The Pensions Ombudsman

Pensions Ombudsman
Pension Protection Fund Ombudsman

Annual Report and Accounts 2021/22

HC 395

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Annual Report and Accounts 2021/22

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 14 July 2022.

HC 395

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Contents

About us

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

Pensions Ombudsman

TPO 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 (ERS) 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 recovered from the general levy on pension schemes that is administered by The Pensions Regulator (TPR).

In 2021/22 the organisation received £8,197,000* grant-in-aid, incurred net expenditure of £8,222,612* and had net assets at 31 March 2022 of £992,572*. 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.

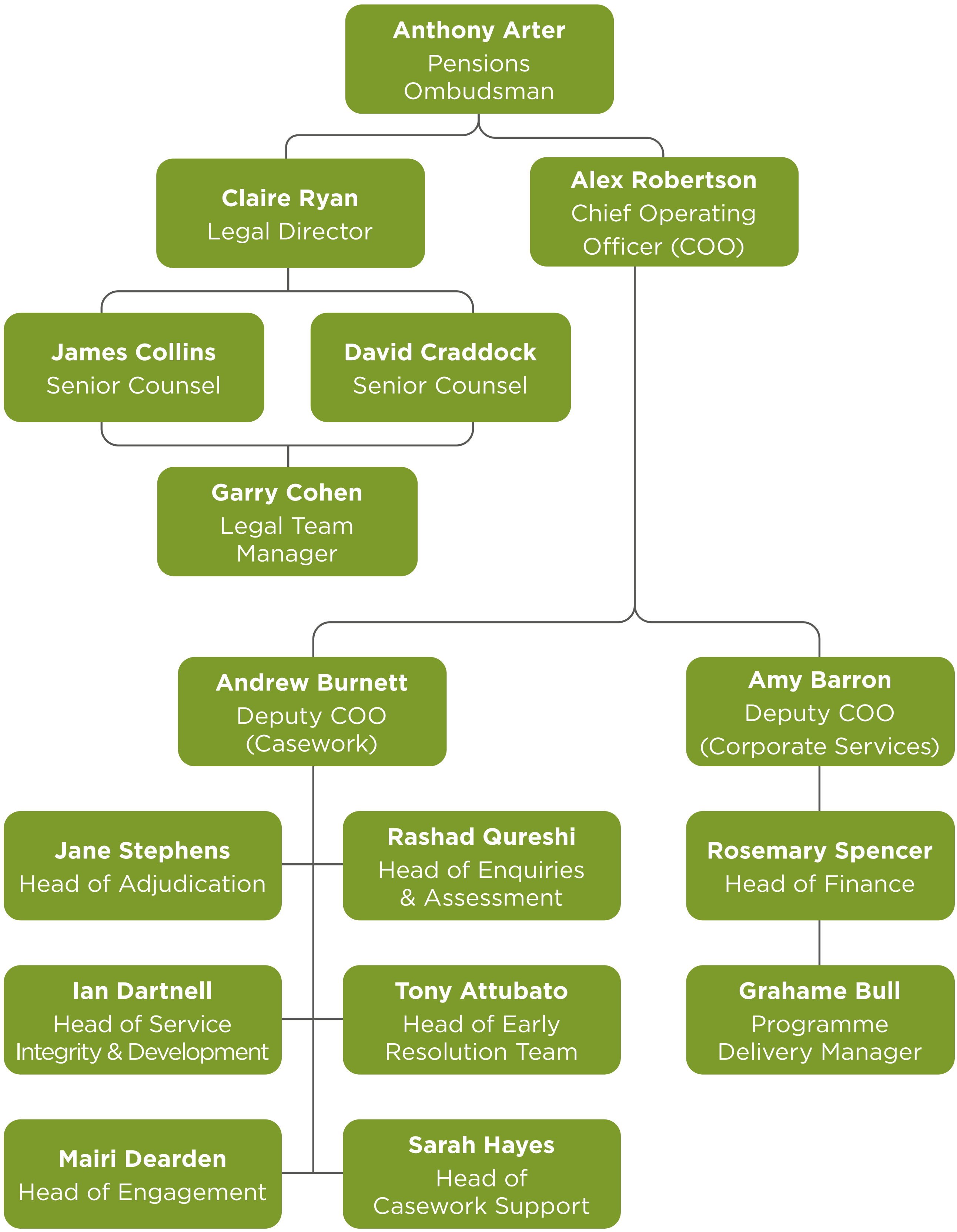
Open – we are approachable and make it easy for people to get the help they need. We are honest and transparent about how and why we make our decisions.

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



Glossary

CMS – case management system

DWP – Department for Work and Pensions

ERS – Early Resolution Service

FAS – Financial Assistance Scheme

FCF – Fraud Compensation Fund

IDRP – internal dispute resolution procedure

NEDs – Non-Executive Directors

PDU – Pensions Dishonesty Unit

PPFO – Pension Protection Fund Ombudsman

SIPPS – Self-Invested Personal Pension

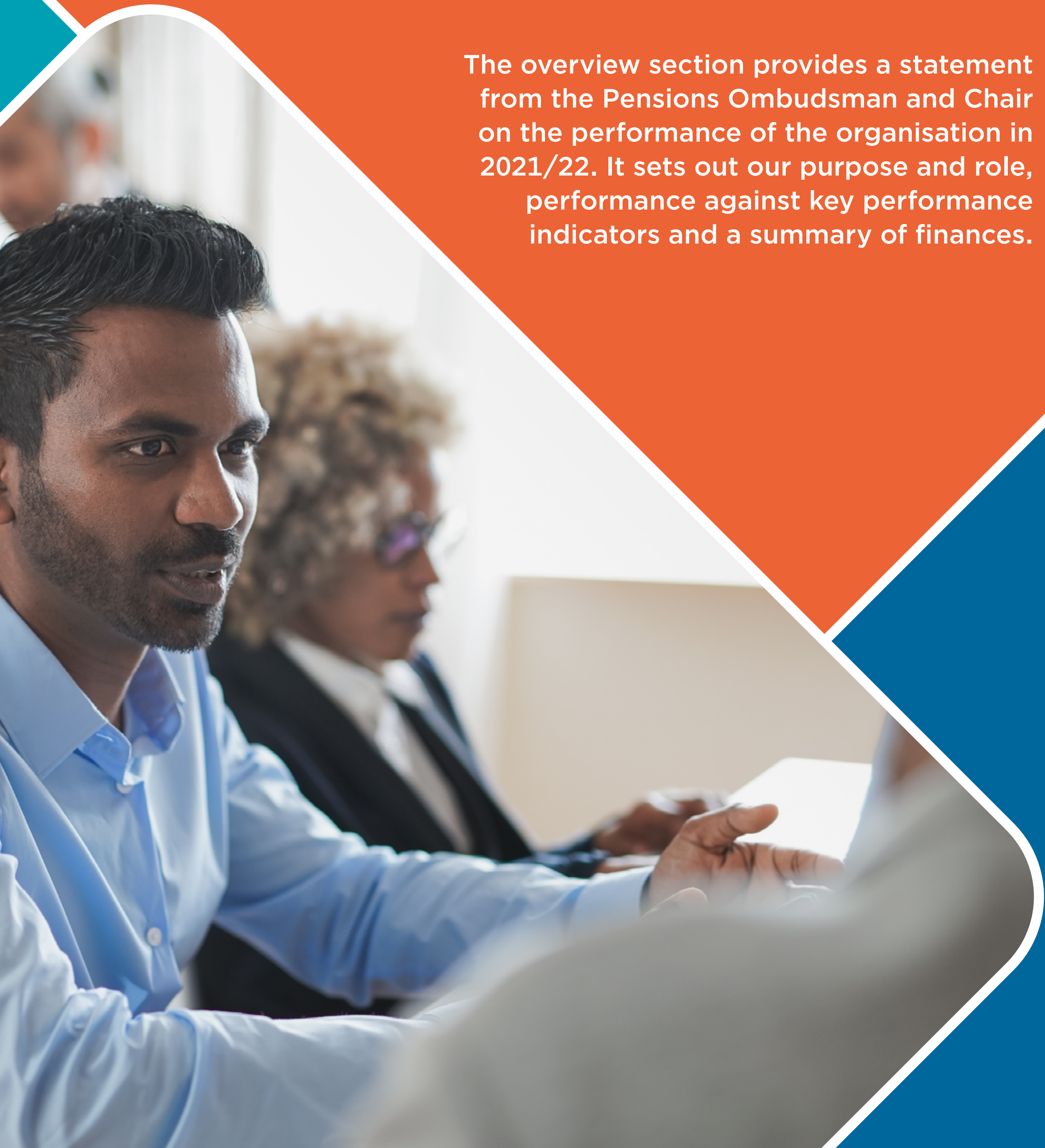
SSAS – Small Self-Administered Scheme

TPO – The Pensions Ombudsman

TPR – The Pensions Regulator

Performance report: Overview

The overview section provides a statement from the Pensions Ombudsman and Chair on the performance of the organisation in 2021/22. It sets out our purpose and role, performance against key performance indicators and a summary of finances.



Pensions Ombudsman's introduction

After the uncertainty caused by the Covid-19 pandemic over the last two years, I am delighted that we have begun to return to more normal ways of working.

Throughout the pandemic, my team at TPO has worked tirelessly in difficult circumstances to continue to provide a service for our customers where quality is paramount. I would like to thank them for their continued hard work and commitment. Our Agile Working Policy, which I introduced in March 2018, meant that we were able to move to homeworking immediately, causing minimum disruption to our service. However, many of the complainants and also respondents were more adversely affected, and together with other logistical problems caused by the pandemic, it was inevitable that waiting times would increase.

Although the Covid-19 pandemic has caused uncertainties and challenges, I am incredibly proud of what we have achieved over the last year and that we have remained focused on what matters most to our customers. The pilot Pensions Dishonesty Unit (PDU) has commenced investigating cases as a result of the additional funding we secured in 2021. It consists of experienced staff from TPO's Casework and Legal teams. It was established following two high value Determinations, Norton Motorcycles (around £10.5 million) and Henry Davison (around £3 million) and aims to hold wrongdoers to account to repay scheme members all of their lost pension savings.

In 2021/22, we closed 5,221 pension complaints – an 8% increase in productivity on the previous year. However, we received 11.7% more complaints and for several years now our funding has not kept pace with the rise in demand. This means that despite our increases in efficiency, our customers are now waiting far too long for a resolution to their complaints. I was therefore delighted that we received a significant increase in our funding in the recent Spending Review. The increased budget will help us to recruit the additional staff we need.

We know from the satisfaction surveys we carry out that waiting times are a significant issue for our stakeholders and customers; being able to increase our headcount means we will be able to focus on reducing the amount of time our customers have to wait for their complaint to be resolved as well as helping us to meet increasing demand.

Recruitment of additional staff is nearing completion and one of our key priorities for 2022/23 will be the continued recruitment, training, onboarding and ongoing support of new members of staff.

Our staff are our greatest asset and we want to continue to make TPO a great place for them to work. Following feedback from the 2021/22 staff survey, we have been working with staff to identify trends and priorities that will help us review our existing People Strategy and ensure continuous improvement of staff engagement, satisfaction and diversity.

I am delighted that this year's staff survey saw a 3% increase in the number of staff who would recommend TPO as a great place to work. But we also want to make TPO a great place to volunteer. Our 195 volunteers, all pension professionals with many years' experience, are vital to our service and helped us close 1,319 pension complaints in 2021/22. A new online recruitment video has helped us to recruit additional volunteers and over the coming year we will continue to raise awareness of volunteering opportunities at TPO and increase the number and diversity of our volunteer network.

Stakeholder satisfaction with our service is key and we continue to engage with stakeholders across the industry to influence and support improvements in dispute resolution. We launched our new ‹How to avoid the Ombudsman› web page and initial feedback has been very positive. Comments included "*The resources on your website are really helpful and the regular updates in the newsletter help us to stay up to date on the key topics from TPO*." We will continue to engage with our stakeholders to help them resolve complaints earlier and improve the customer journey.

I was delighted to welcome Emir Faisel, Myfanwy Barrett and Robert Branagh as newly appointed Non-Executive Directors (NEDs) to the Corporate Board in May 2021. The additional Directors completed the Board's establishment with Mark Ardron, continuing his tenure as a NED.

I would like to thank the Board Chair, Caroline Rookes, and the Board, for their strategic and governance support during the past year given the many challenges created by the pandemic and the increasing number of pension complaints received.

I would also like to personally thank Roy Field, Chair of the Audit and Risk Committee until July 2021, for the continual support and guidance which he has given to the service over the past ten years.

This is my last Annual Report as Pensions Ombudsman as my appointment comes to an end later this year. I have really enjoyed my time at TPO and it has been a true honour and a privilege to be able to carry out my duties with such a dedicated team, including our volunteers. With the many changes and transformation that TPO has undergone it is in an excellent position to continue to go from strength to strength and provide the high quality impartial service respected by both the public and the pensions industry alike.

Anthony Arter

Pensions Ombudsman
Pension Protection Fund Ombudsman

7 July 2022

Chair's foreword

Another challenging year but one where TPO can be proud of how much it has achieved: increased productivity despite funding not keeping pace with increased demand ; the launch of the PDU; improvements to the customer journey through streamlining processes and digital enhancements.

I would like to join Anthony in thanking staff and volunteers who have remained focused throughout on delivering a quality service despite the challenges and uncertainties.

It has also been an extremely busy year for the Corporate Board. I was delighted to welcome three newly appointed NEDs and one reappointed NED in May last year. They each bring with them a broad range of skills and expertise that will be invaluable for TPO.

An extremely productive 'away day' was held in February, enabling us to think about how we can best work together to tackle some of the challenges ahead. We have examined our Board structure; setting up a new Audit and Risk Committee consisting of Emir Feisal and Mark Ardron, with Myfanwy Barrett being appointed as Chair. We have reviewed, updated and agreed new Terms of Reference for the Corporate Board and the Audit and Risk Committee.

The Strategic Risk Register has been significantly updated and we have reviewed the definitions we use for determining the likelihood and potential impact of these risks to ensure consistency. Risk appetites have been agreed for each TPO strategic goal.

Despite the achievements of 2021/22, there is still more to do. We need to improve the customer journey and drive down customer waiting times – the increased budget for additional staff will help with this but it is not going to be easy.

This year we will be saying goodbye to Anthony whose appointment as Pensions Ombudsman is due to end. I would like to take this opportunity to thank him for his sterling work; since he joined in 2015, he has led TPO through a remarkable transformational journey and TPO is in an excellent position to welcome the new Pensions Ombudsman and face any future challenges.

Caroline Rookes

Chair

The year in summary

Key facts and figures

Pensions Ombudsman

We received **11,442** contacts by phone, LiveChat, email and post from people who thought we might be able to help them

We generated **8,436** new general enquiries

We resolved **8,437** general enquiries (**72** were carried forward from 2020/21)

We received **6,216** new pension complaints

We closed **5,221** overall pension complaints

Out of the above...

We closed **3,118** pension complaints at the application and assessment stages

We resolved **1,319** pension complaints informally through our ERS

We resolved **784** pension complaints through our Adjudication teams

Of our overall closed pension complaints, we closed **183** pension complaints that were abandoned at different stages in the process for various reasons

Of our overall closed pension complaints, we closed **257** through formal Determinations by the Pensions Ombudsman* – this represents **4.9%**

Around **35%** of Determinations by the Pensions Ombudsman were upheld, at least in part

The terms ‘contacts’, ‘general enquiries’ and ‘pension complaints’ are explained in more detail on page 20.

* There has not been a standalone Deputy Pensions Ombudsman since 1 July 2020. For more information, please see page 72.

