring out of the OBSPS, or taking early retirement sooner than they might otherwise have done
- the Trustee should have changed the calculation basis earlier and been more open with members about this
- and the pre-1 April 2017 basis was incorrect.

We categorised these complaints into four main groups, each with its own lead case (those relating to Mr A, Mr G, Mr D and Mr S), according to: whether the complainant had taken a CETV or early retirement; and, if they had taken a CETV, when they did so in relation to the timing of the Trustee's decision to adopt the new CETV calculation basis.

In his Determination for each of the lead cases, the Ombudsman found that:

- the Trustee’s communications concerning the OBSPS’ future were not misleading (and were not intended by the Trustee to be so) and did not amount to scaremongering
- setting ERFs and/or CETV factors is a matter for the Trustee, in respect of which the Trustee obtained and considered actuarial advice
- the Trustee obtained and considered appropriate advice from suitable parties in order to reach its decisions in respect of: the OBSPS and its future; the OBSPS’ statement of investment principles; and changes to the CETV methodology and ERFs
- the Trustee acted reasonably in using the ERFs and/or CETV calculation methodology that applied at the relevant time; and subsequent changes to the methodology should not be applied retrospectively.

Thirty nine cases from across the four groups have been identified as having potential distinguishable features from their respective lead cases, and these cases remain open. All other group cases were materially similar to the lead cases and have been closed, on the basis that the Ombudsman has determined the lead cases and not upheld them.

Retail prices index v consumer prices index (upheld)

Mr R was a pensioner member of the Thales UK Pension Scheme (TOPS Section) (the **Scheme**). Annual increases to pensions in payment under the Scheme had been calculated by reference to the retail prices index (RPI). However, in September 2016, the Scheme’s trustee (the **Trustee**) announced that it intended to change the basis of pension increases so that the consumer prices index (CPI) would be used instead of the RPI. This change would be applied retrospectively from January 2011.

As a consequence, future increases were likely to be lower than they would have been had RPI continued to apply and Scheme members would have been overpaid since January 2011, as their benefits would have been increased at too high a rate. The Trustee agreed to “write-off” these overpayments but proposed to apply no further pension increases until Scheme members’ benefits matched the level that they would have been had they been increased by reference to the CPI since 2011.

Mr R complained that Rule 1.11(b), which governed the rate of increase to pensions in payment, provided for RPI to be used, so the Trustee was wrong to apply CPI retrospectively.

Mr R considered that the first part of Rule 1.11(b), which referred to the “retail prices index...subject to a maximum of 5 per cent” required the Trustee to apply RPI to pension increases, as it had ‘hard-coded’ RPI into

Rule 1.11(b). The Trustee and the Scheme's principal employer (the **Principal Employer**) considered that the key part of Rule 1.11(b) was the reference to "order under Section 2 of Schedule 3 of the Pension Schemes Act [1993]" (the **Order**) in the second part of the Rule. On that interpretation of Rule 1.11(b), CPI should have applied automatically since 2011, when the Government had changed the basis of the increases set out in the Order from RPI to CPI.

The Ombudsman upheld Mr R's complaint, having considered thoroughly the detailed submissions provided by the Trustee and the Principal Employer. The Ombudsman considered that:

- There was nothing modifying, altering or qualifying the words "retail prices index" or the 5% cap in Rule 1.11(b), so they should be given their ordinary and natural meaning.
- Hard coding a particular index into a pensions increase rule had been common practice in 2000, when the Scheme Rules were drafted. Since the draftsman expressly referred to RPI, that was the index by which he intended pensions in payment to increase.
- The word order used in Rule 1.11(b) was relevant. Had the intention of the draftsman been to provide increases only by reference to the Order, the more natural way of drafting the Rule would have been to refer to the Order first and then follow it with an explanation of what index currently applied.

The Ombudsman directed the Trustee to increase Mr R's pension by RPI capped at 5% and to pay any arrears due as a consequence of the Trustee having frozen Mr R's pension increases, plus simple interest at the Bank of England base rate.

Non-payment of contributions (upheld)

Mrs E's employer auto-enrolled her into an account with National Employment Savings Trust (**NEST**) in March 2018.

Sometime after that, Mrs E checked her account and noticed that contributions had not been made. She approached her employer, asking for the missing contributions to be made and in October 2018, Mrs E's employer paid £104 to her NEST account in respect of unpaid contributions.

However, Mrs E said that was less than half the contributions due. Mrs E's employer maintained that the outstanding contributions had been made. NEST said there were outstanding contributions going back to July 2018.

Mrs E later confirmed that most of the missing contributions had since been made. However, there were unexplained deductions from her NEST account, and she had been unable to verify that all contributions had been paid, as her employer had failed to provide payslips.

Mrs E's complaint was considered by an Adjudicator. The Adjudicator's Opinion was that the complaint could be upheld, and the employer should first notify NEST of any outstanding contributions to Mrs E's NEST account and confirm the dates they should have been invested. Secondly, confirm that contributions to Mrs E's NEST account were correct; and request a loss calculation to ascertain whether Mrs E had suffered investment loss on account of delayed payment of contributions. Finally, the employer should pay Mrs E £1,000 for the serious distress and inconvenience caused.

Mrs E accepted the Adjudicator's Opinion but the employer did not. Although it agreed to pay Mrs E redress in line with a loss calculation provided by NEST, it did not agree that it should pay £1,000 for the serious distress and inconvenience because it was a small company dealing with large demands in difficult economic times. In its view, an award of £1,000 was inappropriate, especially as the value of Mrs E's benefits with NEST were worth only £1,275.

The Deputy Ombudsman upheld the complaint and directed the employer to take the actions outlined in the Adjudicator's Opinion in relation to notifying NEST of any outstanding contributions, confirming the dates they should have been invested and to pay Mrs E redress for investment loss in line with NEST's calculation.

However, in relation to the award for distress and inconvenience the Deputy Ombudsman concluded that, although problems had occurred on several occasions which the employer had been slow to put right, it was not a particularly complex issue to resolve. She said awards for distress and inconvenience are not intended to be punitive and she was satisfied that in this case there had been no lasting effect on Mrs E's pension pay and directed that the employer pay Mrs E £500 to recognise the significant distress and inconvenience caused.

Lost benefits (upheld)

Mrs N had accrued pension benefits under the Transport Friendly Society Pension Scheme. In 1986 she joined the Department of Education and Science and became a member of the Principal Civil Service Pension Scheme (**PCSPS**).

When Mrs N contacted the Transport Friendly Society Pension Scheme in 2015 to enquire about her pension benefits, she was told these had been transferred to the PCSPS in 1989.

However, a retirement quote issued to her by the PCSPS on 14 April 2015 did not include details of the transferred benefits and MyCSP, the administrators of the PCSPS, said it could find no evidence of the transfer having taken place.

The trustee of the Transport Friendly Society Pension Scheme provided a

copy of a letter dated 15 September 1989, addressed to the Department of Education and Science, which said a cheque for £1,859 in full payment of the transfer value for Mrs N was enclosed. A further letter of the same date, addressed to Mrs N, confirmed the payment.

The trustee made enquiries with its bank but was unable to obtain any evidence of the cheque having been cashed due to the passage of time. Further searches by Mrs N, the trustee and MyCSP failed to find any more information or evidence of the transfer having taken place.

Mrs N initially complained to MyCSP. In its response, it said there was no evidence the transfer had been completed. It also pointed out HMRC had confirmed the liability for Mrs N's benefits was not held with the PCSPS. In view of this, Mrs N extended her complaint to include the trustee of the Transport Friendly Society Pension Scheme.

Mrs N's complaint was considered by an Adjudicator. The conclusion was that there was no doubt Mrs N was entitled to the benefits she had accrued in the Transport Friendly Society Pension Scheme. The Adjudicator's view was that the liability remained with that scheme unless the trustee could clearly show, on the balance of probabilities, the deferred benefits were transferred to another pension arrangement.

The Adjudicator said that, whilst the trustee had been able to produce contemporaneous letters confirming a cheque was issued, this was not enough to confirm the transfer was completed. There was no evidence to show the cheque was received or banked and there was no evidence in the form of a signed discharge or other correspondence to show the liability was transferred. Furthermore, HMRC had confirmed that, according to its records, the liability for Mrs N's pension was not held by PCSPS.

The trustee did not accept the Adjudicator's Opinion. It said that its pension adviser had been asked to check the scheme records to see if there were any funds unaccounted for, which would suggest that Mrs N's funds were never transferred out of the Transport Friendly Society Pension Scheme and were still retained. The adviser had informed the trustee that there were no unaccounted-for funds.

The Ombudsman found that the fact the trustee's pension adviser had been unable to find unaccounted-for funds did not amount to compelling proof that Mrs N's benefits were transferred when weighed against the other evidence.

The Ombudsman concluded that the trustee's inability to show beyond doubt that the transfer was completed, together with the confirmation from HMRC that there was no record of the liability for Mrs N's pension resting with the PCSPS meant that, on the balance of probability, the transfer was not completed and that the liability for Mrs N's pension remained with the Transport Friendly Society Pension Scheme.

He directed that the trustee should reinstate Mrs N to the Transport Friendly Society Pension Scheme with the deferred pension she was entitled to when she left the Scheme, together with any revaluation increase the deferred pension would have attracted to date.

Failure to provide information (not upheld)

Mr D was employed by Shell International Limited and was a member of the Shell Contributory Pension Fund (the **Fund**).

In April 2016, Mr D began exploring how the trustee of the Fund was measuring and managing the potential risk of climate change. The trustee agreed that climate change was an issue the Fund faced and said that it was taking the risks of climate change very seriously. It offered Mr D the opportunity to meet with the trustee and discuss any concerns he may have.

Mr D found that the meeting did not eradicate his concerns and requested information including:

- the Fund's recent Investment Strategy including sections that specifically dealt with climate change
- Risk Management Framework
- the relevant sections of the Employer Covenant
- sections of documents that describe the techniques and processes used by the Fund to identify, monitor and respond to climate risk
- a copy of the most recent Actuarial Valuations
- extracts from any minutes in the last two years recording decisions the trustee had made in relation to climate change.

The trustee provided Mr D with all the information it was required to do so under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (the **Regulations**). That is a copy of the Trust Deed, Statement of Investment Principles, Annual Report with Accounts for 2014 and 2015, the Actuarial Valuation as at 31 December 2014, and its Responsible Ownership Policy. The trustee declined sharing the Investment Strategy, Risk Management Framework, Employer Covenant Monitoring Framework, and a description of the process for identifying, monitoring and responding to climate risk. When making this decision, the trustee took into consideration the legal requirement relating to sharing information, confidentiality and commercially sensitive information. In addition, the trustee considered the direct relevance of the additional documents to the provision of Mr D's personal benefits as a member, resourcing requirements, proportionality as to whether the information should be provided to Mr D and potential conflicts of interest.

Mr D's complaint was considered by an Adjudicator. The conclusion was that the trustee had provided the specific information that must be provided to members on request as set out in the Regulations and it was

not obliged to provide more. The Adjudicator said the trustee had also gone above and beyond its duties in arranging a face-to-face meeting with Mr D in which it discussed how the Fund was considering climate change.

The Deputy Ombudsman did not uphold the complaint. She found that the trustee had provided Mr D with all the information it was required to under the Regulations. There was no breach of a positive disclosure duty or maladministration. She found that there was no evidence to indicate that the trustee was deliberately trying to stop Mr D from obtaining information about the Fund and concluded that the trustee had not erred in declining Mr D's requests.

Overpayment (upheld)

Mr Y transferred out of the Royal Mail Statutory Pension Scheme (the **Scheme**) in 1989, however, the respondent continued to send benefit information to him between 1990 and 2010. Based on this, Mr Y decided to retire, and benefits were paid from the Scheme from March 2011.

It was not until September 2017 that the respondent realised that an overpayment had occurred and began steps to recover the overpayment. As part of the complaint process, Mr Y raised a defence under the Limitation Act 1980 (the **Act**). This would mean that the respondent was limited to the amount it could recover.

The respondent agreed that a limitation defence applied and that it would not seek recovery of any amounts paid before October 2011. It also offered £500 to recognise the distress and inconvenience caused to Mr Y.

Mr Y remained unhappy with the response and the complaint was considered by the Deputy Ombudsman, who partly upheld the complaint. She agreed with the £500 offered by the respondent and that the Act applied. However, she found that the applicable date was not in accordance with the High Court's interpretation (that the "clock stops" when The Pensions Ombudsman (TPO) receives the respondent's formal response to the complaint) and therefore the respondent could not recover any amounts paid before 31 January 2012, this being six years before receipt of the formal response. The Deputy Ombudsman found that Mr Y's complaint failed on the other defences against recovery on the basis that, for various reasons, he failed the "good faith" argument. The respondent was directed to pay the previously offered £500 and to recalculate the overpayment based on payments made after 31 January 2012.

Ill health (not upheld)

Mrs S was a member of the HSBC Bank (UK) Pension Scheme (the **Scheme**). She had retired on the grounds of incapacity in 1999 and had been in receipt of a pension since. The pension had been subject to periodic review.

In 2017, Mrs S was notified that her pension would be reduced by 50% on the grounds that there had been an improvement in her condition. The pension was reduced gradually over a six-month period. Mrs S disagreed with the Scheme trustee's decision to reduce her incapacity pension by 50%.

The relevant rule stated that the trustee may suspend and/or reduce an incapacity pension if the pensioner had recovered "to any extent". The rule also provided for the trustee to accept evidence or a certificate from a qualified medical practitioner as conclusive evidence of such a recovery.

The trustee commissioned a functional capability assessment from a chartered physiotherapist and also consulted its occupational health doctor. The physiotherapist concluded that Mrs S would be capable of up to 20 hours per week of modified work. The doctor advised the trustee that Mrs S' condition had improved "to an extent of 2 out of 4".

