The Pensions Ombudsman

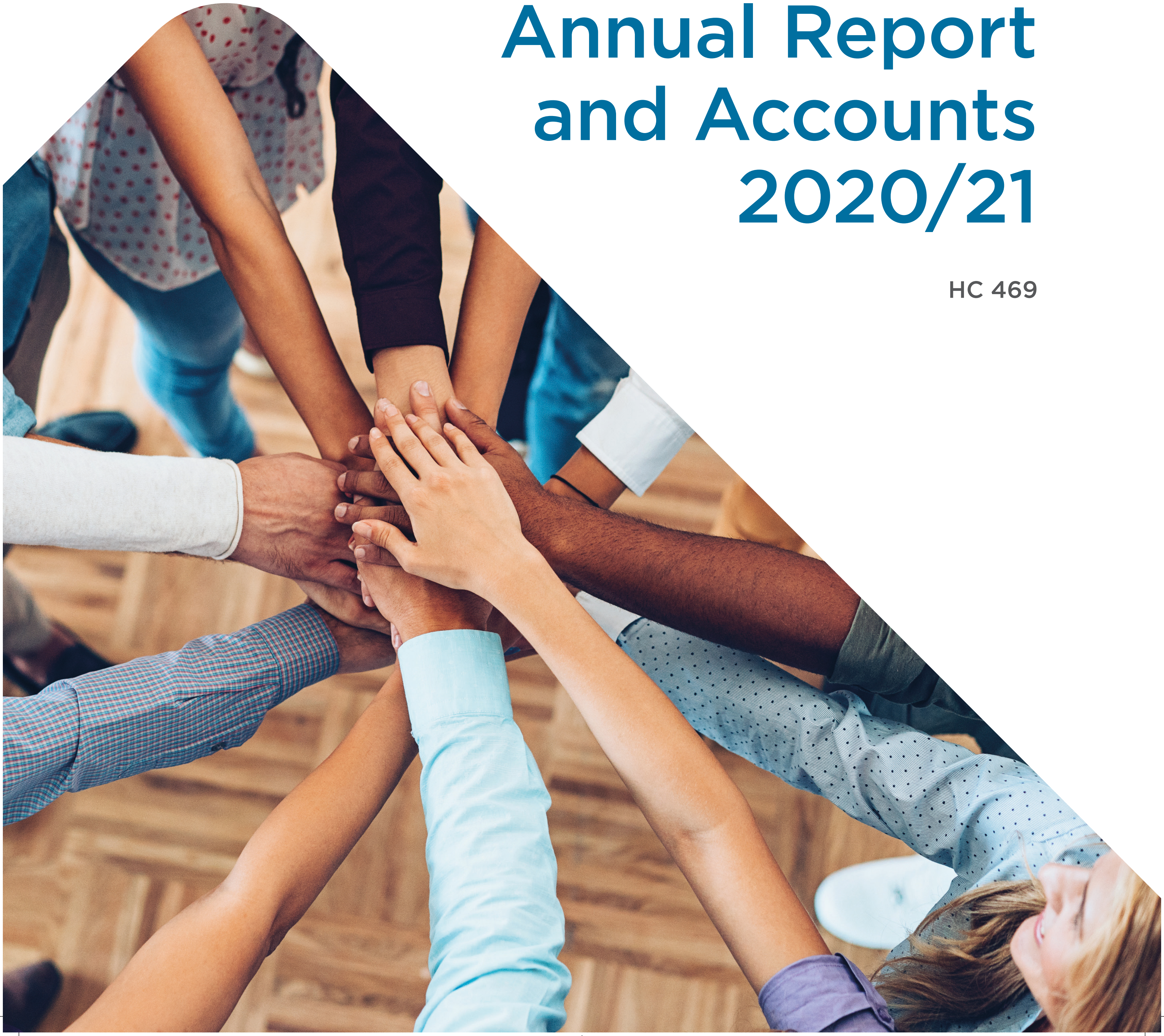
30 Years

Trusted • Fair • Impartial Since 1991

Pensions Ombudsman
Pension Protection Fund Ombudsman

Annual Report and Accounts 2020/21

HC 469



Pensions Ombudsman
Pension Protection Fund Ombudsman

Annual Report and Accounts 2020/21

The Pensions Ombudsman's Annual Report and Accounts are prepared and presented to Parliament pursuant to section 145 (6)–(9) of the Pension Schemes Act 1993. The Pension Protection Fund Ombudsman's Annual Report and Accounts are prepared and presented to Parliament pursuant to sections 212 and 212A of the Pensions Act 2004. Ordered by the House of Commons to be printed 22 July 2021.

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Contents

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. Our Determinations are final, binding and enforceable in court.

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 2020/21 the organisation received £8,870,000* grant-in-aid, incurred net expenditure of £8,660,000* and had net assets at 31 March 2021 of £1,018,000*. 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.

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.

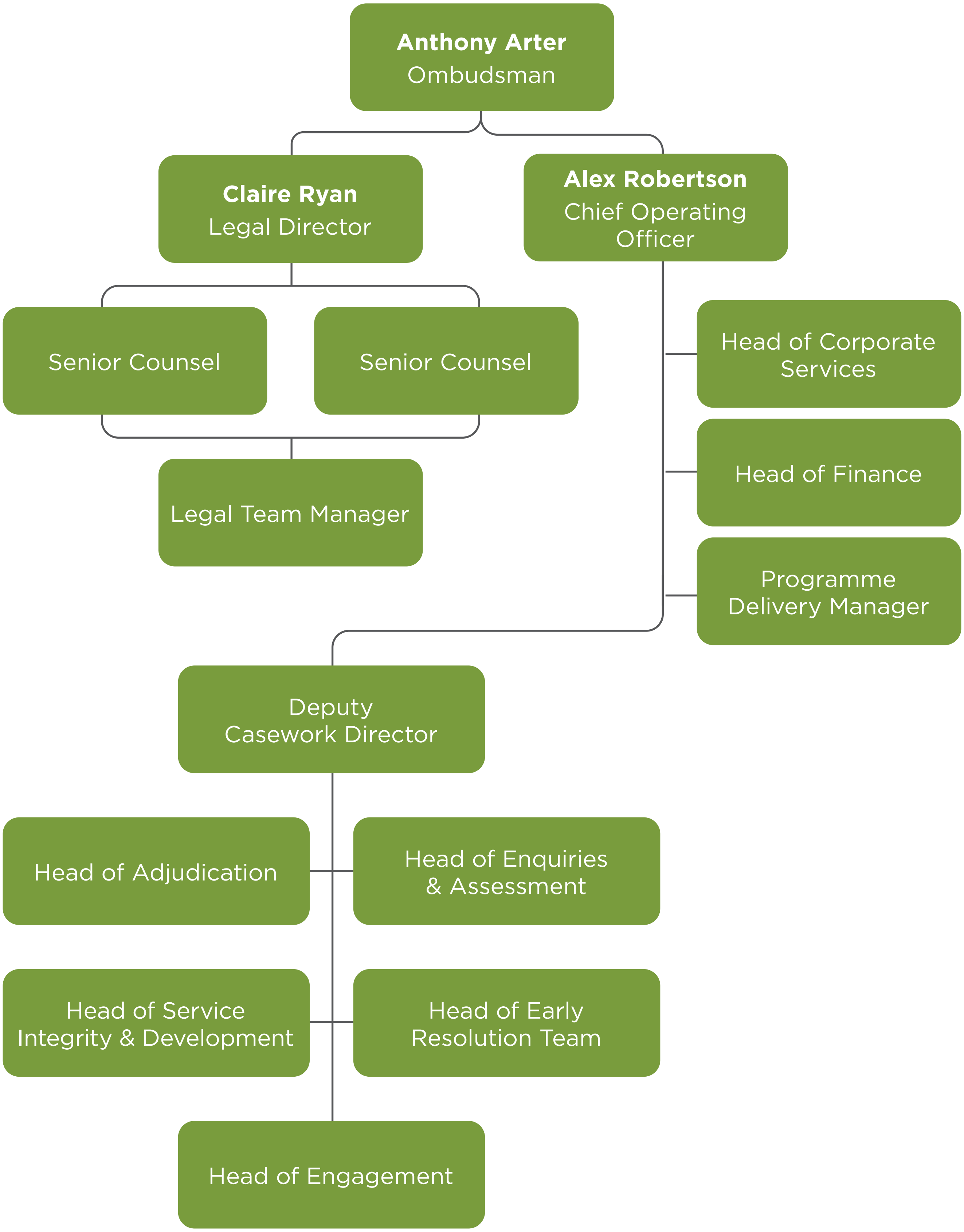
Open – we are approachable and make it easy for people to get the help they need. We are honest and transparent about how and why we make our decisions.

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.

How we are structured



Performance report: Overview

The overview section provides a statement from the Pensions Ombudsman and Chair on the performance of the organisation in 2020/21. It sets out our purpose and role, performance against key performance indicators and a summary of finances.

Ombudsman's introduction

This past year has been a challenging one, given the uncertainties that the evolving Covid-19 pandemic has generated. I am extremely proud of the way in which my team at The Pensions Ombudsman (TPO) has responded to these challenges and that we have been able to continue our service with the minimum of disruption. This is thanks to our Smarter Working Policy, introduced in April 2018, that meant staff were able to work from home effectively.

But the Covid situation has caused some disruption which has meant that we have not been able to progress some complaints as quickly as we would have liked. We have had limited access to our office and there have been delays getting responses to information requests from schemes. We took steps to ensure that our work did not place unnecessary demands on large public-sector schemes and other care providers such as the NHS and Local Government at such a crucial time.

Our Casework Reorganisation Programme, implemented in May 2020, introduced a single application process for all pension complaints which focuses on resolving complaints as early as possible. Our new Enquiries Team dealt with **16,673** contacts from people seeking our help and, overall, we closed **4,853** pension complaints, an increase of almost 6% compared to last year, this is an excellent achievement given the constraints we faced. To reflect the changes to our processes, we have introduced new ways of measuring demand and outputs which are explained in more detail in our 'Casework review' on page 18.

Overall demand for our service remained around the same in 2020/21 compared to 2019/20 but there were significant changes over the course of the year. There was a fall in new pensions complaints during the early stages of the pandemic, but demand started to increase again towards the end of the year in line with its long-term trend. We also expect the economic disruption caused by the pandemic to further add to demand for our service in the coming years.

A notable trend is that complaints are becoming increasingly complex which has impacted on the time it takes to investigate them.

The Norton Determination (see page 32) involving trustee wrongdoing was a very significant decision during 2020/21. I upheld the applicants' complaints and Dalriada's referral (which it made in its capacity as a scheme trustee, having been appointed by The Pensions Regulator) and found Stuart Garner, who had been sole trustee of each of the three schemes at all material times, to be personally liable for the loss of the schemes' funds in respect of all the 300+ members not just the 31 complainants This demonstrated an important change in approach for us and one that helps hold those responsible for pensions dishonesty and wrongdoing to account.

Over the last year, one of our key achievements has been the improvements we have made to the customer journey. In addition to the Casework Reorganisation Programme: we launched our on-line live chat facility and in May 2020 our new website went live, making it easier for customers to find what they need; our quality audit framework has been hugely successful at identifying what we do well and areas where we need to improve; and we have listened to what our customers say through our revised customer surveys sent at key stages of the complaints process. Feedback received will input into future business planning so we can be sure that we are meeting our customers' needs.

As well as our regular customer survey, this year we also conducted our first stakeholder satisfaction survey to find out what TPO could do to help stakeholders resolve complaints without the need for TPO involvement. Addressing the feedback will be a key priority over the coming year and will help us to drive up standards in dispute resolution across the pensions industry.

Our Volunteer Network is a vital resource for us and last year helped us resolve **1,442** pension complaints. I would like to thank them all for their continued hard work. Despite not being able to host events, the Volunteer Network Team held a highly successful series of online seminars last summer and have also participated in key industry events to promote volunteering for TPO. If you have not already seen our new volunteer promotional video, you can find it on the 'Jobs and volunteering' page of our website (pensions-ombudsman.org.uk/jobs-and-volunteering).

One of the biggest challenges we have faced has been maintaining staff engagement whilst working remotely. We have successfully used the technology available to host a variety of online events including office-wide meetings and more social gatherings such as 'TPO's got talent'. We had an excellent response rate to our Staff Survey with 88% of staff participating resulting in a staff engagement index of 66%.

Work continues on the different workstreams of our People Strategy and I am very pleased that the new Diversity and Inclusion Group has been so active in promoting and hosting events including those to celebrate Black History Month, International Women's Day and LGBT+ History Month.

I was delighted that Caroline Rookes was appointed as TPO's permanent Chair in October 2020, her knowledge, experience and guidance will prove invaluable to TPO over the coming years.

I was also pleased to appoint TPO's first Chief Operating Officer, Alex Robertson, in June last year. He came from an executive position at the Parliamentary and Health Service Ombudsman and his appointment will give the ombudsman support in its chief executive role as well as allowing the ombudsman more time to focus on external relationships and its judicial function of issuing Determinations.

I am so impressed with the excellent team we have at TPO and the way they have adapted to the changes. Despite challenges, they have remained focused on delivering a quality service to our customers and I would like to thank them for their continued hard work and dedication.

My appointment as Pensions Ombudsman has been extended to July 2022. I am proud to continue leading such a respected, innovative organisation for a further 12 months.

Anthony Arter

Pensions Ombudsman
Pension Protection Fund Ombudsman

8 July 2021

Chair’s foreword

It has certainly been a challenging and extraordinary year with the restrictions brought about by the Covid-19 pandemic. TPO has risen admirably to this challenge and has made great inroads to improve the customer journey by focusing on resolving complaints as early as possible and providing increased functionality and content on its website to help customers find the information they need. These changes have improved how customers access our service, but we know there is a significant challenge ahead with rising demand for our service and limited available resources.

I was delighted to be appointed as TPO’s permanent Chair in November 2020. Having a chair was one of the recommendations in the Department for Work and Pensions Tailored Review 2019. We now have a full board structure in place, in line with Cabinet Office Principles for effective and proportionate governance. Looking ahead to next year, we will welcome four Non-Executive Directors, who will bring with them a wealth of experience and insight. This will be invaluable in further strengthening TPO’s strategic direction and governance.

In addition to improving the customer journey, a key priority for us has been building on our Stakeholder Engagement Programme at a more strategic level. To this end, I have embarked on a programme of meetings with key strategic partners and stakeholders to raise awareness of TPO’s work; share insight; and find out what TPO can do to raise standards in dispute resolution across the pensions industry.

I am delighted that Anthony is continuing as Pensions Ombudsman for a further 12 months. TPO is in an excellent position to face any future challenges and I look forward to another busy year ahead.

Caroline Rookes

Chair

The year in summary

Key facts and figures

Pensions Ombudsman

We received **16,673** contacts by phone, email and post from people who thought we might be able to help them

We received **11,524** new general enquiries

We resolved **11,737** general enquiries (**287** were carried forward from 2019/20)

We received **5,567** new pension complaints

We closed **4,853** overall pension complaints

Out of the above...

We closed **175** pension complaints that were abandoned at different stages in the process for various reasons

We closed **2,474** pension complaints at the application and assessment stages

We resolved **1,442** pension complaints informally through our Early Resolution Team

We resolved **762** pension complaints through our Adjudication teams

Of our overall closed pension complaints, we closed **288** through formal Determinations by an Ombudsman – this represents **6%**

Around **41%** of Determinations by an Ombudsman were upheld, at least in part

The terms 'contacts', 'general enquiries' and 'pension complaints' are explained in more detail on page 18.

Key performance indicators

Pensions Ombudsman

What we said we would do	What we did
Close investigations at a rate equivalent to **90%** of the number taken on in the year	We closed investigations at a rate equivalent to **99.3%** of the number taken on in the year *(see page 22)*
Deal with enquiries at a rate equivalent to **90%** of new enquiries received in the year	We dealt with enquiries at a rate equivalent to **99.3%** of new enquiries received in the year *(see page 20)*
Have no more than **10%** of open investigations aged more than 12 months	We had **29.1%** of open investigations aged more than 12 months *(see page 30)*

Pension Protection Fund Ombudsman

2020/21 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 2020/21 the organisation received £8,870,000* grant-in-aid and incurred net expenditure of £8,660,000*. The variance of £210,000 between grant-in-aid and net expenditure relates to an increase in cash in the bank and capital expenditure. The increase in expenditure from £7,705,000* in 2019/20 links to the costs associated with an increase of 16 in the average number of staff. There were also two exit packages. Non-staff costs were marginally lower than in 2019/20. The Statement of financial position shows net assets of £1,018,000*. 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 Department for Work and Pensions (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 2020/21, 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

Performance report: Analysis

The analysis section provides information about TPO's performance during 2020/21. It includes a detailed analysis of casework statistics, some examples of completed investigations and performance against our strategic goals.

Casework review – Pensions Ombudsman

Our customer journey

Over the last few years, we have continued to radically change, modernise and enhance our services to improve the customer journey.

