



**Pensions Ombudsman**

**DRAFT CORPORATE AND BUSINESS PLAN 2010 - 2013**

**Pension Protection Fund Ombudsman**



29 June 2010

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# About the Pensions Ombudsman and Pension Protection Fund Ombudsman

## **Our statutory role**

The Pensions Ombudsman's office investigates and determines complaints and disputes concerning occupational and personal pension schemes. The post-holders of Pensions Ombudsman and Deputy Pensions Ombudsman are appointed by the Secretary of State for Work and Pensions. They act independently and impartially and their decisions are final and binding (subject only to appeal to the courts on a point of law), and enforceable in the courts.

As a separate statutory function, the present holders of the posts of Pensions Ombudsman and Deputy Pensions Ombudsman have also been appointed Pension Protection Fund Ombudsman (**PPFO**) and Deputy PPFO. In this capacity they deal with complaints and "reviewable matters" connected with the Pension Protection Fund (a statutory corporation) and appeals against decisions of the Financial Assistance Scheme (operated by the Pension Protection Fund). The PPFO's functions are carried out by staff of the Pensions Ombudsman. For overall planning and budgeting purposes the functions of the Pensions Ombudsman and the PPFO are combined, taking into account the needs of each.

## **Our aims**

We aim to:

- Deal with complaints and disputes:
  - in accordance with our powers
  - in a manner and timescale that is proportionate to the issues
  - by communicating clearly
  - with the “right” outcome – consistent with the law where that is required
- Ensure that those who need to use our services can do so, by:
  - being accessible to all
  - communicating effectively what we do and how we do it
- Provide information and assistance designed:
  - to encourage early resolution of complaints - before coming to us where possible
  - to assist and promote good administration generally.

## **Our principles**

*Service*

- We are impartial
- We value quality
- We treat people professionally and with courtesy
- We act with openness and transparency
- We comply with our legal and regulatory responsibilities

*Our people*

- We treat each other with respect and fairness
- We help people to develop their potential
- We recognise the contribution that all our people make to the service we provide
- We work as a team to achieve our corporate and personal objectives

*External relationships*

- We recognise, respect and value the trust vested in us
- We listen to our stakeholders and use their feedback
- We take practical steps to reduce our negative impact on the environment

## **I. Pensions Ombudsman**

## **1.1 Three year view**

### **Where the Pensions Ombudsman fits in**

Members of occupational and personal pension schemes have a choice if it comes to complaints or disputes about their schemes.

First they can obtain advice and support from the Pensions Advisory Service.

If they have failed to resolve their complaint by approaching the scheme direct they can at one extreme, instigate court proceedings.

Alternatively, they can approach the Pensions Ombudsman's office which was created to offer informal, quicker resolution which is free to the complainant and can bring finality to the issue (with, if necessary, a determination that is binding on all parties and enforceable).

In addition, complaints about advice relating to the sale of pension plans may be dealt with by the Financial Ombudsman Service which also provides an alternative to the courts, giving decisions which are binding on the party complained about, but not the person complaining.

In the context of those options our aspiration is to provide an alternative dispute resolution process that is as speedy as possible without compromising the quality of outcome. Whilst we must operate within our statutory framework and are subject to oversight by the Courts, we aim to limit any restrictively formal consequences of either and to provide a service that feels informal and accessible to all our users.

We have no wish to assume regulatory responsibilities; neither are we in a position to determine pensions strategy or policy. But we do want to influence and promote good practice within the industry where possible. We do that through publicising our approach and decisions. And we work alongside regulators and policy makers to support them in their own functions and to provide coherence to all of our various stakeholders.

## How we approach our work

Two years ago we identified a set of aims intended to constantly underpin our work. Last year we added guiding principles. Both are set out in full in the previous section and are unchanged. We also identified five work streams that categorise what we do. The content of these is also unchanged this year, but we have altered the description of one to better reflect our intentions:

- **Our workload** – the core work of dealing with enquiries, and investigating cases;
- **Continuous Improvement – (was “Process”)** – examining how our service works, and could work better;
- **Communications and access** – including our website, how we communicate with the parties to complaints, and how we ensure that we understand and respond appropriately to expectations of us;
- **Staff support and development** – mentoring, training, involving and communicating;
- **Relationships** – interacting with stakeholders and partners

## Our medium term priorities

As we have described, we have a more or less straightforward, singular statutory purpose. Our key decisions are concerned with providing justice in individual cases. It is not our role to develop pensions policy and our ability to deliver a strategic outcome is predominantly limited to seeking to influence behaviour by communicating the outcomes of individual determinations. Over recent years our cases have not identified any underlying issues of wider significance requiring a more strategic response. Our workload is essentially demand driven. So with such a relatively narrow focus, where does vision fit into our planning?