Mrs S appealed the decision to reduce her pension and submitted a report from an occupational health physician. He did not agree that there had been any significant change in Mrs S' condition or that she was fit to work in any meaningful capacity.

The Ombudsman did not uphold Mrs S' complaint. He said the rule required the trustee to undertake two actions: (i) to determine whether Mrs S had recovered from her incapacity to any extent; and (ii) to decide whether to suspend and/or reduce her pension. The first was a finding of fact. The second was the exercise of a discretion.

The Ombudsman determined that the trustee had obtained evidence from appropriate sources in order to determine whether Mrs S had recovered to any extent. He explained that it was for the trustee to decide what weight to attach to any of the evidence available to it. The Ombudsman said it was open to the trustee to prefer the advice from its own advisers to that provided by Mrs S in the absence of any factual error or misunderstanding on the part of the advisers. No such error or misunderstanding had been identified. It was, therefore, not maladministration for the trustee to accept the advice it received from the physiotherapist and its own occupational health doctor.

The decision to reduce Mrs S' pension involved the exercise of a discretion and this limited the extent to which the Ombudsman might interfere in that decision. His role was to consider whether the trustee had followed certain principles in making its decision. The Ombudsman determined that the trustee had followed the correct principles. In particular, he commented that the decision could not be said to be perverse. The Ombudsman explained that the benchmark for a perverse decision was set high. It had to be a decision which no other body, faced with the same set of facts and properly advising itself, could reach. In Mrs S' case, the trustee's decision fell within the range of possible decisions which might be made on the facts.

Misinformation – detrimental reliance (Adjudicator’s Opinion accepted)

Mrs E was a member of the NHS Pension Scheme (the **Scheme**). Between October 1997 and March 2009, Mrs E accrued membership within the 1995 section of the Scheme. Following a five-year break in membership, Mrs E re-joined both the NHS and the Scheme and was told that future membership would accrue within the 2008 section.

In May 2016, NHS Business Services Authority (**NHS BSA**) wrote to Mrs E and confirmed that, as she had returned to work following employment within the public sector, she qualified for protection in the 1995 section. Between May 2016 and December 2017, Mrs E was repeatedly told that she was a protected member of the 1995 section of the Scheme and so could access her benefits at age 60 without reduction.

On 18 December 2017, Mrs E retired (aged 60 years 5 months) and applied for her benefits. On 5 February 2018, NHS BSA wrote to Mrs E and said she was not eligible for protection in the 1995 Scheme, so any benefits accrued after March 2009 would be reduced with reference to a normal pension age of 65.

NHS BSA accepted that it had incorrectly told Mrs E that she was a protected member of the 1995 section. It agreed that it had repeated this information on several occasions and made an offer of £500 to resolve the complaint.

Mrs E said that she relied on the incorrect information when making her decision to retire. She explained that she has two daughters who live in Australia and her husband is 10 years older than her. She said that her intention in retirement was to spend extended periods with her children and spend more time with her elderly parents. When asked whether she had considered deferring her benefits until her 65th birthday, Mrs E said that she had already retired by the time she was given the correct information and she could not defer her benefits as she would not have been able to meet her expenses with just the 1995 section benefits.

Mrs E’s complaint was considered by an Adjudicator. The conclusion was that Mrs E would have to successfully argue that there was a causal link between the receipt of the incorrect information and her decision to retire. Although Mrs E said that she would have altered her plans if given the correct information, she did not argue that she would have remained in work past her retirement date. In addition, it was clear that Mrs E wanted to prioritise spending time with her family. The Adjudicator did not believe there was sufficient evidence to conclude, on the balance of probability, that Mrs E would not have retired had she known of the correct benefits.

The Adjudicator also said that a complainant is expected to mitigate any potential losses. The Adjudicator concluded that as Mrs E did not attempt to return to work, she could not argue that she would have remained in work had she been given the correct information from the outset.

However, the Adjudicator did not agree that NHS BSA’s offer of £500 in

recognition of the distress and inconvenience caused was appropriate. The Adjudicator said that the maladministration occurred on several occasions and lasted over a long period. Furthermore, the Adjudicator felt NHS BSA was slow to correct the error. As a result, the Adjudicator was of the opinion that the distress and inconvenience was serious and £1,000 should be paid in recognition of this.

Both parties agreed with the Adjudicator's Opinion.

Overpayment (Adjudicator's Opinion accepted)

Mrs S retired and took her benefits from the NHS Pension Scheme (the **Scheme**) in 2007. At the time, she emailed the respondent to question the figures she had received and asked for a new retirement calculation. The response she received was that the figures were correct and no new calculation was done.

Mrs S still had doubts and contacted the respondent in 2016 to question the benefits she was receiving. She was subsequently told that the pensionable pay used to calculate her benefits at retirement was incorrect and an overpayment of £108,109.60 had occurred.

As part of the complaint process, Mrs S raised the Limitation Act 1980 (the **Act**) as a defence against repayment. The respondent firstly rejected this defence on the basis that the first time the issue came to light was when Mrs S first raised it with them in 2016. When Mrs S provided evidence that she had first raised the issue in 2007, the respondent changed its rejection of the limitation defence on the basis that Mrs S should have known that the salary information provided prior to retirement was incorrect. It also argued that it was only due to Mrs S' insistence in raising the query again nine years after the error occurred that had brought the overpayment to light.

Mrs S' complaint was considered by an Adjudicator. The Adjudicator agreed with the argument that the Act applied. With reasonable due diligence, the respondent could have identified the error when Mrs S requested the recalculation in 2007. The Adjudicator said that if the expectation was that Mrs S ought to have been aware that the pensionable salary information was incorrect, then this also applied to the respondent when it was asked to recalculate her benefits in 2007.

The cut-off date for the purposes of the Act is six years prior to the receipt of the formal response from the respondent to TPO. The formal response was received on 11 June 2018 and therefore the Act prevented recovery of any of the overpayment prior to 11 June 2012. This reduced the overpayment to £34,753.17.

Both parties agreed with the Adjudicator's Opinion.

Some summaries of completed early resolution investigations

Serious ill health

Mr B's father had applied for payment of a serious ill health lump sum. However, before payment was processed, Mr B's father died. The pension scheme subsequently told Mr B no lump sum would be paid. Mr B then contacted us because he was unhappy about the delays he said his father had experienced, trying to get payment made. Furthermore, the benefits now payable to his mother, were of a lesser value than those which would have been paid had the serious ill health lump sum been processed before his father's death.

Our adviser contacted the scheme and asked for a breakdown of events. It transpired that it took over 30 days to provide Mr B's father with the forms he needed to complete. He had returned the completed documentation within 24 hours. It then took seven days for the scheme administrators to forward the documents to the scheme trustees. Further delays then ensued while calculations were made. Before figures could be quoted, Mr B's father died.

Our adviser suggested to the scheme that, given the circumstances, it was reasonable to have expected more urgency to have been given to the application for payment of a serious ill health lump sum. If the application had been treated in a timelier fashion, it was also reasonable to assume payment would have been made before Mr B's father died.

The scheme's trustees reconsidered the events and subsequently agreed that had it not been for the delays, a serious ill health lump sum would have been paid. They agreed it should now be.

Overpayment

Mrs E contacted us after receiving a demand for the repayment of pensions amounting to around £123,000 paid to her late husband. These payments were made in error because Mrs E's husband had previously transferred from the scheme, but the scheme had failed to update its records.

Before contacting us, Mrs E had complained to the scheme. As a result of her complaint, they agreed to reduce the overpayment they were asking her to repay, to £45,000, equivalent to the last six years of pension payments.

We explained to Mrs E that the scheme was legally entitled to seek recovery of the overpayment. We also explained there were potentially some defences against recovery. One of those possible defences was the Limitation Act 1980. This could potentially mean the scheme could not recover any payments made more than six years ago if they could, with reasonable diligence, have identified they were paying the pension in error. The scheme had however already taken this into account by agreeing to

reduce the overpayment they were seeking to recover.

A defence could also be made against some, or all, of the demand if the recipient had reasonably relied on the incorrect payments to spend monies or make financial decisions they would not have done otherwise. We gave our honest view that we thought it unlikely this defence could succeed as it was reasonable to have expected Mr E to have known he was not due this pension.

Mrs E considered our comments and opinion on her complaint. She explained she was presently able to offer a payment of £20,000 and asked if we would present this to the scheme. The trustees subsequently advised they were prepared to accept this payment as settlement of the overpayment made to the late Mr E.

Automatic enrolment

Mr M was automatically enrolled into a pension scheme by his employer but decided to opt out. He was paid a refund of his contributions. However, contributions continued to be deducted from his salary. Unfortunately, Mr M did not notice until he left his employer seven months later.

Mr M contacted his former employer, but they referred him to the pension provider. Mr M contacted the pension provider, but they referred him to the employer. After several frustrating phone calls, which did not progress matters, Mr M contacted TPO.

Our adviser contacted both the pension provider and the employer. It transpired Mr M had been re-enrolled in error. We referred the employer to the plan's procedural notes, which explained how this could be corrected. The necessary action was taken and Mr M was refunded the contributions deducted in error. Mr M said:

"I just wanted to say once again thank you for your help. From the first time you contacted me I finally felt that I had someone 'in my corner' after many very frustrating phone conversations."

Ill health

Ms H was refused an ill health retirement pension and approached us for help. We explained our own view on her eligibility was irrelevant, but we could check if the decision was taken correctly, in accordance with the scheme's rules.

Ms H was refused an ill health pension because the medical adviser had noted not all treatment options had yet been completed. The medical adviser subsequently opined it was too early to decide on Ms H's eligibility.

The decision on Ms H's eligibility rested with her employer. We contacted them and asked, given they did not have medical advice on the likely effect

of the proposed treatment, whether they had sufficient medical information to refuse Ms H's application.

The employer agreed to refer Ms H's application to another medical adviser and seek further input on the likely effect treatment would have on Ms H's future work capability.

After reviewing the medical advice they subsequently received, it was agreed Ms H was eligible for an ill health pension and it was agreed it should be backdated to May 2019.

Pension liberation

Mrs R's late husband had transferred from his former employer's pension scheme in February 2014. Mr R died in April 2018.

The trustee company responsible for the scheme he transferred to was wound up in March 2017 and Mrs R was told by the scheme's administrators there was no money to pay for any benefits now due. It appeared Mr R may have been the victim of pension liberation fraud.

We contacted the pension scheme Mr R had transferred from and asked what checks they had made about the receiving scheme and whether Mr R had been provided with appropriate warnings about the possibility of fraud. The scheme agreed to undertake a full investigation into the transfer.

The scheme subsequently agreed they had failed to carry out sufficient due diligence checks before the transfer was completed. They agreed to reinstate Mr R into their scheme and calculate and pay the death benefits due from his reinstated record.

We thanked the scheme for their assistance. Mrs R was naturally delighted with the outcome commenting:

"Thank you so, so much for all your hard work and tenacity on my husband's behalf. Words alone cannot express my gratitude to you. Believe me there have been tears this morning, that some justice has prevailed."

Casework review – Pension Protection Fund Ombudsman

This part of our report describes the small part of our work concerning the Pension Protection Fund (PPF) Ombudsman’s jurisdiction. Financial information is in note 1 of the accounts on page 101.

PPF maladministration

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

PPF reviewable matters

We can review decisions made by the Board of the PPF, but only after they have been reviewed by the Board of the PPF and then considered by its Reconsideration Committee.

Financial Assistance Scheme appeals

We have jurisdiction to determine appeals against decisions made by the PPF, as scheme manager of the Financial Assistance Scheme (FAS), relating to eligibility to receive compensation. FAS appeals can be subdivided further into two main categories: whether a scheme is eligible to be accepted by the FAS, and whether a member has received the correct entitlement.

The year’s cases

2019/20 was similar to the previous year in terms of the number of new matters referred to us. Of the closed matters, three were investigated and the remainder fell away at an earlier stage.

	In hand at 01/04/19	New/re-opened matters	Completed investigations	In hand at 31/03/20
PPF maladministration	3	1	3	1
PPF reviewable matter	1	4	2	3
FAS appeal	5	5	3	7
Total	9	10	8	11

Summary of a completed case

Mr S had appealed the decision of the Board of the PPF to reduce the pension he had been in receipt of for 15 years.

Mr S was a member of the Foremans Limited Pension and Life Assurance Scheme (the **Scheme**). The Scheme commenced winding up in August 2001. Mr S was a pensioner member of the Scheme at that time, as he had taken early retirement in March 2001, at the age of 55.

In September 2009, the Scheme managers wrote to Mr S informing him that an application had been made for the Scheme to join the Financial Assistance Scheme (FAS). The letter informed Mr S that as his pension commenced before the Scheme wound up, his benefits would remain in payment at the current level.

In November 2013, Mr S was informed that the Scheme had been transferred to the FAS and that he would now receive a monthly payment from the FAS instead of from the Scheme.

In November 2016, the FAS wrote to Mr S and informed him that it had received revised data from the Scheme's administrators and, as a consequence, it had recalculated his FAS payment. The FAS explained that Mr S' payments were going to be reduced to bring them in line with the Financial Assistance Scheme Regulations 2005 (SI2005/1986) (the **FAS Regulations**) and also to recover the overpayment that had arisen.

Mr S appealed the FAS' decision regarding the overpayment. He was unhappy that after being in receipt of the pension for over 15 years, it was going to be reduced to recover the overpayment. Following further correspondence, the FAS exercised its discretion and agreed to waive the balance of the overpayment and Mr S' payments were increased to 90% of his full benefit entitlement in accordance with the FAS Regulations.