We recognise the importance of equality in the service we deliver. As such, we are committed to conducting Equality Impact Assessments when implementing new policies to ensure that there is no disadvantage in the service we provide to our customers. We have an Accessibility Policy in place which is regularly reviewed. All our complainants and respondents are given the opportunity to appoint an advocate to act on their behalf.

Our Casework Reorganisation Programme, implemented in May 2020, saw the First Contact Team evolve into a new Enquiries Team with enhanced capabilities to deal with all types of enquiry as soon as possible. We also created a new Assessment function to better manage the handling of pension complaints from their first application.

To better reflect our new customer journey, we now categorise our workload as follows:

Contacts

These are the initial contacts, which may be by phone, email or post, made to us from people who think we might be able to help them. We will attempt to deal with the issue in a single interaction, either by signposting them to another organisation or giving them the information they need to resolve the issue themselves. If resolution is not possible in a single engagement, we may raise the issue as a general enquiry.

General enquiries

These are enquiries from people who think we might be able to help them, but that may take longer to resolve than a single interaction. They will be investigated by our Enquiries Team who will aim to provide a response, usually within days or at most a few weeks. Matters previously categorised as enquiries, written enquiries and ‘quick responses’ may now be categorised as general enquiries. One of the possible outcomes of a general enquiry is that the matter should be raised with us as a pension complaint.

Pension complaints

These are completed applications we receive. Regardless of their subsequent involvement with our teams, we aim to provide a single customer journey and resolution to all pension complaints as soon as possible. Previously these were included as written enquiries and taken on by either the Early Resolution Team or Adjudication Teams and were called investigations.

Our workload – contacts

Our new Enquiries Team handles contacts by phone, email, or post from people who think we might be able to help them.

In dealing with these contacts, our aim 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 TPO can help, we will explain what happens next and what steps need to be taken.
- Resolve – where we can provide an immediate solution, we will do so through talking to the customer.

In 2020/21, our Enquiries Team handled 16,673 overall contacts, which break down as:

- 9,797 telephone calls
- 6,364 emails
- 512 postal items.

The number of telephone calls handled has slightly decreased from 2019/20 (11,552) primarily due to:

- The impact of the first Covid-19 lockdown during the early months of 2020/21 where we saw a reduction in the number of incoming calls.
- Since January 2021 we have been trialling amended phone operating hours of 10.00am-2.00pm, rather than our original 9.00am-5.00pm. Having more operators available to answer calls during the amended hours has meant that we still handled two thirds of our previous call volumes but within half the operating hours. This extra capacity has allowed us to provide a more balanced service to respond to all forms of contact we receive and to develop and implement a new online Live Chat facility that went live on 29 March 2021.

Our workload – general enquiries

From our unresolved contacts, we will generate a number of general enquiries where more involved work is required.

As with contacts, our aim with general enquiries is still to engage, educate and resolve the issue, but this may take longer. Our aim for 2021/22 will be to resolve general enquiries within 28 working days.

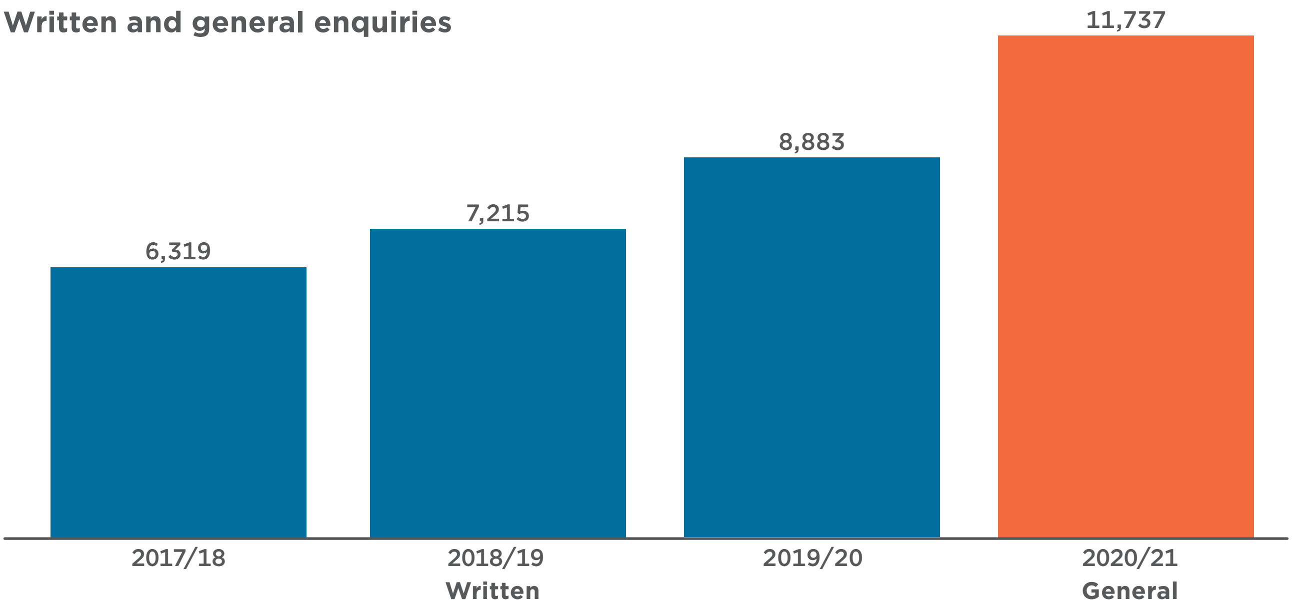
In 2020/21, we received 11,524 new general enquiries and carried over 287 that were still open at the end of 2019/20.

General enquiries would have been reported in previous Annual Reports as ‘written enquiries’ (including ‘quick responses’), therefore for comparison the table below shows this year’s general enquiries and the written enquiry total for the last three years.

Our aim for 2020/21 was to clear general enquiries at a rate equivalent to 90% of the number received in the year.

We resolved 11,737 general enquiries in 2020/21, including those we carried over from the previous year, therefore, overall, we closed an equivalent of 101.8% of the new general enquiries received in 2020/21. If we exclude those carried over from 2019/20, we closed 99.3% of the general enquiries received in 2020/21.

Written and general enquiries



The increase on last year’s written enquiries is due in part to more issues being retained by the Enquiries Team to deliver an earlier resolution to the customer; previously these may have been put forward as potential pension complaints.

Our workload – pension complaints

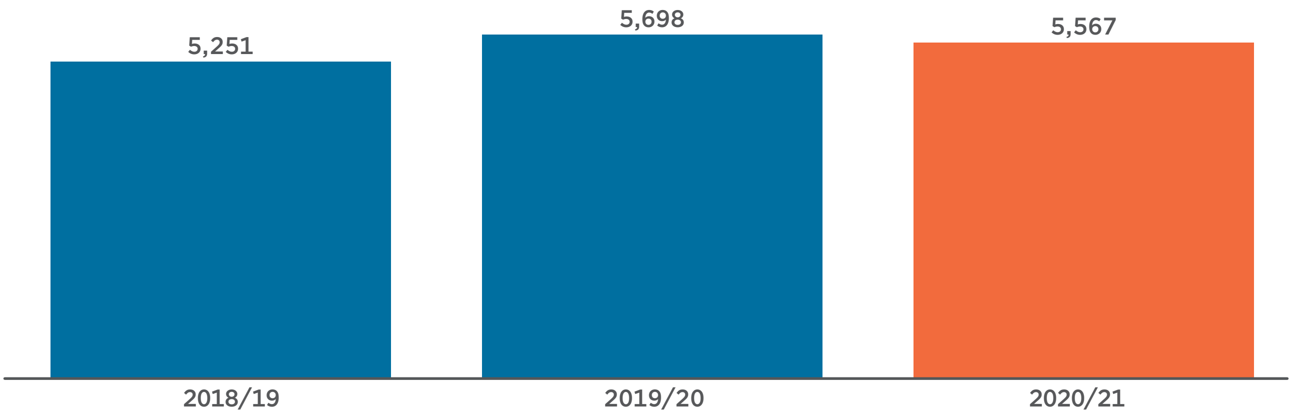
If an issue remains unresolved as a general enquiry, the customer may be asked to raise the matter with us as a pension complaint. Equally, customers may raise a pension complaint with us directly.

New pension complaints

When we receive a pension complaint application, it is raised as a new pension complaint on our Casework Management System to be assessed by our Assessment teams.

In 2020/21, we received 5,567 new pension complaint applications. The chart below shows new pension applications over the last three years. In 2020/21, we initially saw a drop in complaints in the early stages of the pandemic and then a subsequent increase towards the end of the year which is more in line with the long-term trend.

New pension complaints

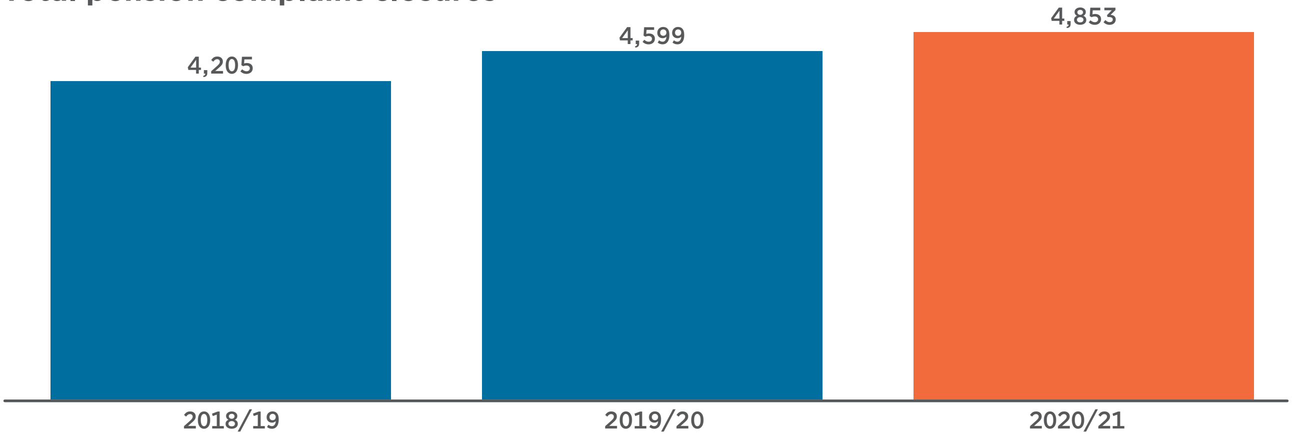


Total pension complaint closures

Overall, we closed a total of 4,853 pension complaints in 2020/21, representing an increase of almost 6% compared to last year. This includes 175 pension complaints that were abandoned for various reasons at different stages in the process.

Although our output increased it remains below the number of complaints we received. This gap between demand for our service and the number of cases we are able to close each year means that some customers are having to wait longer for their complaint to be dealt with.

Total pension complaint closures



Our aim for 2020/21 was to close what we previously termed ‘investigations’ at a rate equivalent to 90% of the number taken on in the year. By investigations we mean pension complaints dealt with by our Early Resolution Team, Adjudication teams and the Ombudsman.

In total, 2,219 pension complaints were transferred to these routes, and combined closures was 2,204. Therefore, we dealt with an equivalent 99.3% of ‘investigations’ taken on in the year.

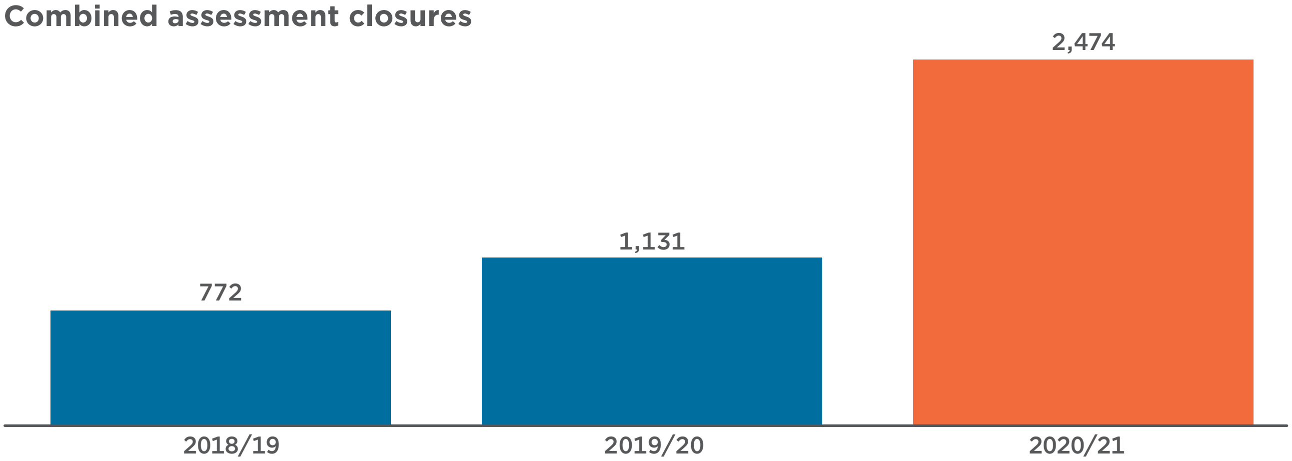
Assessment of pension complaints

The first stage in our process is to assess the validity of the application and to decide the best way to progress valid pension complaints.

We closed 2,474 pension complaints during our Assessment process. Some of these pension complaints may re-open in the future.

The significant increase in 2020/21, shown in the graph below, is due to more complaints being closed at the Assessment stage as a result of the Casework Reorganisation Programme. Previously, complaints would have progressed to the Early Resolution Team and Adjudication before being closed.

Combined assessment closures

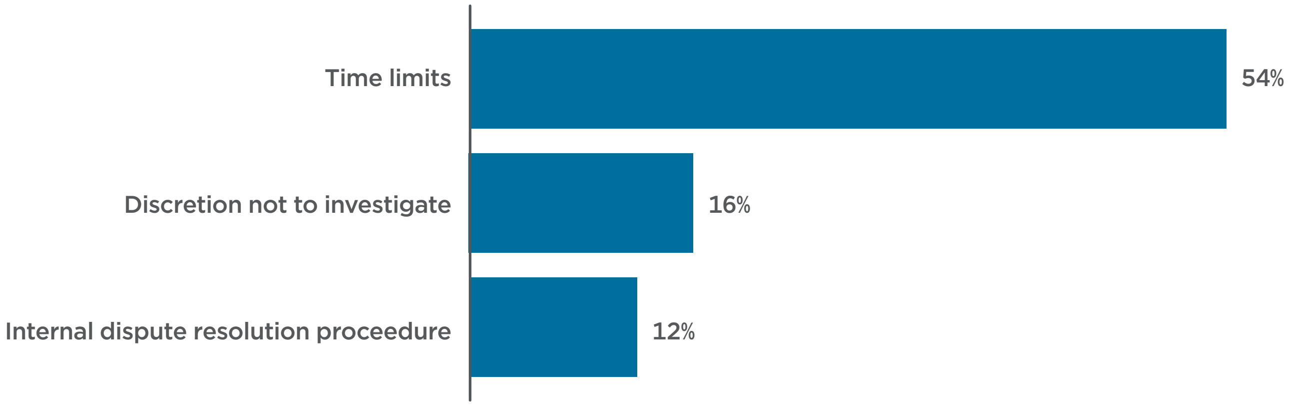


Of these closures, around:

- 45% were due to the application being invalid or rejected
- 27% were due to insufficient information to progress the pension complaint
- 18% were due to no consent being received from the complainant for the matter to be resolved informally by our Early Resolution Team
- 10% were due to the pension complaint being outside our jurisdiction for our formal powers to be used.

Of the 10% closed due to being outside our jurisdiction, the three main reasons are illustrated below:

Jurisdiction rejection reasons



- Time limits – where the event being complained about happened more than three years ago or the complainant first became aware of it more than three years ago.
- Discretion not to investigate – where there is, for example, no possibility of a remedy.
- Internal dispute resolution procedure – where the complainant has not gone through a scheme's internal complaints process which is required before the complaint can be formally taken on by TPO.

Ways in which a pension complaint can be concluded

If the pension complaint is valid and not rejected on jurisdiction grounds, there are several ways in which the pension complaint could then be concluded.

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' cases because we aim to get involved as early as possible in the process to avoid the 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.

Adjudication

- Resolved or withdrawn complaints – for cases (not considered by our Early Resolution Service) that go to formal adjudication, an Adjudicator may also look to resolve the matter informally. Any agreement will be followed up by a written report issued to the parties involved in the complaint and the case 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 they would expect the Ombudsman to reach. If all parties agree with the Adjudicator's Opinion, the case will be closed.

Determinations

- Complaint is determined following Adjudicator's Opinion – this happens when some or all of the people involved in the complaint do not accept the Adjudicator's Opinion. The complaint is referred to the Ombudsman along with all the submissions made by the parties. The Ombudsman will make their own decision, based on the evidence, and issue a final Determination. Before making their final decision, the Ombudsman might decide to call for additional evidence or further investigation.