Key performance indicators

Pensions Ombudsman

What we said we would do	What we did
General enquiries	
• 90% resolved within four weeks (28 calendar days)	• 99.9% were resolved within four weeks (28 calendar days) *(see page 22)*
Assessment of pension complaints	
• 30% assessed within three months • 60% assessed within six months	• 42.2% were assessed within three months • 60.8% were assessed within six months *(see page 24)*
Early Resolution Service	
• 60% closed within nine months of transfer to ERS	• 73.5% were closed within nine months of transfer to ERS *(see page 27)*
Adjudication Service	
• 60% closed within 12 months of transfer to adjudication	• 44.8% were closed within 12 months of transfer to adjudication *(see page 28)*
Total pension complaint closures	
• 70% closed within 12 months	• 74% were closed within 12 months *(see page 30)*
Average number of total pension complaint closures per month	
• Increase on 2020/21 average (405 closures per month)	• on average we closed 435 complaints per month *(see page 30)*
Internal quality assurance standards	
• Maintain scores from the Quality Assurance Framework at 85%	• Our overall average quality score was 89% *(see page 56)*

What we said we would do	What we did
Customer survey – increase on baseline for 2020/21:	
• Providing you with a good service: 53%	• Providing you with a good service: 44%
• Providing clear information: 67%	• Providing clear information: 67%
• Providing clear decision making: 62%	• Providing clear decision making: 56% *(see page 51)*
Staff engagement	
• Annual Civil Service staff survey engagement score – increase on 2020 score (66%)	• 63% *(see page 58)*
• Annualised staff sickness rate (all types) – at or below the Chartered Institute of Personnel and Development (CIPD) average for public sector	• 1.7% based on an average headcount over the same period. This represents 4.42 days lost per employee. CIPD data unavailable. This compares to an average for the public sector of 3.0% (7.8 days lost per employee) based on the ONS report – *Sickness absence in the UK labour market: 2020* *(see page 82)*

Pension Protection Fund Ombudsman

There has been a slight rise in the number of new matters referred to us (see page 41). **Fifteen** matters were investigated and closed.

Finances

In 2021/22 the organisation received £8,197,000* grant-in-aid and incurred net expenditure of £8,222,612*. The variance of £23,000 between grant-in-aid and net expenditure relates to an increase in depreciation and amortisation and capital expenditure. The decrease in expenditure from £8,660,000* in 2020/21 is as a result of lower staff costs, as there were no exit packages in 2021/22 and lower costs for temporary staff. Non-staff costs were marginally lower than in 2020/21. The Statement of Financial Position shows net assets of £992,572*. There were no fees or charges during the year (subject to audit).

Going concern

The funding estimate for 2022/23 for TPO has been approved by DWP as part of the three-year spending review settlement.

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 2021/22, including our work as the PPF 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 2021/22. 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 modernise and enhance our services to improve the customer journey. In 2021/22, as part of renewing our Customer Journey Framework, we reviewed and updated all our policies and internal guidance. This included our Accessibility Policy and the guidance we give to staff on assisting vulnerable customers. All our complainants and respondents are given the opportunity to appoint an advocate to act on their behalf.

At the end of 2020/21 we introduced a new online chat facility, LiveChat, to broaden how our customers can contact us and improve their experience. This new facility has been expanded gradually during 2021/22 and is now available Monday to Thursday between 1.00pm and 4.00pm.

We have also made changes to our service so we can make decisions about the complaints we receive earlier in our processes. This includes a new complaint form and application assessment process to handle the increasing number of new cases we receive. Improved triaging ensures new applications are processed and transferred to the appropriate team as soon as possible, as well as providing an immediate response to customers if this is appropriate.

Our customer journey is categorised as follows:

Contacts. These are the initial contacts made to us from people who think we might be able to help them, which may be by phone, LiveChat, email or post. 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 which can then be progressed through our informal ERS and/or our formal Adjudication Service. Ultimately, the matter may be resolved through a Determination issued by the Pensions Ombudsman.

Our workload – contacts

Our Enquiries Team handles contacts by phone, LiveChat, email and post.

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 might be able to 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 2021/22, our Enquiries Team handled 11,442 overall contacts which break down as:

- 5,091 telephone calls
- 909 online chats
- 5,052 emails
- 390 postal items.

The number of telephone calls we handled has significantly decreased from 2020/21 (9,797) primarily due to:

- The launch of our new website, with additional features and a decision tree to provide our customers with the information they need without the need to contact us directly.
- The introduction of our online chat facility allowing customers to contact us online rather than by phone, diverting 909 contacts away from our telephone lines.
- The reduction of our phone operating hours from 9.00am-5.00pm to 10.00am-2.00pm. However, having more operators available over a shorter period allows us to provide a more effective and balanced service to respond to all forms of contact we receive.

Our workload – general enquiries

From our overall contacts, a number will progress to be general enquiries where the matter cannot be dealt with in a single engagement and more involved work is required.

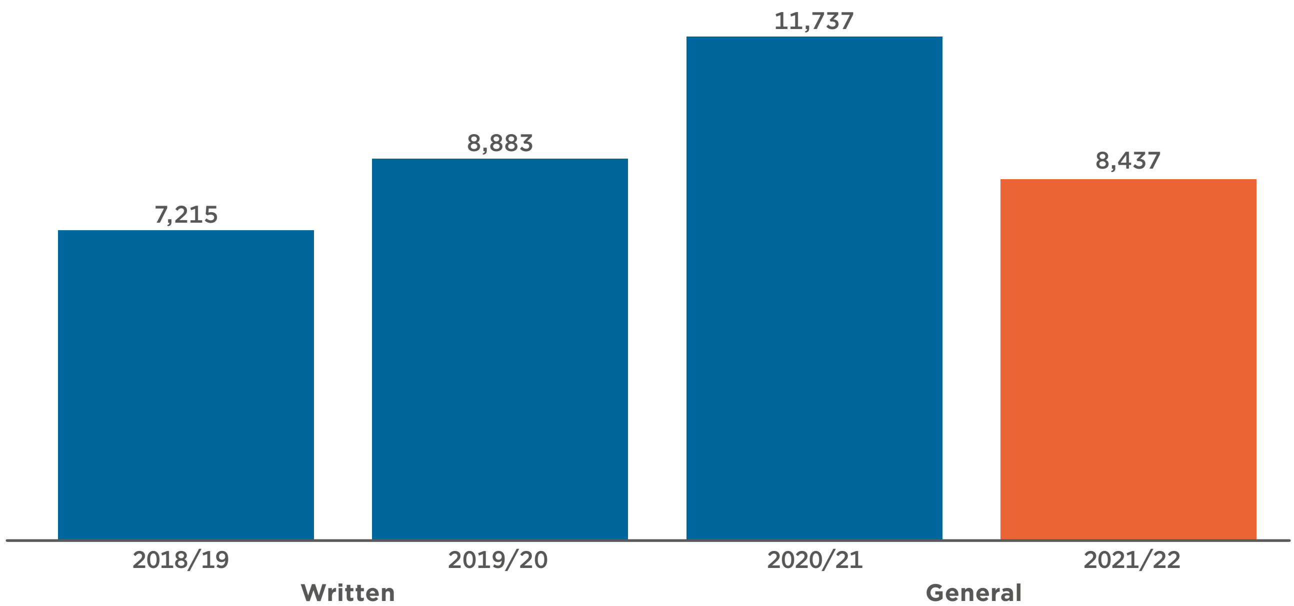
As with contacts, our aim with general enquiries is still to engage, educate and resolve the issue, but this may take longer; our aim for 2021/22 was to resolve general enquiries within 28 working days, which we achieved for 99.9% of general enquiries.

In 2021/22, we received 8,436 new general enquiries, plus we carried over 72 that were still open at the end of 2020/21. We resolved 8,437 general enquiries in 2021/22, meaning that we had 71 active general enquiries in hand at the end of the year.

The number of general enquiries we generate is usually proportionate to the number of contacts we receive, therefore we have seen a corresponding drop in general enquiries raised due to the reduction in contacts explained previously.

Prior to 2020/21, general enquiries would have been reported in previous Annual Reports as written enquiries (including ‘quick responses’), therefore for comparison the table below shows general enquiries for the last two years and the written enquiry total for the two years before that.

Resolved written and general enquiries



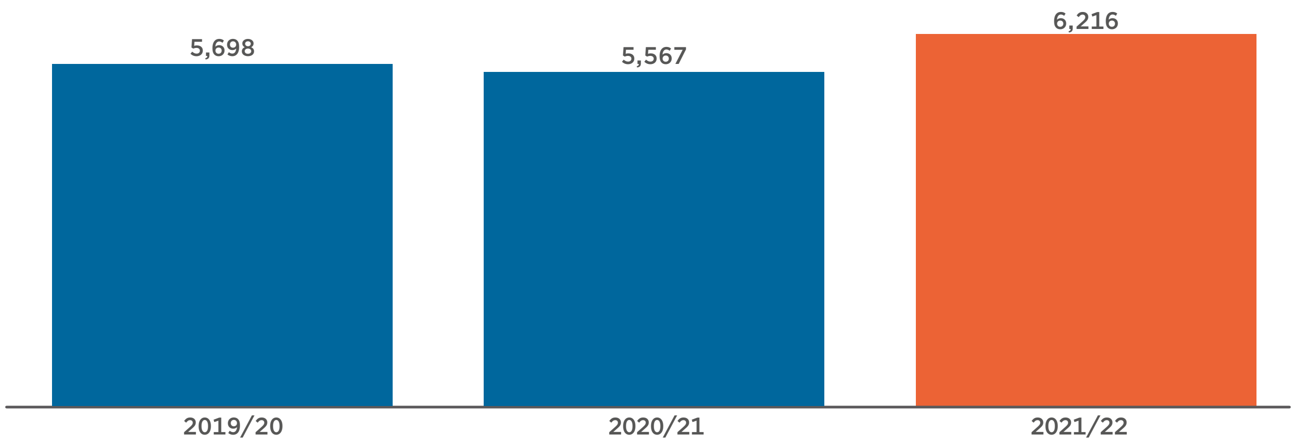
Our workload – pension complaints

New 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. When we receive a pension complaint, it is raised as a new pension complaint on our case management system (CMS) to be assessed by our Assessment teams.

In 2021/22, we received 6,216 new pension complaints. The chart below shows new applications over the last five years.

New pension complaints



Although there was a slight decrease in 2020/21, this is considered to be a one-off occurrence due to the Covid-19 pandemic. The trend over four years has seen an increase of 18.3% in demand since 2018/19. We expect this upward trend to continue over the next three years as the growing number of people joining pension schemes become increasingly aware of pension issues. This increase will be more pronounced as the impact of Covid-19 on the financial landscape becomes apparent.

Assessment of pension complaints

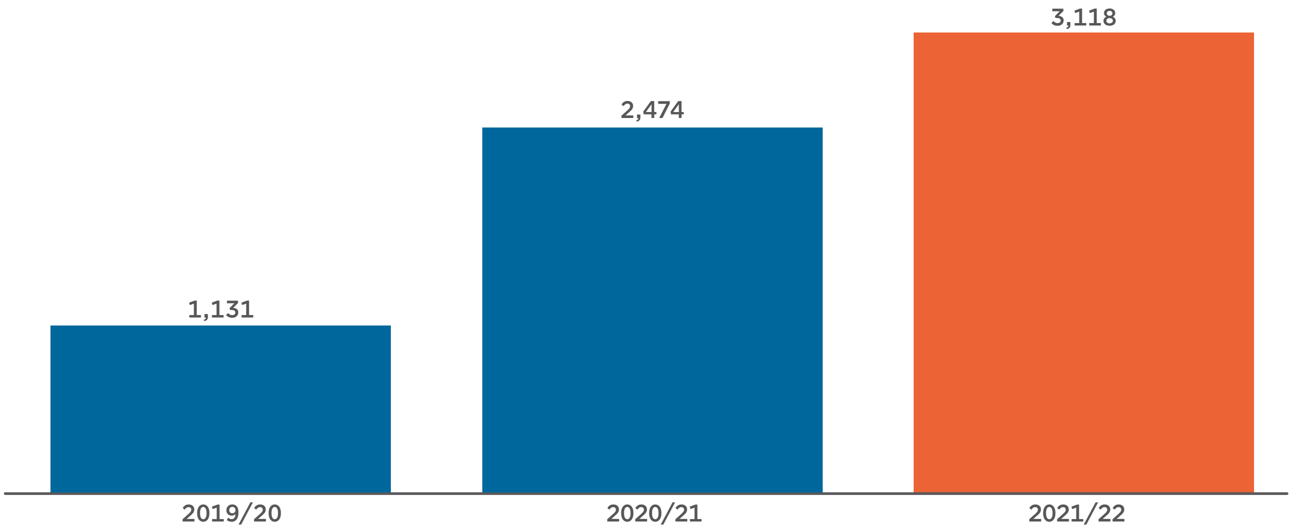
The first stage in our process is to assess the validity of the application and to decide the best way to progress valid pension complaints which may be early resolution or formal adjudication.

In 2021/22, we closed 3,118 pension complaints during our assessment processes, mostly due to the application being invalid or lacking information required to proceed with the complaint. Some of these pension complaints may re-open in the future. The significant increase in 2020/21 (see below) was due to changes in our internal processes. For comparative purposes, we have calculated the figure for the equivalent processes in 2018/19 and 2019/20. These figures are lower as previously complaints would have progressed to the ERS or Adjudication before being closed.

Our aim for 2021/22 was to have 30% of new pension complaints assessed within three months and 60% assessed within six months.

In 2021/22, 42.2% of pension complaints were assessed within three months and 60.8% were assessed within six months.

Assessment closures

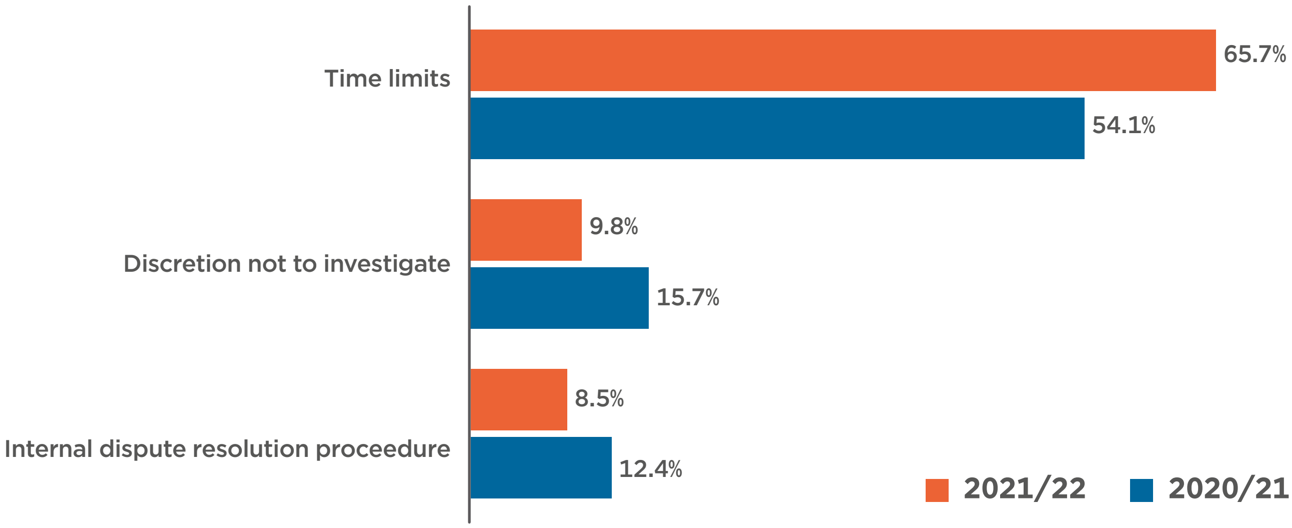


Of these closures, around:

- 54% were due to the application being invalid or rejected
- 10% were due to insufficient information to progress the pension complaint
- 25% were due to no consent being received from the complainant for the matter to be resolved informally by our ERS
- 11% were due to the pension complaint being outside our jurisdiction for our formal powers to be used.