Mr S remained unhappy. He said that because he had taken early retirement at age 55, an actuarial reduction had already been applied to his benefits. His FAS payment had been calculated based on the Financial Assistance Scheme (Miscellaneous Amendments) Regulations 2010 (SI2010/1149) (the **FAS 2010 Regulations**) and the Scheme's under-funding which was the situation when the Scheme went into wind-up, which was much later than when he started receiving his benefits. The FAS had not only reduced his pension by 10% to bring it in line with the FAS Regulations allowing it to pay 90% of the calculated entitlement, it had applied the 90% to the reduced pension that it had calculated based on the underfunding when the Scheme commenced winding-up in 2001.

Mr S' appeal was considered by an Adjudicator. The Adjudicator said that the basic calculation of an annual FAS payment is based upon the member's expected pension at normal retirement age. In Mr S' case, this is the pension he would have received from the Scheme at his normal retirement age; not the reduced pension paid from 2001. The reduction to his FAS payment

recognises that Mr S had already been receiving a pension from the Scheme before his normal retirement age. It takes the total amount he received and converts this into a reduction to the annual FAS payment going forward. If this adjustment is not made, Mr S would receive the same FAS payment as someone who had not retired early. In effect, he would then receive more, by way of Scheme payments and FAS payments, than an equivalent member who had not retired early.

The Adjudicator said that, in accordance with the FAS Regulations, once the Scheme is transferred to the FAS the Board's actuary must value Mr S' asset share to determine what his FAS annual payments should be and concluded that the FAS Regulations enable the FAS to do so.

The Deputy PPF Ombudsman did not uphold the appeal as she found that Mr S' FAS payments had been correctly calculated in accordance with the FAS Regulations. The Ombudsman explained that the FAS 2010 Regulations are an amendment of the FAS Regulations. Therefore, the FAS Regulations (as amended) are still the governing legislation of the FAS.

Complaints about our service

All complaints about our service are answered by our Casework Director or Deputy Casework Director. This enables immediate insight at the highest levels of the organisation into things that might be going wrong so that we can put them right.

We use our service complaint process to:

- put things right if they have gone wrong on individual cases
- identify where we need to make improvements to our service.

In 2019/20 we dealt with 81 formal complaints about our service. We completed around 12,000 enquiries and investigations. Complaints about our service therefore happen in less than 1% of cases. We upheld, or partly upheld, 47% of these complaints, which is about the same as the year before.

Where we upheld a complaint, we took action to put things right by, for example, making an apology or re-visiting certain issues, where that was possible. Every time a complaint is upheld, everyone involved in the case is made aware of the complaint and any learning points.

Complaints about our service can be escalated to the Parliamentary and Health Services Ombudsman (PHSO). In 2019/20 we did not receive any decisions from PHSO.

The courts

Appeal figures 1 April 2019-31 March 2020

Pensions Ombudsman appeals

Outstanding at the start of the year	8 ¹
New	8
Successful application against refusal of appeal made during the year	1 ²
Heard/settled/withdrawn during the year	10 ³
Remaining at year-end	7

Pension Protection Fund Ombudsman appeals

We did not have any appeals outstanding at the start of the year or receive any new appeals during the year.

Right of appeal and reconsiderations

This year saw a decline in appeals. Seven of the eight new appeals we received this year were appeals to the High Court in England and Wales, whilst one appeal, *Cunningham v Pensions Ombudsman*⁴, was by way of stated case to the Court of Session in Scotland.

In England and Wales, appeals against a Determination of either the Pensions Ombudsman or the Pension Protection Fund Ombudsman are subject to the Civil Procedure Rules. To appeal against a Determination or direction, a party must obtain permission from the High Court. Of the seven applications for permission to appeal made to the High Court this year, two were refused permission to appeal, one was granted permission and four were awaiting a decision on permission at year end. There is currently no requirement in Scotland or Northern Ireland for parties to obtain permission to appeal.

An application to the High Court for permission to appeal will be determined on the papers without an oral hearing, but if permission is refused the applicant is normally entitled to request that the application is reconsidered at an oral hearing. We reported two such hearings last year as a result of parties challenging refusal. This year there was one, in the case of *Tenconi v James Hay*⁵. Permission to appeal was initially refused on

¹ Some of these are multiple proceedings concerning the same Determination

² See discussion on *John Tenconi v James Hay Partnership* [2019] 6 WLUK

³ One of these cases was withdrawn during 2018/19 but we did not receive notification from the court until the 2019/20 year

⁴ *Cunningham v Pensions Ombudsman* [2019] SLT 1361

⁵ *John Tenconi v James Hay Partnership* [2019] 6 WLUK

the papers last year, but Mr Tenconi challenged this and, following an oral hearing this year, he was granted permission to appeal. We summarise this case below.

Of the seven appeals outstanding at the end of the year, two have been granted permission, four were awaiting a decision on permission, and one is a Scottish appeal so permission is not required.

Update on notification of appeals to the Ombudsman

We have discussed in previous annual reports the importance of notifications of appeals to this office which in turn enables the Ombudsman to promptly consider his position in relation to the appeal. We are pleased to report a marked improvement in notifications. We particularly appreciate the work of the High Court who have engaged with us and the parties proactively, helping ensure that we receive the relevant notice of appeal.

We will continue working with the courts and parties to improve communication and ensure that they: inform us once an appeal has been issued; keep us updated as to the progress of the appeal; send us copies of any key documents; notify us of any hearing dates; and send us a copy of the judgment once issued. We remain grateful for the support of the Pensions Litigation Court Users' Committee in seeking to assist with this message.

Our overriding objective remains to ensure the smooth running of these cases and ensure that the Ombudsman's role in these appeals is appropriate.

Scottish appeals

We have previously highlighted the difference of approach dealing with appeals between the Scottish courts, and those of England and Wales. As noted above, there is currently no requirement for permission to appeal in Scotland.

In England and Wales, permission will only be granted where the appeal has a "real prospect of success" or there is some "other compelling reason for the appeal to be heard". Additionally, decisions as to whether an appeal is vexatious, out of time, or fulfils the statutory criteria for appeal are usually made summarily by the High Court at the permission stage, with time and costs savings for all parties involved, including the Court. There is no requirement for the Ombudsman to be involved in the appeal process. The Ombudsman will actively participate, for example, in an appeal where the appeal may impact on his powers or processes, where there is a wider public interest point or where his participation would assist the Court.

In Scotland, an appeal against an Ombudsman Determination is made to the Court of Session⁶. In contrast to the position in England and Wales, the appeal process in Scotland is confusing. The latest Scottish appeal cases

(Lilburn and Cunningham⁷) have proceeded on a stated case basis under RCS 41.49(b), but previously an appeal has also proceeded by way of statutory appeal under RCS 41.26⁸.

Where an appeal in Scotland is brought on a stated case basis, the Ombudsman is automatically brought into proceedings, regardless of the merits or timing of the appeal. The appeals in the latest Scottish cases were lodged eight years (Lilburn) and four months (Cunningham) after the respective Determination. The timescale for applying to the Ombudsman to state a case is 14 days. Despite the cases being brought significantly out of time, the Ombudsman was required to participate at substantial time and cost (before even reaching the stage for drafting a stated case). If these appeals had been brought in England or Wales, they would likely have been dismissed at the permission stage with the Ombudsman not having needed to be involved in the process.

As previously reported, the Lilburn stated case was eventually dismissed, albeit after around two years of litigation and at substantial cost to the Ombudsman. The Cunningham stated case remains ongoing, the Court of Session having provided Mr Cunningham with relief from the consequences of his late application – noting that there was no prejudice to the parties in doing so. But we note that in this case, the respondent (Namulas) in fact will also likely be defending a similar action in the Sheriff Court (currently stayed) so it might be prejudiced. Additionally, the Ombudsman arguably suffers prejudice from having to participate in proceedings it would not otherwise have had to do, and would not in the other UK court jurisdictions.

These appeal cases have highlighted to our office the lack of alignment which exists between Scotland, and England and Wales. Despite the Ombudsman being a UK-wide service, parties to a Determination will have very different processes, outcomes and financial exposure in the case of an appeal, dependent on their jurisdiction. This unequal treatment is not consistent with the Ombudsman's aim to treat people fairly or, we believe, Parliament's original intention when providing for a statutory right of appeal on a point of law in our founding legislation.

Accordingly, we are taking the issue forward with the relevant Rules Committee in Scotland with regards to aligning the process as closely as possible to that in England and Wales. The more streamlined procedure would be a statutory appeal under RCS 41.26, as referred to above. This would make the process simpler for all.

Some interesting appeals

Appeals against Ombudsman Determinations provide helpful guidance from the courts for both TPO and the wider pensions industry. Although most appeals turn on their own facts, we have summarised below some appeals from this year that may have wider interest.

⁷ Lilburn v Pensions Ombudsman [2018] CSIH 2; and Cunningham v Pensions Ombudsman [2019] SLT 1361
⁸ Trustees of the Lithgows Limited Pension Scheme v Board of the Pension Protection Fund [2011] SC 426

Looking behind contractual agreements

We often deal with complaints where a member's eligibility for pension benefits is dependent on the reason the member's employment was terminated. In cases where the member's employment is terminated by a contractual agreement such as a compromise or settlement agreement, a dispute can arise as to whether, when claiming pension benefits, the member can assert that their employment was terminated for reasons other than those set out in the agreement. The Ombudsman is often asked to "look behind" the agreement and investigate the underlying facts in order to determine the "real" reason for the dismissal.

The Ombudsman approaches questions of this nature on a case-by-case basis. Broadly, where a member's employment is terminated on terms set out in a mutually agreed, legally binding and enforceable agreement, the Ombudsman will be reluctant to look behind the agreement to find that the employment was terminated on a different basis or for a different reason. However, as illustrated in the appeal of *Downe v SCONUL*⁹, trustees must follow the specific provisions of the scheme rules, and the existence and terms of a compromise agreement are not always relevant to the inquiry needed to establish the reasons for the dismissal for the purposes of the scheme rules. In *Downe*, Adam Johnston QC, sitting as a Deputy High Court Judge, found that the test for redundancy in the scheme rules required the Ombudsman to look at the underlying facts giving rise to the compromise agreement in order to determine the cause of the dismissal.

Under the University Superannuation Scheme (**USS**) rules, Ms Downe was entitled to claim an unreduced early retirement pension from age 55 if her employment was terminated by reason of redundancy, as defined in the scheme rules. Ms Downe asserted that she had been made redundant and complained to the Ombudsman that she had been wrongly denied an unreduced early retirement pension. The employer, on the other hand, asserted that she had left employment as a result of mutual agreement, at her instigation, and not as a result of redundancy.

The Ombudsman did not uphold Ms Downe's complaint, deciding that Ms Downe's employment had ended by mutual agreement and she had not been made redundant.

The High Court granted Ms Downe permission to appeal on two limited grounds, namely whether the Ombudsman took too narrow an interpretation of redundancy for the purposes of the scheme rules, and whether the wording of the compromise agreement should have led the Ombudsman to conclude that Ms Downe's employment was terminated by reason of redundancy within the meaning of the scheme rules.

The deputy judge allowed Ms Downe's appeal in part. The deputy judge did not allow the ground of appeal in respect of the compromise agreement, holding that the terms of the compromise agreement were not of any real

⁹ Gail Downe v (1) Universities Superannuation Scheme (USS) (2) The Society of College, National and University Libraries (SCONUL) [2019] EWHC 2403 (ChD)

value to the inquiry contemplated by the redundancy test in the scheme rules. In particular, the compromise agreement was neutral on the reason for the termination of Ms Downe's employment ("The Employee's contract of employment is to be terminated") and whether Ms Downe had any claim for redundancy (described along with other possible statutory claims, as a claim which Ms Downe "has or may have").

The deputy judge allowed Ms Downe's appeal on whether the Ombudsman took too narrow an interpretation of redundancy for the purposes of the scheme rules and remitted this matter to the Ombudsman to reconsider. Broadly, the deputy judge decided that the Ombudsman's Determination did not state a clear answer to the two relevant factual questions posed by the test for redundancy in the scheme rules.

The issue which was remitted to the Ombudsman is currently under investigation.

Investment loss due to transfer delay was foreseeable and measurable

In *Tenconi v James Hay*, the High Court found that the Ombudsman was able to reach a conclusion on the investment loss caused by a transfer delay, even if it was not possible to establish the exact investment that would have been made.

Mr Tenconi had complained to the Ombudsman that the respondent delayed the transfer of his pension fund to a new provider and, as a result of this delay, he had lost the opportunity to invest in the stock market immediately following the Brexit referendum in June 2016. The Ombudsman agreed that there was a delay, but held that any chance to invest before or after the referendum result was not within the respondent's reasonable contemplation and that the loss was not measurable as there was no certainty over which shares Mr Tenconi would have bought, what their prices would have been, and the effect the referendum result would have had on them. Although the Ombudsman found that the respondent's delay had not caused Mr Tenconi financial loss, he directed that the respondent pay Mr Tenconi £2,000 for distress and inconvenience.

On appeal, Mr Charles Hollander QC, sitting as a Deputy Judge of the High Court, broadly found that it was foreseeable that an investor will or may lose the opportunity to invest funds where there is a delayed transfer. It was not necessary for Mr Tenconi to show the specific shares he intended to purchase; consideration needed to be given to what Mr Tenconi would likely have done had the funds been transferred on time. The appeal was upheld, and the matter remitted to the Ombudsman. The Deputy Judge did acknowledge however that:

"It is perfectly possible that the Ombudsman will reach the conclusion that, on a remission, that Mr Tenconi's claim for substantive damages still fails or is a much smaller amount than he is claiming..."¹⁰

¹⁰ Paragraph 20 of the judgment

The issues which were remitted to the Ombudsman are currently under investigation.