- 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 final Determination, for example, where the complaint is highly complex with many issues to be addressed.

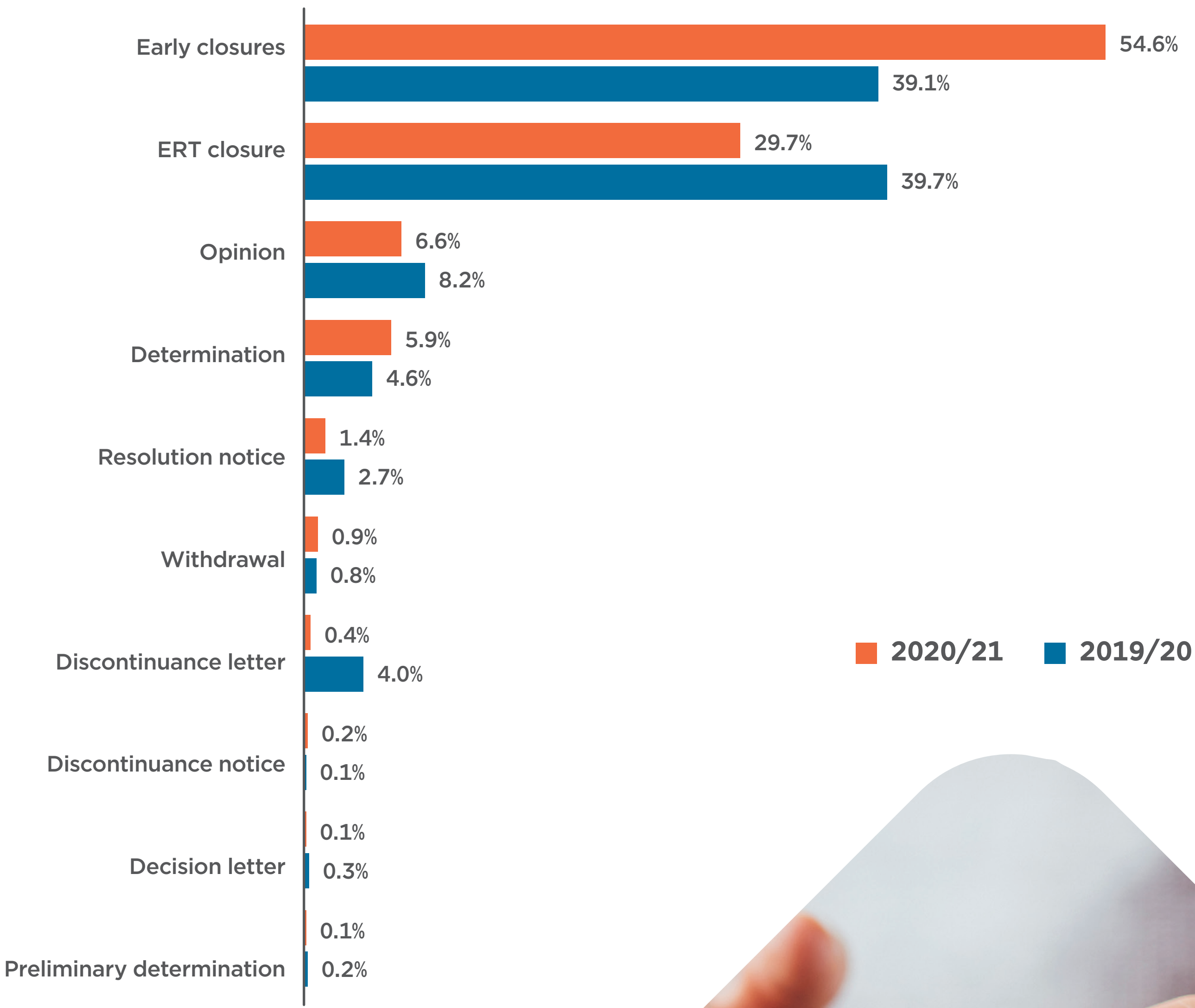
Complaint is discontinued

This is where 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.

How pension complaints were concluded in 2020/21

The chart below shows how pension complaints were concluded by the Early Resolution Team, Adjudication teams and the Ombudsman for 2020/21 and the previous year.

How pension complaints were concluded



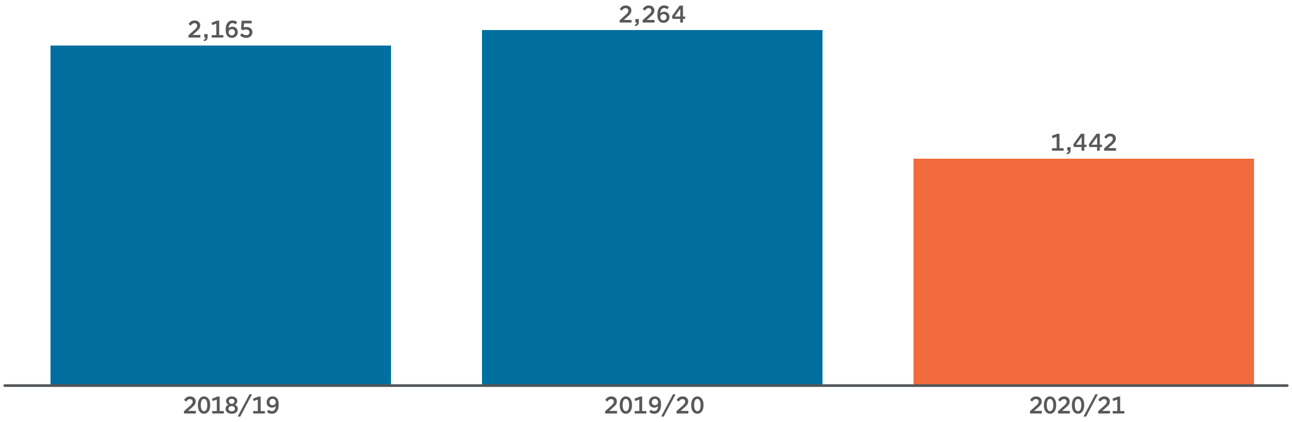
Early resolution

After new pension complaints have been assessed, they may be suitable for our Early Resolution Team. Generally, these complaints have not been through the formal complaint process offered by the pension scheme or provider.

In 2020/21, we closed 1,442 pension complaints through Early Resolution. This represents a slight reduction on previous years, for which there are three main reasons:

- The figures do not include those closures where we had no response to requests for consent from the complainant to use the Early Resolution Service or requests for further information. Previously the Early Resolution Team would have closed these complaints but this work is now carried out by our Assessment teams.
- 'Quick responses' are no longer included in the Early Resolution Team's closures as these are now dealt with as general enquiries.
- The impact of the Covid-19 pandemic has restricted our interaction with other organisations which has delayed receipt of information needed to progress cases, including with some large organisations and schemes that represent a significant proportion of our caseload. Restricted access to our office during national lockdowns has also slowed progress on some pension complaints.

ERT closures

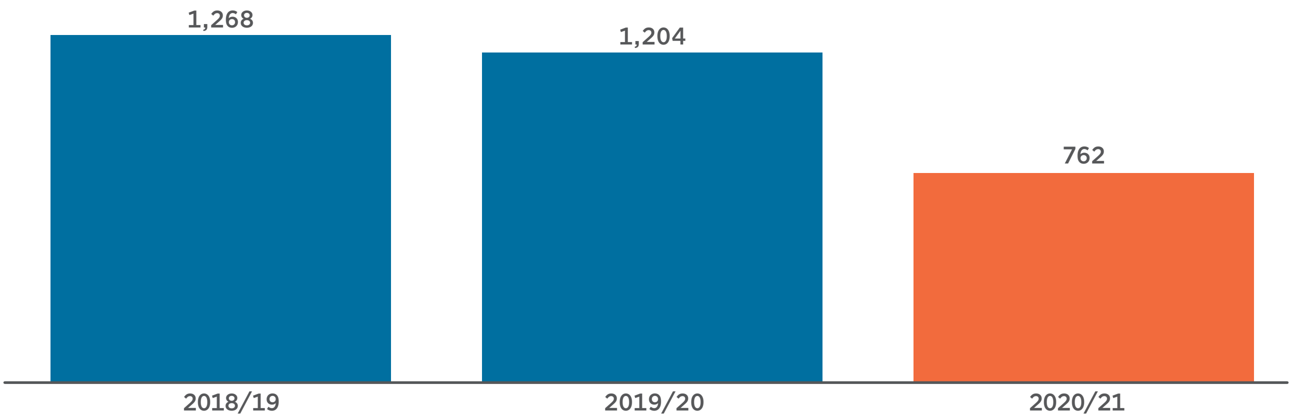


Adjudication

If a pension complaint cannot be resolved by our Early Resolution Team, then it may proceed to our Adjudication teams as long as the complainant has been through the formal complaint process offered by the pension scheme or provider. Pension complaints that have already been through the scheme's or provider's formal complaint process can also move directly to Adjudication having had no prior involvement with the Early Resolution Team. Any party involved in the adjudication process has the right to ask for the complaint to be considered by the Ombudsman.

In 2020/21, we closed 762 pension complaints through our Adjudication teams, including those that were subsequently determined by an Ombudsman.

Adjudication closures



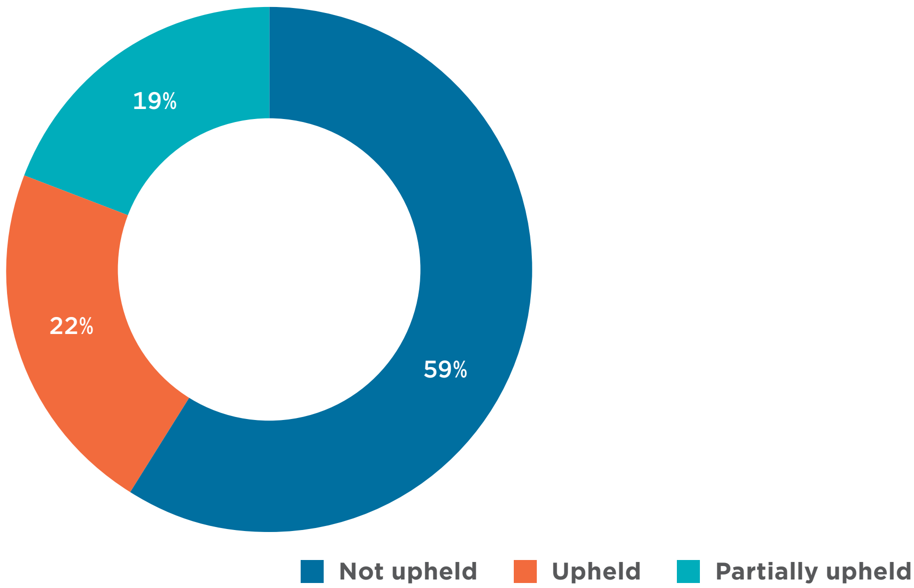
This represents a reduction on previous years, for which there are three main reasons:

- Six Adjudicators were transferred to our new Assessment teams, as part of the Casework Reorganisation Programme. This shift of resource has helped close more complaints earlier at Assessment stage.
- As with the Early Resolution Team, the impact of the Covid-19 pandemic has restricted access to our office as well as our interaction with other organisations which has delayed receipt of information needed to progress complaints.
- Pension complaints that reach Adjudication stage are increasing in complexity, requiring the services of a suitably experienced and specialist Adjudicator. The additional time taken to resolve these complex cases has contributed to the overall reduction in closures and the age of complaints.

Determinations by an Ombudsman

In 2020/21, a total of 288 pension complaints were determined by an Ombudsman. Only pension complaints determined by an Ombudsman can be said to have been upheld or not. In 2020/21, 41% of pension complaints determined by an Ombudsman were upheld or partly upheld compared to 29% in 2019/20.

Outcome of Determinations

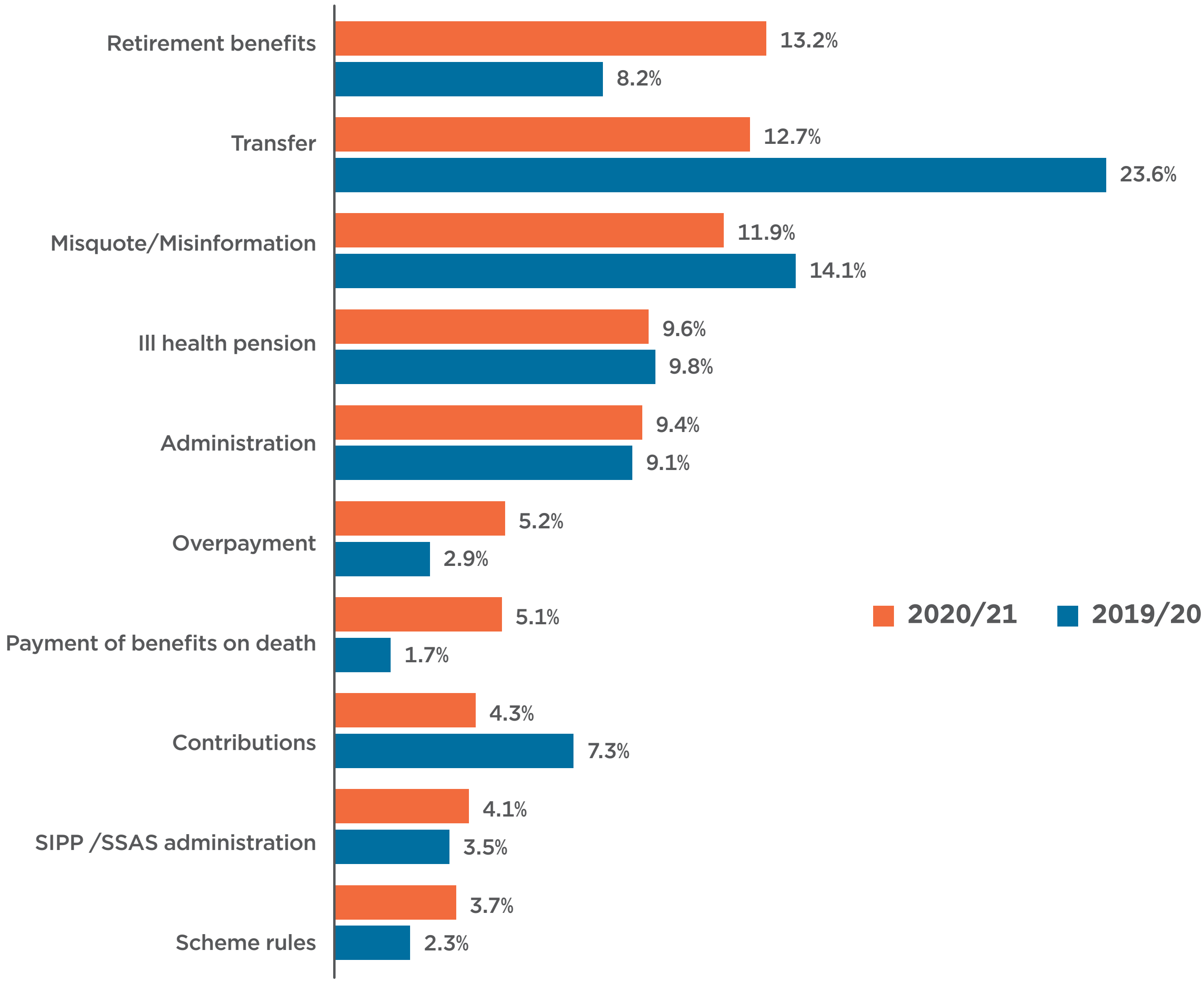


In the last few years, the number of complaints requiring an Ombudsman's involvement has been decreasing. This has been our aim. We want to ensure that complaints are dealt with at the most appropriate stage to ensure a swifter and clearer journey through the process for our customers.

Subject matter of closed adjudication pension complaints (top ten)

The chart below shows the subject matter of pension complaints concluded by the Adjudication teams and the Ombudsman in 2020/21.