Of the 11% (449) closed for being outside our jurisdiction, these were rejected for several reasons, 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 (IDRP) – 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 Adjudication.

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 Pensions Ombudsman. Consent is necessary before commencing the early resolution process.

Adjudication

- Resolved or withdrawn complaints – for cases (not considered by our ERS) 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 Pensions 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 Pensions Ombudsman along with all the submissions made by the parties. The Pensions Ombudsman will make their own decision, based on the evidence, and issue a Determination. Before making their final decision, the Pensions Ombudsman might decide to call for additional evidence or further investigation.

- Complaint is determined following the Pensions Ombudsman's preliminary decision – in some cases, the Pensions Ombudsman might issue a preliminary decision before making a Determination, for example, where the complaint is highly complex with many issues to be addressed.

Complaint is discontinued

This is where the Pensions 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.

Early Resolution Service

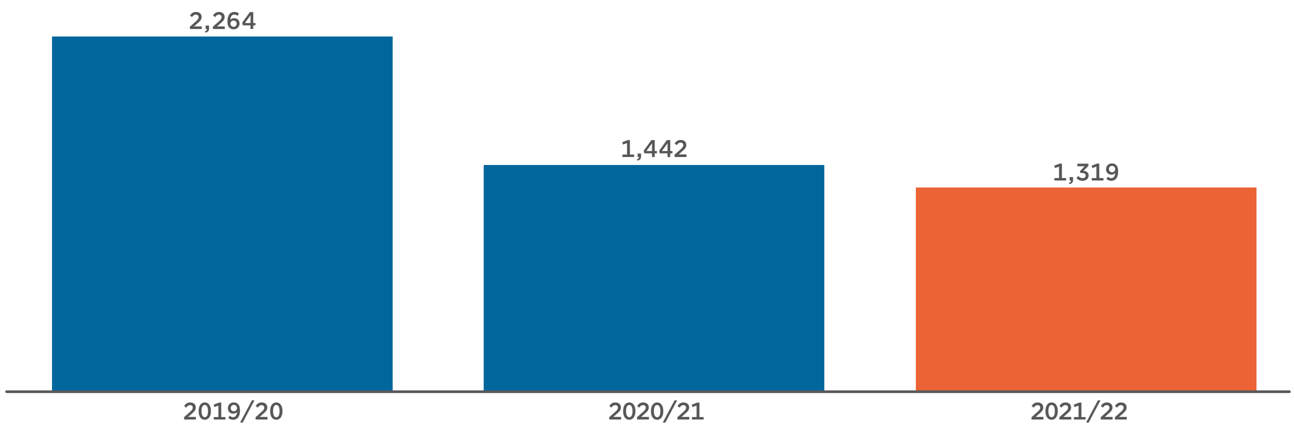
After new pension complaints have been assessed, they may be suitable for our informal ERS. Generally, these complaints have not been through the formal complaint process offered by the pension scheme or provider, so cannot culminate in a decision from the Pensions Ombudsman.

In 2021/22, we closed 1,319 pension complaints through the ERS – a slight reduction on last year. This was offset by the increase in closures at the prior assessment stage as we continue to try to deal with cases as early as possible.

Our aim for 2021/22 was for our ERS to close 60% of pension complaints within nine months of being transferred following assessment.

In 2021/22, 73.5% of the pension complaints closed by the ERS were closed within nine months of being transferred.

ERS closures



Adjudication Service

Some pension complaints may remain unresolved after using our ERS and may subsequently return to use our Adjudication Service after having been through the formal complaint process offered by the pension scheme or provider.

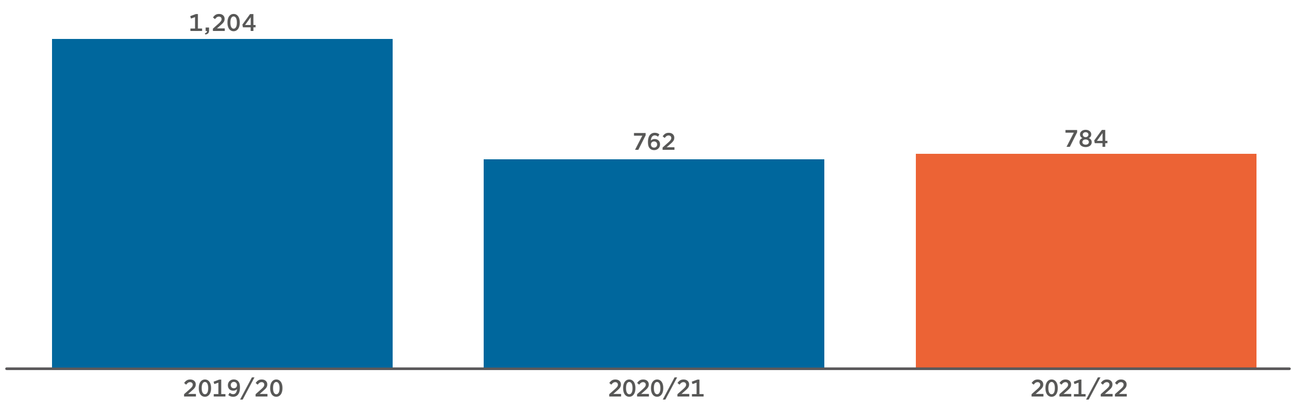
In 2021/22, we closed 784 pension complaints through our Adjudication Service, including those that were subsequently determined by the Pensions Ombudsman. This represents a slight increase on last year.

Our aim for 2021/22 was for our Adjudication Service to close 60% of pension complaints within 12 months of being transferred following assessment.

In 2021/22, 44.8% of pension complaints closed by our Adjudication Service were closed within 12 months of being transferred. This is predominately due to an increasing number of pension complaints requiring adjudication being complex in nature and so needing the services of suitably experienced and specialist adjudicators. The additional time taken to allocate and resolve these complex cases has contributed to the proportion taking longer than 12 months.

Any party involved in the adjudication process has the right to ask for the complaint to be considered by the Pensions Ombudsman.

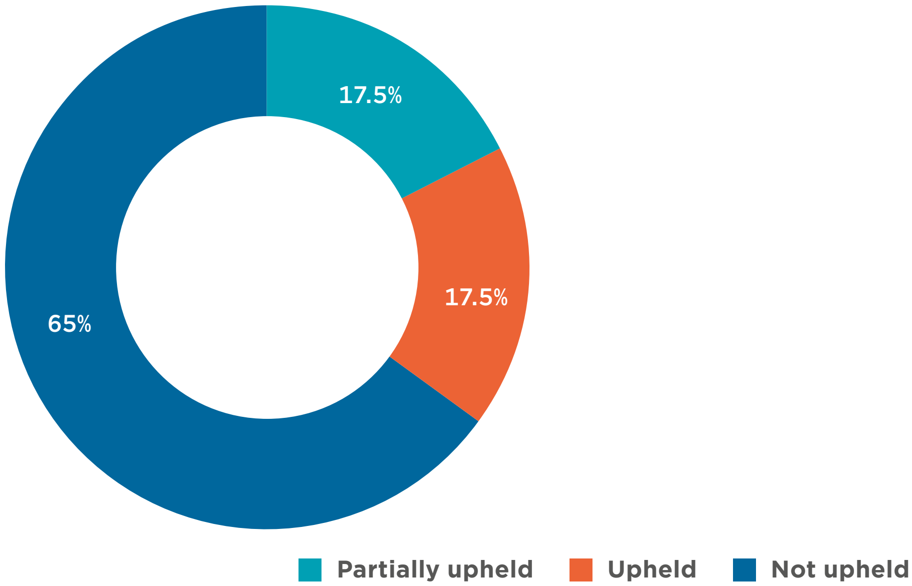
Adjudication closures



Determinations by the Pensions Ombudsman

In 2021/22, a total of 257 pension complaints were determined by the Pensions Ombudsman (2020/21: 288). Only pension complaints determined by the Pensions Ombudsman can be said to have been upheld or not. In 2021/22, 35% of pension complaints determined by the Pensions Ombudsman were upheld or partly upheld (2020/21: 41%).

Outcome of Determinations

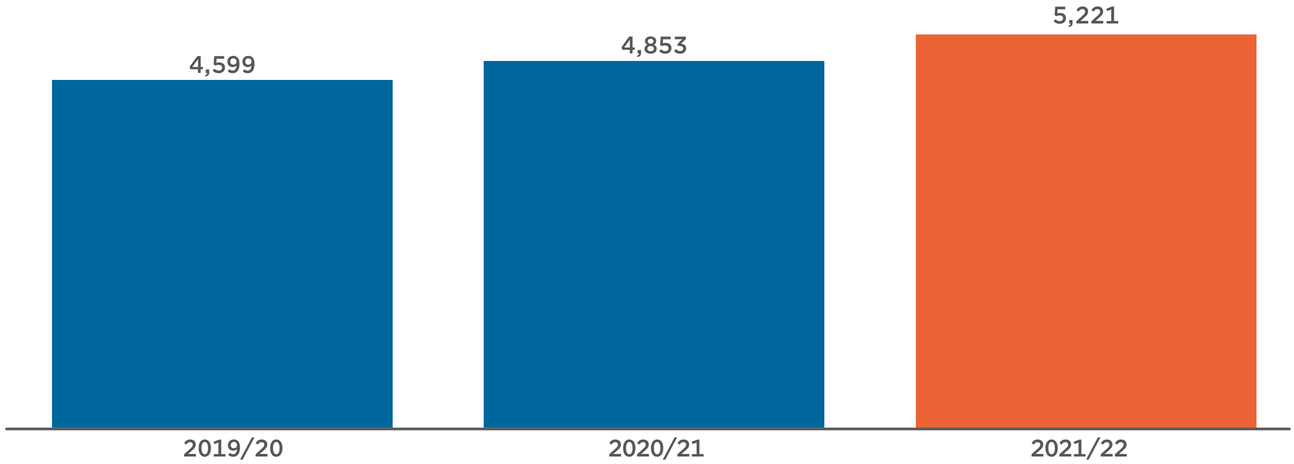


In the last few years, the number of complaints requiring the Pensions Ombudsman's involvement has been decreasing. This has been our aim. We want to ensure that complaints are dealt with at the most appropriate stage to ensure a quicker and simpler journey through the process for our customers.

Total pension complaint closures

Overall, we closed a total 5,221 pension complaints in 2021/22. This includes 183 pension complaints that were abandoned for various reasons.

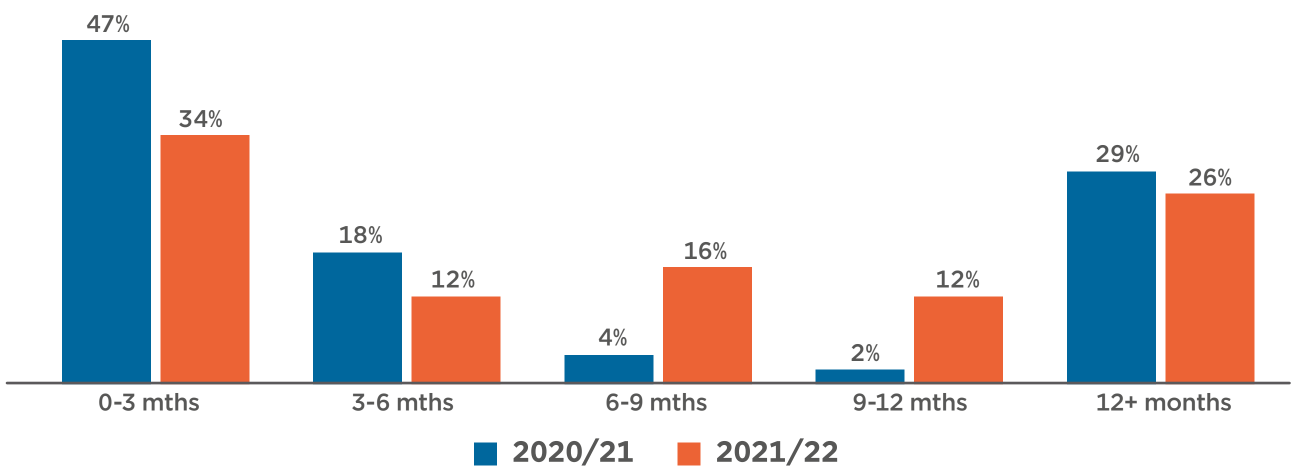
Total pension complaint closures



Our aim for 2021/22 was to close 60% of our overall pension complaints within 12 months.

In 2021/22, 74% of our overall pension complaints were closed within 12 months and the average number of complaint closures per month increased to 435 (2020/21: 405). The breakdown of timescales for our closed pension complaints in 2021/22 can be seen below, along with the figures for 2020/21 for comparison.

Timescale for pension complaints

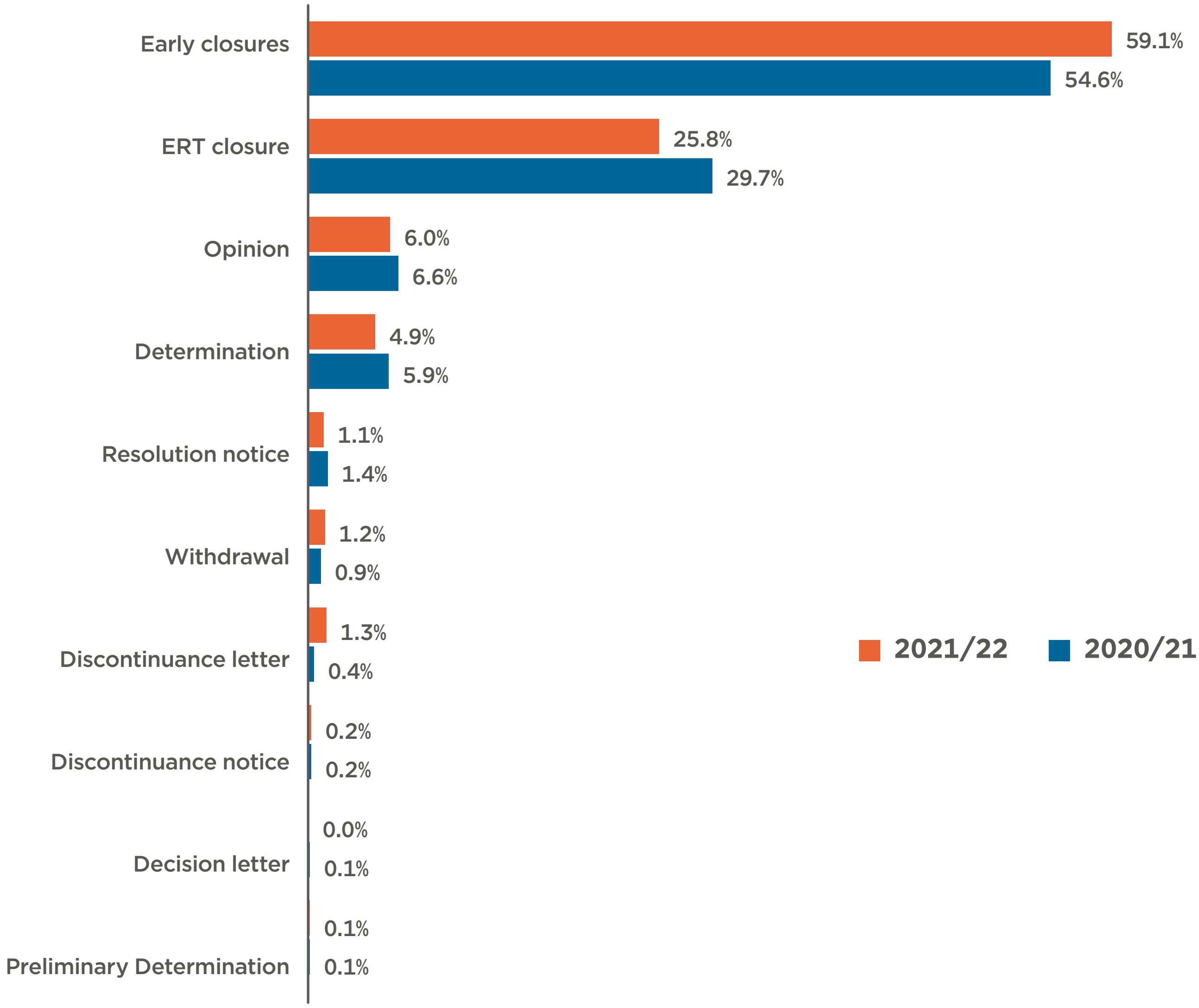


Timescales are measured from when we have a valid application through to their closure.