The Ombudsman should limit himself to the complaint raised despite inquisitorial function

In a decision handed down in April 2019, the High Court provided useful guidance on the Ombudsman's jurisdiction under section 146 of the Pensions Act 1993 and endorsed the Ombudsman's power to award costs. This was the appeal in *Sheffield v Kier*¹¹.

In his complaint to the Ombudsman, Mr Sheffield asserted that Kier, the scheme administrators, had failed to calculate interest payable as a result of the late payment of his pension in accordance with the Local Government Pension Scheme Regulations 1997. Mr Sheffield also claimed reimbursement of legal fees he incurred. The Ombudsman upheld Mr Sheffield's complaint concerning the late payment of interest. As part of the Determination, he also found that Mr Sheffield's pension was payable from his 75th birthday and that date was also the due date for the payment of interest on arrears under Regulation 94. However, the Ombudsman did not direct the respondents to reimburse Mr Sheffield's legal costs.

Mr Sheffield appealed on a number of grounds, including that the Ombudsman did not have jurisdiction to determine the due date for the purposes of Regulation 94, and that the Ombudsman erred in law in dismissing his application for costs.

His Honour Judge Klein, sitting as a judge of the High Court, partly upheld the appeal. He decided that the Ombudsman did not have the jurisdiction to determine either the due date under Regulation 94 for the first payment to Mr Sheffield from the scheme, or a new effective retirement date. The judge stated that:

*"The office of the ombudsman is a statutory creation and so the ombudsman's jurisdiction to determine disputes is statutory. On a plain reading of section 146 of the 1993 Act, the ombudsman only had jurisdiction to determine a dispute between Mr Sheffield and the Respondents if that dispute was referred to him by or on behalf of Mr Sheffield..."*¹²

On the assumption that the question which was referred to the ombudsman did not extend to (1) the due date, under regulation 94, for the first payment to Mr Sheffield from the pension scheme and/or (2) when Mr Sheffield retired from the pension scheme, the dispute which the ombudsman had to resolve was whether interest is payable on the arrears of later annual pensions; that is, to be clear, on arrears of annual pensions for the relevant years (from 2007/8) whatever the amount of

¹¹ Michael Joseph Forster *Sheffield v* (1) Kier Group PLC (2) Middlesbrough Council (3) The Trustees of the Teeside Pension fund [2019] EWHC 986 (Ch)

¹² Paragraph 29 of the judgment

those annual pensions. If this is the dispute (as Mr Sheffield contends) which was referred to the ombudsman, in making his determination the ombudsman did not need to consider the due date for the first payment to Mr Sheffield from the pension scheme or when Mr Sheffield retired from the pension scheme. He did not need to consider, let alone determine, the amount of the annual pensions. Rather, as Mr Sheffield suggested to the ombudsman, in such circumstances the question before the ombudsman was one of principle...

In the light of these conclusions, the ombudsman did not have jurisdiction to determine (1) the due date, under regulation 94, for the first payment to Mr Sheffield from the pension scheme and/or (2) when Mr Sheffield retired from the pension scheme, unless these questions were referred to him by Mr Sheffield...¹³

The judge considered that the Ombudsman had to restrict himself to the dispute which Mr Sheffield referred to him, which was whether interest is payable under Regulation 94. He noted that while the Ombudsman's inquisitorial function allows him to suggest further lines of enquiry or defence, or to invite the applicant to add to his complaint, a party cannot be required to adopt those suggestions. Without the relevant party's agreement to a suggested change, the Ombudsman should limit his scope to the complaint raised.

There had been a dialogue between the Ombudsman's office and Mr Sheffield that we did not consider we could properly determine his narrow point on interest under that Regulation while leaving untouched the figure interest might be payable on – that is his actual entitlement under the scheme (which was different to that agreed between the parties).

But going forward, unless we think that we can properly deal with the narrow point alone, we are likely to look to the applicant to formally agree to the expansion of our enquiry. If this is not accepted (as would likely have been the case with Mr Sheffield), we may well have to decline to investigate the complaint or discontinue any ongoing investigation.

Interestingly, the judge found that the Ombudsman “can hardly be criticised for not giving reasons in relation to a matter which was not raised with him”¹⁴.

Mr Sheffield submitted that the Ombudsman had not given reasons for rejecting certain arguments, but the Court held that the Ombudsman either had given reasons or those arguments had not been presented to the Ombudsman but had only been included in Mr Sheffield's submissions on appeal.

¹³ Paragraphs 38-39 of the judgment

¹⁴ Paragraph 78 of the judgment

The judge did not allow Mr Sheffield's appeal in respect of the Ombudsman's decision not to award costs. In doing so, the judge endorsed the Ombudsman's power to award costs, stating that:

"Although I did not hear detailed argument on the jurisdiction of the ombudsman to make a costs direction, as it happens my present view is that Sir John Vinelott was right that the ombudsman can make a costs direction. Section 151(2) of the 1993 Act provides:

"Where the Pensions Ombudsman makes a determination under this Part or under any corresponding legislation having effect in Northern Ireland, he may direct any person responsible for the management of the scheme to which the complaint or reference relates to take, or refrain from taking, such steps as he may specify in [his determination]."

This provision is broadly drafted and well able to accommodate what is, in effect, a costs jurisdiction.¹⁵"

The definition of 'pensionable employment' for locum GPs

Understanding what constitutes pensionable employment is fundamental to understanding what benefits a member may accrue under their scheme. The case of *Sanderson v NHS Business Services Authority*¹⁶ offered an insight into the way in which the court will interpret 'pensionable employment' where an employee undertakes work on a temporary basis.

Dr Sanderson was a locum GP who had an ad hoc working pattern, agreeing in advance to work sessions at different GP practices. She sadly died on 24 December 2014, which was a non-working day. However, she had been working on 15 of the previous 23 days of December, including the day before her death. She was next booked to work on 8 January 2015. She had a number of bookings for January to April 2015. Pension contributions were to be paid in respect of each day she was contracted to work.

The Ombudsman concluded that a scheme member would only be in pensionable employment on days they actually worked under a contract for services. It was only then that a member would be 'engaged' in accordance with the National Health Service Pension Scheme Regulations 1995 (the **1995 Regulations**) and considered to be in pensionable employment.

The matter was appealed to the High Court but was dismissed. Mr Justice Trower agreed with the Ombudsman's rationale that the word "engage" in the 1995 Regulations meant more than being under a contractual obligation to undertake work in the future. The judge considered that the definition of "pensionable employment" meant that there had to be "engagement" under a contract for services and therefore the ability to make active pension contributions.

¹⁵ Paragraph 64 of the judgment

¹⁶ *Sanderson v NHS Business Services Authority* [2019] EWHC 2900 (Ch)

The judge commented that:

“In the present case, I do not consider that it is possible to say that Dr Sanderson was still engaged under a contract for services at the time of her death.”¹⁷”

“...the critical question will always be to identify the relevant service which the member is contracted to provide and then to ask whether or not at the relevant time he or she was doing something to perform or assist in performing that service...”¹⁸”

Under such a definition of “pensionable employment”, locum GPs will likely switch between active and deferred status depending upon their working pattern. The judgment is likely to mainly affect death benefits, which are often calculated differently for active and deferred members, as in Sanderson.

Permission to appeal to the Court of Appeal was refused on 16 January 2020.

Effective communication between pension schemes and their members

Effective communication is fundamental to ensuring that members are provided with the correct information to make informed decisions regarding scheme membership and benefits. In *Corsham and Others v Police and Crime Commissioner for Essex and the Chief Constabulary of Essex*¹⁹ police officers from two forces (Avon and Somerset, and Essex) took advantage of their protected pension ages and retired before their normal minimum pension ages. When they returned to employment within one month of retirement, they lost their protected pension ages and became subject to tax charges on their lump sum and their pension payments until they reached age 55.

The police officers complained to the Ombudsman that the police authorities (as administrators of the police pension schemes) and chief constables (with whom there was a “quasi-employment relationship”) were in breach of their duties by failing to properly inform them of the relevant tax implications. The Ombudsman dismissed the complaints, finding that the police authorities and chief constables did not owe a duty to the officers in either contract or tort.

However, on appeal, Mr Justice Morgan held that the Ombudsman had not dealt with the question of negligent misstatement. The judge held that Avon and Somerset Police Authority’s communications to their police officers had stated that pension payments would be tax free and they had a responsibility not to make statements to members which were misleading. He held that Avon and Somerset Police Authority knew or ought to have known that the lump sums were subject to a significant tax charge.

¹⁷ Paragraph 74 of the judgment

¹⁸ Paragraph 75 of the judgment

¹⁹ *Corsham and Others v Police and Crime Commissioner for Essex and the Chief Constabulary of Essex* [2019] EWHC 1776 (Ch)

Letters that were sent to the police officers did not include any disclaimer of responsibility for the communication and the police officers were deemed to have acted reasonably in relying on the statements when entering into subsequent employment contracts within one month of retirement. The judge commented that:

“the Avon and Somerset police authority ought to have foreseen that the appellants would understand the letters in that way²⁰.”

Avon and Somerset Police Authority were liable for negligent misstatement and the loss suffered. The judge observed that:

“the relationship between the parties was a proximate one and involved foreseeability of harm and it would be fair, just and reasonable for the law to impose liability on the Avon and Somerset police authority for its negligent misstatements²¹.”

The judge did not consider that he had received sufficient evidence on which to make findings as to when and what the Essex police authority knew of the Essex appellants' proposed re-employment and this part of the appeal was remitted back to the Ombudsman for re-determination in the event that the parties were unable to resolve this point between them.

Regarding the chief constables of both authorities, they were not held liable and the Ombudsman's Determination was upheld in this respect. The appellants had argued that the chief constables had assumed a duty of care analogous with the duty in *Scallly*²² for an employer to alert employees to the risk and potential consequences of following a settled practice pursued by the employer. Although there was no employment contract, the chief constables had a relationship with the appellants that was closely analogous to that of employer and employee.

This part of the appeal was dismissed, the judge holding that a Determination that the chief constables had a duty to advise, inform or warn the appellants of the adverse tax consequences would be a “major and unjustified extension of the decision in *Scallly*”. Even if there had been such a duty, the appellants were aware that their rights to benefits under the scheme and the tax consequences were external to the quasi-employment relationship.

As an alternative to the duty analogous to the implied duty in *Scallly*, Counsel for the Avon and Somerset appellants had argued, broadly, that the chief constables were under a duty of care not to pursue a practice that has adverse consequences for the appellants. The judge held that imposing such a duty on the chief constables would involve a major extension of the law in this area and observed that the case law that he had referred to advised a very cautious approach and did not encourage such an extension. Imposing such duties on the chief constables would not be fair, just or reasonable, so he declined to do so.

20 Paragraph 158 of the judgment

21 Paragraph 161 of the judgment

22 *Scallly v Southern Health & Social Services Board & Others* [1992] 1 AC 294

The case highlights the duty schemes have to take with communications and to ensure that communications with members include suitable warnings and disclaimers where necessary.

The issues which were remitted to the Ombudsman are currently under investigation.

Applications for reinstatement of ill health pension

Members must ensure that an application to a scheme for reinstatement of an ill health pension is properly made and that full and up-to-date medical information is provided in accordance with scheme rules, as demonstrated by the case of *Speed v Teachers' Pensions*²³.

In 2005, the Teachers' Pension Scheme (the **Scheme**) decided that Mr Speed was no longer incapacitated and suspended his ill health pension. When he later sought to challenge this decision, he was told that it was open to him to make a fresh application for an ill health pension. In an email to the scheme in 2013, Mr Speed wrote: "It seems I should reapply as well as appeal".

When Mr Speed subsequently complained about the failure to reinstate his ill health pension, the Ombudsman held that his 2013 email to the Scheme was not a formal application for his ill health pension to be reinstated in accordance with the Teachers' Pensions Regulations 2010. A fresh application for an ill health pension required a formal application accompanied by full and up-to-date medical evidence under the 2010 Regulations.

Mr Justice Nugee dismissed the appeal and found that the Ombudsman had been correct to take the view that no formal application for an ill health pension to be reinstated had been made in accordance with the 2010 Regulations. In dismissing the appeal, he commented that:

"It follows from my conclusion that the Ombudsman was right that the application is to be made under the 2010 Regulations, that the application had to comply with those provisions of Regulation 107, in other words there had to be a written application for payment and it had to provide such information as the Secretary of State might specify in writing and it had to be accompanied by all the medical evidence necessary to enable the Secretary of State to determine whether the person's ability to carry out work was impaired by more than 90%²⁴."

"...the Ombudsman was right, or at the very least entitled to take the view, that no application for the pension to start again had in fact been made²⁵."

The case was also interesting as permission to appeal was initially refused by Mr Justice Henderson on the papers, broadly on the basis that the

23 *Speed v Teachers' Pensions* [2019] 10 WLUK 431

24 Paragraph 40 of the judgment

25 Paragraph 44 of the judgment

main relief that Mr Speed seemed to be seeking was a judicial review of a decision made by the Scheme in 2005 and a decision made by the Ombudsman in 2016 in relation to jurisdiction (see below). However, Mr Speed requested an oral hearing to renew his application for permission to appeal.

Mr Justice Nugee heard the application and granted Mr Speed limited permission to appeal on one point: whether the Ombudsman was right in saying that he did not make any application to have his pension reinstated and therefore the Scheme had no case to answer. He did not grant permission on the other aspects of Mr Speed's appeal: whether the Scheme was right in 2005 to stop Mr Speed's pension, and whether the Ombudsman was right in 2016 to conclude that that was not something that he could investigate because it was out of time.