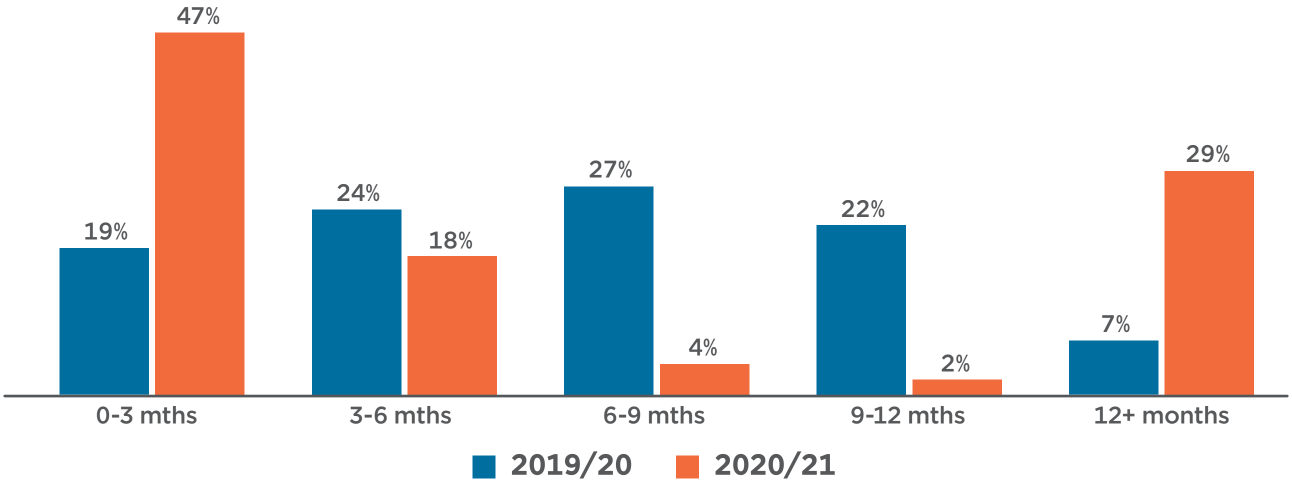
Subject matter of closed adjudication pension complaints



Timescales for pension complaints

The timescales for our closed pension complaints in 2020/21 can be seen below, along with the figures for 2019/20 for comparison.

Timescale for pension complaints



Timescales are measured from when we have a valid application through to their closure.

As part of the Casework Reorganisation Programme, we have taken steps to improve our processing of pension complaints in their early stages, so that they close as early as possible in the process. This can be seen from the age profile of our closures above, where the proportion of closures within three months has increased.

While we have made progress in closing pension complaints earlier in our process, the number of pension complaints closed that are older than 12 months has also increased.

The impact of Covid-19 and the increasing complexity of pension complaints has meant it is taking longer to resolve some pension complaints. Those that may otherwise have been resolved between 6-12 months are now taking over 12 months.

In terms of active caseload, our aim for 2020/21 was to have less than 10% of our active caseload older than 12 months.

Improvements in closing cases earlier in our process have contributed to the increase in the **proportion** of our active pension complaints that are older.

At the close of 2020/21, we had 1,416 of our 4,853 active pension complaints aged older than 12 months, which is 29.1%. Tackling the backlog of older cases and improving customer waiting times is a priority for the organisation.

Demand for our services has remained steady in 2020/21. The increased volumes of pension complaints that we have seen over the last few years have led to some pension complaints waiting longer to be allocated to staff than in previous years. This is especially true for complex cases, which require a suitably experienced and specialist Adjudicator.

We always have a number of pension complaints 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 pension complaints where we can, recognising that in concentrating on older pension complaints, others will have aged more than we would like.

Some summaries of completed investigations

Trustee dishonesty and wrongdoing (Upheld)

The case involved complaints made by members and the current trustee of the pension schemes, Dalriada Trustees Limited (Dalriada), concerning the following pension schemes:

- Commando 2012 Pension Scheme
- Donington MC Pension Scheme
- Dominator 2012 Pension Scheme.

After extensive investigation, the Ombudsman has upheld these complaints against Mr Stuart Garner, as trustee of the Schemes at the time, and where applicable, LD Administration Limited (LD), as Administrator of the Schemes between 2014 and 2018.

Dalriada was also joined as a respondent to the complaints, as it was named by some applicants; the Ombudsman dismissed those complaints, but Dalriada was retained for the purpose of carrying out the Ombudsman's directions.

Summary

The Schemes were established in 2012 and Mr Garner was appointed as sole trustee of each Scheme. Mr Garner was also the sole director of Manorcrest Limited, the Scheme's principal employer. The Schemes were promoted to prospective members, by individuals who were subsequently jailed for fraud, as an opportunity to invest in the Norton Motorcycles business. Members were incentivised to transfer their pension funds from other pension arrangements into their respective Schemes by being offered a tax-free "commission" on completion of their transfer.

Mr Garner, as trustee of the Schemes (referred to, in that capacity, as the Trustee), invested members' entire funds under the Schemes in preference share capital in Norton Motorcycle Holdings Limited (Holdings), of which Mr Garner was the sole director and a shareholder. The Trustee took no written advice in relation to that investment.

The basis of the complaints is that:

- the manner of investing the Schemes' funds does not accord with the Schemes' purpose
- the Trustee has acted under a conflict of interests

- the Trustee has breached his investment duties and has committed multiple breaches of trust

- the Trustee and LD have failed to provide an adequate administration process for any of the Schemes, bringing into question the accuracy of benefit statements and other information issued to members.

Although the Ombudsman found that the Schemes had not been, in law, initially set up for an improper purpose, he upheld the other aspects of the complaints, finding that:

- the Trustee acted dishonestly and in breach of his duty of no conflict, his duty not to profit and his duty to act with prudence

- the investments made by the Trustee in Holdings' preference shares on behalf of each of the Schemes were made in breach of the Trustee's statutory, investment and trust law duties

- the Trustee has breached his statutory duties to have in place adequate controls to: manage conflicts of interest; and ensure the effective administration of the Schemes

- the Trustee has breached his statutory duty to have acquired knowledge and understanding of the law relating to pensions and trusts.

- there has also been maladministration by the Trustee in relation to:

  - the Trustee's failure to manage conflicts of interest in relation to the Schemes

  - the Trustee's failure to have regard to the Schemes' respective Statements of Investment Principles

  - the Trustee's failure to ensure that the Schemes' investments were, and remained, appropriate for the Schemes' members.

The Ombudsman has also concluded that there has been maladministration by LD, as LD lacked the necessary knowledge or experience to administer the Schemes.

The Ombudsman has directed the Trustee to pay back to the Schemes the amount lost on investment in Holdings' preference shares, less any amount already recovered, plus interest. The Ombudsman has also directed the Trustee and LD to make payments to the Applicants, in respect of their distress and inconvenience caused by the Trustee's and LD's respective maladministration.

Recovery of overpayment by equitable set-off Determination (Partly upheld)

The case involved complaints made by Mr E against Teachers' Pensions (TP) and Islington Borough Council (the **Council**), resulting from TP's claim that his pension from the Teachers' Pensions Scheme (the **Scheme**) had been overpaid, and its request for the return of the overpaid amounts.

The Ombudsman partly upheld the complaints against TP and the Council, finding that Mr E did not have any defences available to the recovery of the overpaid funds, but both respondents had caused him distress and inconvenience.

In his conclusions, the Ombudsman considered that TP was relying on equitable set-off as the legal basis for recovering the overpayments.

Equitable set-off operates in a similar way to equitable recoupment. However, equitable recoupment is a principle that applies to trustees, and the Scheme was a statutory unfunded scheme with no trustees and no trust, so recoupment was not available to TP. Mr E's pension entitlement and the overpayment were cross claims between Mr E and TP, so the Ombudsman concluded that TP could rely on equitable set-off as the basis for recovery of the overpayment.

The Ombudsman considered whether any defences to recovery were available to Mr E, determining:

- As an equitable self-help remedy, equitable set-off is not subject to a six-year limitation period under section 5 of the Limitation Act 1980. In any event, all of the overpayments to Mr E were made within six years of his complaint, so he could not rely upon the limitation period under section 5 as a defence.
- The necessary elements were not present for a valid defence of "change of position", estoppel or contract.
- TP should consider Mr E's evidence for financial hardship.

The Ombudsman directed that:

- TP should recover the overpayment through a mutually acceptable payment plan.
- TP should pay Mr E £1,000 for the serious distress and inconvenience caused.
- The Council should pay Mr E £500 for the significant distress and inconvenience caused.

Death benefits (Adjudicator's Opinion accepted)

Mr S was a member of Stanplan A, a Standard Life occupational pension scheme (the **Scheme**). Under the Scheme Rules the Trustee had the discretion to decide who should receive a lump sum on the death of a member.

Ms D's complaint was about the Trustee's decision to award her only 50% of the lump sum benefits due following the death of Mr S while it waited to see if any of Mr S' family members made a claim for the remaining amount.

Mr S died in March 2016. He left a handwritten will stating that Ms D should be the sole beneficiary of his pension. Mr S had also completed an Expression of Wish form which named Ms D as the beneficiary of the death benefit lump sum. Following Mr S' death, Ms D sent the paperwork to Standard Life. She explained that she was listed as Mr S' next of kin and had no details of his estranged family.

In 2017, Standard Life told Ms D that she would not receive any of the death benefits as she was not entitled to them under the Scheme Rules. The Trustee made a decision to award the death benefits to Mr S' daughter. However, a payment was not made, because she could not be traced.

Ms D challenged the Trustee's decision, saying that it had refused to consider the will and the Expression of Wish form which she believed was in line with Mr S' wishes. The Trustee confirmed that the will had been considered but the decision for the payment of death benefits was a discretionary one and it had concluded that the death benefits should not be paid to Ms D.

Ms D raised a complaint with the Trustee and submitted further evidence, following which the Trustee revisited its original decision and decided to pay Ms D 50% of the death benefit lump sum as she was a recognised beneficiary. The Trustee said that the remaining 50% of the benefits would remain with Standard Life for a further two years in case any of Mr S' family members came forward as potential beneficiaries, in particular Mr S' daughter.

Ms D then complained to TPO and her complaint was considered by an Adjudicator. The Adjudicator concluded that the first decision made by the Trustee was wrong, as the Trustee had not correctly directed itself in the interpretation of the Scheme Rules regarding whether Ms D qualified as a beneficiary.

The Adjudicator considered that in responding to Ms D's appeal, the Trustee had, in effect, revisited its initial decision as it may have been directed to do by the Ombudsman. Under the new decision, after the two-year period expired, the payment of the remaining 50% was likely to incur unauthorised pension payment charges that could have been avoided. In the Adjudicator's opinion, this was not an acceptable outcome. The Trustee had discretion to decide who the death benefits should be paid to. It would only be reasonable for the Trustee to hold back some of the death benefits if it was actively trying to locate Mr S' daughter, but there was no evidence of this.

The Adjudicator concluded that it was unreasonable to make a decision that only 50% of the death benefits should be paid in case another beneficiary came forward. The Trustee needed to make a clear decision about who the death benefits should be paid to. Furthermore, two years was an unreasonable period of time for the Trustee to simply wait to pay out the remaining benefits, especially when the potential beneficiary was not actively being sought.

To put matters right, the Adjudicator said that the Trustee should reconsider which beneficiary or beneficiaries are entitled to the further 50% of the death benefits. If the Trustee concluded that it should be paid to Ms D, then payment to her should be made as soon as possible. In addition, any potential tax charges due to exceeding the two-year limit for payment of death benefits should be covered by the Trustee. The Trustee should also pay Ms D £500 for the significant distress and inconvenience she had suffered.

Both parties agreed with the Adjudicator's Opinion.

Unpaid contributions (Resolved by the Early Resolution Team)

On joining her new employer and being automatically enrolled into a pension plan, Ms N realised that her former employer should have also automatically enrolled her into a pension plan.

When she queried this with the former employer, they asserted that she had opted not to join. Ms N was adamant that this was not the case. As she was not satisfied with her former employer's response, she complained to TPO.

The Early Resolution Team contacted Ms N's former employer. We asked if they could give us evidence to show that they had written to Ms N to explain automatic enrolment; that they had taken the necessary steps to enrol her; and that she had opted out.

We subsequently discussed Ms N's complaint with her former employer and they agreed that, in error, she had not been correctly enrolled into their scheme. They undertook to calculate the employer and employee contributions that were due and agreed they should pay their share to Ms N's pension fund.

We asked whether the former employer would also consider the investment growth that Ms N may have lost out on because of the late payment of the contributions. Because Ms N had not been enrolled when she should have been, this was not straightforward. However, after talking to both Ms N and her former employer, it was agreed to use the fund performance achieved by the pension plan's default fund from the point contributions should first have been paid.

Ms N's former employer subsequently made a payment, covering both their outstanding contributions and the missed investment growth, to Ms N's pension fund. Ms N arranged the payment of the contributions she should have paid. Both parties agreed the matter was resolved.

Further case studies can now be found on our website:
pensions-ombudsman.org.uk/case-studies

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 102.

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

2020/21 was similar to the previous year in terms of the number of new matters referred to us.

	In hand at 01/04/20	New/ re-opened matters	Completed investigations	In hand at 31/03/21
PPF maladministration	1	8	2	7
PPF reviewable matter	3	1	4	0
FAS appeal	7	5	2	10
Total	**11**	**14**	**8**	**17**

Complaints about our service

Since last year we have changed how we deal with service complaints.

All complaints about our service are now handled by our new Customer Service Team who examine the service complaint and attempt to resolve the issue. If the matter remains unresolved, it is referred to an appropriate senior manager, and ultimately the Casework Deputy Director, who will provide a formal response.

These changes have enabled us to provide final responses within 22 working days against a 40 working day target.

In response to an increase in service complaints regarding cases that have been closed for several years where records are no longer readily available, we have also introduced time limits for bringing a complaint about our service:

- For cases that conclude **after** 1 April 2021, the service complaint needs to be made within **three months of the case closing.**
- For cases that concluded **before** 1 April 2021, the service complaint needs to be made within **six months of the case closing.**

In 2020/21 we dealt with 122 complaints about our service. This represents a very low proportion of our overall workload – just 2.49% of our active caseload.

We upheld, or partly upheld, 51% of these complaints, which is slightly higher than last year. All service complaints are reviewed to capture and share trends and areas for development so that we can continue to make improvements to our service.

Complaints about our service can be escalated to the Parliamentary and Health Services Ombudsman (PHSO) if the complainant remains dissatisfied. In 2020/21 we did not receive any decisions from PHSO.

The courts

Appeal Figures 1 April 2020-31 March 2021

Pensions Ombudsman appeals

Outstanding at the start of the year	5
New	4
Heard/settled/withdrawn during the year	8
Remaining at year-end	1

Pension Protection Fund Ombudsman

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

The Covid-19 pandemic

Over the last year, the Covid-19 pandemic has brought significant challenges for both the courts and the parties in relation to appeals. However, courts across the UK have emphasised the importance of the continued administration of justice throughout the pandemic[1]. Therefore, it was considered that there was no reason why appropriate appeal cases could not be resolved fairly via a remote hearing video link. The practicality of holding appeal hearings was assessed in each case, and there were no appeals that were left unheard at year end as a direct result of the pandemic.

TPO attended several appeal hearings remotely as an observer over the year. There was considerable flexibility in the way in which the remote appeal hearings were run and the ultimate decision regarding procedure lay with the judge. It was notable that the usual court etiquette and processes were followed as closely as possible despite the hearing being conducted via video link.

1 Civil Justice Council UK, "The Impact of Covid-19 measures on the Civil Justice System", May 2020.

Right of appeal and reconsiderations

All four of the new appeals we received this year (which were filed with the courts) were appeals to the High Court in England and Wales. 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 four applications for permission to appeal made to the High Court this year, three were refused permission to appeal and one was granted permission but was awaiting an outcome at year end. Of the five appeals that were outstanding at the start of the year, two had permission refused and three were dismissed.

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. Of the three cases that were refused permission this year, one was dealt with on the papers; one was granted an oral hearing; and one went straight to oral hearing as the appeal was significantly out of time and oral submissions were permitted as to whether there was good reason to extend the time limits. However, neither of those two cases were subsequently granted permission to appeal.

Appeal trends

This year saw a considerably lower number of appeals received than previously. It represents the lowest number of new appeals received by TPO in the last ten years.

Similarly, there was only one appeal outstanding going into the new financial year. Also representing the lowest number of appeals outstanding at the start of any given year in the last ten years.

More pertinently, of the three appeals heard this year, two were not upheld and the parties settled the other one by consent. Since 6 April 2014, a party applying to the court has required the consent of the High Court for any appeal against a Determination or direction in England and Wales. It is encouraging to see that the courts are dealing with cases at this earlier stage which is beneficial for all the parties.

In-house litigation

Historically, TPO has had neither the staff numbers nor specific expertise to carry out significant in-house litigation. However, the successful development of the Legal Team over the last two years has brought an enhanced and wider range of legal experience into the Team, including in litigation.

Given current financial constraints, using TPO in-house litigators alongside or in place of external counsel is cost-effective while providing excellent development opportunities and variety for our lawyers.

TPO has a Higher Rights Advocate as one of its Senior Counsel, who can represent TPO in the courts of England and Wales. Other notable recent in-house litigation work includes work completed in respect of two Scottish cases; plus defending two judicial reviews (see page 49), which has saved TPO a considerable amount in counsel fees.

Pensions Ombudsman active participation in appeals

TPO's approach to participation has extended beyond only participating in appeals which raise questions affecting our legal jurisdiction or internal procedures. Our participation is now more proactive and will be considered against the backdrop of seeking to assist the court. For example, we may participate where the decision could have a wider impact on the pensions industry, such as decisions concerning pension liberation or auto-enrolment, or where there is a significant concern over access to justice and participation is necessary to properly present and argue the points (the principle of 'equality of arms').