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. We have continued to focus on clearing older pension complaints where we can, recognising that in doing so, others will have aged more than we would like.

The chart below shows how pension complaints were concluded by the ERS, Adjudication Service and the Pensions Ombudsman for 2021/22 and the previous year.

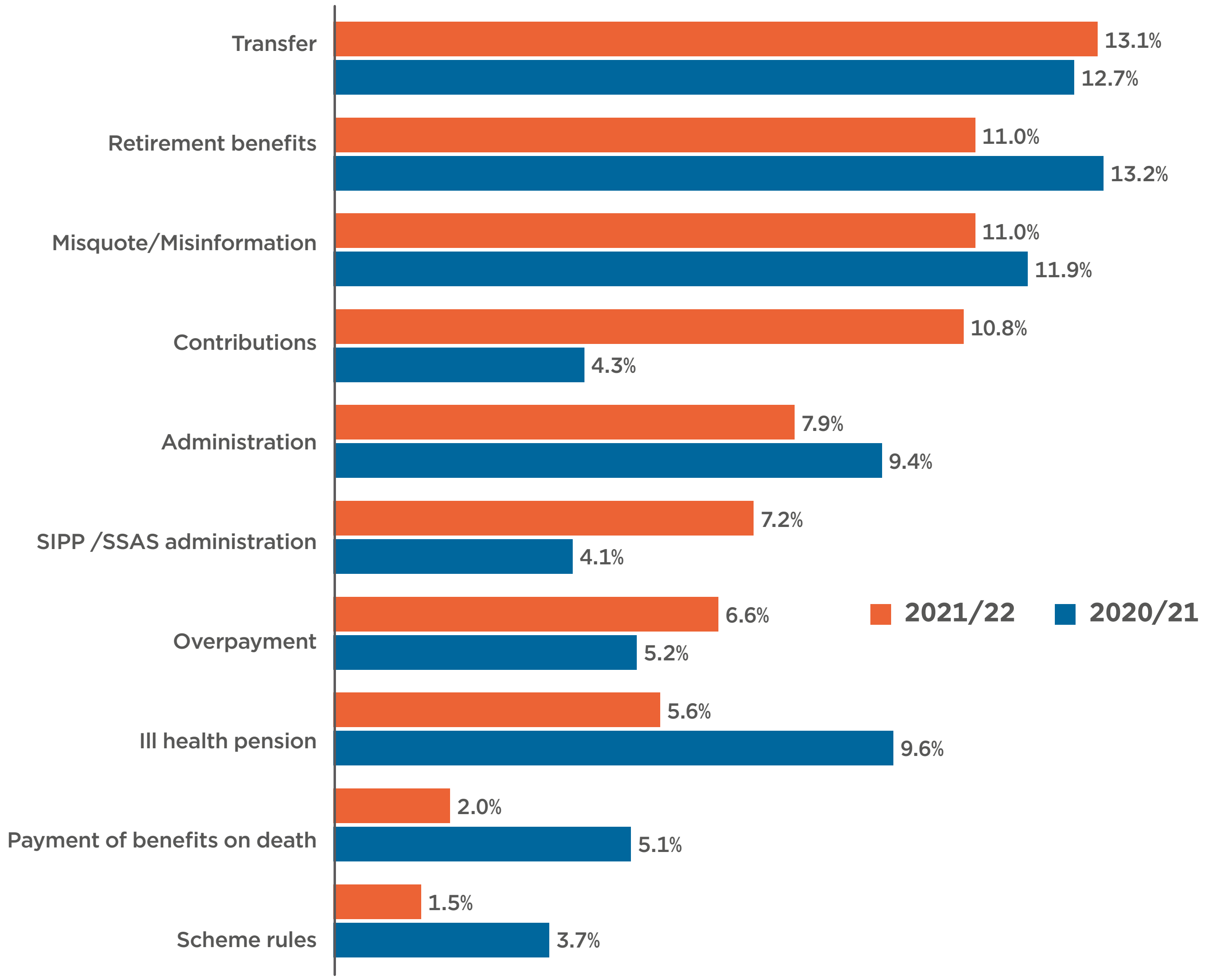
How pension complaints were concluded



Subject matter of closed pension complaints (top ten)

The chart below shows the subject matter of pension complaints concluded by the ERS, Adjudication Service and the Pensions Ombudsman in 2021/22. The top ten subject areas have remained the same over the last three years although the order has varied. For example, in 2021/22 we have closed more complaints about SIPP/SSAS administration, which may be down to the increase in these schemes following the introduction of the pension freedoms. We have also noticed an increase in complaints about non-payment of contributions to pension schemes, which may be attributable to the financial turbulence as a result of the Covid-19 pandemic.

Subject matter of closed pension complaints



Some summaries of completed investigations

Pension liberation transfer (Determination – upheld)

Mr S complained that the Ministry of Defence (**MoD**) allowed him to transfer from the Armed Forces Pension Scheme (**AFPS**) to the Capita Oak Pension Scheme (the **Receiving Scheme**). The Receiving Scheme was operated by Imperial Trustee Services Limited, which had since been forced into compulsory liquidation and Mr S believed his benefits had been lost.

The Pensions Ombudsman held an oral hearing as part of his investigation into Mr S' complaint. He considered this necessary to hear the evidence of the parties regarding the sequence of events leading up to the transfer of Mr S' benefits. Both parties attended the oral hearing and gave evidence.

In January 2013, MoD received a request to transfer Mr S's benefits. Legislative provisions provide that to acquire a right to benefits under the Receiving Scheme Mr S had to be an "earner".

In February 2013, TPR issued guidance about pension liberation and the danger of pensions scams. MoD claimed it was not aware of TPR's guidance until October and did not put the guidance into practice until November 2013.

MoD argued that its due diligence into Mr S' transfer request was completed in March 2013, reflecting the law and regulatory guidance as reasonably known to itself at the time. As part of this, MoD checked that the Receiving Scheme was registered with HMRC, which it had been in July 2012, as an occupational pension scheme established in Cyprus.

The transfer was not made until September 2013, mainly due to delays by Mr S in providing sufficient proof of identification. When sending proof of identification, Mr S sent evidence that he was receiving Jobseeker's Allowance.

The complaint was upheld by the Pensions Ombudsman because Mr S' unemployed status meant he was not an "earner" for the purpose of acquiring a right to benefits under the Receiving Scheme, meaning he did not have a statutory right to transfer. As the AFPS did not have a separate discretionary transfer power, Mr S' transfer was invalid and MoD's obligations under the legislation were not discharged.

The Pensions Ombudsman also found that there was maladministration by MoD in failing to assess the transfer request in accordance with TPR's guidance and failing to warn Mr S of the concerns MoD should have had as a result. Had MoD followed the guidance, it would have raised several red flags, including:

- the Receiving Scheme was recently registered
- it was established in Cyprus, geographically distant from Mr S' residence
- Mr S was approached through an unsolicited phone call.

However, on the balance of probabilities, the Pensions Ombudsman did not find these failures would have affected Mr S' decision to transfer (had the transfer been legally valid).

The Pensions Ombudsman directed MoD to reinstate Mr S in the AFPS. Mr S was also awarded £2,000 for severe distress and inconvenience caused by the maladministration.

Overpayment (Determination – partly upheld)

Mrs E was a member of the Teachers' Pension Scheme (the **Scheme**) and she complained that Teachers' Pensions (**TP**) were attempting to recover an overpayment of £13,506.15 from her.

Mrs E's first period of service in the Scheme was from November 1975 until February 1980. When Mrs E left the Scheme in 1980, she applied for and was paid, a refund of her contributions. As a result of the refund, Mrs E no longer held any accrued pensionable service under the Scheme. However, due to an error, TP did not update its system and its records continued to show that Mrs E had pensionable service for her first period of service.

Mrs E re-joined the Scheme in 1983 and began to accrue pensionable service. In 2004, TP began to issue estimates of retirement benefits (**EORBs**) annually to Scheme members. Mrs E left the Scheme in August 2008 and ceased accruing pensionable service.

In April 2014, TP undertook an internal review of its records and noted that Mrs E's pensionable service was incorrect. It logged a note stating that her record needed to be updated with the correct amount of pensionable service. However, no action was taken to ensure this happened.

Mrs E reached normal retirement age in July 2014 and, in August 2014, she applied to receive her benefits from the Scheme. In September 2014, TP sent Mrs E a statement confirming her benefits (the **2014 statement**). The 2014 statement included a breakdown of the tax-free lump sum she could expect to receive and the annual income she could expect to receive thereafter. Shortly after the 2014 statement was sent, Mrs E received her lump sum payment, and her regular income came into payment also.

In December 2018, Mrs E's income from the Scheme was suddenly reduced and she received £345.77 a month instead of the usual £513.36. In January 2019, TP wrote to Mrs E confirming that it had made an error when it calculated her pension benefits in 2014. TP said it had reduced Mrs E's income to the correct level in December 2018, and there was also an overpayment of £13,506.15 which Mrs E would need to repay.

In mid-January 2019 TP wrote to Mrs E to chase repayment of the overpayment. Following which Mrs E rang TP to request that it stop sending letters chasing the overpayment, as she needed time to consider the information and assess what she was going to do. Mrs E raised a formal complaint shortly after. TP responded saying that the overpayment needed to be repaid and it offered her £500 for distress and inconvenience caused.

Mrs E then complained to TPO. In her submissions Mrs E said that she was not aware she was being overpaid benefits from the Scheme. She recalled receiving a refund of her contributions for the period November 1975 to February 1980, but she did not know that this period had been used to calculate her benefits from the Scheme when they came into payment.

Mrs E provided a significant level of information regarding her income and outgoings from 2014 to 2018. She highlighted that this evidence demonstrated that she had a low level of disposable income during the period the overpayment accrued, and that she did not save regularly. In addition, Mrs E provided evidence of additional expenditure she incurred through gradually building up her disposable income. In particular, she bought her son expensive wedding gifts, and she also went on two extended trips abroad. She has emphasised that this is expenditure she would never have incurred, but for the additional income she was receiving, which she thought she could rely upon.

Mrs E's complaint was considered by an Adjudicator. The Adjudicator noted that TP was seeking to recover the overpayment by way of repayment and concluded that the Limitation Act did not apply in the circumstances of this case. The Adjudicator considered whether Mrs E had a change of position defence against recovery of the overpayment. She concluded that Mrs E did not in relation to the overpayment of the lump sum as Mrs E had used this money to pay off her mortgage, improve her home and invest in her business. However, Mrs E did have a defence to recovery in relation to the overpaid pension payments as she had spent the income irreversibly on expenditure she would not otherwise have had.

The Adjudicator concluded that Mrs E had a partial defence against recovery of the overpayment, based on a change of position defence.

Mrs E accepted the Adjudicator's Opinion but TP did not and the case was determined by the Pensions Ombudsman. TP argued that Mrs E should have been aware of the error from the EORBs and the 2014 statement and so a change of position defence had not been made out. In addition, TP said that there was insufficient evidence that Mrs E did not save regularly during the period the overpayment accrued and she had not spent the overpayment irreversibly.

In his conclusions the Pensions Ombudsman agreed with TP that Mrs E had information in her possession that would have enabled her to realise that her forecasted benefits may be incorrect. However, he said the test of good faith in a change of position defence is a subjective one and it was not enough for TP to show that it had sent the information to Mrs E but it also needed to be clear that on balance Mrs E had spotted the error and understood the implications.

The Pensions Ombudsman took into consideration that Mrs E was not a pension professional, that she had made unprompted statements which indicated that her knowledge of pensions was very basic and that Mrs E's account had been genuine and consistent since she had been informed of the overpayment. The Pensions Ombudsman concluded that Mrs E had spent the overpayment of pension payments in good faith.

In relation to TP's argument that Mrs E had not spent the overpayment irreversibly the Pensions Ombudsman considered the financial evidence provided by Mrs E and concluded that given Mrs E's overall disposable income during the overpayment period he did not find it likely that she would have had the expenditure but for the overpayment. Further, the Pensions Ombudsman noted that there was no evidence of Mrs E saving regularly during the overpayment period or where those savings would have gone.

The Pensions Ombudsman found that there was a change of position defence against the recovery of the overpayment of pension payments and upheld the complaint in part.

The Pensions Ombudsman directed that TP:

- reduce the overpayment by £5,667.51 and agree an affordable payment plan with Mrs E, and
- pay Mrs E £1,000 for the serious distress and inconvenience caused.

Post retirement increases (Adjudicator's Opinion – not upheld)

This complaint concerns the annual increases that have been applied to Mr P's pension. Mr P believed he has incurred a financial loss because annual increases have been applied to his pension in line with the retail price index (**RPI**) instead of at a fixed rate of 3%.

Mr P retired and started claiming his pension from the Scheme on 30 April 1999. On 19 March 2018, the Trustee wrote to Mr P and said that following a recent review of his pension it was discovered that some of the annual increases that were applied to his pension in the past were too high. The pension he was currently being paid was also too high. To correct the error, his pension in payment needed to be reduced to reflect the correct amount payable under the Scheme Rules (the **Rules**).

The reason was because when Mr P started claiming his pension from the Scheme, his annual pension was £62,469.72 which was the maximum allowed by HMRC. Under the Rules, his pension is granted a fixed annual increase of 5%. However, to ensure his pension remained at the maximum allowed by HMRC, his pension increased each year in line with the RPI.

Mr P's pension was increased correctly in line with the RPI until 1 April 2006. The RPI increase that was due on 1 April 2006 was 2.2%, but the actual increase awarded to his pension was 3%. This resulted in his pension being greater than the maximum amount allowed. Subsequently, since 1 July 2011, the annual increases that were awarded to his pension from 2012 onwards were 5% each year. These increases were again higher than the RPI increases that should have been awarded, to prevent his pension from exceeding the maximum amount allowed.

The incorrect increases resulted in an overpayment of pension amounting to £51,254.52 which needed to be repaid and Mr P's pension was decreased with effect from April 2018 from £10,203.24 a month gross, to £8,834.89 a month gross.

The Trustee offered to recover the overpayment by either withholding Mr P's annual increases going forward, until the overpayment was recouped or alternatively, it gave him the option to pay the overpayment in full by cheque.

Mr P agreed with the Trustee to repay the overpayment at £2,000 per month however he remained dissatisfied, and he complained to TPO. In his submissions he said that with the passage of time, he no longer wished to pursue his complaint about the overpayment but said that:

- He understood that his pension should be increased by 5% until the maximum pension allowed has been reached.
- When the maximum pension allowed has been reached, it was his understanding that HMRC allowed increases to be paid at the higher of 3% or the RPI.
- On the occasions when the RPI has been lower than 3%, the Trustee did not agree to increase his pension by 3%.
- He believed the higher of the RPI or 3% should be applied to his annual pension in payment and that the increases should be backdated.

Mr P's complaint was considered by an Adjudicator who noted that while the Inland Revenue Occupational Practice Notes 2001, provided trustees with the option to increase pensions in payment annually at 3%, when the RPI was less than 3% it was not compulsory for scheme trustees to adopt this revaluation method into their scheme rules. So, there was no maladministration by the Trustee, for not incorporating this revaluation method into the Rules.

The Adjudicator concluded that having reviewed the Rules and the relevant HMRC guidelines the Trustee had correctly recalculated Mr P's pension and applied the correct annual increases in line with the RPI.