To answer that, we have indulged in some speculation as to what ought to be evidently different about us in the medium term. That is not the same as looking at what we do now and seeing what we can improve. There are much more radical questions to be posed such as:

- What is our role in preventing complaints from arising in the first place?

- What would those who use our services (from either “side”) expect if they had never used an ombudsman before?
- What do our other stakeholders expect from us, not least in terms of providing value in the context of a focus on economy in the public sector?
- What do we think the office would look like, if it were being created from scratch in three years’ time?

The answers to such questions have informed our view of where we should be heading over time. We need to be forward thinking, but realistic as well. We know that the interests and wishes of different stakeholders may not be consistent, or achievable; and there are constraints to be taken into account – for example legislation and funding. But as a starting point we recognise:

**first**, that the expectations that we are *least* likely to meet concern speed and ease of use; and

**second**, more than ever we have to make the best possible use of limited resources.

So in this year’s medium term plan - and consistently with our aims - for the purpose of our three year vision we have chosen to concentrate on achieving:

- a significant reduction in time taken to reach resolution;
- continuous improvement in the way we deliver our service ;
- reductions in the cost of providing our service.

And for the first time we have set ourselves goals for three years ahead. By the end of 2012/13 we aim:

- to reduce the average time taken to resolve a case from the date that an acceptable application is received to 7 months (2009/10 goal ,10; outturn,10.9);
- to reduce the average age of the investigations we have in hand to 20 weeks (2009/10 goal, 28 weeks; outturn 26);
- to be dealing with 95% of investigations within 12 months;
- to reduce the “cost per investigation”<sup>1</sup> calculated as a ratio of investigations completed over the year compared to expenditure, by 6% over the three years

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<sup>1</sup> The ratio of investigations completed in the year to expenditure in the year.

Those priorities relate most strongly to the two first work streams (“Our Workload” and “Continuous Improvement”). But the goals cannot be achieved without significant work in the other three.

#### *Communications and access*

As noted above, it is not just in our timescales that we may disappoint preconceptions, it is also in ease of use, or lack of it. In particular we function mostly on paper in writing (usually by post rather than email). There are significant constraints on our ability to change this (for example cost, data security, statutory requirements). But we intend to do as much as we can to make our service usable by all who need us.

Even if there were no other impetus to do that, the planned inclusion of personal accounts within our jurisdiction will significantly alter the constituency of potential users of our service. And those potential users will probably, if we do not change, see a marked mismatch between the modern, e-based, delivery of personal accounts and our more traditional paper based formal processes.

#### *Staff support and development*

Continuous improvement requires and relies on the support and involvement of the whole office. It needs to be clearly understood that contributions are welcomed and valued. Arising from our Investors in People review we have a comprehensive set of actions planned.

#### *Relationships*

We plan to continue to maintain strong and open relationships with all of our stakeholders and partners. As a result of the new personal accounts requirements we will be continuing to maintain links with the Pensions Regulator and the DWP, but also to maintain links with the National Employment Savings Trust (NEST) Corporation as it takes over from the Personal Accounts Delivery Authority (PADA).

## 1.2 The coming year

### *Our workload*

In sections 1.2 and 1.3 we give a detailed forecast of our workload over the period covered by this plan. As described there, we do not expect any significant change in our future workload next year.

In previous years we have been able to make significant improvements in our turnaround times because there was a backlog to be disposed of. Initially, concentrating on older cases meant that case closure times were long. As the backlog shrank, the times reduced. For example, in 2008/09 the average closure time was 18.5 months. For 2009/10 our target, was 10 months.

Having substantially disposed of the backlog, making real and lasting improvements in closure times will not be so easy. But we plan to change the structure of our teams and processes in 2010/11 so that by 2011/12, we will be making firm strides towards the significant improvements in timescales that we referred to in the previous section of this plan. Initially we will do that by more closely managing cases through the process, minimising avoidable delays whether caused by our own workload or that of others. In the past it has been very difficult to be firm about the parties' response times when we were ourselves responsible for significant delays. It should be easier in future.