Although Mr Speed was granted permission to appeal in July 2016, the matter only came to court in October 2019. It is unclear why the parties, particularly Mr Speed, did not progress the matter earlier. Although we kept it under review, it appeared that it would never proceed until we were informed that a hearing had been listed for October 2019. This case illustrates how a misunderstanding between a member and a scheme can result in lengthy litigation.

Judicial review

We received no formal applications for judicial review this year. That said, we have dealt with several cases at the pre-action stage which we have robustly defended and which have not proceeded to Court.

Other key developments

Key achievements against our Corporate Plan

Our Corporate Plan 2019-2022 sets out our vision to further shorten and simplify the customer journey while maintaining quality and reaching the right outcome. This section outlines our key developments against our three strategic aims. It also covers information about our people, steps we've taken to reduce energy consumption and a summary of the risks we've faced and the action we've taken to mitigate these.

Strategic aim one: Providing one centre for the resolution of workplace and personal pension complaints

Customer survey

Every year we send out an annual survey to customers who have had a case opened during the calendar year. The survey is sent out at the end of March and high-level results are published here in our Annual Report.

In 2019/20 we agreed a new approach to our customer survey; to rationalise the number of questions asked and to increase the frequency of the surveys at key points during the complaint process. This, along with the development of key performance indicators for customer satisfaction, should improve the process for ensuring feedback is incorporated into business planning.

Longer-term, we are looking to fully integrate the customer satisfaction process with our case management system (CMS). This would involve the automatic generation of 'tracked' customer surveys at key points during the complaint process. This would enable us to effectively use regular customer feedback to make further improvements to our processes.

With the lockdown announcement in response to the Covid-19 pandemic, we decided to postpone this year's customer survey until more was known about the evolving situation.

Casework Reorganisation Programme

During 2019/20 we implemented the second phase of our Casework Reorganisation Programme which fully integrated our casework services into one single customer journey for the resolution of occupational and personal pension complaints. The first phase was implemented when The Pensions Advisory Service dispute resolution team transferred to us in March 2018.

Under this new customer journey, all applications for occupational and personal pension complaints will be made through a single Customer

Portal, rather than via separate application forms depending on the type of application.

All applications will be assessed by a new Case Assessment Team, ensuring a consistent approach and identifying each pension complaint's potential needs for the whole customer journey as early as possible. This new approach ensures that as a pension complaint progresses, all required services are applied at the right time as part of a single journey provided by one centre for the resolution of occupational and personal pension complaints.

Strategic aim two: Supporting and influencing the pensions industry and the wider alternative dispute resolution sector to deliver effective dispute resolution

British Steel joint meeting

In February, Claire Ryan, our Legal Director, attended a meeting in Parliament concerning the British Steel Pension Scheme, hosted by Nick Smith MP. A hundred or more steelworker members of the scheme attended together with representatives from the Financial Services Compensation Scheme, The Pensions Regulator (TPR), the Financial Conduct Authority and the Financial Ombudsman Service.

Claire explained the process that TPO had adopted for dealing with the 233 complaints received and answered questions on the four Lead Determinations which had recently been published.

Legal Forum

In June 2019 and January 2020, we hosted our fourth and fifth Legal Forums.

During the year, topics for discussion included: signposting and claims management companies; the Pensions Ombudsman's position as a competent court following the judgment in *Burgess v BIC*²⁶; pensions liberation; the impact of *Adams v Carey*²⁷; and recent appeals against Ombudsman Determinations.

The Legal Forum is well-attended, with representatives from a range of providers, legal firms, large scheme employers and industry bodies. It is a transparent forum to discuss matters of mutual interest and how those matters influence our work and our decision-making ability and those of our stakeholders.

By further developing our stakeholder engagement, we aim to improve communication and achieve a better understanding of the needs of our customers.

²⁶ *Burgess v BIC UK Ltd* [2018] EWHC 785 (Ch)

²⁷ *Adams v Options Sipp UK LLP* (formerly *Carey Pensions UK LLP*) and Financial Conduct Authority [2020] EWHC 1229 (Ch)

Stakeholder Engagement Programme

One of the recommendations made in the Tailored Review (see page 67 for more information) was that:

“TPO should continue its positive journey to expand stakeholder liaison and to become a more influential player in raising standards across the pensions industry.”

We have continued to build strong relationships across the pensions industry to promote our services. We have extended our ‘reach’ and raised our profile through:

- Attending various national events sponsored by: The Pensions Management Institute, Eversheds and the Association of Member Pensions Schemes and many more.
- Circulating our quarterly Stakeholder Newsletter to approximately 10,000 people working within the pensions industry.
- Holding our third Stakeholder Event, attended by 43 senior representatives of our key stakeholders. The day was well received, bringing together people to network, share our plans and for delegates to tell us what they want from us.
- Participating in 64 industry events including external meetings, joint projects, working parties, presenting at conferences and undertaking visits to private providers to explain more about our service.
- Establishing strong connections with two of the large public sector unions, Unite and Unison.
- Expanding our work with consumer organisations to build knowledge of consumers and their needs. Our second Consumer Forum, planned for March 2020, had to be cancelled due to the Covid-19 outbreak. We hope to host an event later in the year.

All of the above have enabled us to: promote our key messaging, share good practice in complaints handling, work to reduce and mitigate complaints and, most importantly, work with the industry to improve the customer journey.

Joint initiatives

We have continued to build collaborative relationships with other regulatory bodies including; TPR, the Financial Conduct Authority (FCA), the Pension Protection Fund (PPF) and the newly formed Money and Pensions Service (MaPS).

In September 2019, we worked with colleagues in the Library of the Houses of Parliament to produce a Frequently Asked Questions for MPs to support their constituency work relating to occupational and personal pensions.

In March 2020, TPO, TPR, PPF, FCA and MaPs co-hosted a drop-in event

aimed at raising awareness about our services with new MPs. The event was an excellent example of various government-related pension services working together to improve pension information provided to MPs and staff to assist with constituency issues.

Alongside our external-facing work, we have also looked at our internal processes to:

- complete a stakeholder mapping exercise to enable us to identify and prioritise influential individuals and organisations
- produce a Stakeholder Engagement Strategy which aligns with our strategic aims and the recommendations made by the Government Internal Audit Authority's review
- expand our stakeholder team by recruiting an additional Stakeholder Manager to help to implement the new strategy
- continue to utilise Stakeholder Relations Managers to act as 'ambassadors'; promoting our service, explaining our work and listening to what our stakeholders have to say.

Strategic aim three: Transforming and improving our services and processes

Digitalisation Programme

Case management system

Following extensive research into suitable products during 2018/19, we launched our new case management system, Dynamics 365, at the end of March 2019. This initial phase was to essentially replace our legacy case management system.

During 2019/20, we have implemented a series of enhancements to shape the system to fit the new processes being developed as part of organisational changes including the Casework Reorganisation Programme. A User Enhancement Group was set up to input into these enhancement projects and provide feedback.

Some of the key achievements include the:

- adoption, ongoing training and support of staff on the new system
- continuing development of the customer portal
- improvements to our management information suite utilising Microsoft Power BI
- introduction of a Legal Helpline for internal requests for pension complaint advice from our Legal Team
- creation, recruitment and establishment of the Programme Delivery Team including a Project Analyst and a Dynamics 365 Administrator

- developments in improving the way we manage our documents
- a new Case Assessment function to improve the way we route pension complaints to the relevant resolution paths to achieve a swifter outcome.

Dynamics 365 has proved to be extremely flexible in supporting the rapid change needed to implement our evolving functions and processes. We have been able to make the changes quickly and effectively in-house without the reliance on third party suppliers. In addition, the system can seamlessly integrate with any applications on our 365 platform, including SharePoint, Word and Outlook.

The first release of the portal will allow customers to raise general enquiries and submit pension complaints directly to the relevant teams along with all supporting documentation. This will facilitate a smoother customer journey alongside improved case management efficiencies.

We postponed its release from March 2020 to August 2020 because it will directly integrate with the new website and the new Casework Assessment function.

Phase two of the portal will see the integration of our volunteer network to track case progress, communicate and share case information directly to our system. This will act as a foundation for the final release, which will incorporate all relevant parties on the case.

Website redevelopment project

One of the recommendations from the Tailored Review was that:

“TPO should agree a timetable and resourcing to fully refresh the information and tools available on its website, utilising DWP advice and if required external expertise on content design and user testing.”

Following a DOS4 framework procurement process through Crown Commercial Services, Civic was appointed to carry out the website redevelopment work in January 2020.

The new website has been designed and developed with customers in mind and is much clearer, more easily navigable solution. As part of the project discovery phase, Civic conducted workshops and interviews with stakeholders and customers to explore requirements for the new website which included user needs, content, design, functionality and system. User testing continued throughout the design and development phases to ensure the new website meets customers’ needs in all aspects including usability and accessibility requirements.

The new website went live on 28 May 2020.

Reorganisation of the Legal and Corporate Services Teams

We successfully completed the reorganisation and expansion of the Legal and Corporate Services Teams.

The Legal Team's changes were to address the growing need for technical and legal advice to support TPO's expanding workload and stakeholder involvement. The Legal Team now includes technical pension specialists and is the go-to hub to cover 'specialist' help for the office. An example of the additional support provided by the technical pensions specialists is the introduction of a monthly update on pensions industry developments, which is circulated to all TPO staff and volunteers.

In May 2019, the Business Support Team was renamed Corporate Services as part of its restructure to better reflect the full range of services it delivers to the organisation. These include finance, HR, IT, communications, governance, information management, facilities and general administration. The new expanded structure includes a Head of Finance, additional HR and communications support staff and a full time Personal Assistant to the Board.

Quality assurance

In March 2019, we agreed a customer journey Quality Framework that adopts ISO 9001:2015. Its development is based on our strategic commitment to provide an excellent customer journey.

Our framework:

"...provides a 'roadmap' that case handlers can use to raise their own performance, embed good practice in the organisation, and demonstrate the quality of the service they provide. We view quality assurance as an opportunity to continually improve what we do and how we do it."

Our aim is to get the right outcome every time and in good time - by being proportionate, efficient and consistent.

During 2019/20, we rolled out the customer journey Quality Framework across all casework teams. We also added additional resource to the Quality Assurance Team by recruiting two Quality Assurance Officers.

We use a three-tiered approach consisting of:

- quality audits for telephone and case checks
- key milestones which are created at key points in the customer journey
- observations where anyone can raise an observation about a case or provide feedback.

After each audit, we provide the case handler with the case or call details so that they can review this prior to holding a feedback session. During this session we share best practices, recognise and celebrate the positives and provide coaching and support for the development of any skills which would improve the customer journey.

In November 2019, the Quality Framework went through an external audit carried out by the Government Internal Audit Agency and received extremely positive feedback.

Each month team and individual results, including trends, are provided to the managers so that they can see how their teams are performing and understand how we can make continuous improvements to the customer journey.

During 2019/20, 891 quality audits were carried out and we ended the year with an 89% quality score across all casework teams. This is the first year of the Quality Framework and this result has been achieved by all the teams working collaboratively together to provide a great customer journey.

The Framework is continuously revised to ensure that it adapts with the organisation or industry and ensures that we continually improve what we do and how we do it.

People Strategy

One of the recommendations from the Tailored Review was that:

“TPO should introduce a people strategy with clear priorities for positive promotion of diversity and inclusion and investment in learning and development.”

In 2019/20 we successfully secured additional funding to appoint external expertise to help us produce a People Strategy. This will cover things like organisational design and development; leadership and management development; Learning and Development; recruitment and retention; reward and recognition; and diversity and inclusion. An external consultant has been appointed to write the People Strategy and scope out the Learning and Development requirements.

Lockdown meant that the arranged face-to-face sessions could not go ahead as planned, so a questionnaire was sent to all staff instead. There were 40 responses to the survey and a report has been drafted. We plan to start to implement the strategy in the coming year.

Casework Reorganisation Programme

To support our new single customer journey for the resolution of occupational and personal pension complaints, we have again transformed the organisation responsible for its delivery. We have created a new Service Integrity & Development area to ensure that we continue to focus on delivering an overall journey to our customers from start to finish.

We have recruited nine additional staff with specific skills in quality assurance and customer service to provide specialist support. We have grouped our existing administrative staff together as a Central Support Team to allow us greater flexibility to deploy staff to support areas with the greatest priority and workload. We have increased our data analysis capability to provide us with the timely and accurate management information we need to maximise the allocation of our resources and eliminate downtime whenever possible. This new Service Integrity & Development area is in addition to the new Case Assessment Team which

has been formed to undertake the early assessment of all new occupational and personal pension complaints entering the new single customer journey.

Our people

Our volunteers

We have 230 volunteers, drawn from the pension industry, who help us deliver our early resolution service. We are extremely grateful for their expertise, experience and hard work. This year they helped us to resolve over 2,000 early resolution investigations.

Our thanks to them and to those organisations who have helped promote volunteering for TPO.

What have we done:

- In June 2019 we held our annual volunteer seminar. Around 50 volunteers attended. Speakers included Rosalind Connor of ARC Pensions Law, Angela Sharma and Hadassah Shulman of Taylor Wessing, as well as speakers from TPO's Legal, Casework and Quality Teams. To celebrate Volunteers' Week, a reception followed the seminar.
- In November 2019 we held a half-day training session for new volunteers covering our approach to common areas of dispute.
- During the year we issued three newsletters covering a wide range of topics including TPO news and activities, and summaries of notable decisions.
- Issued TPO's monthly Legal and Technical Update to volunteers.
- In January 2020 several volunteers joined staff for training on being an effective mentor.
- In March 2020 we started to run our annual series of workshops. However, after hosting three workshops, we had to suspend delivery of the remainder until later in the year because of the Covid-19 pandemic.
- As part of our Casework Reorganisation Programme we added more resource to support our volunteers, making appointments to the roles of Volunteer Network Manager and Volunteer Coordinator.
- Created a Volunteer Strategy.