The Adjudicator's Opinion was accepted by both parties.

Ill health (Resolved by the ERS)

Mr A was in receipt of an ill health pension after a cancer diagnosis in 2014. Fortunately, after a period of recovery, Mr A felt well enough to return to work and his pension was stopped. He was initially told by the Scheme's administrators that if his illness worsened, his pension could be reinstated.

Unfortunately, Mr A's condition did worsen, and he became unable to work. He asked if his pension could be reinstated. But he was told by the administrators that the Scheme rules did not allow a pension to be restarted after it has been stopped. He was told a pension could now only be paid once he reached his normal pension age. Mr A subsequently contacted TPO.

ERS reviewed the Scheme's rules. It was the Resolution Specialist's view that the Scheme rules did allow, at the Trustees' discretion, for the possibility that the pension could be restarted if Mr A again met the ill health eligibility criteria.

The Resolution Specialist highlighted to the administrators the rule which they felt gave the Trustees the power to restart the pension. ERS also asked if Mr A's request had been put to the Trustees.

The administrators did not initially respond, so ERS suggested to Mr A that he ask that his complaint was considered under the Scheme's IDRP.

The outcome was that the Trustees agreed with the Resolution Specialist's interpretation of the rules. They agreed to refer Mr A's request to their medical advisers, for their opinion on his ill health and capacity to work.

After receiving advice from their medical advisers, the Trustees agreed that Mr A's pension should be reinstated, backdated to the date of his original request for reinstatement.

Casework review – Pension Protection Fund Ombudsman

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

PPF maladministration

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

PPF reviewable matters

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

Financial Assistance Scheme appeals

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

The year's cases

The majority of new PPF cases received in 2021/22 were reviewable matters, however these figures are broadly similar to previous years and do not represent a significant change in trend of the number of new matters referred to us.

	In hand at 01/04/21	New/ re-opened matters	Completed investigations	In hand at 31/03/22
PPF maladministration	7	1	5	3
PPF reviewable matter	0	8	2	6
FAS appeal	10	3	8	5
Total	**17**	**12**	**15**	**14**

Complaints about our service

All complaints about our service are now handled by our 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 Deputy Chief Operating Officer (Casework), who will provide a formal response.

These changes have enabled us to resolve many of these complaints informally within 6 calendar days against a 14-calendar day target. When we have provided a final response, these have been issued within 11 calendar days against a 28-calendar day target.

In 2021/22 we received 129 complaints about our service. This represents a very low proportion of our overall workload – just 2% of our active caseload.

We upheld, or partly upheld, 57% 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. Around 65% of the service complaints that we received related to delays that customers experienced throughout our complaints process.

In 2020/21, we introduced new time limits for bringing a service complaint to us and allowed additional time for customers whose complaint concluded **before** 1 April 2021 to adapt to this change. We have now revised our policy to show that all service complaints must be brought to us within three months of the case conclusion.

Complaints about our service can be escalated to the Parliamentary and Health Services Ombudsman (PHSO) if the complainant remains dissatisfied. In 2021/22 we did not receive any decisions from the PHSO.

The courts

This section provides details of appeals, judicial reviews and other interaction with the courts.

Appeal figures 1 April 2021-31 March 2022

Pensions Ombudsman appeals in England and Wales

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

Pensions Ombudsman appeals in Scotland

Outstanding at the start of the year	2
New	1
Heard/settled/withdrawn during the year	0
Remaining at year-end	3
In the year (having regard to above figures) number of cases formally lodged in the Court of Session	2

For the first time, we are including a separate table to highlight appeals made in Scotland. This reflects the increasing number of appeals being made in Scotland, and the role the Court of Session Rules require of us under its Case Stated Procedure.

The process in Scotland is complex. Last year, we referred to these cases in a separate paragraph, but did not include them in a table because we were not aware that they had been lodged in court yet. It is only from the date they are lodged in the court that the case is formally accepted by the court as an appeal. However, it is when the minute is received by TPO, in accordance with Court of Session Rule 41.8, that we first know there is an appeal from an appellant. From that point we need to decide on whether we state a case or not. There are only limited grounds under Rule 41.10 whereby we can refuse to state a case. But the case may never reach the court to formally hear the appeal because, for example, the court may decide that we do not have to state the case, the appellant may not proceed with the case, the parties may settle or the appellant may proceed with the case with procedural irregularities which leads to non-acceptance by the court.

Using this new approach means that two Scottish appeals received during 2020/21 are included in the table under ‘Outstanding at the start of the year’. One of these was not formally lodged in court until this year, as was the new appeal application we received in the financial year 2021/22. The procedure in Scotland is expanded on below (see ‘Appeals in Scotland’) and its difference to that in England and Wales is explained in more detail.

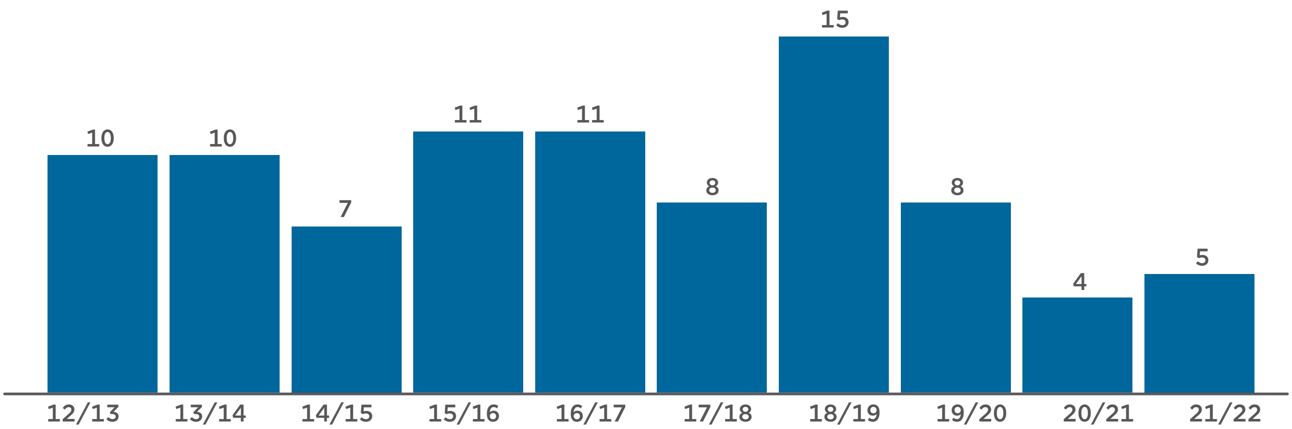
Pension Protection Fund Ombudsman appeals

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

Appeal trends

This year continued to show a low level of new England and Wales appeals compared to previous years, although the figure of five new appeals received this year is one higher than in 2020/21. This year represents the second lowest number of new appeals received by TPO in the last ten years (see chart below) and, notably, none went to a full hearing this year. There was only one appeal outstanding going into this financial year, which was dismissed by consent.

New TPO appeals



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As indicated above, we are seeing an increasing number of appeals being brought in Scotland. Historically, these have been very low in number. By recording these separately, we hope to better monitor appeal trends in Scotland.

1 Figures taken from previous annual reports (in the last three years reflects only England & Wales figures).

Appeals in England and Wales

In England and Wales, appeals against Determinations of the Pensions Ombudsman or the Pension Protection Fund 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 and are subject to the Civil Procedure Rules.

To appeal against a Determination or direction, a party must obtain permission from the High Court, which will be granted where the appeal has a real prospect of success or there is a compelling reason for the appeal to be heard. 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.

Five applications for permission to appeal were made to the High Court during 2021/22. Of these, permission: (i) was granted in two cases (and both are pending a hearing); (ii) is pending in two cases; and (iii) is pending reconsideration at an oral hearing in one case.

The appeal that was outstanding at the start of the year was withdrawn (and formally dismissed with consent by the court) before being heard.

Appeals in Scotland

The right of appeal in Scotland is different to that in England and Wales. While the right to appeal flows from the same statutory provision under section 151(4) of the Pension Schemes Act 1993, the appeal itself is made to the Court of Session, using a procedure known as 'appeal by stated case' and its rules, rather than the Civil Procedure Rules, apply. 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[2], which took over two years for a decision to be reached that the appeal was out of time – by some eight years).

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

This year TPO received one request to state a case to the Court of Session, to which TPO agreed. The parties complied with the time limits in the Rules of the Court of Session, and TPO is awaiting the court's response to the application.

TPO has not yet been notified of court dates for the two requests to state a case received last year. The Pensions Ombudsman stated a case in response to one of these appeals (lodged in the Court of Session this year) and refused to do so in the other on the basis that the questions posed did not arise and the application was frivolous. The Appellant has not applied to the Court of Session to seek an Order that a case be stated.

The ongoing uncertainty around Scottish appeal cases continues to highlight the lack of alignment between the procedure in Scotland and the procedure in England and Wales. It remains troubling that parties face differing appeal procedures and financial exposure despite the Pensions Ombudsman being a UK-wide service. TPO continues to progress the issue with the Scottish Civil Justice Council as our view remains that it would be a more streamlined procedure for Scotland to follow a statutory appeals process like that in England and Wales.

In-house litigation

The continued development of the Legal Team in recent years has brought enhanced breadth and depth of expertise. As such, the requirement to appoint external counsel has arisen only once during the financial year, which was due to other pressures on the Legal Team at that time. This demonstrates TPO's capability to manage a greater variety of litigation work in-house and on a cost-effective basis.

A further example of this enhanced capability is in the area of enforcement where, to support the work being carried out by our new PDU, the Legal Team is taking active steps to assist successful complaint applicants with enforcing the Pensions Ombudsman's directions made in their favour.

The Pensions Ombudsman's participation in appeals

TPO's approach to participation is proactive and we consider our role primarily as one of assisting the courts, but also of contributing our extensive industry experience to the court process. For example, our participation is not confined to questions of our jurisdiction or internal procedure; we may participate where the decision could have a wider impact on the pensions industry, such as decisions concerning pension liberation, 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').

We had intended (and successfully applied) to participate in the one appeal settled during the year, which was received in 2020/21 and due to be heard in late April 2021. However, the appeal was withdrawn before being heard. Further details about this case are set out in the section below.

Pensions Ombudsman's active participation in an appeal

Stuart Garner v Dalriada Trustees Ltd and Others[3] was an appeal, brought by Mr Stuart Garner, against the Pensions Ombudsman's Determination of 23 June 2020[4]. This related to complaints against him that had been 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.

The schemes were established in 2012 and Mr Garner was appointed as sole trustee. He was also the sole director of Manorcrest Limited, the schemes' principal employer. Mr Garner, as trustee, invested members' entire funds in preference share capital in Norton Motorcycle Holdings Limited, of which Mr Garner was the sole director and a shareholder. TPO investigated 31 member complaints, concerning: the manner in which Mr Garner had invested the schemes' funds; his failure to manage conflicts of interest, profiting from his position; and the scheme administrator's failure to properly manage the scheme.

Mr Garner's main line of defence was that he had considered that he was acting in good faith in the members' best interests by providing them with a genuine investment opportunity; and that he had been unaware of his statutory and fiduciary duties as a pension scheme trustee. However, the Pensions Ombudsman found that Mr Garner had committed multiple breaches of trust, resulting in the loss of members' pension funds. Mr Garner's failure to be aware of his duties or seek advice, and the Pensions Ombudsman's finding that Mr Garner was not acting in good faith, amounted to 'dishonesty/wilful default'. So, Mr Garner was unable to rely upon the schemes' exoneration clauses or statutory relief. The Pensions Ombudsman therefore found Mr Garner personally liable for those breaches and for individual members' distress and inconvenience.

The three pension schemes were left with a shortfall of approximately £10.5 million. The Pensions Ombudsman ordered Mr Garner to repay the amount lost on investment in preference shares, less money already recovered, plus interest. Findings were also made against the administrators.

Mr Garner appealed the Determination. While Mr Garner did not attempt to argue that the Pensions Ombudsman's findings against him were incorrect, he appealed on three grounds relating to the amount that the Pensions Ombudsman had directed him to pay:

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

4 CAS-30918-M4P3

1. Appeal against the interest rate directed by the Pensions Ombudsman – permission to appeal refused by the court.

2. Appeal (as modified by the court) to ensure no windfall to the schemes if the preference shares assumed to have no material value did in fact have value – permission to appeal granted by the court.

3. Appeal against the level of non-financial injustice payments directed by the Pensions Ombudsman – permission to appeal granted by the court.

The Pensions Ombudsman decided to participate as: the issues raised in the appeal touched on our jurisdiction and powers; the pension scheme members affected were not taking part; and we considered that our participation was in the wider public interest as the case concerned trustee dishonesty. The court granted the Pensions Ombudsman permission to participate in the appeal. However, a few days before the appeal hearing was scheduled to take place, Mr Garner withdrew his appeal.

The independent trustee firm appointed by TPR to the three schemes pursued Mr Garner for the amounts he was directed to pay under the Pensions Ombudsman's Determination however, following a petition by Leicester City Council, Mr Garner was made bankrupt. However, Mr Garner will remain liable to repay the sums the Pensions Ombudsman has directed him to pay if and when he is discharged from bankruptcy.

Following the publicity that surrounded the Pensions Ombudsman's Determination against him, Mr Garner has been prosecuted by TPR and convicted of the criminal offence of investing more than 5% of the Schemes' respective funds in employer-related investments in breach of the Occupational Pension Schemes (Investment) Regulations 2005. Mr Garner received a prison sentence of eight months, suspended for two years.

The Determination in this case provides a clear message that:

- the Pensions Ombudsman's power to provide financial redress is unlimited
- Pensions Ombudsman directions can be scheme-wide for the benefit of all members
- trustees who plead ignorance as regards their duties will still be accountable
- trustees cannot profit from their position
- trustees can be found to be personally liable for losses incurred as a consequence of their breaches of trust
- scheme administrators can also be accountable for failings.

Judicial review

The lawfulness of decisions or actions taken by public bodies, including TPO, can be reviewed by the courts through judicial review. A judicial review is a challenge to the way in which a decision has been made, rather than the rights and wrongs of the conclusion reached.

TPO received one application for judicial review this year, which was a further application from the same claimant who had lodged a claim in the Birmingham Administrative Court last year. Permission was refused in the claimant's first application for judicial review by His Honour Judge Rawlings on 18 May 2021, and the claimant did not request that this decision was reconsidered at a hearing (the appropriate route via which to challenge such a decision).

However, the claimant sent further documents to TPO on 26 September 2021 which appeared to re-challenge Justice Rawlings' decision by way of judicial review. The claimant challenged:

1. TPO's decision not to investigate a second complaint against Nottingham City Council

2. the Determination of the claimant's first complaint (determined on 31 March 2016) (Claim 1)

3. in the alternative to appeal the 2016 Determination (Claim 2)

4. to bring a claim against Nottingham City Council for breach of contract (Claim 3).

Despite the claimant's non-compliance with the court procedural rules, TPO nevertheless submitted summary grounds of resistance on 11 October 2021, drafted in-house.

TPO strongly resisted the claim. This included highlighting to the court that:

- Claim 1 has already been the subject of an application for judicial review, for which permission was refused
- in respect of Claim 2, a Determination is legally binding on the parties and can only be appealed to the High Court on a point of law, not judicial review
- for Claim 3, TPO was not the correct respondent as there is no relationship between the claimant and TPO that could conceivably be characterised as contractual.

After the year end, we heard that the court has denied permission.

We also received a Pre-Action Protocol letter in respect of a judicial review claim in May 2021. The Pensions Ombudsman had discontinued the original complaint on the basis that, even were the complaint to be upheld, he could not provide a legal remedy since the issues raised had been subject to a binding settlement in 1999. We responded in accordance with the Protocol, reiterating our position as to statutory limitation periods and remedy. A formal judicial review claim was not lodged and is now outside the court's time limits.