This year we did not actively participate in any of the eight appeals that were either heard, settled or withdrawn throughout the year. However, where we deemed it to be appropriate, we attended appeal hearings as an observer to keep abreast of the outcome.

As at year end, we were intending to participate in the one remaining appeal[2], which was received in the year 2020/21 and which was due to be heard in late April 2021. However, the appeal was withdrawn before being heard. We had sought to participate as the issues raised in the appeal touched on our jurisdiction and powers; the pension scheme members affected were not able to take part; but we considered that our participation was in the wider public interest as the case concerned trustee dishonesty.

2 *Stuart Garner v Dalriada Trustees Ltd and Others* CH-2020-000176

Scottish appeals

In England and Wales, appeals against Determinations of the Pensions Ombudsman follow a statutory appeals procedure. They are brought on a point of law to the High Court pursuant to section 151(4) of the Pension Schemes Act 1993. Under the Civil Procedure Rules, **permission will be granted where the appeal has a real prospect of success or there is a compelling reason for the appeal to be heard.** In Scotland, the approach is different. The right of appeal is to the Court of Session. The procedure is known as 'appeal by stated case'. The applicant must write to the Pensions Ombudsman requesting a case to be stated with reasons why they believe the Pensions Ombudsman has erred in law. The Pensions Ombudsman must then decide whether he will state a case and must provide full written reasons for the decision. There are tight time limits at each stage of this process.

The case stated procedure in Scotland is longer and more detailed than the statutory appeals process in England and Wales. As distinct from the procedure in England and Wales, Scotland's case stated procedure automatically brings the Pensions Ombudsman into proceedings and in only limited circumstances can the Pensions Ombudsman decline to state a case. The process necessitates at least some form of participation and cost, even if the claim is out of time, vexatious or has no merit, (see our 2018/19 Annual Report on the case of *Lilburn*[3], which took over two years for a decision to be reached that the appeal was out of time – by some eight years).

The Pensions Ombudsman has had very few appeals in Scotland historically and the procedure has been somewhat unclear. However, this year, two new potential Scottish appeals were raised with TPO. Of these two Scottish appeals, the Pensions Ombudsman (using our in-house lawyers) stated a case in one and refused to do so in the other. Neither appellant had properly completed the case stated procedure with the Court of Session in Scotland by year end. Therefore, whether these Scottish appeals progress will depend upon whether the case stated procedure is properly completed and the court's response to any late applications. The case of *Cunningham v Namulas Pension Trustees Ltd*[4], a Scottish appeal from the previous year, was heard by the court despite it being lodged well out of time.

These Scottish appeal cases continue to highlight the lack of alignment between the procedure in Scotland and the procedure in England and Wales (and Northern Ireland). Despite the Pensions 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 jurisdiction. This unequal treatment is not consistent with the Pensions Ombudsman's aim to treat everyone 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. As we

3 *Lilburn v Pensions Ombudsman* [2018] CSIH 2.

4 *Cunningham v Namulas Pension Trustees Ltd* [2020] CSIH 73.

reported last year, we are progressing the issue and have been liaising with the Scottish Civil Justice Council (although Covid-19 has delayed progress). In our view, the fairer and more streamlined procedure would be for Scotland to follow a statutory appeals process like that in England and Wales.

Some interesting appeals

Appeals against Pensions 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 of interest heard this year.

Natural and ordinary meaning approach to interpretation of scheme rules

The judgment in the appeal case of *Carr v Thales Pension Trustees Ltd*[5] was handed down on 22 April 2020.

Mr Carr was a pensioner member of the Thales UK Pension Scheme. Rule 1.11(b) of the Scheme's 2000 rules stated that pensions in payment would be increased by: "the percentage increase in the retail prices index over the year ending 30 September in the calendar year prior to that in which the increase is due to take place subject to a maximum of 5 per cent as specified by order under Section 2 of Schedule 3 of the Pensions Schemes Act 1993."

The rule could be simplified and broken down into two limbs. The first limb required increases to be in line with the Retail Prices Index (RPI) subject to a maximum of 5 percent. The second limb required increases to be specified in a revaluation order made under the Pension Schemes Act 1993. At the time the rule was drafted, the revaluation order specified RPI, but from 2010 onward the order specified the Consumer Prices Index (CPI). From then onwards the two limbs were inconsistent.

In 2016 the Scheme's Trustees sought to change the index by which members' benefits were increased from RPI to CPI. This change was to be retrospective from January 2011. As a result, the Trustees stated that Mr Carr had been overpaid since 2011. They agreed to "write-off" the overpayments but froze future annual increases until Mr Carr's pension in payment matched the amount it would have been had it been increased in line with CPI since 2011.

Mr Carr complained to the Pensions Ombudsman. The Pensions Ombudsman upheld Mr Carr's complaint, concluding that the Scheme rules had "hard-coded" RPI as the relevant index for pension increases. He concluded that there was nothing modifying, altering or qualifying the words "retail prices index" or the 5% cap in the Scheme's rules and therefore these should be given their "ordinary and natural meaning". Since the draftsman referred to RPI, that was the index by which he intended pensions in payment to increase.

5 *Carr v Thales Pension Trustees Ltd [2020] EWHC 949 (Ch)*

Thales UK appealed to the High Court. The court acknowledged that the key issue was to identify which of the two inconsistent limbs in the Scheme rules should prevail. The court confirmed that the Pensions Ombudsman "came to the right conclusion on the question of construction" in respect of the interpretation of the Scheme's rules concerning indexation. He agreed that a "natural and ordinary" reading of the rule gave primacy to the first limb which provided for increases to be in line with RPI, subject to a maximum of 5%. The appeal was dismissed.

The case highlights the importance of the specific wording of an individual scheme's rules and that, where possible, the courts will look to interpret scheme rules in accordance with their ordinary and natural meaning.

TPO's approach when considering whether to grant a complainant permission to withdraw

The Scottish appeal case of *Cunningham v Namulas Pension Trustees Ltd,* heard on 18 December 2020, provides clarity in relation to TPO's approach when considering whether to grant an applicant permission to withdraw a complaint where the investigation is nearing completion and the complaint is unlikely to be upheld.

Mr Cunningham was the beneficiary of a self-invested personal pension (SIPP) which held a half share of two properties in Edinburgh. The properties had been used as commercial properties, but from 2013 onwards Mr and Mrs S had resided in them, having converted them for residential use. Residential property is generally not a permitted asset in a SIPP and in 2015 the SIPP Trustees commenced eviction proceedings against Mr and Mrs S.

The SIPP Trustees conveyed the properties to Mr and Mrs S later in 2015, but before they did so, Edinburgh Council issued a completion certificate for the conversion works. As a result, the SIPP incurred a significant tax liability because the property was considered to have become residential. Mr Cunningham referred a complaint against the SIPP Trustees to TPO in February 2016.

The Deputy Pensions Ombudsman (DPO) issued a preliminary decision in February 2018, indicating that she proposed to reject Mr Cunningham's complaint. In her view, the SIPP Trustees had properly and reasonably discharged its duty as the trustee of the SIPP and there had been no maladministration.

Mr Cunningham then sought to withdraw his complaint. He disagreed with the preliminary finding and wrote to TPO in August 2018 to say that the DPO "will no longer be dealing with my complaint." He explained that he had recently raised an action seeking damages for negligence against the SIPP Trustees in Dumbarton Sheriff Court. The DPO replied to say that she had three options: (1) grant leave for Mr Cunningham to withdraw his complaint, (2) discontinue the investigation or (3) make a final Determination. Mr Cunningham was invited to make representations, but he did not do so. The SIPP Trustees, on the other hand, urged the DPO to complete the complaint process as it would be inefficient for the issues to have to be looked at again by the court when the DPO had already done so.

The SIPP Trustees successfully applied to the court in September 2018 to suspend proceedings (this is referred to as 'sist' in Scotland) while the decision of the DPO was completed. Mr Cunningham did not initially oppose the motion but then applied to the court in November 2018 for proceedings to continue. The court did not grant the application but delayed the hearing until January 2019, and expressed a wish to see the TPO complaint process resolved beforehand. The DPO decided to continue and proceeded to issue her Determination before the delayed hearing in January 2019. The Determination affirmed her preliminary view and did not uphold any of Mr Cunningham's complaints. Mr Cunningham then appealed the Determination on the merits of the decision, which he claimed were legally flawed, and also that the DPO should have allowed him to withdraw his complaint when he requested to do so.

On appeal, the court agreed that the DPO had undertaken a comprehensive and thorough investigation into Mr Cunningham's complaint, had considered all the relevant issues and had reached a rational result which was "clear, detailed and cogent". Importantly, the court also held that it was reasonable for the DPO to have continued her investigation into Mr Cunningham's complaint and to issue a final Determination in January 2019. This was important as Mr Cunningham was found not to have made a clear and unequivocal request to withdraw his complaint. He did not respond to the DPO's letter in September 2018 setting out the reasons why he wanted to withdraw his complaint and it was considered that he continued to engage with the complaints process. So, the court found that it was reasonable to refuse Mr Cunningham permission to withdraw his complaint on the grounds that the complaint process was substantially complete and was nearing final determination. Moreover, the court had regard that the SIPP Trustees had also incurred significant legal fees and wanted the complaint to be determined by the DPO.

The decision provides useful support for future cases where TPO is near the end of an investigation and the applicant seeks to withdraw their complaint because they believe it will not be upheld and they wish to pursue an alternative route (sometimes referred to as 'forum-shopping'). This appeal highlights that in these circumstances, it is reasonable for TPO to refuse to grant permission to withdraw a complaint, and instead to continue to investigate and determine the complaint.

Court guidance on appealing Pensions Ombudsman decisions out of time

When appealing decisions by the Pensions Ombudsman, those appealing must ensure that an application is made to the High Court within the statutory deadlines, even where there are partially mitigating circumstances that caused the delay. For the purposes of appealing a decision, an investigation carried out by the Pensions Ombudsman and resulting decision should be regarded as akin to court proceedings, and an appeal of any decision should be treated as the continuation, not commencement, of litigation by the parties.

The appeal in *Smith v The Trustees of the Motorola UK Benefits Plan*[6] related to a DPO Determination dated 5 November 2019. Mrs Smith's complaint that the Trustees had not completed the enhanced cash equivalent transfer value of Mr Smith's benefits from the scheme to a new provider was not upheld. Mr Smith had applied for an enhanced transfer value to be transferred to another provider, but in the cooling-off period between the application to transfer and its completion, Mr Smith passed away and the new provider refused to accept the transfer. Under the rules of the scheme, the Trustees could not pay the transfer value to Mrs Smith or any other pension provider.

Mrs Smith lodged a notice of appeal with the High Court on 15 July 2020, some seven months after the decision was issued by the DPO. The application to appeal out of time was heard on 14 January 2021, remotely via video link. The court applied a three-stage test set out by the Court of Appeal in the case of *Denton v White*[7] where a party seeks to apply for relief from sanction, and subsequently refused permission for Mrs Smith to bring the appeal out of time.

Stage 1 of the *Denton* test required the court to consider whether the breach was serious or significant. The court accepted that while the effect of a delay on proceedings may affect the significance, the court rejected the submission that the delay in this case was not significant. Following the line of authority in the case of *Hysaj v Home Secretary*[8], timelines are considered important to ensure the finality of litigation. The court rejected the submission that Mrs Smith had stated to the Trustees that she was considering an appeal and the respondent could accordingly not rely on the finality of the DPO's Determination. Rather, a respondent is entitled to rely on an appeal not being launched beyond the permitted timeframe.

Stage 2 of the *Denton* test required the court to consider, if the breach was serious or significant, why the breach occurred. The court did not accept that there was sufficient reason to explain the delay. The documentation presented to the court showed that Mrs Smith was able to understand the nature of the complaint she had made to TPO, and she had taken legal assistance doing

6 Unreported

7 *Denton v White and other appeals* [2014] EWCA Civ 906

8 *R (Hysaj) v Secretary of State for the Home Department* [2014] EWCA Civ 1633

so. With some legal support she had given careful consideration to the legal issues, and so could not be characterised as a litigant in person. Mrs Smith had accepted that she was aware of the 28-day time limit to seek permission to appeal from the court. Following the line of authority in *Hysaj v Home Secretary*, being a litigant in person or a shortage of funding alone would not, in any event, be sufficient reason for delaying the application.

Stage 3 of the *Denton* test required the court to consider all the circumstances of the case in order to deal with the application "justly", in accordance with Civil Procedure Rule 3.9 including: (a) the need for litigation to be conducted efficiently and at proportionate cost and, (b) the need to enforce compliance with rules, directions and court orders. Regarding Mrs Smith's state of mind and her inability to engage with the appeal process, the court acknowledged the difficulties that she faced in undergoing a grieving process during the investigation and appeals processes. However, the court found that she had engaged with the TPO process for many months and there was no significant difference between dealing with TPO during the complaint process and the court during the appeal process. Although there was some explanation for some periods of delay, the court did not consider that there was an adequate explanation for the whole period of delay, especially from March 2020 onwards, and the national lockdown provided no additional explanation as to why the delay occurred as solicitors were routinely able to act for clients during that time.

The court accepted Mrs Smith's submission that there would be no direct prejudice to the respondents if the application was granted, but did not accept, following *Denton*, that absence of prejudice was in itself a reason to extend time. Like any litigant, the Trustees had a legitimate interest in the finality of the litigation. This contrasts with the approach in *Cunningham* (see page 45) where the Court of Session extended time for the appellant (himself a solicitor), for that reason. What appeared to tip the balance in the *Cunningham* case was the relative prejudice to the parties, were the court not to exercise its discretion. In that case, the court could find no substantive prejudice to the respondents and, by contrast, the appellant stood to lose a substantial amount of money, which was considered significant in reconciling justice and finality.

The court rejected the submission that the TPO process, largely conducted on paper, and in which Mrs Smith was provided with little assistance, was not akin to court proceedings and that she should be regarded as having been at the outset of litigation. The court held that TPO had undergone a full process in which Mrs Smith was fully engaged, and there was no serious distinction between TPO's process and court proceedings. Taking into account the need for the court to enforce compliance with rules, the application for permission to bring the appeal out of time was dismissed.

The approach to time limits in the *Smith* appeal is similar to that also taken in the appeal of *Higgins v Staffordshire County Council*[9]. In this case, the appellant's application to renew an appeal application was refused by the court in an oral hearing, heard remotely via video link, on 5 February 2021. The same test from the case of *Denton* was applied in relation to a delay of approximately two and a half months beyond the allowed timeframe from the date of the Pensions Ombudsman's Determination to the lodging of the appeal. The court considered that such a delay was serious and significant. The fact that the appellant was a litigant in person was not held to be of itself a good reason for the delay and, in all the circumstances of the case, including the merits of the application, it was held not to be appropriate to grant an extension of time. Permission to appeal was refused.

Judicial review

We received one judicial review this year which remained at year end[10]. The claim form was lodged with the Birmingham Administrative Court on 25 January 2021.

The claim form sought to challenge the decision of the Pensions Ombudsman not to investigate a (second) complaint made by the claimant against Nottingham City Council. TPO's decision, made on 5 November 2020, was made in accordance with sections 146(1) and 151(4) and (5) of the Pension Schemes Act 1993. The claimant sought final relief by way of an order quashing TPO's decision not to investigate the complaint. We opposed the grant of permission and any relief and sought an order that the application for permission is refused. We are waiting to hear from the court regarding its decision on permission.

In this case, the claimant had not complied with the pre-action protocol requirements for judicial review, despite stating in the claim form that they had. The first notice that we received of this intended claim was the service of the claim form rather than the required pre-action protocol correspondence. Because the pre-action protocol was not complied with, we were unable to make representations at the pre-action stage, which is to the benefit of all parties. Nevertheless, using our in-house lawyers, we acknowledged service, along with filing our summary grounds of resistance on 23 February 2021.

We also dealt with one other case at the pre-action protocol stage which we robustly defended (in-house) and which did not proceed to court.

9 Unreported

10 Mr A, PO-23151

Other key developments

Key achievements against our Corporate Plan

Our Corporate Plan 2020-2023 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 goals.

Strategic goal one: Providing a customer-focused service for the resolution of occupational and personal pension complaints

Customer survey

In 2020/2021 we conducted three customer surveys that each covered a four-month period.

We surveyed 6,863 participants (including respondents) who had opened or closed a complaint with us between 1 April 2020 and 31 March 2021.

The overall response rate was 25%, broken down as:

- 27% from complainants
- 13% from respondents.

Surveys were sent at three key stages of the complaint process:

- Initial application included all applications received up until completion of a jurisdiction test
- Early Resolution covered all complaints dealt with by our Early Resolution Team
- Adjudication covered all complaints dealt with by our Adjudication Teams.

In analysing the results, the methodology used to measure customer satisfaction combines some of the questions asked under three headings. The table below outlines the combined results against each heading.