Next steps

We believe we are unique in the Ombudsman profession that so much of our work is delivered by volunteers. During the next 12 months we want to raise the profile of this contribution and enhance the support we provide.

To this aim we intend to:

- improve the profile of our volunteer network
- improve the intelligence we have on our volunteer network
- increase and sustain our volunteer numbers
- diversify the volunteer contribution to TPO
- reorganise the management of the volunteer network and its structure
- improve workflow controls and quality.

Our staff

Staff survey

Historically, we have carried out a Staff Survey annually in March to identify what's working well and areas where we can improve. The results of last year's survey were very positive with a number of upward trends. But there were also a few areas of note that we wanted to investigate further.

We designed a supplementary questionnaire to enable us to gain greater insight into some of the responses to the original survey. This was sent to all staff in June 2019 for discussion at team meetings. The team discussions were led by Senior Managers who also compiled the feedback.

An action plan was drawn up to address this feedback more fully and we have continued to work through this action plan over the year. We will be taking a different approach to the Staff Survey to be carried out later this year based on the People Strategy proposals.

Environment and sustainability report

During 2019/20, TPO has continued to benefit from the initiatives to reduce energy consumption and CO2 emissions that the relocation, in April 2019, to the Government Hub in Canary Wharf has afforded. This has included the:

- elimination of the use of paper towels in bathrooms and kitchens
- introduction of sustainable coffee cups etc in shared restaurant/café spaces.

Smarter working

We have continued to apply our Smarter Working Policy enabling staff to work from home for up to three days a week. The provision of laptops and cloud-based soft phones alongside conference-based technology to enable staff to attend meetings remotely has ensured the success of the Policy.

Throughout most of the year, there has been a system of hot desking for staff working in the office. Despite an increase in staff, we have not required additional space to accommodate our additional headcount.

Our Smarter Working Policy also meant that when the outbreak of Covid-19 and subsequent lockdown measures were announced, our staff were able to quickly and easily adapt to working from home and our service could continue to operate with the minimum of disruption.

Going paperless

Our new Case Management System has contributed to the reduction of paper files.

Further digital initiatives, including the introduction of a Customer Portal will enable customers and our volunteers to share information online, further reducing the use of paper files.

Risks and Mitigation

We identified three key risks that could potentially impact our productivity during 2019/20 (see table below). This included the introduction of a new case management system, the implementation of the second phase of the Casework Reorganisation Programme and the Covid-19 pandemic.

The mitigation measures put into place meant that we were able to meet two out of three of our key performance indicators and narrowly missed meeting the third (see page 14).

Risks	Mitigation
<p>Case Management System Enhancements to the new CMS results in a loss of productivity.</p>	<ul style="list-style-type: none"> • The Project Board continues to manage the project and its risks. • An Enhancement User Group has been set up to input into the process. • Enhancements have been phased in gradually and staff receive regular updates. The Digitalisation Programme Delivery Team has been expanded to include a Project Analyst and a CMS Administrator.
<p>Signposting to TPO The lack of corresponding legislation following the transfer of the early resolution work from TPAS, may lead to a reduction in the number of stakeholders signposting disputes and complaints to TPO.</p>	<ul style="list-style-type: none"> • Our Stakeholder Engagement Programme has been extended across the UK to raise awareness of our service. We have continued to build effective working relationships with our key strategic partners including the MaPS, the FCA, the PPF, the Financial Ombudsman Service, TPR and DWP. • The signposting templates are regularly reviewed and updated as and when necessary.

Risks	Mitigation
<p>Casework Reorganisation Programme</p> <p>The introduction of new teams and roles along with uncertainties associated with recruiting to the new roles will impact on overall productivity.</p>	<ul style="list-style-type: none"> • A Project Board has been set up to oversee delivery of the programme and to manage any risks. The Casework Reorganisation is being rolled out in phases to minimise any disruption and the potential to delay implementation is regularly reviewed. • Regular updates are sent to all staff. Implementation was rolled out as of May, with full go live scheduled for 1 July, allowing June to flush out any issues.
<p>Covid-19 pandemic</p> <p>The outbreak of the Covid-19 pandemic and subsequent lockdown will impact overall business performance due to ongoing office closure and potential reductions in staff numbers due to staff sickness and difficulties recruiting to vacancies.</p>	<ul style="list-style-type: none"> • Our Business Continuity Plan has been invoked along with a system of Gold command, with minimum impact on operations. • Regular updates are sent to all staff. • The IT initiatives introduced as part of the Smarter Working Policy have meant virtual meetings, including office-wide meetings, have continued. • Further flexible working initiatives have been introduced to support staff with caring responsibilities.



Pensions Ombudsman
Pension Protection Fund Ombudsman

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 HM 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 fair view of the state of affairs of the Pensions Ombudsman and the Pension Protection Fund Ombudsman and of its net resource outturn, application of resources, changes in taxpayers' equity 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
- prepare the accounts on a going-concern basis.

The Accounting Officer of the Department for Work and Pensions (DWP) has designated the Pensions Ombudsman as Accounting Officer of The Pensions Ombudsman (TPO) and Pension Protection Fund Ombudsman (PPF). 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 TPO and PPF Ombudsman's assets, are set out in the non-departmental public bodies Accounting Officers' Memorandum and in Managing Public Money issued by HM Treasury.

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.

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 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 TPO.

Tailored Review

As a non-departmental public body, TPO is subject to a Tailored Review at least once in the lifetime of a Parliament. The review of TPO commenced in January 2019 and the final report was published in August 2019.

The Review was conducted on behalf of the Secretary of State for Work and Pensions. Its aim was to provide a robust challenge to, and assurance of, the continuing need for TPO with regard to its functions, its form, its governance and how effective and efficient it is.

The Review made 16 recommendations, four of which related to governance.

Recommendation	Progress
<p>DWP should work with the Ombudsman to evolve a full Board structure in line with Cabinet Office principles for effective and proportionate governance. As a first step, we recommend the immediate and open recruitment by DWP of two Non-Executive Directors, one of whom should act as Lead Non-Executive Director (NED)</p>	<p>Lead NED, interim Chair appointed September 2019.</p> <p>DWP Public Appointments Team is looking to recruit a permanent Chair in 2020.</p> <p>Once the permanent Chair is in place, the recruitment of NEDs will start.</p>

Recommendation	Progress
To support effective succession planning, DWP should support TPO to second in or recruit an experienced operational manager as Chief Operating Officer (COO).	TPO has recruited a COO, who took up post on 29 June 2020.
TPO should improve the quality and transparency of the management information (MI) provided to support Board decision-making and Audit Committee scrutiny, including on risk management.	<p>We have designed a balanced scorecard to present MI to the Corporate Board which we expect to have signed off by the Board in July 2020.</p> <p>The risk process has been reviewed and a revised strategic risk register format and heat map has been implemented.</p>
TPO should agree a timetable and resourcing to fully refresh the information and tools available on its website, utilising DWP advice and if required external expertise on content design and user testing.	The new website was launched on 28 May 2020.

Governance framework

Framework agreement with DWP

With the appointment of the interim Chair and the creation of the Corporate Board, the Framework Document was updated to better reflect the new governance structure. It identifies the differing responsibilities of the Chair, the DWP Accounting Officer and TPO's 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. It received Ministerial approval in March 2020 and took effect from 27 April 2020.

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 is not a corporate body and we are, therefore, not wholly bound by HM Treasury's Corporate Governance code. During 2020/21 we will be working with the interim Chair and the additional resource we have secured to review those aspects of the Corporate Governance Code that we can be compliant with.

The Executive Board including a Non-Executive Director has been in place since early 2017. With the creation of the Corporate Board in September 2019, the Executive Board was renamed the Operational Executive.

Executive Board (pre-September 2019)

Pensions Ombudsman – Anthony Arter
 Casework Director – Fiona Nicol
 Business Director – Jane Carey
 Legal Director – Claire Ryan
 Non-Executive Director – Mark Ardron

The Executive Board was responsible for setting strategy, initiating policies, planning for mid and long term, monitoring and measuring achievement against the Corporate Plan and providing leadership.

Operational Executive (post-September 2019)

Pensions Ombudsman – Anthony Arter
 Casework Director – Fiona Nicol
 Corporate Services Director – Jane Carey
 Legal Director – Claire Ryan

The Operational Executive is responsible for implementing the strategies set by the Corporate Board, providing leadership, planning for the mid-term, monitoring and measuring achievement.

Corporate Board

Interim Chair – Caroline Rookes
 Non-Executive Director – Mark Ardron
 Pensions Ombudsman – Anthony Arter
 Casework Director – Fiona Nicol
 Corporate Services Director – Jane Carey
 Legal Director – Claire Ryan

The key responsibilities of the Corporate Board include:

- establishing and ensuring that the strategic aims and objectives of TPO are taken forward; are consistent with its overall strategic direction; and are within the policy and resources framework determined by the Secretary of State
- ensuring that the responsible minister is kept informed of any changes which are likely to impact on the strategic direction of TPO, on the

attainability of its targets, and determining the steps needed to deal with such changes

- ensuring that effective arrangements are in place to provide assurance on risk management, governance and financial management
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that TPO operates within the limits of its statutory authority and any delegated authority agreed with DWP, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by DWP
- ensuring that the Board receives and reviews regular financial information concerning the management of TPO; is informed in a timely manner about any concerns about the activities of TPO; and provides positive assurance to DWP that appropriate action has been taken on such concerns
- demonstrating high standards of corporate governance at all times, including by using the Audit Committee to help the Board to address key financial and other risks.

As the Ombudsman I have historically carried out a 'Chief Executive Officer' type role, in addition to Ombudsman duties. It is my intention that the COO, once settled in post, will provide further governance options to the Corporate Board. This will allow the organisation to build on existing arrangements to enable us to continue to effectively manage our challenging change agenda and anticipated growth.

Internal Governance

The Deputy Casework Director is responsible for the teams who manage our day-to-day casework activities and stakeholder engagement. The postholder has direct line management responsibility for five of the senior managers. The Deputy Casework Director reports to the Casework Director.

Senior Managers at 31/03/20

Deputy Casework Director
Casework Manager
Legal Manager
Pathway Manager
First Contact Manager
Stakeholder Manager
Head of Early Resolution
Head of Corporate Services
Head of Finance
HR Manager

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

The operational delivery group provides a regular forum for senior managers to review collective performance and the Deputy Casework Director attends the monthly Operational Executive meetings to provide a consistent report to the Operational Executive.

In the year there were five meetings of the Executive Board, all attended by Anthony Arter, Fiona Nicol, Claire Ryan, Jane Carey and Mark Ardron.

The Operational Executive met five times between November 2019 and March 2020 and all meetings were attended by Anthony Arter, Fiona Nicol, Claire Ryan and Jane Carey.

The Corporate Board met three times in the year and each meeting was attended by Caroline Rookes, Mark Ardron, Anthony Arter, Fiona Nicol, Claire Ryan and Jane Carey.

The monthly Operational Executive meetings include updates from all the directors on casework statistics, legal issues, corporate service updates and how we are performing against our operational objectives.

Risk assessment

The system of control is designed 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. It allows us to evaluate the likelihood of those risks being realised and the impact should they occur, and to manage them efficiently, effectively and economically. The system of control has been in place throughout the year and accords with HM Treasury guidance.

The Corporate Board and Operational Executive have determined, in 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.

We have carried out a robust risk assessment of the principal risks facing TPO, including those that would threaten our business model, future performance, solvency or liquidity. A summary of the main risks and mitigation is on page 63.

I am confident that the quality of the data used by the Operational Executive and Corporate Board is reliable. All reports prior to submission

to the Operational Executive or Corporate Board are subject to quality assurance processes and are sponsored by an Executive member. The effectiveness of the systems that generate the financial and performance data contained within the report is evidenced through positive internal and external audit results.

None of these results this year, were considered unsatisfactory. We aim to keep reports clear, concise and focused on the purpose of the Board's review.

The risk register defines those risks that are regarded as strategic and so within the Corporate Board and Operational Executive's 'remit'; and those that are operational and dealt within senior managers' meetings. Our approach includes:

- Key risks to the achievement of strategic and/or business delivery, aims, objectives and targets being identified and assigned to named individuals.
- The causes and consequences of those risks being identified.
- There being 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
- regular monitoring and updating of risk information to ensure new and emerging risks are captured.

The Audit Committee

For 2019/20 the Audit Committee consisted of two independent members, Roy Field, Chair (appointed March 2010, Chair from April 2014) and Mark Ardron (appointed April 2014) who is Head of Finance at The Pensions Regulator. They are unpaid volunteers, with board level experience in public bodies. Roy Field's tenure as Chair of the Audit Committee was due to end in April 2020, and the Tailored Review recommendation was that the Corporate Board Non-Executive Director would then take over as Chair. However, it was agreed that it was more appropriate for the current Chair to remain in post until the 2019/20 Annual Report and Accounts process was completed.

The Pensions Ombudsman; Director of Corporate Services; Head of Corporate Services and other senior TPO staff, as required; the external auditors (National Audit Office); the internal auditors (Government Internal Audit Agency); and a DWP observer, are invited to attend and contribute to Audit Committee meetings.

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

- 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
- the 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, anti-fraud policies, whistleblowing processes and arrangements for special investigations.

The Committee met four times during 2019/20. Roy Field and Mark Ardron attended all four meetings.

Whistleblowing

Our Whistleblowing Policy is contained within our staff guide. No issues were raised in the year.

Information security

In accordance with our responsibilities under the Data Protection Act 2018 and HMG Security Policy Framework, TPO 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 ensure continuous improvement is in place.