Other key developments

Key achievements against our Corporate Plan

Our Corporate Plan 2021-2024 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 2021/2022 we conducted four customer surveys that each covered a three-month period.

We surveyed 12,611 participants (including respondents) who had opened or closed a complaint with us between 1 April 2021 and 31 March 2022. The large increase in the number of participants is due to our new automated customer survey process which started on 1 October 2021 for customers who opened or closed a complaint with us after 1 April 2021. Participants can opt out of surveys at any stage.

The overall response rate was 24%, broken down as:

- 25% from complainants
- 6% 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 ERS
- adjudication covered all complaints dealt with by our Adjudication Service.

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	Baseline	2021/2022 Result
Providing you with a good service	53%	44%
Providing clear information	67%	67%
Providing clear decision making	62%	56%

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. We are aware through analysing the results, that the time complaints are taking to reach a conclusion is having an impact on our customers views of our service overall. The verbatim comments show that our customers main dissatisfaction is still around delays.

The Pensions Dishonesty Unit

The aim of the PDU is to efficiently investigate cases of suspected pension scheme dishonesty and, where possible, make directions against those trustees (or others responsible, for example, manager or administrator) instructing them to personally reimburse the scheme (and therefore the members) for losses stemming from their actions. Where successful, pension scheme losses would then be met by the perpetrators of dishonest behaviour rather than the taxpayer or all pension schemes on a wider basis. The need for the PDU was identified following a trend of cases involving trustee dishonesty over previous years.

Typically, PDU cases involve a transfer into a trust-based occupational pension scheme intended to allow the members to invest in purported high-yield but actually unregulated, high risk and unusual investment arrangements. In certain cases, the members received cash lump sums following the transfer, likely constituting pension liberation (accessing pension benefits before being legally entitled to).

The investments promoted to the members would be approved by the trustee(s) without due regard to their investment duties, and likely for their or their associates' benefit through commission payments or later selling the asset undervalue. A trustee acting with appropriate regard for the members' interests would not select these types of investments and would seek the necessary professional advice. The investments would have little or no value.

Other types of case that would fall under the PDU's remit might involve using members' pension funds to purchase shares in the sponsoring employer company to keep the company afloat (as in Norton Motorcycles) or providing loans to third party companies associated with the scheme trustee (Henry Davison).

Since the PDU was established in November 2021 it has taken on responsibility for 48 cases with assets of more than £40 million under consideration. To 31/03/22, four oral hearings have been held with further oral hearings scheduled in the coming months. We anticipate the first PDU Determinations during summer 2022.

As part of this work, the PDU has held close discussions with TPR and the Fraud Compensation Fund (FCF)[5] in order to coordinate our work and identify which body is best placed to undertake the investigation on different schemes. It is anticipated that TPR and FCF will be able to refer cases directly to TPO for investigation in the future.

We are also working with independent trustees to ensure that they are aware of our powers and role in enforcement, thus enabling a Determination to be issued in respect of all members of the particular scheme and not just those that have made a complaint to TPO.

TPO has increased its casework and legal staff to deal with the work arising from the PDU. The cases are usually extremely complex and generally require oral hearings, and significant legal input from the Legal Team.

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

Legal Forum

In July, we held our second Legal Forum for 2021, via Zoom. This specialist event for lawyers was well attended by representatives from a cross-section of the pensions world. A wide range of topics was discussed including pensions liberation, appeals to TPO decisions over the last year and how we are planning to deal with increasing demand for our service.

Following discussion with the attendees, we agreed to run the Legal Forum as a virtual annual half-day event from July 2022. We have also introduced a new format for the exchange of ideas – a discussion group where a small group of lawyers meets informally on an ad-hoc basis to discuss particular issues. We hosted our first Legal Forum discussion group, with public sector schemes and law firms, on the McCloud case in February 2022.

5 The FCF pays compensation to occupational pension schemes which have lost out financially due to dishonesty.

Working with the pensions industry and our stakeholders

In the past year, we have continued to evolve and expand our relationships with our stakeholders. Given the ongoing impact of the Covid-19 pandemic, we continued to mainly operate via online meetings, as well as attend and participate in a variety of online events, webinars and workshops.

We continued to seek ways in which we can work collaboratively with our key strategic partners. Working with MoneyHelper and TPR, we published new joint guidance – '*Workplace pensions – unpaid pension contributions*'. The factsheet provides customers with a clearer understanding of what to do if their employer fails to pay contributions into their workplace pension scheme. It also signposts customers to the organisation(s) that are best placed to assist them if they cannot resolve their concerns with their employer.

We continued to build our partnerships with other arms-length bodies, as well as with the pensions industry, to improve signposting for customers and share key messaging about the issues impacting the industry. We have improved the intelligence we gather and share about ongoing and emerging issues that affect our businesses.

The financial landscape following the Covid-19 pandemic has continued to impact the pensions industry, especially with customers who may have changed their financial circumstances and plans as a result. We are conscious of the risk posed by potential scammers, and TPO is committed in the fight against pension scams. We support and work with the multi-agency taskforce, Project Bloom, sharing a united aim to protect pension scheme 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

We carried out our second stakeholder survey in November 2021, asking for feedback on the services we provide and what additional support stakeholders would like from us.

The survey was sent to industry representatives including private and public pension providers, consumer groups, key strategic partners, master trusts, interested Parliamentarians and Legal Forum members.

The responses indicated that there were no significant changes required to how we engage with our stakeholders and helped us to identify the priorities we will be focusing on in 2022/23. This includes further enhancing the information and resources on our new web page 'How to avoid the Ombudsman' to raise standards in dispute resolution and help stakeholders resolve issues without TPO being involved (see below). Stakeholders also said they would like us to share more insight from the complaints we receive.

Strategic goal three: Transforming and improving our services and processes

Digitalisation Programme

Throughout the year, we have continued to identify and implement improvements to our digital processes to benefit customers, stakeholders, staff and volunteers.

For our customers

A new version of our online application, using the Government Digital Service's toolkit, was released in early April 2022. The new version not only improves accessibility and the customer experience but also guides the customer through the application which should result in a higher percentage of applications being valid from the start of the process, saving time for both customers and staff. These changes were implemented to assist customers and deliver efficiencies following the decision in 2021/22 to stop development of the customer portal as it would not represent value for money.

At the end of March 2021, we increased the number of channels through which customers can contact us by launching the online chat facility, LiveChat. This provides a service for customers who cannot call but would like direct interaction with us and also allows us to reach customers outside of our phone times. The new facility is proving to be popular with customers and staff and over the year we have increased its availability from two to four days a week.

For our stakeholders

In response to feedback from our stakeholders, in October 2021 we launched a new web page – 'How to avoid the Ombudsman'. This contains useful information including ‹top tips›, guidance, links to case studies, key Determinations and frequently asked questions. In February 2022, we added three new factsheets that stakeholders would find useful and can pass onto scheme members.

For our staff and volunteers

We have continued to make improvements to our CMS to reflect internal process changes and to further automate procedures, including the customer survey, to free up staff time.

In October 2021 we launched our volunteer hub (extending our CMS to volunteers) to a pilot group of volunteers, before rolling out across the volunteer network. This makes it quicker and easier for volunteers to securely access case documentation, saving time and administration costs.

Quality assurance

During 2021/22, we carried out 1,698 quality audits (2020/21: 1,748) and ended the year with a quality score of 89% (2020/21: 87%) across all Casework teams and our Legal Team.

The Quality Assurance Team carry out audits across all areas of Casework and the Legal Team, these are conducted each week.

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 – ensuring we are keeping to the timescales we provide
- ensuring we adhere to the contact standards set
- providing staff training on data capture and sharing knowledge
- educating our customers as early in the process as possible.

Based on our experience and results from the first few years of our quality audits, we continue to adopt a risk-based approach where new processes or procedures have been implemented, so that we can focus on targeting areas that require the greatest improvement. This is while maintaining a percentage of audits across all teams to provide us with assurance that we are supporting the customer journey where it needs it most.

Our people

Our staff

In 2020, a People Strategy was agreed by the Corporate Board covering the following workstreams:

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

Work has continued in all of these areas during 2021/22. We have, for example:

- Continued meeting as a Senior Leadership Team to improve cross functional working under the ethos of 'One Team' but now also allowing staff to attend as observers to gain greater insight into decision making and the issues affecting TPO.
- Continued with management training for managers and aspiring managers.
- Following an audit of our recruitment processes introduced a new recruitment policy and implemented an 'applicant tracking system' that enables anonymised recruitment.
- Revised our in-year award scheme to empower managers to make immediate awards to staff.
- Conducted the first systematic collection and analysis of our staff's protected characteristic data.
- Continued to run an Equality, Diversity and Inclusion staff group and have now set up a Women's network and more networks are planned.
- Conducted a staff survey, using the Civil Service People Survey as a model.
- Agreed and implemented a new Agile Working Policy.

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 78%, (Civil Service response rate: 62%) 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 2020 results and the Civil Service survey, 2021:

Category	Score	Difference against 2020 TPO survey	Difference against 2021 Civil Service survey
Employee engagement index	63%	-3%	-3%
Leadership and managing change	63%	No change	+5

From the survey data and comments staff provided, the Leadership Team identified priorities and these were discussed further at team meetings and the Staff Communication Forum. Six strands have been identified to form the basis on the next People Strategy due to be launched in June 2022.

- Staff Mental Health and Wellbeing
- Organisational Culture
- Collaboration Across the Organisation
- Building Leaders
- Learning and Development for All
- Recruitment, Recognition and Retention.

Equality, Diversity and Inclusion actions are embedded in each strand.

Our volunteers

Our ERS resolved 1,319 complaints last year, which our volunteer network of 195 volunteers made a significant contribution towards. We are very grateful for the help and expertise our volunteers give us and the many customers they deal with. While the number of pension professionals volunteering for us has dropped very slightly, their contribution has increased; 7% more cases were allocated to volunteers in 2021/22 than in the previous year.

2021/22 was a busy a year for us:

- We enhanced our CMS to provide volunteers with secure access to case documentation, allowing them to work directly on our system. We carried out a phased rollout to all volunteer teams between December 2021 and March 2022. The rollout was supported by 11 online demonstrations on how to use the system and the publication of a comprehensive user guide.
- We reorganised our volunteer teams into 15 similar sized teams, each headed by a team leader, primarily responsible for peer-reviewing completed cases and overseeing case progress. Each team includes a mentor, for new volunteers, if the team leader is unable to perform the role. Our guidance for mentors was updated in October 2021.
- We welcomed 34 new volunteers in 2021/22 and are looking to build on this number during 2022/23. To support this, we will be undertaking a promotional campaign throughout 2022/23 to encourage more pension professionals to volunteer.
- We hosted a training session on automatic enrolment and three new volunteer training events.
- We issued updated guidance on dealing with complaints about SIPPs and on the IDRP.
- Six digital volunteer newsletters were issued.
- We promoted volunteering at the Pensions Management (North West) Conference on 18 May 2021 and the Association of Member-Directed Pension Schemes conference on 6 October 2021.
- Our promotional video on volunteering was circulated on LinkedIn and shared with several pension providers, to encourage volunteering. An article on volunteering was also published on Mallow Street, an online financial social networking community within the pensions industry, and a recruit-a-friend campaign was run in January 2022.

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 DWP has designated the Pensions Ombudsman as Accounting Officer of TPO. 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 in place throughout 2021/22 and up until the Annual Report and Accounts are formally signed off by the Audit and Risk Committee in July 2022.

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

As a non-departmental public body, TPO is subject to reviews, usually once in a lifetime of a Parliament. The last Tailored Review, conducted by DWP, was published in 2019. All recommendations have now either been completed or have moved to business as usual with a full Board structure being established. During 2021, Non-Executive Board members were appointed, strengthening the Board further.

Framework Agreement with DWP

TPO is subject to the 'Framework Agreement' between TPO and DWP (effective from 27 April 2020). DWP continues to hold quarterly accountability meetings where TPO provides assurance on 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 DWP.

Following the appointment of a permanent Chair in 2020, a review of the Terms of Reference for the Corporate Board, Executive and the Audit and Risk Committee was carried out in 2021. New Terms of References were approved by the Corporate Board in July 2021.

Executive

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

The 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 2021/22.

Corporate Board

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

Between April and December 2021, the Corporate Board met bi-monthly. Since January 2022, it meets at least once every quarter. All meetings were quorate in 2021/22.

The Corporate Board's role and purpose is to:

- Take decisions in line with the framework within which public bodies must operate.
- Establish the vision, mission and values of TPO, determining how these will be promoted within the organisation.
- Set the strategic direction of TPO to maximise value for its customers, selecting strategies to be pursued and receiving updates and assurance on the implementation by the Executive.
- Hold the Executive to account and providing support and challenge as appropriate.
- Determine the governance arrangements for TPO, as recommended by the Executive.
- Hold the Executive to account in ensuring appropriate arrangements and resources are in place to monitor and achieve the organisation's equality, diversity and inclusion plans and targets.
- Ensure the Executive provides a clear organisational approach to equality, diversity and inclusion in line with TPO's values.

Audit and Risk Committee

Chair – Roy Field (April 2021-July 2021)
Chair – Myfanwy Barrett (elected Chair in July 2021 meeting)
NED – Mark Ardron
NED – Emir Feisal (from July 2021)

Attendees

The Pensions Ombudsman
Chief Operating Officer
Deputy Chief Operating Officer (Corporate Services)
DWP partnership team nominee
Representative from National Audit Office
Representative from Government Internal Audit Agency

The Audit and Risk 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 develop. Building on the introduction of a balanced scorecard, the Strategic Risk Register has been significantly updated to capture all current and/or relevant strategic risks. Definitions for determining risk likelihood and impact have been reviewed to ensure consistent application.

TPO's risk appetite has been agreed and each TPO strategic goal has a risk appetite attached to it.

Strategic risks and the risk environment are reported into the Executive, Corporate Board and Audit and Risk Committee. The table below outlines the top three strategic risks that could have potentially impacted on our productivity during 2021/22, together with mitigation action taken.

Strategic risk	Mitigation
Reputational damage TPO is subject to significant external criticism because reasons for casework delay poorly understood/ communicated	• Annual Report and Corporate Plan messages identify challenge and TPO response • proactive media engagement to explain context / challenge • messages to customers to explain context / challenge • regular monitoring and senior over-sight of MP correspondence.
Insufficient resources Failure to recruit and retain sufficient staff to deliver our service at current levels and effectively deliver change	• new recruitment policy, system and training in place; continued focus on wider TPO 'offer' to new recruits as not able to increase salaries • improvements to knowledge management and broadening of specialisms in casework • strong, focused recruitment plan in place • new staff learning platform being developed • new People Strategy will be in place by June 2022.
Changes to productivity Casework output does not continue to increase as expected and/or decreases	• completion of Operating Model review changes • new website application changes to replace efficiency improvements lost through not having customer portal • reallocation of underspend to tackle increased waiting times • continued prioritisation of support to staff and improvements that aid casework delivery, for example, Change Board process • Digital Programme Board prioritisation of future changes.

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.

Taking into consideration 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 acknowledge our risk appetite may vary across the work that we carry out.

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:

- Identifying 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.
- Applying 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 Executive and Corporate Board is reliable.

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 and Risk Committee assesses and provides guidance concerning the effectiveness of internal control and continuous improvement plans.

The Government Internal Audit Agency (GIAA) carried out three internal audit reviews in 2021/22.

Casework demand management – we received a moderate assurance. All recommendations were accepted with an implementation date of 31 December 2022.

Information governance – we received a moderate assurance. All recommendations were accepted, with an agreed implementation date of 31 December 2022.

Change management – we received a moderate assurance. All recommendations are accepted, with an agreed implementation date of 31 December 2022.