Measurement Heading	Result
Providing you with a good service	53%
Providing clear information	67%
Providing clear decision making	62%

As well as tracking the results against our measurement headings, we will also use insight captured through quality assurance audits and service complaints to drive continuous improvements.

From April 2021 customer satisfaction surveys will be carried out quarterly and the process will be automated later in the year for new complaints. Participants can opt out of surveys at any stage.

Casework Reorganisation Programme

The third phase of our Casework Reorganisation Programme aimed to fully integrate our casework services into one single customer journey for the resolution of occupational and personal pension complaints. It was ready to implement from 1 April 2020 but had to be delayed due to the Covid-19 pandemic. We adopted a phased approach throughout May and June and the reorganisation was fully completed by the end of June 2020.

We introduced a single application process for all new pension complaints with a new Enquiries Team, upskilled and equipped to deal with a wider range of issues. This ensures a consistent approach which enables us to identify each pension complaint's potential needs for the whole customer journey as early as possible.

All applications are assessed by our new Assessment teams, who have been able to close more than double the pension complaints at this early stage compared to last year. Previously, these pension complaints would have waited for closure by other teams, meaning a longer waiting time for customers.

We have centralised all our supporting functions into a Central Support Team to provide greater flexibility, while also expanding our Quality Team and creating a new Customer Service Team dedicated to supporting customers when they are not happy with our service. All these enabling functions are essential to help us to deliver the best service we can within the resource available to us.

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

Legal Forum

We hosted our bi-annual Legal Forums in July 2020 and January 2021. For the first time, this specialist event for lawyers was held online.

Across the two events, topics for discussion included:

- TPO's operational issues arising from the Covid-19 pandemic

- complaints involving loss concerning non-payment of contributions
- recent appeals against Determinations and the appeal procedure in Scotland
- pension scams
- the Ombudsman's first Determination on using equitable set-off to recover an overpayment
- TPO's approach to group complaints.

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.

Atkins Encyclopaedia of Civil Proceedings

TPO is now included in a new volume of Atkins Encyclopaedia of Civil Proceedings. Atkins is relied on widely by lawyers as the main source of procedural documents that are required in every civil proceeding before the courts and judicial tribunals of England and Wales. It is the first time that a volume of the encyclopaedia has been published that includes a complete view of all private and public sector Ombudsman schemes and outlines their jurisdiction, powers, governance, funding and how they are accessed. Our Legal Team worked with the volume's authors on the appropriate wording in relation to TPO.

Working with the pensions industry and our stakeholders

The Covid-19 pandemic inevitably had an impact on the way in which the Stakeholder Engagement Team was able to interact with key strategic partners and other stakeholders. Unable to host events, we participated in more regular online meetings and events.

Working collaboratively with the Pension Protection Fund, Money and Pension Service, The Pensions Regulator, Financial Services Compensation Scheme and the Financial Conduct Authority, we participated in the production of a guide 'Covid 19 and your pension – where to get help' to provide guidance to customers about the help available from the different services we offer.

We also built on our partnership with other arms-length bodies to discuss ways in which we could work collaboratively to educate and improve relationships with

Parliamentarians. These discussions have improved the intelligence we gather and share about ongoing and emerging issues that affect our work and that may be of interest to members of Parliament. This work supported our formal engagement, such as when the Ombudsman appeared before the Work and Pensions Select Committee in July 2020.

Covid-19 has clearly had an impact on the pensions industry, with schemes, providers and members affected in different ways and we are conscious that events like a pandemic open the door to potential scammers. TPO is committed in the fight against pension scams. TPO supports and cooperates with the multi-agency taskforce, Project Bloom, sharing a united aim to protect pension schemes members and ensure a safe pension scheme environment. Project Bloom partners coordinate and target efforts to combat pension scams and fraud through education, prevention and enforcement.

Stakeholder survey

Our first stakeholder survey was carried out in September 2020 to get feedback and input into the services the Stakeholder Engagement Team provide and what additional support stakeholders would like from us.

The survey was sent to contacts representing:

- private and public pension providers
- consumer groups
- key strategic partners
- professional bodies and other ombudsmen
- master trusts
- interested Parliamentarians
- Legal Forum members.

We received 431 responses and would like to thank all participants.

The survey suggested that there were no significant changes required to how we engage with our stakeholders. However, the survey responses did identify priorities we will be focusing on in 2021/22:

- improving the information and guidance on TPO's website that is useful and relevant to stakeholders
- strengthening relationships with emerging pension areas such as master trusts
- expanding engagement with consumer groups and Parliamentarians.

Strategic goal three: Transforming and improving our services and processes

Digitalisation Programme

Customer portal

A further initiative to improve the customer journey is our customer portal where customers would be able to submit general enquiries and online applications as well as upload supporting documentation.

We have been working on the portal to make sure it works for customers and that TPO staff are trained and ready to use it. As with any project of this nature this takes time and it is not always possible to predict in advance how long it will take.

The portal is now ready to go live, but we have been advised by the Department for Work and Pensions (DWP) that we need to complete an assessment of whether the portal meets the Digital Service Standards set by the Government Digital Service. We are currently in dialogue with DWP about this and how best to move forward. We will of course update stakeholders, including the Work and Pensions Select Committee, at the appropriate point.

Website redevelopment

On 28 May 2020, phase 1 of our website redevelopment was completed with the launch of our new website. The new website has been designed and developed with customers in mind and is much clearer and easier to navigate.

Further enhancements, identified through user testing, have been completed throughout the year, including:

- a question tree providing personalised information to customers. By answering six simple questions, customers can check whether they have a valid complaint to bring to TPO
- Live Chat facility to give our customers another option and greater flexibility in how they can contact us. Initially, the Live Chat facility is available for two afternoons a week
- a frequently asked questions section; covering key information to help answer customers' questions online without them needing to contact TPO
- case studies to give customers and stakeholders insight into the type of complaints TPO deals with and its approach.

Completion of the two phases of the website redevelopment project has greatly improved the customer journey, making it clearer to customers whether we can deal with their complaint and what they need to do next at every stage of the process.

Quality Assurance

During 2020/21, we carried out 1,748 quality audits (2019/20: 891) and ended the year with a quality score of 87% (2019/20: 89%) across all Casework teams.

This is the first full year of quality audits being carried out across all casework teams. In accordance with our Quality Framework, quality audits were incrementally rolled out between May 2019 and January 2020. The Quality Assurance Team was expanded as part of the Casework Reorganisation Programme to deal with this increase.

The areas audited include:

- keeping customers informed throughout their complaint journey
- handling and capturing customer information
- explaining clearly how we have reached decisions along with how to appeal
- providing clarity when advising of next steps
- communicating clearly, using plain English.

Staff feedback sessions are held to share best practice, recognise and celebrate the positives and provide coaching and support for the development of any skills which would improve the service for our customers.

The outcomes of the quality audits have enabled us to identify areas where we are doing well such as 'Clearly explaining how we have reached a decision and how to appeal' and areas where we are looking to make improvements, for example, 'Maintaining regular contact with applicants throughout the customer journey'.

Action to address areas for improvement include: revising our communications, setting customer contact standards, providing staff training on data capture and sharing knowledge.

Based on our experience and results from the first two years of our quality audits, we are now in a position to adopt more of a risk-based approach so that we can focus on targeting areas that require the greatest improvement. Using this risk-based approach will mean that we can support the customer journey where it needs it most.

Our people

Our staff

People Strategy

During the year, a People Strategy was agreed by the Board covering the following workstreams:

- Organisational Development & Design
- Leadership and Management Development
- Learning and Development
- Recruitment and Retention
- Reward and Recognition
- Equality, Diversity and Inclusion
- The HR Team.

Work has commenced in all of these areas. To date we have, for example:

- Set up a Senior Leadership Team to improve cross functional working under the ethos of 'One Team'.
- Reviewed and revised our performance management framework.
- Implemented management training for managers and aspiring managers.
- Conducted a learning-needs analysis specific to our Casework function that identifies the required technical knowledge and skills to deliver an effective service to our customers.
- Conducted an audit of our recruitment processes, considering overall effectiveness and also compliance with the EHRC Code of Practice in Employment.
- Introduced an employee benefits scheme.
- Conducted the first systematic collection and analysis of our staff's protected characteristic data.
- Introduced a new Equality Impact Assessment policy.
- Set up an Equality, Diversity and Inclusion staff group.
- Renewed our membership of the Disability Confident Scheme.
- Conducted a staff survey.

Staff survey

As part of our People Strategy, we conducted a survey of the attitudes of our staff towards working for TPO.

Whilst not part of the Civil Service, we adopted the Civil Service People Survey methodology for the survey. This provides us with a technically robust survey and also an opportunity to benchmark our results against the Civil Service.

Our staff responded enthusiastically to the survey, with a response rate of 88%, (Civil Service response rate: 66%) providing a valuable source of data that will help to inform the further development of our People Strategy.

Examples of high-level results, compared to the Civil Service survey, 2020:

Category	Score	Difference against Civil Service survey
Employee engagement index	66%	0
Leadership and managing change	63%	+5

From the survey data and comments staff provided, the Leadership Team has identified three priorities that focus on areas where we can have most impact and that are important to all staff:

- Learning and Development
- Culture
- ‘One office’.

We have asked staff for feedback on the priorities identified, the outcome of which will enable us to agree the priorities for action over the coming year.

Our volunteers

We have a network of 202 volunteers who help us deliver our Early Resolution Service. In 2020/21, our Volunteer Network helped us to resolve 1,442 pension complaints.

We are very grateful for the time and expertise our Volunteer Network gives us. We are also especially grateful for the flexibility our volunteer advisers have shown as we adapted to new working conditions following national lockdowns during the Covid-19 pandemic.

We have worked hard to support our Volunteer Network in 2020/21:

- We surveyed our volunteers about their volunteering experience. 97% of respondents said they would recommend volunteering for TPO to other pension professionals. 95% were satisfied or very satisfied with the administration and technical support they receive.

- We have recruited 25 new volunteer advisers.

- In October, we held a highly successful volunteer recruitment drive at the Pension Management Institute's 'DC and Master Trust Symposium' which generated a great deal of interest and resulted in 21 volunteer applications.

- In the summer 2020 we hosted six seminars for volunteers, via Zoom. The topics included the work of The Pensions Regulator (TPR), Information Security, the Pension Landscape, and updates from within TPO. Our thanks to all speakers including Sir Steve Webb, Partner at LCP and Mel Edwards, Director of Automatic Enrolment at TPR.

- We developed and launched a dedicated website for our Volunteer Network on 29 September 2020, containing guidance and technical information to support them.

- We issued three volunteer newsletters covering news and activities and summaries of notable decisions.

- We produced a recruitment video, to promote volunteering for TPO.

- We ran several training sessions in January 2021 for new volunteers, outlining TPO's process and approach to common complaint issues.

- We have ensured that all volunteers undertake a basic Disclosure and Barring Service check.

During 2021/22 we will be enhancing our Casework Management System to provide volunteers with secure access to case documentation and enabling them to save their work directly to our system. We will also be reorganising how we manage our volunteers to ensure consistent support throughout our Volunteer Network.

Accountability Report

Statement of Accounting Officer's responsibilities

Under Section 145(8) of the Pension Schemes Act 1993 and Section 212A(1) of the Pensions Act 2004, the Pensions Ombudsman and Pension Protection Fund Ombudsman are required to prepare a statement of accounts in respect of each financial year. 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 the 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 income and expenditure, Statement of financial position 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
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

The Accounting Officer of the Department for Work and Pensions (DWP) has designated the Pensions Ombudsman as Accounting Officer of TPO and 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

We are committed to maintaining the highest standards of governance. This statement sets out our governance and risk management controls for 2020/21. The Annual Report & Accounts will be formally signed off by the Audit & Risk Committee in July 2021.

Statutory role

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.

Tailored Review

We reported last year that as a non-departmental public body, TPO is subject to a Tailored Review at least once in the lifetime of a Parliament. Our review was published in August 2019 and 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.

Following the recommendations from our 2019 Tailored Review, in line with Cabinet Office Principles for effective and proportionate governance, we have a full Board structure in place.

Caroline Rookes was appointed permanent Chair of the Corporate Board with effect from 1 December 2020, following her interim appointment in September 2019. In November 2020, DWP launched an open recruitment process for four Non-Executive Board members and the appointees took up their positions on 1 May 2021.

Framework agreement with DWP

Following Ministerial approval in March 2020, the Framework agreement was updated to reflect the new governance structure and took effect from 27 April 2020.

Quarterly accountability meetings are held with DWP to give assurance on TPO finance, performance, and risk.

Corporate governance report

Both the Pensions Ombudsman and Pension Protection Fund Ombudsman are statutory commissioners and not corporate bodies. We are not wholly bound by HM Treasury's Corporate Governance Code, but we adhere to the principles and best practice of corporate governance, as set out in our Framework agreement with the Department for Work and Pensions.

With the appointment of a permanent Chair, a review of the Terms of Reference for the Corporate Board, Operational Executive, and the Audit and Risk Committee will be carried out during 2021/22.

Operational Executive

Pensions Ombudsman – Anthony Arter
Chief Operating Officer – Alex Robertson
Legal Director – Claire Ryan

The Operational Executive is responsible for the strategic leadership of TPO and is the principal mechanism for directing the day-to-day business and decision making within TPO, ensuring action plans are in place for delivering against the Annual Report and Corporate Plan and implementing strategies set by the Corporate Board.

It meets monthly and all meetings were quorate in 2020/21.

Corporate Board

Chair – Caroline Rookes
Non-Executive Director – Mark Ardron (reappointed 1 May 2021)
Non-Executive Director – Emir Feisal (appointed 1 May 2021)
Non-Executive Director – Myfanwy Barrett (appointed 1 May 2021)
Non-Executive Director – Robert Branagh (appointed 1 May 2021)
Pensions Ombudsman – Anthony Arter
Chief Operating Officer – Alex Robertson
Legal Director – Claire Ryan

The Corporate Board meets bi-monthly and all meetings were quorate in 2020/21.

The Corporate Board is responsible for:

- ensuring that effective arrangements are in place to provide assurance on risk management, governance and financial management
- 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 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.

Audit Committee

Chair – Roy Field
Non-Executive Director – Mark Ardron

Attendees

The Pensions Ombudsman
Chief Operating Officer for TPO
Head of Corporate Services for TPO
DWP partnership team nominee
Representative from National Audit Office
Representative from Government Internal Audit Agency

The Audit Committee consists of two independent members and is chaired by Roy Field. Both members have extensive board level experience. The Chair's tenure has been extended to July 2021 to oversee the Annual Report and Accounts process, after which time one of the newly appointed Non-Executive Directors will assume the position.

The Audit Committee provides assurance to the Board and Accounting Officer by exercising oversight of the appropriateness and effectiveness of TPO's risk management, risk governance, oversight of the Annual Report and Accounts and planned internal and external audit activity.

Risks and mitigation

TPO's approach to risk continues to mature. In 2020/21, we further strengthened our risk profile by introducing a balanced scorecard for oversight by the Corporate Board and a revised strategic risk register format. The Deputy Director of Casework, Senior Counsel and Head of Corporate Services are responsible for the Operational Risk Register and hold monthly assurance meetings.

Strategic risks and the risk environment are reported into the Corporate Board and Audit Committee. In 2021/22, the Audit Committee's role and responsibility will evolve to become a combined Audit and Risk Committee and, reporting into the Corporate Board, will provide oversight of the risk management framework and risk environment.

The table below gives a flavour of the strategic risks that could have potentially impacted on our productivity during 2020/21, together with mitigation action taken.

Strategic risk	Mitigation
Covid-19 The impact of Covid-19 will impact business areas and performance across the board.	TPO business continuity plan invoked at early stage. All services operated remotely, with assurance provided regularly to Corporate Board and Audit & Risk Committee on approach.
Cyber attack risk A malicious cyber-attack could result in IT systems being compromised.	Regular engagement at senior level with IT provider. IT contract provides for regularly updated IT security software. GDPR training to all staff and volunteers provided. Information Security/Cyber Policy under review with Audit & Risk Committee oversight.
Reputational Damage Due to complainant/media/public interest in actions taken by TPO, a loss of confidence in TPO results in significant reputational damage.	Clear and transparent communications with customers about expected waiting times and reasons in place, with senior management oversight.

The system of control is designed to manage risk to a reasonable level to achieve policies, aims and objectives. It is based on an ongoing process designed to identify and prioritise risks and allows us to evaluate the likelihood of those risks being realised, the impact should they occur and to manage them efficiently, effectively, and economically. It accords with HM Treasury guidance.

In light of the size of the organisation and our relatively straightforward functions, risk is managed proportionately and reasonably in order to ensure that value is added to our objectives. We seek to avoid risk, but we do not expect to eliminate all risk. We do expect to manage risk that fulfils our functions effectively and efficiently to maintain public confidence.

We continually carry out robust assessments of the principal risks facing TPO, including those that would threaten our business model, future performance, solvency or liquidity.