Three internal audit reviews were carried out in 2019/20:

- TPO Operational Governance Framework – ‘moderate’ assurance with an implementation date of 31 December 2020. Recommendations accepted.
- Quality Assurance Framework – ‘moderate assurance’. Recommendations accepted.
- Casework Management – ‘moderate assurance.’ Recommendations accepted.

Agreed plans are in place to address the weaknesses identified.



Anthony Arter

Pensions Ombudsman
Pension Protection Fund Ombudsman

10 July 2020

Directors' report

The composition of the Corporate Board and Operational Executive and their functions are outlined on page 69.

A Register of Interests of members of the Operational Executive and Corporate Board is available on our website.

There were no personal data-related incidents where these have been formally reported to the Information Commissioner's Office as per our statement on Information security on page 73.

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.

Directors' salary ranges are determined by TPO pay scales.

Interim Chair's appointment

Caroline Rookes was appointed as interim Chair by the Secretary of State for Work and Pensions. The appointment took effect from 1 September 2019 for a period of one year. Either party can terminate this appointment earlier by giving three months' notice. The interim Chair's salary is determined by the Secretary of State for Work and Pensions and is non-pensionable.

Ombudsman service contracts

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

Name	Date of appointment	Unexpired term as of 31/03/20	Notice period
Anthony Arter	23 May 2015	1 year 4 months	6 months from employee
Karen Johnston	1 July 2015	3 months	3 months from employee

Anthony Arter was appointed as Pensions Ombudsman and Pension Protection Fund Ombudsman for four years on 23 May 2015. In December 2018 he was reappointed until 31 July 2021.

Karen Johnston was appointed Deputy Pensions Ombudsman and Deputy Pension Protection Fund Ombudsman for three years from 1 July 2015. In March 2018 she was reappointed for a further two-year period from 1 July 2018 and her appointment ended on 30 June 2020.

For an interim period, there will not be a standalone Deputy Pensions Ombudsman. This is to reflect the decrease in the number of complaints requiring an Ombudsman's Determination. The situation will be kept under review over the coming year.

The Pensions Ombudsman and Deputy Pensions Ombudsman's appointments may be terminated early by the Secretary of State 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.

Audit Committee

Mark Ardron and Roy Field are not remunerated for their roles on the Audit Committee. The length of their tenures will be reviewed as part of the Corporate Board's work on strengthening governance.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the interim Chair, the Pensions Ombudsman, Casework Director, Legal Director and Corporate Services Director.

The Deputy Pensions Ombudsman is not part of the Operational Executive 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) (Note 1)		Total (£'000)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Caroline Rookes	10-15*	0	0	0	0	0	0	0	10-15	0
Anthony Arter	140-145	135-140	0	0	0	0	0	0	140-145	135-140
Jane Carey	80-85	80-85	0-5	0-5	0	0	31	123	115-120	200-205
Fiona Nicol	85-90	85-90	0-5	0-5	0	0	22	104	110-115	185-190
Claire Ryan	80-85** 90-95***	75-80** 90-95***	0-5	0-5	0	0	26	77	110-115	150-155

* from 1 September 2019 (annual salary £15-20,000)

** actual salary

*** full time equivalent salary

Note 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 increases or decreases due to a transfer of pension rights.

There have been no off-payroll engagements of members of the Corporate Board, Operational Executive* (September 2019-March 2020) or the Executive Board* (April-August 2019). There were no off-payroll engagements of the Deputy Pensions Ombudsman, Karen Johnston.

*The name of the Executive Board was changed to Operational Executive with effect from 1 September 2019.

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 previous year. The bonuses paid in 2019/2020 relate to performance in 2018/2019.

Pay multiples

The information in this table is subject to audit.

	2019/20 (£'000)	2018/19 (£'000)
Band of highest paid office holder's total remuneration	140-145	135-140
Median total remuneration	39	39
Ratio	3.6	3.5

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

The banded remuneration of the highest-paid office holder in TPO in the financial year 2019/20 was £140,000-£145,000 (2018/19: £135,000-£140,000). This was 3.6 times (2018/19: 3.5) the median remuneration of the workforce, which was £39,218 (2018/19: £38,989).

The ratio has increased slightly from 2018/19 to 2019/20. Staff numbers have increased significantly in year, however the median pay has increased only slightly as a result of more staff joining the organisation at administrative pay scales.

In 2019/20 no employees (2018/19: none) received remuneration in excess of the highest-paid office holder. Remuneration ranged from £15,000-£20,000 to £140,000-£145,000 (2018/19: £15,000-£20,000 to £135,000-£140,000).

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 - MyCSP

The information in this table is subject to audit.

Single total figure of remuneration					
	Accrued pension at age 65 as at 31/03/20 (£'000)	Real increase in pension at age 65 (£'000)	CETV at 31/03/20 (£'000)	CETV at 31/03/19 (£'000)	Real increase in CETV (£'000)
Jane Carey	30-35 plus a lump sum of 75-80	0-2.5 plus a lump sum of 0	626	581	16
Fiona Nicol	20-25	0-2.5	472	426	22
Claire Ryan	20-25 plus a lump sum of 40-45	0-2.5 plus a lump sum of 0	382	349	13

Anthony Arter nominated not to receive any pension benefits as the result of his appointment. Caroline Rookes' appointment is non-pensionable.

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are 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.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does

not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

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 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **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 their 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 the appointed provider - Legal & General. 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).

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 2. The financial disclosures within the remuneration report are subject to audit.

Pension arrangements

For 2019/20, employers' contributions of £935,548 were payable to the PCSPS (2018/19 £618,425) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £21,181 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £0, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at 31 March 2020 were £2,432. Contributions prepaid at that date were £0.

Our staff

Ombudsman

The holder 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 numbers

The information in this table is subject to audit.

Staff numbers at year end				
	2019/20	2018/19	2017/18	2016/17
Full time equivalent (FTE)	98.4	82.7	72.3	53.6

During the year we engaged a small number of short-term agency staff to carry out administrative duties. Three were engaged as at year end.

There were no exit packages paid during the year (subject to audit). Two Directors will be leaving on 31 July 2020 and details of the exit packages paid will be included in the Remuneration report 2020/21.

Staff costs at year end				
	2019/20	2018/19	2017/18	2016/17
Staff costs	£5,468,586	£4,344,997	£3,109,807	£2,728,467

In addition, we incurred costs of £149,341 for agency staff (2018/19: £60,973). A breakdown of staff costs between employees with an employment contract with TPO and agency staff is contained in Note 2 of the accounts on page 102.

There was no contingent labour in 2019/20 (2018/19: nil).

Pay

We are bound to follow HM Treasury guidance for the public sector, so the maximum consolidated increase in total payroll allowed was 2%. For non-consolidated awards we were able to use up to an equivalent percentage to the performance pot from the year before.

To be eligible for an award in 2019/20 staff needed to have been in post on 31 March 2019. All staff in post on 31st March 2019 received a consolidated 2% increase.

Consultants engaged on the objectives of the entity

During the year, no off-payroll engagements were made for more than £245 per day lasting more than six months (2018/19: none).

There were no off-payroll engagements, that are new or have reached six months in duration, for more than £245 per day.

The total consultancy spend for the year was £110,125 (2018/19: £17,123). The increase in consultancy spend compared to the previous year reflects the additional projects undertaken, including a payroll benchmarking exercise, project management of the website redevelopment and a People Strategy exercise.

Gender of our staff

	2019/20		2018/19		2017/18	
	Male	Female	Male	Female	Male	Female
Interim Chair	0	1				
Ombudsmen	1	1	1	1	1	1
Directors	0	3	0	3	0	3
Deputy Director	1	0	1	0	-	-
Managers*	10	8	8	3	9	2
Other employees	39	41	32	37	31	30
Total	51	54	42	44	41	36

* Includes team leaders

Equality, Diversity and Inclusion

This is central to all our HR policies and processes. Our HR policies are fully inclusive of all staff regardless of age, working-pattern, disability or long-term health conditions, sex, sexual orientation, pregnancy and maternity, race, religion or belief, gender identity, expression or reassignment, or relationship status; marriage (including equal/same sex marriage) and civil partnership.

We have a plan to address equality, diversity and inclusion in the workplace. This includes diversity issues and equal treatment in employment, employment issues including employee consultation and HR management.

Staff policies for disabled persons

We give full and fair consideration to applications for employment, both internal and external, made by disabled persons, having regard to their particular aptitudes and abilities.

All recruitment is carried out using fair and open competition, and selection at all stages is fair, objective and based on merit. In all recruitment exercises, we take into account the legal requirement to make reasonable adjustments for applicants so they can overcome the practical effects of a disability. We adhere to the Guaranteed Interview Scheme whereby applicants with a disability only need to meet the minimum qualifying criteria at the application and selection testing stages of the recruitment process and are then automatically invited to the final stage.

As part of the induction process, we arrange any special equipment or reasonable adjustments needed because of a disability and managers agree realistic objectives with staff members taking account of a person's experience, working pattern and any reasonable adjustments made for a disability.

For staff members who become disabled while working for TPO, managers will consider whether they need advice from the occupational health service on any underlying health conditions or disabilities. This will be taken into account in considering reasonable adjustments to the job, working environment and working patterns, including attendance. These are kept under review.

We support the learning and development of our staff in accordance with our Aims and Values. As part of our appraisal system, staff agree their learning and training needs for the year with their managers, taking into account their particular aptitudes and abilities.

We are applying for re-accreditation to the Disability Confident commitments.

Sickness HR

The average absence for the year was 5.33 days lost per employee (2018/19: 3.05).

The average absence per FTE was 5.64 days lost (2018/19: figures unavailable).

Other

TPO has carried out a robust risk assessment in light of the Covid-19 pandemic in line with official government guidelines and has an up to date Health and Safety policy.

There have been no issues relating to social matters, respect for human rights, anti-corruption or anti-bribery matters and therefore there is nothing to disclose.

TPO has a trade union recognition agreement with the Public and Commercial Services union. There have been no formal consultations with staff during 2019/20. Staff have been encouraged to join working groups as part of the second phase of the Casework Reorganisation Programme to ensure their input and feedback is captured. Work has started on developing a People Strategy which will include: organisational design and development; leadership and management development; Learning and Development; recruitment and retention; reward and recognition; and diversity and inclusion.

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 1. This is subject to audit.

Remote contingent liabilities

These are remotely possible obligations that arise from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within TPO's control. The two outstanding judicial review threats have resulted in remote contingent liabilities at the year end. These are subject to audit.

There have been no individual losses or special payments over £300,000

in 2019/20 (2018/19: nil). Total losses and special payments do not exceed £300,000 in 2019/20 (2018/19: nil). This is subject to audit.

The office has a policy of paying invoices within 10 days and monitors compliance with it.

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

10 July 2020

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

Opinion on financial statements

I certify that I have audited the financial statements of the Pensions Ombudsman and Pension Protection Fund Ombudsman for the year ended 31 March 2020 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Pensions Ombudsman and Pension Protection Fund Ombudsman's affairs as at 31 March 2020 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 regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Pensions Ombudsman and Pension Protection Fund Ombudsman in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Pensions Ombudsman and Pension Protection Fund Ombudsman's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Pensions Ombudsman and Pension Protection Fund Ombudsman have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pensions Ombudsman and Pension Protection Fund Ombudsman ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Pensions Schemes Act 1993 and the Pensions Act 2004.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order

to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pensions Ombudsman and Pension Protection Fund Ombudsman's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Pensions Ombudsman and Pension Protection Fund Ombudsman's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pensions Ombudsman and Pension Protection Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Pensions Ombudsman and Pension Protection Fund Ombudsman to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Pensions Schemes Act 1993 and the Pensions Act 2004;
- in the light of the knowledge and understanding of the Pensions Ombudsman and Pension Protection Fund Ombudsman and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; 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 Accountability Report 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.

Gareth Davies
Comptroller and Auditor General

Date: 14 July 2020

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP



Pensions Ombudsman
Pension Protection Fund Ombudsman

Accounts

Statement of comprehensive net expenditure

As at 31 March 2020

	Note	As at 31 March 2020 £	As at 31 March 2019 £
Expenditure			
Staff costs	2	(5,617,927)	(4,406,356)
Other expenditure	3	(2,087,030)	(1,639,312)
Operating deficit		(7,704,957)	(6,045,668)
Total comprehensive expenditure		(7,704,957)	(6,045,668)


The notes on pages 97 to 109 form part of these accounts.

Statement of financial position

As at 31 March 2020

	Note	As at 31 March 2020 £	As at 31 March 2019 £
Non-current assets			
Property, plant and equipment	4	138,689	127,995
Intangible assets	5	243,560	222,724
Trade and other receivables	6	752,899	819,823
Total non-current assets		1,135,148	1,170,542
Current assets			
Trade and other receivables	6	166,598	143,034
Cash and cash equivalents	7	9,234	85,204
Total current assets		175,832	228,238
Total assets		1,310,980	1,398,780
Current liabilities			
Trade and other payables	8	(344,012)	(216,095)
Total current liabilities		(344,012)	(216,095)
Non-current liabilities			
Provision for charges and liabilities	14	(159,240)	-
Total non-current liabilities		(159,240)	-
Assets less liabilities		807,728	1,182,685
Capital and reserves			
General reserve		807,728	1,182,685

The financial statements on pages 93 to 96 were approved on 10 July 2020 and signed by.



Anthony Arter

Pensions Ombudsman
Pension Protection Fund Ombudsman

10 July 2020

The notes on pages 97 to 109 form part of these accounts.