Based on the opinions from the above three reviews and GIAA's observation of other related TPO or third line activity, the overall governance, risk management and control arrangements throughout the year have provided a **MODERATE** assurance. The definition of a Moderate opinion is that 'there are some improvements required to enhance the adequacy and effectiveness of the framework of governance, risk management and control'. Whilst this opinion is unchanged from recent years, GIAA is satisfied that good progress continues to be made.

Anthony Arter

Anthony Arter

Pensions Ombudsman
Pension Protection Fund Ombudsman

7 July 2022

Directors' report

Register of interests

The register of disclosable interests (pensions-ombudsman.org.uk/publications/register-interests-202223) for the Corporate Board, Audit and Risk Committee members and the Executive is regularly reviewed and published on our website. During 2021/22 there were no examples of interests that gave rise to a potential conflict.

Equality, Diversity and Inclusion (ED&I)

Our Equality, Diversity and Inclusion group has grown and continues to provide a forum for staff to discuss ED&I issues and a platform for staff and managers to work collaboratively on issues.

As members of the Employers Network for Equality and Inclusion, we submitted an application for the Progressive, Agile and Flexible Working Practices Award in 2022. We were delighted to hear that we reached the short list, and although we did not manage to progress further, we took the opportunity to learn from feedback and good practice shared by the winner.

TPO has two staff network groups, an established Black Staff network and a Women's network that launched in January 2022.

In November 2021, TPO took part in a 'virtual work experience day' with Tower Hamlets Education Business Partnership. The event was available to all Year 12 students (aged 16-17) from local senior schools who were interested in a career in the Law, Business and Finance sectors. The purpose of the day was to give students the opportunity to safely engage with the world of work, complete tasks related to their chosen industry and receive feedback from industry professionals. For the group task, five members of TPO staff facilitated groups of three to four students who had to create a Corporate Social Responsibility event aimed at engaging young people. Three of our lawyers also took part in a 'Question and Answer' session. We had lovely feedback for the event including that the students found the sessions very useful. TPO staff who took part really enjoyed the day and were impressed by the work produced by the students.

Living with and learning from Covid-19

The Covid-19 pandemic continued to influence how and where we worked throughout 2021. However, in November, we started the conversation around returning to some level of office working. The Agile Working Policy was reviewed and building on lessons learned from remote working and listening to staff feedback, in February 2022, the Executive agreed a new minimum attendance in the office of two days a fortnight. A series of familiarisation opportunities for staff were delivered in March, with staff being formally welcomed back to the office from 28 March 2022.

The Covid-19 pandemic over the last two years has posed a significant and unprecedented challenge across the world. Throughout this time, TPO ensured a responsible and flexible operation was maintained throughout the crisis by following government advice and guidance. The flexibility and resilience of staff has led to an increased productivity during this time and many skills and new ways of working will be maintained as we learn to live with Covid-19 over the coming year. A review of the new Agile Working Policy will take place in 2022/23.

Environment and sustainability

TPO remains committed to ensuring it operates in a sustainable way. In previous years TPO did not meet the de minimus reporting requirements in relation to the Government Greening Commitment (GGC) but now does. This means there is no comparable data from previous years. A further hinderance to data collection is due to TPO being a tenant within a Government Property Hub, where there are no sub-meters for tenants. This therefore means for energy consumptions calculations are merely a proportion of overall energy costs reflecting the 1.6% share of the building.

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. GPA has a sustainability strategy and action plan 2021-25, aligned to the Greening Government Commitments, in place.

The GPA is committed to Net Carbon Zero by 2050. TPO has contributed to this by continuing its aim to be a paperless office and encouraging paperless working. Paper consumption is reported quarterly to DWP and averages six reams a quarter. To encourage safe and sustainable travel to the office by staff, we have implemented a cycle to work and electric car 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.

TPO does not own or lease vehicles. Staff have not travelled overseas. Where possible staff are encouraged to use public transport for external events and in total the expenditure on travel was £730 for the year.

TPO does not undertake any construction or building activities.

For the majority of the year, TPO staff have worked from home, due to the Covid-19 Pandemic, with only skeleton staff attending the office. It has not been possible to measure carbon emissions in relation to homeworking. Within the office, GPA regularly shares emission data and below summarises the overall energy use for TPO in 2021/22.

Total Carbon tCO2e (YTD)	Scope 1 Total tCO2e	Scope 2 Total tCO2e (Location Based)	Scope 3 Total tCO2e
27.488	0.617	26.777	0.0933

Electricity kWh (YTD)	Water m2 (YTD)	Recycled Waste Tonnes (YTD)	EFW Tonnes (YTD)
126,112	138.7	1.7	0.4

Gas kWh (YTD)	Fuel Ltrs (YTD)	F-Gas tCO2e (YTD)
2,881	2.17	-

Information security

A dedicated Information Manager (Data Protection Officer) is in post overseeing our responsibilities under the Data Protection Act 2018 and HMG Security Framework, under the direction of the Deputy Chief Operating Officer (Corporate Services). Weekly updates of any potential data breaches are provided to the Chief Operating Officer in their role as Senior Information and Risk Officer (SIRO) and the Deputy Chief Operating Officer (Corporate Services). Our Information Security policy was reviewed in 2021, and a resulting action plan for gaps identified put in place.

There were no personal data-related incidents during 2021/22 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 Executive and the Audit and Risk 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, 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 Pensions Ombudsman, Executive and Corporate Board. 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 Legal Director's salary ranges are determined by TPO pay scales.

Appointment of Non-Executive Directors

Caroline Rookes' was appointed as permanent Chair by the Secretary of State. 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. Four NEDs were appointed/reappointed and started on 1 May 2021. Fees for the NEDs are also determined by the Secretary of State for Work and Pensions and are non-pensionable.

Pensions Ombudsman service contracts

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

Name	Date of appointment	Unexpired term as of 31/03/22	Notice period
Anthony Arter	23 May 2015	4 months	6 months from employee

Anthony Arter was appointed as Pensions Ombudsman and Pension Protection Fund Ombudsman for four years on 23 May 2015. In December 2018 he was reappointed until 31 July 2021 and this appointment was extended for a further 12 months to allow for the new Pensions Ombudsman appointment process to be completed.

To cover any transitional period between Pensions Ombudsmen, permission has been sought from the Secretary of State for the Department for Work and Pensions to extend Anthony's contract for a period of up to six months. Anthony has agreed to continue to support TPO through this period.

Since 1 July 2020, for an interim period, there has not been a standalone Deputy Pensions Ombudsman. This is to reflect the decrease in the number of complaints requiring a Pensions Ombudsman's Determination. The situation will be kept under review. 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 Pensions Ombudsman, Deputy Pensions Ombudsman or Secretary of State waiving the right to notice, or the Pensions Ombudsman or Deputy Pensions Ombudsman accepting a payment in lieu of notice.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Pensions Ombudsman, the Executive and Corporate Board.

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)	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Caroline Rookes	20-25	15-20	0	0	0	0	0	0	20-25	15-20
Mark Ardron	5-10^	0	0	0	0	0	0	0	5-10	0
Myfanwy Barrett	5-10^	0	0	0	0	0	0	0	5-10	0
Robert Branagh	5-10^	0	0	0	0	0	0	0	5-10	0
Khan Emir Feisal	5-10^	0	0	0	0	0	0	0	5-10	0
Anthony Arter	140-145	140-145	0	0	0	0	0	0	140-145	140-145
Alex Robertson	95-100* 100-105**	75-80* 100-105**	0	0	0	0	40	30	140-145	105-110
Claire Ryan	80-85* 95-100#	80-85* 95-100#	0	0	0	0	23	35	105-110	115-120

^ Annual remuneration
* Actual salary
** Annual salary
# Full time equivalent salary

Note 1: The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

There have been no off-payroll engagements of members of the Corporate Board or the 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 2021/22 relate to performance in 2020/21.

Pay multiples

The information in this table is subject to audit.

	2021/22 (£'000)	2020/21 (£'000)
Highest paid office holder's total remuneration	140-145	140-145
Average remuneration for employees as a whole	43.8	43.8
25th percentile pay ratio	4.4:1	4.4:1
Median pay ratio	3.6:1	3.6:1
75th percentile pay ratio	3.0:1	3.0:1

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

The banded remuneration of the highest-paid office holder in TPO in the financial year 2021/22 was £142,500 (2020/21: £142,500). Percentage change from the previous financial year 0%. This was 3.6 times (2020/21 3.6 times) the median remuneration of the workforce which was £39,693. The average percentage change from the previous financial year in respect of the employees taken as a whole was 0%.

In 2021/22 no employees (2020/21: none) received remuneration in excess of the highest-paid office holder. Remuneration ranged from £7,500 to £142,500 (2020/21: £17,500 to £142,500).

	2021/22 (£) Total pay and benefits	2021/22 (£) Salary component
25th percentile	32,133	31,643
50th percentile	39,693	39,203
75th percentile	47,887	47,397

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 31/03/22 (£'000)	Real increase in pension at age 65 (£'000)	CETV at 31/03/22 (£'000)	CETV at 31/03/21 (£'000)	Real increase in CETV (£'000)
Claire Ryan	25-30 plus a lump sum of 40-45	0-2.5 plus a lump sum of 0	456	420	11
Alex Robertson	30-35	0-2.5	372	339	17

Anthony Arter nominated not to receive any pension benefits as the result of his appointment. Caroline Rookes, Mark Ardron, Myfanwy Barrett, Robert Branagh, Khan Emir Feisal appointments are 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 2021/22, employers' contributions of £1,070,082 were payable to the PCSPS (2020/21: £1,065,933) 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 £45,301 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 £2,159 (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.

Our staff

Pensions 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	2021/22	2020/21	2019/20	2018/19
Full time equivalent (FTE)	115.7	108.4	98.4	82.7

Staff costs at year end	2021/22	2020/21	2019/20	2018/19
Staff costs	£6,446,997	£6,701,964	£5,468,586	£4,344,997

In addition, we incurred costs of £57,216 for agency staff (2020/21: £161,699). A breakdown of staff costs between employees with an employment contract with TPO and agency staff is contained in Note 2 of the accounts on page 102.

There was no contingent labour in 2021/22 (2020/21: nil).

There were no exit packages in 2021/22.

Pay

We are bound to follow HM Treasury guidance for the public sector, so the maximum consolidated increase in total payroll allowed was 0%. Three members of staff received a flat increase of £250 in line with Cabinet Office guidance. 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 2021/22 staff needed to have been in post on 31 March 2021.

Consultants engaged on the objectives of the entity

There were no off-payroll engagements, for more than £245 per day, lasting longer than six months during the year.

The total consultancy spend for the year was £23,900 (2020/21: £74,970).

Gender of our staff

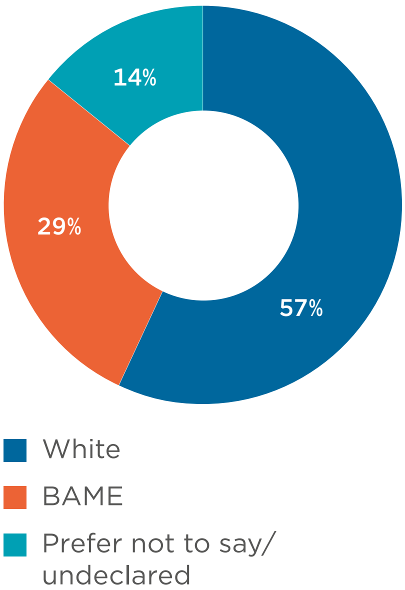
	As at 31/03/22		As at 31/03/21		As at 31/03/20	
	Male	Female	Male	Female	Male	Female
Chair	0	1	0	1	0	1
Ombudsmen	1	0	1	0	1	1
Directors inc COO	1	01	1	1	0	3
Deputy Director*	1	1	1	0	1	0
Managers**	14	10	13	12	10	8
Other employees	42	49	39	42	39	41
Total	**59**	**62**	**55**	**56**	**51**	**54**

* Previously known as Deputy Casework Director

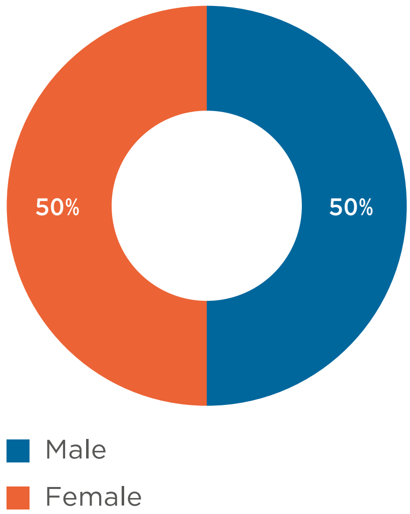
** Managers are classified as those below Deputy COO level who have direct line management of others

Staff diversity profile (as at 31/03/22)

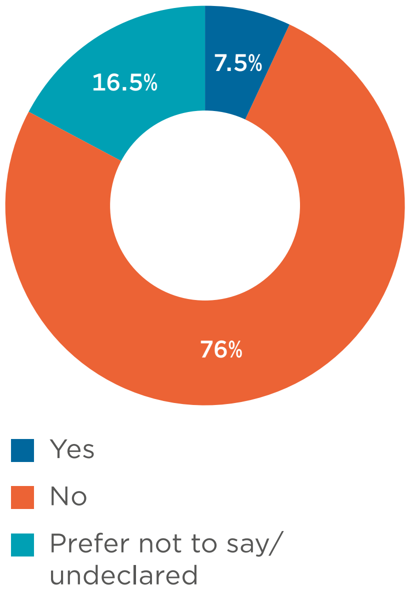
Ethnicity



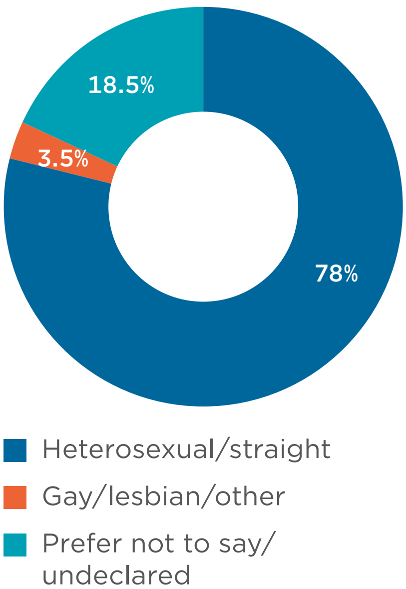
Gender



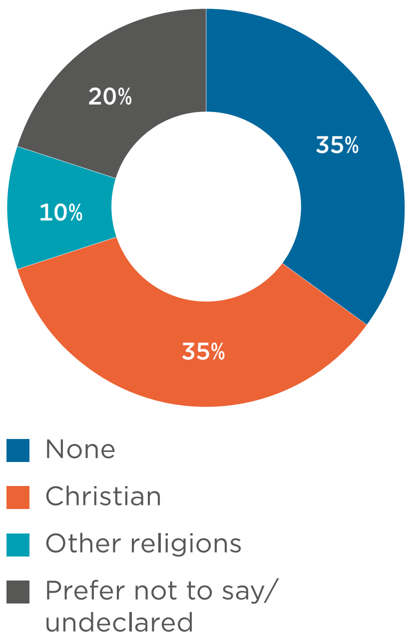
Disabled



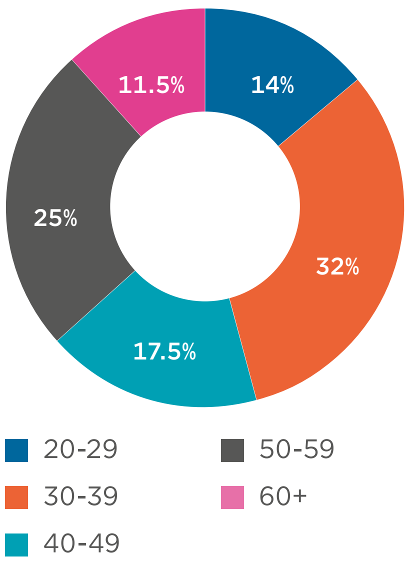
Orientation



Religion



Age profile



Equality, Diversity and Inclusion 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.