The effectiveness of the systems that generate the financial and performance data contained within the report is evidenced through internal and external audit results.

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 as well as the causes and consequences of those risks identified
- there is a consistent scoring system for the assessment of risks on the basis of likelihood and impact. We determine appropriate controls and activities to mitigate the risks identified, having regard to the amount of risk deemed to be tolerable and justifiable
- regular monitoring and updating of risk information to ensure new and emerging risks are captured.

I am confident that the quality of the data used by the Operational Executive and Corporate Board is reliable.

Internal governance

The Tailored Review recommended the creation of a Chief Operating Officer role to set the platform on which to further develop TPO and provide the basis for the organisation's stability.

Alex Robertson was appointed in June 2020. As well as driving forward the management of the casework function and implementing planned changes, he has overall responsibility for the wider corporate services function and responsibility for the majority of our deliverables.

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 regular progress reports throughout the year from the Government Internal Audit Agency, together with their Annual Opinion Report and the National Audit Office Management Letter.

The Audit Committee advises my review concerning the effectiveness of internal control and continuous improvement plans are in place.

The Government Internal Audit Agency carried out four internal audit reviews in 2020/21.

Volunteer Framework – we received a moderate assurance, with an implementation date of June 2021. All recommendations were accepted with an agreed plan in place to address them.

Financial Delegations – we received a moderate assurance, with an implementation date of February 2021. All recommendations were accepted, with an agreed plan in place to address them.

Legal Helpline – we received a moderate assurance, with an implementation date of March 2022. All recommendations are accepted, with an agreed plan in place to address them.

Human Resources Recruitment – we received a limited assurance, with an implementation date of all recommendations by March 2022. This was not unexpected and affords us the opportunity to overhaul our recruitment practices.

Anthony Arter

Pensions Ombudsman
Pension Protection Fund Ombudsman

8 July 2021

Directors' report

Register of interests

The register of disclosable interests for the Corporate Board, Audit Committee members and Operational Executive is regularly reviewed and published on our website. During 2020/21 there were no examples of interests that gave rise to a potential conflict.

Diversity & Inclusion

We have launched a Diversity & Inclusion group to provide a forum for staff to discuss issues around equality, diversity & inclusion and provide a platform for staff and managers to work collaboratively on Diversity & Inclusion issues. We are new members of the Employers Network for Equality & Inclusion (ENEI) and are hoping to work towards putting forward submissions for an ENEI award in 2022.

Covid-19 impacted people in diverse ways according to their individual circumstances. The challenging nature of lockdowns and ongoing uncertainty played a part in this. The Public Health England 'Disparities in the Risk & Outcomes from Covid-19' evidences that Covid-19 disproportionately impacts those from BAME communities, older people and is more of a risk to men than to women. All staff were made aware of the report through internal communications.

Covid-19

The Covid-19 pandemic has posed a significant and unprecedented challenge across the world. TPO ensured that our response was led by government advice and guidance to enable a responsible and flexible operation throughout the crisis.

Prior to the pandemic, we were already operating a hybrid working environment, with all staff having the required tools to work from home. This meant that we were equipped to instruct all staff to work from home with immediate effect following the Prime Minister's lockdown announcement on 23 March 2020.

Our duty to our customers is of utmost importance to us. A comprehensive Business Continuity Plan was in place ensuring that TPO was well prepared for the challenges of operating during the pandemic. We managed the pandemic under a Gold Command structure and were able to continue delivering our business-critical activity as far as practicable.

We have a dedicated Covid-19 risk assessment in place and published on our website. Those staff attending the office to carry out business critical activities, or those we recognised needed to attend the office due to wellbeing reasons, are required to complete a health and safety self-assessment. All government guidance was followed throughout this process. Assurance reports on TPO's response to the pandemic are provided to our Corporate Board and Audit Committee.

TPO offices are fully Covid-19 secure under government guidance and we have installed Perspex screens and social distancing practices to ensure staff safety.

With the majority of our staff working remotely during 2020/21 due to Covid-19, it is imperative to our ethos that they feel supported and are able to manage their wellbeing without the immediate support of their colleagues in a physical space.

Although already operating under hybrid working arrangements, we worked quickly to introduce further flexible working measures to assist staff during a challenging time, including additional special leave for those with caring responsibilities and the provision of £100 per staff member to purchase equipment to assist with safe working from home.

Regular staff communications were circulated, keeping them informed on up-to-date government guidance about the virus and information on how to manage their wellbeing. We held regular staff networking events and monthly meetings of all staff chaired by the Pensions Ombudsman.

Environment and sustainability

TPO offices are situated within an energy efficient Government Property Agency (GPA) hub based at South Colonnade, Canary Wharf. It houses several public and arms-length bodies. The overall responsibility for energy consumption across the building falls to GPA and they employ a dedicated technical manager responsible for the energy management and reduction. TPO is represented and contributes at senior level at monthly GPA sustainability meetings.

A sustainability strategy and action plan 2021-25, aligned to the Greening Government Commitments is in place.

The GPA is committed to Net Carbon Zero by 2050 and TPO has contributed to this by continuing its aim to be a paperless office and encouraging paperless working. To encourage safe and sustainable travel to the office by staff, we have implemented a cycle to work scheme.

We recycle all food waste, paper and cardboard, cans and toner and only use environmentally friendly cleaning products. We use recyclable stationery where possible. We have been operating hybrid working arrangements since 2018 to reduce C02 emissions and will continue to encourage the use of virtual meetings post-Covid-19 where workable.

Information security

A dedicated Information Manager is in post overseeing our responsibilities under the Data Protection Act 2018 and HMG Security Framework, under the direction of the Head of Corporate Services. Weekly updates of any potential data breaches are provided to the Chief Operating Officer in his role as Senior Information and Risk Officer (SIRO) and the Head of Corporate Services. Our Information Security policy is being reviewed during 2021/22.

There were no personal data-related incidents during 2020/21 requiring formal reporting to the Information Commissioner's Office.

Whistleblowing policy

It is important that our staff know what to do and how to 'blow the whistle' if they have any concerns about issues such as breaches of the law, misconduct, health and safety issues, or financial malpractice.

The Operational Executive and the Audit Committee are committed to maintaining high ethical standards and taking concerns seriously. The policy encourages employees to speak up about genuine concerns, and it describes how those concerns will be handled, and where employees can go if they are not satisfied with the action taken.

We encourage staff to speak up about genuine concerns they have in relation to wrongdoing in the workplace. This includes any criminal activity, a breach of a legal obligation (including negligence, breach of contract, or breach of administrative or other law), miscarriage of justice, danger or damage to health and safety or the environment, and the cover up of any of these wrongdoings in the workplace. We are committed to ensuring that any staff concerns about such matters will be taken seriously and properly investigated. The reporting of wrongdoing under this policy may be covered by the law concerning protected disclosures of information. The policy has therefore been written with reference to the Public Interest Disclosure Act 1998 (PIDA), which offers protection to those who 'blow the whistle' in certain circumstances.

Remuneration and staff report

We set out here our remuneration policy for the Ombudsman, Chair and Operational Executive. This is fundamental to how we demonstrate transparency and accountability.

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.

The Chief Operating Officer's and Directors' salary ranges are determined by TPO pay scales.

Permanent Chair's appointment

Caroline Rookes was appointed as permanent Chair by the Secretary of State for Work and Pensions in September 2020 following her interim appointment in September 2019. The appointment took effect from 1 December 2020 for a period of five years. Either party can terminate this appointment earlier by giving three months' notice. The Chair's salary is determined by the Secretary of State for Work and Pensions and is non-pensionable. At year-end the recruitment of Non-Executive Directors (NEDs) was ongoing. Four NEDs have now been appointed and started on 1 May 2021.

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 31/03/21	Notice period
Anthony Arter	23 May 2015	16 months	6 months from employee
Karen Johnston	1 July 2015	0 months	N/A

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. Anthony's appointment has now been extended for a further 12 months. Recruitment of a new Pensions Ombudsman is currently ongoing.

Karen Johnston was the Deputy Pensions Ombudsman and Deputy Pension Protection Fund Ombudsman up until 30 June 2020 when her contract ended. The unexpired term of her contract in the table above is 0 months.

From 1 July 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. Contingency plans have been put into place in the event that the Pensions Ombudsman is unavailable to make a Determination. The Legal Director, Claire Ryan, has been given authority to then act as the Deputy Pensions Ombudsman and make Determinations if this were to occur.

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.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Chair, the Pensions Ombudsman, Chief Operating Officer, Legal Director and the former Casework and Corporate Services Directors (up to 31 July 2020).

The former Deputy Pensions Ombudsman, Karen Johnston (up until 30 June 2020), 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 in the table below.

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)	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Caroline Rookes	15-20	10-15+	0	0	0	0	0	0	15-20	10-15+
Anthony Arter	140-145	140-145	0	0	0	0	0	0	140-145	140-145
Alex Robertson (from 29/06/20)	75-80* 100-105**	0	0	0	0	0	30	0	105-110	0
Jane Carey (to 31/07/20)	185-190*^ 80-85**	80-85	0	0-5	0	0	14	31	200-205	115-120
Fiona Nicol (to 31/07/20)	165-170*^^ 85-90**	85-90	0	0-5	0	0	10	22	180-185	110-115
Claire Ryan	80-85* 95-100#	80-85* 90-95#	0	0-5	0	0	35	26	115-120	110-115

+ from 1 September 2019 to 31 March 2020
* actual salary
** annual salary
# full time equivalent salary
^ salary figure includes payment in lieu of notice of 15-20k and compensation of 145-150k.
^^ salary figure includes payment in lieu of notice of 25-30k and compensation of 110-115k.
More details can be found in the exit packages table on page 79.

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 or Operational Executive.

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 2020/21 relate to performance in 2019/2020.

Pay multiples

The information in this table is subject to audit.

	2020/21 (£'000)	2019/20 (£'000)
Band of highest paid office holder's total remuneration	140-145	140-145
Median total remuneration	40	39
Ratio	3.6	3.6

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 2020/21 was £140,000-£145,000 (2019/20: £140,000-£145,000). This was 3.6 times (2019/20: 3.6) the median remuneration of the workforce, which was £40,084 (2019/20: £39,218).

In 2020/21 no employees (2019/20: none) received remuneration in excess of the highest-paid office holder. Remuneration ranged from £15,000-£20,000 to £140,000-£145,000 (2019/20: £15,000-£20,000 to £140,000-£145,000).

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 31/03/21 (£'000)	**Real increase in pension at age 65 (£'000)**	**CETV at 31/03/21 (£'000)**	**CETV at 31/03/20 (£'000)**	**Real increase in CETV (£'000)**
Jane Carey	35-40 plus a lump sum of 75-80	0-2.5 plus a lump sum of 0-2.5	654	626	9
Fiona Nicol	20-25	0-2.5	485	472	10
Claire Ryan	20-25 plus a lump sum of 40-45	0-2.5 plus a lump sum of 0-2.5	420	382	21
Alex Robertson	30-35	0-2.5	339	311	12

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 2020/21, employers' contributions of £1,065,933 were payable to the PCSPS (2019/20: £935,548) 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 £35,041 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 £1,873 (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 2021 were £3,868. 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	2020/21	2019/20	2018/19	2017/18
Full time equivalent (FTE)	108.4	98.4	82.7	72.3

Reporting of exit packages

Two exit packages were paid to two directors who left on 31 July 2020. Details of the exit packages paid are included below (subject to audit).

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
£100,000-£150,000	0	1	1
£150,000-£200,000	0	1	1
Total number of exit packages	0	2	2
Total cost	**0**	**£303,746**	**£303,746**

Staff costs at year end	2020/21	2019/20	2018/19	2017/18
Staff costs	£6,701,964	£5,468,586	£4,344,997	£3,109,807

In addition, we incurred costs of £161,699 for agency staff (2019/20: £149,341). 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 103.

There was no contingent labour in 2020/21 (2019/20: 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 2020/21 staff needed to have been in post on 31 March 2020. All staff in post on 31 March 2020 received a consolidated 2% increase.

Consultants engaged on the objectives of the entity

The table below shows all off-payroll engagements as at 31 March 2021, for more than £245 per day and lasting longer than six months:

Number of existing engagements as at 31 March 2021	**0**
of which, the number that have existed for:	
less than one year at time of reporting	0
between one and two years at time of reporting	0
between two and three years at time of reporting	0
between three and four years at time of reporting	0
four or more years at time of reporting	0

The table below shows all new off-payroll engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021, for more than £245 per day and lasting longer than six months:

Number of new engagements, or those that reached six months in duration, during the time period	**1**
Number of these engagements which were assessed as caught by IR35	0
Number of these engagements which were assessed as not caught by IR35	1
Number of engagements reassessed for compliance or assurance purposes during the year	0
Number of engagements where the status was disputed under provisions in the off-payroll legislation	0

The total consultancy spend for the year was £74,970 (2019/20: £110,125).

Gender of our staff

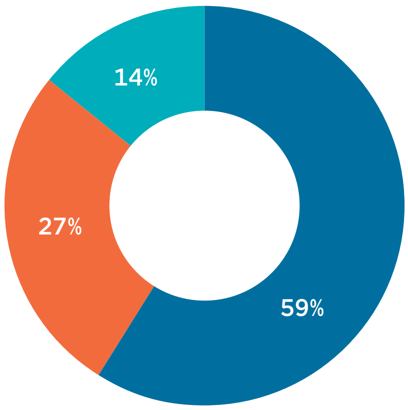
	As at 31/03/21		As at 31/03/20		As at 31/03/19	
	Male	Female	Male	Female	Male	Female
Chair	0	1	0	1	N/A**	N/A**
Ombudsmen	1	0	1	1	1	1
Directors	1	1	0	3	0	3
Deputy Director	1	0	1	0	1	0
Managers*	13	12	10	8	8	3
Other employees	39	42	39	41	32	37
Total	**55**	**56**	**51**	**54**	**42**	**44**

* Includes all staff with line management responsibilities

** The interim Chair was first appointed in September 2019.

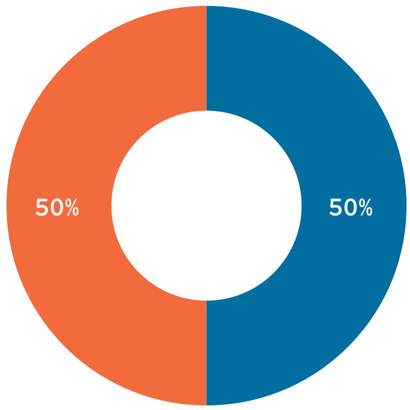
Staff diversity profile

Ethnicity



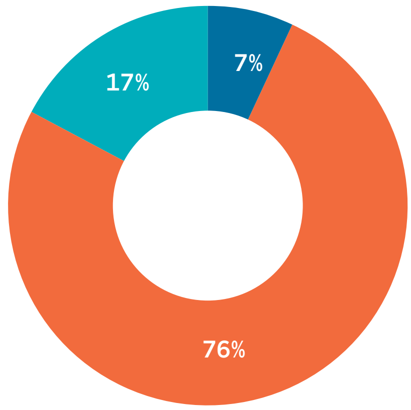
- White
- BAME
- Prefer not to say/ undeclared

Gender



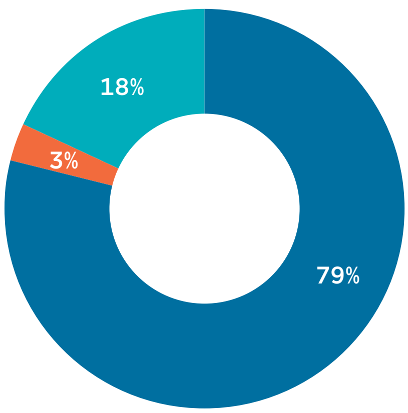
- Male
- Female

Disabled



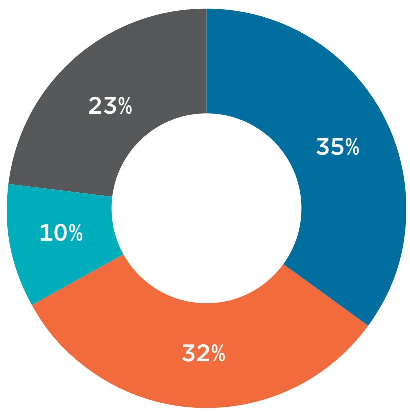
- Yes
- No
- Prefer not to say/ undeclared

Orientation



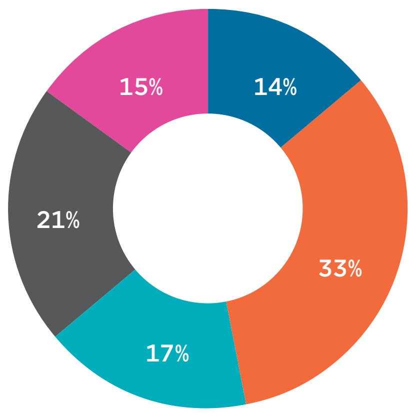
- Heterosexual/straight
- Gay/lesbian/other
- Prefer not to say/ undeclared

Religion



- None
- Christian
- Other religions
- Prefer not to say/ undeclared

Age profile



- 20-29
- 30-39
- 40-49
- 50-59
- 60+

Equality, Diversity and Inclusion (ED&I)

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.