Statement of cash flows

Year ended 31 March 2020

	Note	2019/20 £	£	2018/19 £	£
Cash flows from operating activities					
Net operating expenditure		(7,704,957)		(6,045,668)	
Depreciation	4	35,393		28,913	
Amortisation	5	53,000		40,341	
Lease premium	6	66,925		66,925	
Provision for charges and liabilities	14	159,240		-	
(Increase)/Decrease in receivables	6	(23,564)		(145,122)	
Increase/(decrease) in payables	8	127,916		(643,796)	
Net cash outflow from operating activities			(7,286,047)		(6,698,407)
Cash flows from investing activities					
Purchase of non-current assets	4,5	(119,923)		(81,608)	
Net cash outflow from investing activities			(119,923)		(81,608)
Cash flows from financing activities					
Grants from sponsor department			7,330,000		6,666,349
Net Financing			7,330,000		6,666,349
Net (decrease)/increase in cash and cash equivalents in the period			(75,970)		(113,666)
Cash and cash equivalents at the beginning of the period			85,204		198,870
Cash and cash equivalents at the end of the period			9,234		85,204

The lease premium was not split out in 2018/19 but has been split out in 2019/2020. The lease premium was included in the increase/decrease in receivables in 2018/19.

The notes on pages 97 to 109 form part of these accounts.

Statement of changes in taxpayers' equity

Year ended 31 March 2020

	General Reserve £
Balance at 31 March 2018	562,004
Comprehensive net expenditure for the year	(6,045,668)
Grants from sponsoring department	6,666,349
Balance at 31 March 2019	1,182,685
Comprehensive net expenditure for the year	(7,704,957)
Grants from sponsoring department	7,330,000
Balance at 31 March 2020	807,728

Notes to the accounts

Year ended 31 March 2020

1. Accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the 2019/2020 *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 (TPO) for the purpose of giving a true and fair view has been selected. The particular policies adopted by TPO 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 2019/2020

No Amendments or Interpretations that have been issued but are not yet effective, and that are available for early adoption, have been applied by TPO in these financial statements.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Organisation's accounting periods beginning on or after 1 April 2020 or later periods and which the Organisation has decided not to adopt early. These are:

- IFRS 16 Leases (effective for periods beginning on or after 1 April 2021). The new standard replaces IAS 17 Leases and introduces a new single accounting approach for lessees for all leases (with limited exceptions). As a result, there is no longer a distinction between operating leases and finance leases, and lessees will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. TPO believes that the most significant impact will be the need to recognise a right of use asset and lease liability for the building lease currently treated as operating lease. At 31 March 2021 the future minimum lease payments would amount to £2,050,313. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense.

Going concern

Future financing of TPO will be met by grant-in-aid from the Department for Work and Pensions (DWP), as TPO sponsoring

Notes to the accounts

Year ended 31 March 2020

1. Accounting policies (continued)

department. It has accordingly been considered appropriate to adopt the going-concern basis for the preparation of these financial statements.

Grant-in-aid

Grant-in-aid received is used to finance activities that support the statutory and other objectives of the entity. Grant-in-aid is credited to the General Reserve and treated as financing. This is because grant-in-aid is 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 the bank and in hand.

Other income and expenditure

Other income and expenditure is recognised on an accruals basis.

VAT

TPO was not registered for VAT during the financial year 2019/20. All costs are inclusive of VAT.

Property, plant and equipment

Property, plant and equipment are accounted for on a depreciated historic cost basis. TPO is required to remit the proceeds of disposal of non-current assets to the Secretary of State.

Non-current assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds TPO's capitalisation threshold of £500 for each individual item.

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. Depreciation is calculated from the date an asset is available for use until the date it is has either been fully depreciated or disposed. Depreciation rates are as follows:

- Hardware – Straight line over 5 years

Intangible assets

Intangible assets are accounted for on an amortised historic cost basis. TPO is required to remit the proceeds of disposal of non-current assets to the Secretary of State.

Notes to the accounts

Year ended 31 March 2020

1. Accounting policies (continued)

Non-current assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds TPO's capitalisation threshold of £500 for each individual item.

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. Amortisation is calculated from the date an asset is available for use until the date it is has either been fully amortised or disposed of. Amortisation rates are as follows:

- Software - Straight line over 5 years

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.

Payments in relation to lease premiums are recognised as an asset in accordance with IAS 17 and amortised on a straight-line basis over the remaining term of the lease and credited to the Statement of comprehensive net expenditure.

Pension arrangements

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes but TPO is unable to identify its share of the underlying assets and liabilities. TPO recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' 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.

The scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.

The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set

Notes to the accounts

Year ended 31 March 2020

1. Accounting policies (continued)

to meet the cost of the benefits accruing during 2019/20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Financial instruments

TPO 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.

TPO 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 judgments, 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 judgment used in applying the accounting policies.

There are no significant sources of estimation uncertainty.

Operating segments

TPO only reports one operating segment to management for the entire organisation. As such there is no additional analysis requiring disclosure in the accounts.

Pension Protection Fund (PPF) Ombudsman element of costs

PPF Ombudsman 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 2020, 8 PPF Ombudsman cases (2018/19: 7 cases) and 1,204 TPO cases (2018/19: 1,268 cases) were closed. Approximately 0.7% (2018/19: 0.55%) of expenditure and total net liabilities (corresponding to £53,935 for the year ended 31

Notes to the accounts

Year ended 31 March 2020

1. Accounting policies (continued)

March 2020) is deemed attributable to the PPF Ombudsman (2018/19: £33,251).

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

Notes to the accounts

Year ended 31 March 2020

2. Staff costs

	Permanently employed staff	Others	Year ended 31 March 2020	Year ended 31 March 2019
	£	£	Total £	Total £
Wages and salaries	4,093,406	149,341	4,242,747	3,400,811
Social security costs	416,019	-	416,019	365,897
Other pension costs	959,161	-	959,161	639,648
	5,468,586	149,341	5,617,927	4,406,356

The average number of staff employed during the year was 95 (2018/19: 80). The increase in staff roll and corresponding increase in staff costs reflects the increasing scope and nature of the enquiries and complaints handled by TPO.

Notes to the accounts

Year ended 31 March 2020

3. Other expenditure

	Year ended 31 March 2020	Year ended 31 March 2019
Note	£	£
Rent and rates	451,010	461,358
Computer expenses	571,974	443,028
Legal and professional fees	150,858	148,427
Subscriptions	89,519	90,572
Staff recruitment	231,737	92,283
Printing, stationery and postage	52,947	63,980
Auditors remuneration	25,000	22,000
Internal audit fees	27,432	26,210
Sundry expenses	27,152	20,312
Staff training	45,761	39,755
Accountancy fees	18,580	12,844
Travel and subsistence	30,620	30,365
Hire of equipment	7,798	13,536
Telephone	19,283	10,559
Business continuity	1,139	7,140
Insurance	21,185	20,330
Bank charges	477	434
Non-cash items		
Lease premium	66,925	66,925
Amortisation	5	40,341
Depreciation	4	28,913
Provision for charges and liabilities	14	-
	2,087,030	1,639,312

Internal audit fees have been reclassified from legal and professional fees for both 2019/20 and 2018/19.

Minimum lease payments for 2019/20 were £182,250.

Payroll services are provided by MacIntyre Hudson at a cost of £18,580 (2018/19: £11,324).

The National Audit Office, who perform our statutory audit, did not conduct any non-audit services nor receive remuneration for such services (2018/19: £Nil).

Notes to the accounts

Year ended 31 March 2020

4. Property, plant and equipment

	Office Equipment £	Leasehold Property £	Hardware £	Total £
Valuation				
At 1 April 2019	-	-	156,908	156,908
Additions	-	-	46,087	46,087
Disposals	-	-	-	-
At 31 March 2020	-	-	202,995	202,995
Depreciation				
At 1 April 2019	-	-	28,913	28,913
Charge for the year	-	-	35,393	35,393
At 31 March 2020	-	-	64,306	64,306
Carrying amount				
At 31 March 2020	-	-	138,689	138,689
At 31 March 2019	-	-	127,995	127,995
Valuation				
At 1 April 2018	-	-	137,684	137,684
Additions	-	-	19,224	19,224
At 31 March 2019	-	-	156,908	156,908
Depreciation				
At 1 April 2018	-	-	-	-
Charge for the year	-	-	28,913	28,913
At 31 March 2019	-	-	28,913	28,913
Carrying amount				
At 31 March 2019	-	-	127,995	127,995
At 31 March 2018	-	-	137,684	137,684

Notes to the accounts

Year ended 31 March 2020

5. Intangible assets

	Information Technology £	Total £
Valuation		
At 1 April 2019	263,065	263,065
Additions	73,836	73,836
	<hr/>	<hr/>
At 31 March 2020	336,901	336,901
Amortisation		
At 1 April 2019	40,341	40,341
Charge for the year	53,000	53,000
	<hr/>	<hr/>
At 31 March 2020	93,341	93,341
Carrying amount		
At 31 March 2020	243,560	243,560
	<hr/>	<hr/>
At 31 March 2019	222,724	222,724
	<hr/>	<hr/>
Valuation		
At 1 April 2018	200,681	200,681
Additions	62,384	62,384
	<hr/>	<hr/>
At 31 March 2019	263,065	263,065
Amortisation		
At 1 April 2018	-	-
Charge for the year	40,341	40,341
	<hr/>	<hr/>
At 31 March 2019	40,341	40,341
Carrying amount		
At 31 March 2019	222,724	222,724
	<hr/>	<hr/>
At 31 March 2018	200,681	200,681
	<hr/>	<hr/>

Notes to the accounts

Year ended 31 March 2020

6. Trade and other receivables

	31 March 2020 £	31 March 2019 £
Due after more than one year		
Lease premium	752,899	819,823
	<hr/>	<hr/>
	752,899	819,823
	<hr/>	<hr/>
Due within one year		
Lease premium	66,925	66,925
Staff Loans	12,668	10,938
Prepayments	87,005	65,171
	<hr/>	<hr/>
	166,598	143,034
	<hr/>	<hr/>

A lease premium of £819,824 (2018/2019: £886,748) has been recognised for advanced payments made to the landlord relating to the property occupied by TPO from March 2018. This will be released as an expense to the Statement of comprehensive net expenditure over the period of the lease arrangement.

7. Cash and cash equivalents

	31 March 2020 £	31 March 2019 £
Balance brought forward	85,204	198,870
Net change in cash and cash equivalent balances	(75,970)	(113,666)
	<hr/>	<hr/>
Balance carried forward	9,234	85,204
	<hr/>	<hr/>

The only bank account in use during the year was a commercial account (non-GBS).

Notes to the accounts

Year ended 31 March 2020

8. Other payables

	31 March 2020 £	31 March 2019 £
Trade payables	182,418	48,436
Accruals	161,594	167,659
	<hr/> 344,012 <hr/>	<hr/> 216,095 <hr/>

The significant increase in trade payables arises from a number of projects undertaken towards the end of the financial year and invoiced at year end. The projects include a website redevelopment and a scoping exercise on learning and development.

9. General reserves

This reserve is used to record the accumulated grant-in-aid received and expenditure realised during the course of the year.

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 2020 £	31 March 2019 £
Obligations under operating leases comprise:		
Not later than one year	182,250	182,250
Later than one year and not later than five years	729,000	729,000
Later than five years	1,321,313	1,503,563
	<hr/> 2,232,563 <hr/>	<hr/> 2,414,813 <hr/>

Notes to the accounts

Year ended 31 March 2020

10. Commitments under operating leases (continued)

Other

	31 March 2020 £	31 March 2019 £
Obligations under operating leases comprise:		
Not later than one year	766	2,501
Later than one year and not later than five years	2,234	3,002
Later than five years	-	-
	3,000	5,503

11. Other financial commitments

The future minimum payments under the TPO IT contract are given below, analysed according to the period in which the payments fall due:

Information Technology

	31 March 2020 £	31 March 2019 £
Not later than one year	170,725	300,180
Later than one year and not later than five years	-	206,910
Later than five years	-	-
Total	170,725	507,090

12. Related party transactions

TPO is a non-departmental public body of DWP. DWP is regarded as a related party.

As DWP is our sponsor department, grant-in-aid is received from them. The amounts received are disclosed in the Statement of changes in taxpayers' equity. We also have immaterial non-grant-in-aid transactions with DWP.

In addition, TPO has had various transactions with other government departments and central government bodies. This includes material transactions with the Cabinet Office (including the Government Property Agency) in respect of the lease arrangement for 10 South Colonnade, and immaterial transactions with the Government Internal Audit Agency (invoiced by HM Treasury).

No board member, key manager or other related parties has undertaken

Notes to the accounts

Year ended 31 March 2020

12. Related party transactions (continued)

any material transactions with TPO during the year.

Details of remuneration for key management personnel can be found in the Remuneration and staff report within the Accountability report.

13. Financial instruments

It is, and has been, TPO policy that no trading in financial instruments is undertaken.

TPO 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 TPO in undertaking its activities. TPO relies upon DWP for its cash requirements, having no power itself to borrow or invest surplus funds and TPO'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 TPO are not significant.

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

14. Provisions for liabilities and charges

TPO has entered into a lease arrangement for office space at 10 South Colonnade. TPO may at some point in the future incur costs related to internal repairs for the space occupied by TPO, common areas, and shared public and staff facilities, as is set out in the Memorandum of Terms of Occupation. These future costs have been quantified by the lessor (Government Property Agency) at £159,239.65 resulting in a provision for dilapidations in the accounts.

15. Contingent liabilities disclosed under IAS 37

A present obligation arises from a legal case for which the amount of the obligation cannot be measured with sufficient reliability.

16. Remote contingent liabilities

These are remotely possible obligations that arise from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within TPO's control. As at year end there were two outstanding judicial review threats.

17. Events after the reporting date

No material events have occurred since the reporting date that have an effect on the accounts or on the users of the financial statements. 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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ISBN 978-1-5286-1839-7
CCS0320322748 16 July 2020