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.

The new Agile Working Policy provided a clear process for variations to office attendance and several staff have had approved altered attendance patterns to meet their needs.

Sickness

The average absence for the year per employee was 4.48 days (2020/21: 4.56 days).

The average absence per FTE was 4.67 days (2020/21: 4.93 days).

Turnover

Turnover for the year amongst permanent staff: 10.71% of headcount, 9.91% of FTE (2020/21: 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 2021/22.

Parliamentary accountability and audit report

The Pensions Ombudsman is a statutory commissioner appointed by the Secretary of State for Work and Pensions under section 145 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 one or more Deputy Pensions Ombudsmen and one or more Deputy Pension Protection Fund Ombudsmen.

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

The Pensions Ombudsman had no significant external interests that conflicted with his management responsibilities.

Accounting and audit

The accounts have been prepared under a direction issued by the Secretary of State 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 (subject to audit)

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. Two outstanding judicial review threats 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.

Regularity of expenditure

There have been no individual losses or special payments over £300,000 in 2021/22 (2020/21: nil). Total losses and special payments do not exceed £300,000 in 2021/22 (2020/21: nil). This is subject to audit.

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

Further Parliamentary accountability disclosures

None to report for 2021/22.

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

7 July 2022

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 2022 under the Pension Schemes Act 1993 and the Pensions Act 2004. The financial statements comprise the Pensions Ombudsman and Pension Protection Fund Ombudsman's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Pensions Ombudsman and Pension Protection Fund Ombudsman's affairs as at 31 March 2022 and its total operating expenditure for the year then ended; and
- 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 (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 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 Pensions 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 Pensions 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 Pensions 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 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 financial statements nor my auditor's certificate and report. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Pension Schemes Act 1993 and the Pensions Act 2004.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit 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 and is in accordance with the applicable legal requirements.

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 Report.

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

- I have not received all of the information and explanations I require for my audit; or

- adequate accounting records have not been kept by the Pension Ombudsman and Pension Protection Fund Ombudsman 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- 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; and
- assessing the Pensions 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 Pensions 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Pensions Ombudsman and Pension Protection Fund Ombudsman's accounting policies.

- Inquiring of management, the Government Internal Audit Agency and those charged with governance, including obtaining and reviewing supporting documentation relating to the Pensions 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 Pensions Ombudsman and Pension Protection Fund Ombudsman's controls relating to the Pensions Ombudsman and Pension Protection Fund Ombudsman's

compliance with the Pension Schemes Act 1993, the Pensions Act 2004 and Managing Public Money;

- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Pensions Ombudsman and Pension Protection Fund Ombudsman for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Pensions Ombudsman and Pension Protection Fund Ombudsman's framework of authority as well as other legal and regulatory frameworks in which the Pensions Ombudsman and Pension Protection Fund Ombudsman operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Pensions 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, pensions legislation, the Sanctions and Money Laundering Act 2018 and the Russia (Sanctions) (EU Exit) Regulations 2019.

In addition, I considered other risk assessment procedures performed relating to fraud and non-compliance with laws and regulations such as risk-based sampling of manual journals to identify those presenting a higher risk of fraud.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;

- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;

- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; 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 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.

Other auditor's responsibilities

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 **11 July 2022**
Comptroller and Auditor General

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

Accounts

Statement of comprehensive net expenditure

For the year ended 31 March 2022

	Note	For the year ended 31 March 2022 £	For the year ended 31 March 2021 £
Expenditure			
Staff costs	2	**(6,504,213)**	(6,863,663)
Rent and rates	3	**(487,130)**	(529,097)
Computer expenses	3	**(538,736)**	(537,843)
Other expenditure	3	**(692,533)**	(728,940)
Total operating expenditure		**(8,222,612)**	(8,659,543)
Total comprehensive expenditure		**(8,222,612)**	(8,659,543)

The notes on pages 97 to 111 form part of these accounts.

Statement of financial position

As at 31 March 2022

	Note	As at 31 March 2022 £	As at 31 March 2021 £
Non-current assets			
Property, plant and equipment	4	**292,714**	150,243
Intangible assets	5	**232,118**	354,622
Trade and other receivables	6	**619,049**	685,974
Total non-current assets		**1,143,881**	1,190,839
Current assets			
Trade and other receivables	6	**150,534**	149,673
Cash and cash equivalents	7	**150,901**	157,735
Total current assets		**301,435**	307,408
Total assets		**1,445,316**	1,498,247
Current liabilities			
Trade and other payables	8	**269,218**	281,677
Total current liabilities		**269,218**	281,677
Non-current liabilities			
Provision for charges and liabilities	14	**183,526**	198,385
Total non-current liabilities		**183,526**	198,385
Assets less liabilities		**992,572**	1,018,185
Capital and reserves			
General reserve		**992,572**	1,018,185

Anthony Arter
Pensions Ombudsman
Pension Protection Fund Ombudsman

7 July 2022

The notes on pages 97 to 111 form part of these accounts.

Statement of cash flows

Year ended 31 March 2022

	Note	2021/22 £	£	2020/21 £	£
Cash flows from operating activities					
Net operating expenditure		**(8,222,612)**		(8,659,543)	
Depreciation	4	**62,621**		44,699	
Amortisation	5	**89,949**		77,819	
Disposal of intangible assets	5	**59,084**		-	
Lease premium	6	**66,925**		66,925	
Provision for charges and liabilities	14	**(14,860)**		39,145	
(Increase)/Decrease in receivables	6	**(861)**		16,925	
(Decrease) in payables	8	**(12,459)**		(62,335)	
Net cash outflow from operating activities			**(7,972,213)**		(8,476,365)
Cash flows from investing activities					
Purchase of non-current assets	4,5	**(231,621)**		(245,134)	
Net cash outflow from investing activities			**(231,621)**		(245,134)
Cash flows from financing activities					
Grants from sponsor department			**8,197,000**		8,870,000
Net Financing			**8,197,000**		8,870,000
Net (decrease)/increase in cash and cash equivalents in the period			**(6,834)**		148,501
Cash and cash equivalents at the beginning of the period			**157,735**		9,234
Cash and cash equivalents at the end of the period			**150,901**		157,735

The notes on pages 97 to 111 form part of these accounts.

Statement of changes in taxpayers' equity

Year ended 31 March 2022

	General Reserve £
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**
Comprehensive net expenditure for the year	**(8,222,612)**
Grants from sponsoring department	**8,197,000**
Balance at 31 March 2022	**992,572**

The notes on pages 97 to 111 form part of these accounts.

Notes to the accounts

Year ended 31 March 2022

1. Accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the 2021/22 *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 under a direction issued by the Secretary of State for Work and Pensions (with the consent of HM Treasury) under section 145(8) of the Pension Schemes Act 1993 and Section 212A of the Pensions Act 2004.

International Financial Reporting Standards Amendments and Interpretations effective in 2021/22
No Amendments or Interpretations that have been issued but are not yet effective, and that are available for early adoption, have been applied by TPO in these financial statements.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for 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 £1,753,207. This will

Notes to the accounts

Year ended 31 March 2022

1. Accounting policies *(continued)*

mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense. TPO has taken advantage of the low-value lease exemption and has chosen not to capitalise the lease on a photocopier.

- 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. TPO does not expect this to apply.

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 financial statements. Following Cabinet Office spending review exercise, DWP has agreed funding for 2022/23 and given indicative funding for the period 2023 to 2025.

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 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 2021/22. All costs are inclusive of VAT.

Notes to the accounts

Year ended 31 March 2022

1. Accounting policies *(continued)*

Property, plant and equipment
Property, plant and equipment are accounted for on a depreciated historic cost basis as a proxy for fair value where assets have a short useful life or are of relatively low value. This applies to most IT hardware and furniture and fittings.

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

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

- Hardware – Straight line over five years
- Office furniture – Straight line over five years

Intangible assets
Whether we acquire intangible assets externally or generate them internally, we measure them initially at cost, with subsequent measurement at fair value. Where an active market exists for the asset, it is carried at a revalued amount based on market value at the end of the reporting period. Where no active market exists, we revalue assets using appropriate indices to indicate depreciated replacement costs as an alternative for fair value. Revaluation for the year ended 31 March 2022 was not material and consequently a revaluation has not been recognised.

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

Notes to the accounts

Year ended 31 March 2022

1. Accounting policies *(continued)*

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

All other leases are classified as operating leases. Rentals payable under operating leases are charged to the Statement of comprehensive net expenditure on a straight-line basis over the term of the relevant lease.

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

Pension arrangements
The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as 'alpha' – are unfunded multi-employer defined benefit schemes but TPO is unable to identify its share of the underlying assets and liabilities. TPO recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' service by payment to the PCSPS of amounts calculated on an accruing basis. Employer contributions for the financial year to 31 March 2022 are expected to be £1,118,000. 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 2021/22 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.

Notes to the accounts

Year ended 31 March 2022

1. Accounting policies *(continued)*

TPO assesses at each Statement of financial position date whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Statement of financial position date and whether such events have had an impact on the estimated future cash flows of the financial instrument and can be reliably estimated. Interest determined, impairment losses and translation differences on monetary items are recognised in the Statement of comprehensive net expenditure.

Critical accounting judgments and key sources of estimation uncertainty
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. We consider there to be no areas of critical judgment used in applying the accounting policies.

There are no significant sources of estimation uncertainty.

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

Pension Protection Fund (PPF) Ombudsman element of costs
PPF Ombudsman activity continues to be of relatively limited scale. An informal time recording arrangement is in place to support the split of costs. During the year ending 31 March 2022, 15 PPF Ombudsman cases (2020/21: 8 cases) and 784 TPO cases (2020/21: 762 cases) were closed. Approximately 1.9% (2020/21: 1%) of expenditure and total net liabilities (corresponding to £156,176 for the year ended 31 March 2021) is deemed attributable to the PPF Ombudsman (2020/21: £86,653).

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 2022

2. Staff costs

			Year ended 31 March 2022	Year ended 31 March 2021
	Permanently employed staff £	**Temporary staff costs £**	**Total £**	**Total £**
Wages and salaries	**4,803,401**	**57,216**	**4,860,617**	5,207,347
Social security costs	**526,053**	**-**	**526,053**	549,601
Other pension costs	**1,117,543**	**-**	**1,117,543**	1,106,715
	6,446,997	**57,216**	**6,504,213**	6,863,663

The average number of staff employed during the year was 110 (2020/21: 114).

No compensation on early retirement or for loss of office was paid during the year (2020/21: £303,746). We have presented the full staff and related expenditure disclosure in the Remuneration and staff report on page 71.

Notes to the accounts

Year ended 31 March 2022

3. Other expenditure

	Note	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Rent and rates		**487,130**	529,097
Computer expenses		**538,736**	537,842
Legal and professional fees		**49,010**	70,417
Subscriptions		**101,231**	141,450
Staff recruitment		**85,528**	63,717
Printing, stationery and postage		**12,578**	26,683
Auditors' remuneration		**35,000**	32,000
Internal audit fees		**29,838**	28,500
Sundry expenses		**17,168**	6,462
Staff training		**33,274**	50,520
Accountancy fees		**11,837**	15,545
Travel and subsistence		**5,281**	8,072
Hire of equipment		**14,162**	8,296
Telephone		**9,093**	25,515
Business continuity		**583**	1,708
Insurance		**23,734**	20,996
Bank charges		**496**	472
Non-cash items			
Lease premium		**66,925**	66,925
Amortisation	5	**89,948**	77,819
Depreciation	4	**62,621**	44,699
Impairment of assets		**59,085**	-
(Decrease)/Increase in provision for liabilities	14	**(14,859)**	39,145
		1,718,399	1,795,880

Minimum lease payments for 2021/22 were £182,250. Payroll services are provided by MacIntyre Hudson at a cost of £11,837 (2020/21: £15,545). The National Audit Office, who perform our statutory audit, did not conduct any non-audit services nor receive remuneration for such services (2020/21: £Nil).

Notes to the accounts

Year ended 31 March 2022

4. Property, plant and equipment

	Hardware £	Office furniture £	Total £
2021-22			
Valuation			
At 1 April 2021	210,985	48,263	259,248
Additions	205,092	-	205,092
Disposals	-	-	-
At 31 March 2022	**416,077**	**48,263**	**464,340**
Depreciation			
At 1 April 2021	102,943	6,062	109,005
Charge for the year	52,969	9,652	62,621
At 31 March 2022	**155,912**	**15,714**	**171,626**
Carrying amount			
At 31 March 2022	**260,165**	**32,549**	**292,714**
At 31 March 2021	108,043	42,200	150,243
2020-21			
Valuation			
At 1 April 2020	193,966	9,029	202,995
Additions	17,020	39,233	56,253
At 31 March 2021	**210,986**	**48,262**	**259,248**
Depreciation			
At 1 April 2020	63,382	924	64,306
Charge for the year	39,561	5,138	44,699
At 31 March 2021	**102,943**	**6,062**	**109,005**
Carrying amount			
At 31 March 2021	**108,043**	**42,200**	**150,243**
At 31 March 2020	130,584	8,105	138,689

Notes to the accounts

Year ended 31 March 2022

5. Intangible assets

	Information Technology £	Total £
2021-22		
Valuation		
At 1 April 2021	525,782	525,782
Additions	26,529	26,529
Disposals	(59,084)	(59,084)
At 31 March 2022	**493,227**	**493,227**
Amortisation		
At 1 April 2021	171,160	171,160
Charge for the year	101,766	101,766
Amortisation on disposals	(11,817)	(11,817)
At 31 March 2022	**261,109**	**261,109**
Carrying amount		
At 31 March 2022	**232,118**	**232,118**
At 31 March 2021	354,622	354,622
2020-21		
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	336,901	336,901

Notes to the accounts

Year ended 31 March 2021

6. Trade and other receivables

	31 March 2022 £	31 March 2021 £
Due after more than one year		
Lease premium	**619,049**	685,974
	619,049	685,974
Due within one year		
Lease premium	**66,925**	66,925
Staff loans	**1,347**	-
Prepayments	**82,262**	82,748
	150,534	149,673

A lease premium of £685,974 (2020/21: £752,899) 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 2022 £	31 March 2021 £
Balance brought forward	**157,735**	9,234
Net change in cash and cash equivalent balances	**(6,834)**	148,501
Balance carried forward	**150,901**	157,735

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

Notes to the accounts

Year ended 31 March 2022

8. Other payables

	31 March 2022 £	31 March 2021 £
Trade payables	**70,801**	90,086
Accruals	**198,417**	191,591
	269,218	281,677

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 2022

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 2022 £	31 March 2021 £
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	**956,813**	1,139,063
	1,868,063	2,050,313

Other

	31 March 2022 £	31 March 2021 £
Obligations under operating leases comprise:		
Not later than one year	**766**	766
Later than one year and not later than five years	**701**	1,468
Later than five years	**-**	-
	1,467	2,234

Notes to the accounts

Year ended 31 March 2022

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 2022 £	31 March 2021 £
Not later than one year	**334,921**	299,800
Later than one year and not later than five years	**591,090**	–
Later than five years	**–**	–
	926,011	299,800

12. Related party transactions

TPO is a non-departmental public body of 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 (£485,000) with Cabinet Office (including the Government Property Agency) in respect of the lease arrangement for 10 South Colonnade, and immaterial transactions (£29,800) with the Government Internal Audit Agency (invoiced by HM Treasury). At the end of the period there were outstanding balances of £130,000 to the Government Property Agency and £29,800 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 2022

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 2022 **£**	**31 March 2021** **£**
Balance at 1 April	**198,385**	159,240
Provided in year	**-**	39,145
Provisions not required written back	**(14,859)**	–
Change in discount rate	**-**	–
Utilised in year	**-**	–
Balance at 31 March	**183,526**	198,385

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 £183,526. 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. Events after the reporting date

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

The Pensions Ombudsman

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