In addition to threading ED&I throughout our People Strategy workstreams, we have implemented a number of initiatives or plan to do so over the coming year, including implementing improvements to our recruitment practices, refreshing our Equalities policy and training for managers and staff. We are also listening to the experiences of our Black staff in response to the Black Lives Matter and this will further inform our ED&I approach.

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 accredited as a member of the Disability Confident scheme.

Sickness

The average absence for the year per employee was 4.56 days (2019/20: 5.33 days).

The average absence per FTE was 4.93 days (2019/20: 5.64 days).

Turnover

Turnover for the year amongst permanent staff: 9.35% of headcount (9.21% of FTE).

Other

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 2020/21.

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. An outstanding judicial review threat and two potential appeals in Scotland have resulted in remote contingent liabilities at the year end. As we are unable to forecast the outcome of these, it is therefore not possible to estimate the associated costs. These are subject to audit.

Regularity of expenditure

There have been no individual losses or special payments over £300,000 in 2020/21 (2019/20: nil). Total losses and special payments do not exceed £300,000 in 2020/21 (2019/20: nil). This is subject to audit.

Our policy states that we will pay invoices within 10 days of receipt. Although our average during 2020/21 was 12 days, we continue to strive towards hitting our 10 day deadline.

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

Further Parliamentary accountability disclosures

None to report for 2020/21.

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

Anthony Arter

Pensions Ombudsman
Pension Protection Fund Ombudsman

8 July 2021

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 2021 under the Pension Schemes Act 1993 and the Pensions Act 2004. The financial statements comprise: 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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 Pension Ombudsman and Pension Protection Fund Ombudsman's affairs as at 31 March 2021 and of the Pension Ombudsman and Pension Protection Fund Ombudsman's net expenditure for the year then ended;
- have been properly prepared in accordance with the Pension Schemes Act 1993, 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'[11]. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

11 Reference here to PN10 is to cover the basis of our regularity opinion.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Pension Ombudsman and Pension Protection Fund Ombudsman in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Pension Ombudsman and Pension Protection Fund Ombudsman's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Ombudsman and Pension Protection Fund Ombudsman's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Pension Ombudsman and Pension Protection Fund Ombudsman is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

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 certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

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

Matters on which I report by exception

In the light of the knowledge and understanding of the Pension Ombudsman and Pension Protection Fund Ombudsman and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Pension Ombudsman and Pension Protection Fund Ombudsman's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Pension Ombudsman and Pension Protection Fund Ombudsman will not continue to be provided in the future.

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 Pension Schemes Act 1993 and the Pensions Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Pension Ombudsman and Pension Protection Fund Ombudsman's internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Pension Ombudsman and Pension Protection Fund Ombudsman's policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Pension Ombudsman and Pension Protection Fund Ombudsman's controls relating to the Pension Schemes Act 1993 and the Pensions Act 2004.

- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and sources of estimates within the financial statements; and

- obtaining an understanding of the Pension Ombudsman and Pension Protection Fund Ombudsman's framework of authority as well as other legal and regulatory frameworks that the Pension Ombudsman and Pension Protection Fund Ombudsman operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Pension Ombudsman and Pension Protection Fund Ombudsman. The key laws and regulations I considered in this context included the Pension Schemes Act 1993, the Pensions Act 2004, Managing Public Money, Employment Law and Tax Legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;

- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims;

- reading minutes of meetings of those charged with governance and the Board; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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.

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.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

12 July 2021

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

Accounts

Statement of comprehensive net expenditure

As at 31 March 2021

	Note	As at 31 March 2021 £	As at 31 March 2020 £
Expenditure			
Staff costs	2	**(6,863,663)**	(5,617,927)
Other expenditure	3	**(1,795,880)**	(2,087,030)
Operating deficit		**(8,659,543)**	(7,704,957)
Total comprehensive expenditure		**(8,659,543)**	(7,704,957)

The notes on pages 98 to 112 form part of these accounts.

Statement of financial position

As at 31 March 2021

	Note	As at 31 March 2021 £	As at 31 March 2020 £
Non-current assets			
Property, plant and equipment	4	**150,243**	138,689
Intangible assets	5	**354,622**	243,560
Trade and other receivables	6	**685,974**	752,899
Total non-current assets		**1,190,839**	1,135,148
Current assets			
Trade and other receivables	6	**149,673**	166,598
Cash and cash equivalents	7	**157,735**	9,234
Total current assets		**307,408**	175,832
Total assets		**1,498,247**	1,310,980
Current liabilities			
Trade and other payables	8	**281,677**	344,012
Total current liabilities		**281,677**	344,012
Non-current liabilities			
Provision for charges and liabilities	14	**198,385**	159,240
Total non-current liabilities		**198,385**	159,240
Assets less liabilities		**1,018,185**	807,728
Capital and reserves			
General reserve		**1,018,185**	807,728

Anthony Arter
Pensions Ombudsman
Pension Protection Fund Ombudsman

8 July 2021

The notes on pages 98 to 112 form part of these accounts.

Statement of cash flows

Year ended 31 March 2021

	Note	2020/21 £	2020/21 £	2019/20 £	2019/20 £
Cash flows from operating activities					
Net operating expenditure		**(8,659,543)**		(7,704,957)	
Depreciation	4	**44,699**		35,393	
Amortisation	5	**77,819**		53,000	
Lease premium	6	**66,925**		66,925	
Provision for charges and liabilities	14	**39,145**		159,240	
(Increase)/decrease in receivables	6	**16,925**		(23,564)	
(Decrease)/increase in payables	8	**(62,335)**		127,916	
Net cash outflow from operating activities			**(8,476,365)**		(7,286,047)
Cash flows from investing activities					
Purchase of non-current assets	4,5	**(245,134)**		(119,923)	
Net cash outflow from investing activities			**(245,134)**		(119,923)
Cash flows from financing activities					
Grants from sponsor department			**8,870,000**		7,330,000
Net Financing			**8,870,000**		7,330,000
Net increase/(decrease) in cash and cash equivalents in the period			**148,501**		(75,970)
Cash and cash equivalents at the beginning of the period			**9,234**		85,204
Cash and cash equivalents at the end of the period			**157,735**		9,234

The notes on pages 98 to 112 form part of these accounts.

Statement of changes in taxpayers' equity

Year ended 31 March 2021

	General Reserve £
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**
Comprehensive net expenditure for the year	**(8,659,543)**
Grants from sponsoring department	**8,870,000**
Balance at 31 March 2021	**1,018,185**

The notes on pages 98 to 112 form part of these accounts.

Notes to the accounts

Year ended 31 March 2021

1. Accounting policies

Basis of accounting
These accounts have been prepared in accordance with the 2020/21 *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.

These accounts have been prepared pursuant to section 145(8) of the Pension Schemes Act 1993 and Section 212A(1) of the Pensions Act 2004, and in accordance with the Accounts Direction issued by the Secretary of State for Work and Pensions (with the consent of HM Treasury).

International Financial Reporting Standards Amendments and Interpretations effective in 2020/21
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 accounts.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for TPO's accounting periods beginning on or after 1 April 2021 or later periods and which TPO has decided not to adopt early. These are:

- IFRS 16 Leases (effective for periods beginning on or after 1 April 2022). 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 finances 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 2022 the future minimum lease payments would amount to £1,868,063. 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.

Notes to the accounts

Year ended 31 March 2021

1. Accounting policies *(continued)*

TPO expects to implement this from 1 April 2021.

- IFRS 17 Insurance Contracts (effective from 1 April 2023). The International Accounting Standards Board (IASB) has Issued IFRS 17 (Insurance Contracts) which replaces IFRS 4 (Insurance Contracts). It is expected to be effective for accounting periods beginning on or after 1 January 2023, following IASB decisions to defer the effective date.

Guidance has yet to be issued on the interpretation of this standard.

Going concern
Future financing of TPO will be met by grant-in aid from the Department for Work and Pensions (DWP), as TPO's sponsoring department. It has accordingly been considered appropriate to adopt the going-concern basis for the preparation of these accounts.

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, 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 2020/21. 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 for Work and Pensions.

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.

Notes to the accounts

Year ended 31 March 2021

1. Accounting policies *(continued)*

Depreciation
Depreciation is calculated so as to write off the carrying value of an asset, less its estimated residual value, over the useful economic life of that asset. Depreciation is calculated from the date an asset is brought into use until the date it has either been fully depreciated or disposed. Depreciation rates are as follows:

- Hardware – Straight line over five 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 for Work and Pensions.

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 has either been fully amortised or disposed of. Amortisation rates are as follows:

- Software – Straight line over five 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.

Notes to the accounts

Year ended 31 March 2021

1. Accounting policies *(continued)*

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. Employer contributions for the financial year to 31 March 2022 are expected to be £1,162,000. Liability for the payment of future benefits is a charge on the PCSPS.

The Scheme Actuary valued the PCSPS as at 31 March 2020. 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 to meet the cost of the benefits accruing during 2020/21 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.

Notes to the accounts

Year ended 31 March 2021

1. Accounting policies *(continued)*

Critical accounting judgments and key sources of estimation uncertainty
The preparation of accounts statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts in the accounts. 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 2021, eight PPF Ombudsman cases (2019/20: eight cases) and 762 TPO cases (2019/20: 1,204 cases) were closed. Approximately 1% (2019/20: 0.7%) of expenditure and total net liabilities (corresponding to £86,595 for the year ended 31 March 2021) is deemed attributable to the PPF Ombudsman (2019/20: £53,935).

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 2021

2. Staff costs

	Permanently employed staff £	Others £	Year ended 31 March 2021 Total £	Year ended 31 March 2020 Total £
Wages and salaries	**5,045,648**	**161,699**	**5,207,347**	4,242,747
Social security costs	**549,601**	**-**	**549,601**	416,019
Other pension costs	**1,106,715**	**-**	**1,106,715**	959,161
	6,701,964	**161,699**	**6,863,663**	5,617,927

The average number of staff employed during the year was 111 (2019/20: 95). 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 2021

3. Other expenditure

	Note	Year ended 31 March 2021 £	Year ended 31 March 2020 £
Rent and rates		**529,097**	451,010
Computer expenses		**537,842**	571,974
Legal and professional fees		**70,417**	150,858
Subscriptions		**141,450**	89,519
Staff recruitment		**63,717**	231,737
Printing, stationery and postage		**26,683**	52,947
Auditors remuneration		**32,000**	25,000
Internal audit fees		**28,500**	27,432
Sundry expenses		**6,462**	27,152
Staff training		**50,520**	45,761
Accountancy fees		**15,545**	18,580
Travel and subsistence		**8,072**	30,620
Hire of equipment		**8,296**	7,798
Telephone		**25,515**	19,283
Business continuity		**1,708**	1,139
Insurance		**20,996**	21,185
Bank charges		**472**	477
Non-cash items			
Lease premium		**66,925**	66,925
Amortisation	5	**77,819**	53,000
Depreciation	4	**44,699**	35,393
Increase in provision for charges & liabilities	14	**39,145**	159,240
		1,795,880	2,087,030

Minimum lease payments for 2020/21 were £182,250. Payroll services are provided by MacIntyre Hudson at a cost of £15,545 (2019/20: £18,580). The National Audit Office, who perform our statutory audit, did not conduct any non-audit services nor receive remuneration for such services (2019/20: £Nil).

Notes to the accounts

Year ended 31 March 2021

4. Property, plant and equipment

	Hardware £	Total £
Valuation		
At 1 April 2020	202,995	202,995
Additions	56,253	56,253
Disposals	-	-
At 31 March 2021	**259,248**	**259,248**
Depreciation		
At 1 April 2020	64,306	64,306
Charge for the year	44,699	44,699
At 31 March 2021	**109,005**	**109,005**
Carrying amount		
At 31 March 2021	**150,243**	**150,243**
At 31 March 2020	138,689	138,689
Valuation		
At 1 April 2019	156,908	156,908
Additions	46,087	46,087
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

Notes to the accounts

Year ended 31 March 2021

5. Intangible assets

	Information Technology £	Total £
Valuation		
At 1 April 2020	336,901	336,901
Additions	188,881	188,881
At 31 March 2021	**525,782**	**525,782**
Amortisation		
At 1 April 2020	93,341	93,341
Charge for the year	77,819	77,819
At 31 March 2021	**171,160**	**171,160**
Carrying amount		
At 31 March 2021	**354,622**	**354,622**
At 31 March 2020	243,560	243,560
Valuation		
At 1 April 2019	263,065	263,065
Additions	73,836	73,836
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
At 31 March 2020	**93,341**	**93,341**
Carrying amount		
At 31 March 2020	**243,560**	**243,560**
At 31 March 2019	222,724	222,724

Notes to the accounts

Year ended 31 March 2021

6. Trade and other receivables

	31 March 2021 £	31 March 2020 £
Due after more than one year		
Lease premium	**685,974**	752,899
	685,974	752,899
Due within one year		
Lease premium	**66,925**	66,925
Staff loans	**-**	12,668
Prepayments	**82,748**	87,005
	149,673	166,598

A lease premium of £752,899 (2019/20: £819,824) 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 2021 £	31 March 2020 £
Balance brought forward	**9,234**	85,204
Net change in cash and cash equivalent balances	**148,501**	(75,970)
Balance carried forward	**157,735**	9,234

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

Notes to the accounts

Year ended 31 March 2021

8. Other payables

	31 March 2021 £	31 March 2020 £
Trade payables	**90,086**	182,418
Accruals	**191,591**	161,594
	281,677	344,012

The decrease in trade payables arises from a number of projects undertaken towards the end of the financial year 2019/20 and invoiced at year end. The projects included 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.

Notes to the accounts

Year ended 31 March 2021

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 2021 £	31 March 2020 £
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	**1,139,063**	1,321,313
	2,050,313	2,232,563

Other

	31 March 2021 £	31 March 2020 £
Obligations under operating leases comprise:		
Not later than one year	**766**	766
Later than one year and not later than five years	**1,468**	2,234
Later than five years	**–**	–
	2,234	3,000

Notes to the accounts

Year ended 31 March 2021

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 2021 £	31 March 2020 £
Not later than one year	**299,800**	170,725
Later than one year and not later than five years	**-**	-
Later than five years	**-**	-
	299,800	170,725

12. Related party transactions

TPO is a non-departmental public body of the Department for Work and Pensions (DWP). DWP is regarded as a related party.

DWP is the Sponsor Department for TPO and, as such, grant-in-aid is allocated by DWP. The amounts received are disclosed in the Statement of changes in taxpayers' equity. There are also 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 (£531,935) with Cabinet Office (including the Government Property Agency) in respect of the lease arrangement for 10 South Colonnade, and immaterial transactions (£28,500) with the Government Internal Audit Agency (invoiced by HM Treasury). At the end of the period there were outstanding balances of £30,131 to the Government Property Agency and £28,500 to the Government Internal Audit Agency. All of these amounts were invoiced with normal terms and conditions of payment including 30 days credit.

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

Notes to the accounts

Year ended 31 March 2021

13. Financial instruments

It is, and has been, TPO 's 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

Provision for dilapidations

	31 March 2021 £	**31 March 2020 £**
Balance at 1 April	**159,240**	–
Provided in year	**39,145**	159,240
Provisions not required written back	**–**	–
Change in discount rate	**–**	–
Utilised in year	**–**	–
Balance at 31 March	**198,385**	159,240

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 £198,385. Outflow of this provision is expected at the end of the term of occupation on 23 June 2032.

Notes to the accounts

Year ended 31 March 2021

15. Contingent liabilities disclosed under IAS37

TPO has not identified any unquantifiable contingent liabilities required to be disclosed under IAS37, either by offering guarantees, indemnities or giving letters of comfort or as a result of legal challenge and judicial review of decisions made in the normal course of our business.

16. Remote contingent liabilities

These are remotely possible obligations that do not meet the recognitions criteria to be reported under IAS37 but are required to be disclosed for parliamentary reporting purposes.

From time to time, TPO is subject to legal challenge and judicial review of decisions made in the normal course of our business. Legal judgments could give rise to liabilities for legal costs but these cannot be quantified as the outcome of proceedings would be unknown and there is therefore considerable uncertainty as to the nature and extent of any subsequent liability. As at year end there was an outstanding judicial review threat and two potential appeals in Scotland.

For the two appeal cases, TPO is not stating a case so this will likely mean no costs to TPO in any event. However, there is a low risk that the court proceeds and remits the costs back to TPO. In the other case TPO has not responded to a judicial review pre-action letter and no claim has been filed in court. There is however a low risk that the defendant will be granted permission and wins the case.

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 accounts. The Accounting Officer authorised these accounts for issue on the same date as the Certificate and Report of the Comptroller and Auditor General.

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