Our key performance indicators, monitored progressively throughout the year, and our goals for the end of year outturn, are based on the same measures. The outturn goals are set out in full in Section 1.4 but our **key** goals for next year are to:

- deal with initial enquiries, deciding whether or not to investigate, and if so what aspects should be investigated, in an average of 10 weeks (2009/10 goal was 10 weeks; outturn 9.6 weeks);

- complete our investigations within an average of 10 months from the date that the initial application is made (2009/10 goal was 10 months; outturn 10.9 months);
- by 31 March 2011 to have no more than 20 cases on hand that are more than 12 months old (2009/10 goal was 20 cases; outturn 35);
- achieve an average age of open investigations of 24 weeks at 31 March 2011 (2009/10 goal was 28 weeks; outturn 26 weeks);

#### *Continuous improvement*

We have changed this heading from “Process” in recognition that there is no fixed perfect process. There may be a core set of approaches, but needs vary from case to case and from time to time. And even without fundamentally changing the core set we should be continuously trying to do things better.

In the forthcoming year we intend to build on an understanding right across the office of the potential value of improvement and change, of the contribution that everyone can make to that and of proper recognition of individual efforts.

Changes may be large or small. For some significant changes (if necessary) we may be dependent on a review of the statutory provisions as they affect our processes. There has been support within DWP for such a review in the medium term and we hope that it can happen in 2010/11. Other changes we can make ourselves. During the year we will be restructuring our casework teams to allow us to place even greater emphasis on early resolution.

Our IT service contract is up for renewal in 2011/12. During the course of 2010/11 year we will need to decide whether we wish to renew our existing contract or make alternative arrangements. Our case management system continues to provide us with challenges. During the year we will be reviewing whether the current case management system remains fit for purpose. During 2010/11 we have budgeted to refresh our IT hardware, which by then will be over three years old (and so written off in the accounts). We have also budgeted for consultancy work associated with the review and

some additional support to cover for staff who will inevitably need to be involved in it. The expectation is that we should be able to reduce IT spend in future years to compensate for the expenditure in the review phase.

#### *Communications and access*

In the short term we need to tackle a problem that recent understandable concerns about data security have created; that is, we have had to stop communicating by internet email on case related matters. This is a backward step that our users are not particularly sympathetic to, even when told it is in their interests. We are hoping to find a relatively inexpensive solution which will allow secure communication.

Less specifically, in the year we intend to:

- continue to use and develop our website as the primary source of information about us;
- continue to review and simplify our written communications;
- build on the results of a customer survey (which will take place mid year) to plan how to widen our potential base of users.

#### *Developing and supporting our staff*

We received accreditation following our Investors in People assessment in 2009, but we were given some food for thought along with it. We recognise that the office as a whole (both staff and managers) have work to do to build up trust and confidence that effective contributions can be made beyond the narrow confines of day to day casework - and that their contributions are valued.

As a result of the review we have a comprehensive action list some of which falls to be completed in the year. It includes activity around involvement, communication, support, clarity of purpose and personal appraisal.

We will be continuing to provide relevant training and support, including a review of our knowledge management system.

A pay and grading review was undertaken in 2009/10 and will be implemented during 2010/11. Once implemented, we will see the first steps towards a pay structure that is independent of DWP's own structure and settlements in any given year. This however, will be done against a backdrop of tight public expenditure and the need for pay restraint.

*Relationship and policy developments*

We plan to continue our efforts to maintain good relationships (formal and informal) with all of our stakeholders. As ever that will be done through our formal liaison group, through less formal contacts, through relevant speaking engagements and so on.

As mentioned before to prepare for the new personal accounts requirements coming into force we plan to work with the Regulator and NEST. The scale of change for stakeholders necessitates a joined up approach from all the organisations involved.

Our key partner, the Pensions Advisory Service has undergone an external review with implementation, including the arrival of a new Chair and new Chief Executive, to be complete by Autumn 2010. during 2009/10 and is currently going through a period of change. In turn we have a new Deputy Pensions Ombudsman and Casework Director and our organisations will continue to work together to see if there are ways we can work more effectively to improve overall user experience.

### **1.3 Casework forecast**

In the absence of any significant changes in the pensions landscape there is no reason for us to assume that our future workload will vary wildly from previous years. We have, however, considered the following in predicting an increase in new cases.

The first is that the Pensions Advisory Service has recently been reporting an increase in the number of complaints that go to them (a 10% increase in 2008/09 and reportedly still up in 2009/10). It is to be expected that a proportion of those cannot be resolved and will come to us. New enquiries and investigations have been somewhat higher than expected for the last couple of years which may be the beginning of a trend.

Second, is that (as explained elsewhere) we want to continue with efforts to make our service accessible and attractive to the widest possible constituency. That implies that more complaints should get to us.

Third, there may be a delayed consequence of the recession. Amongst other things people may examine their finances more closely than otherwise and sources of dispute may be brought to light. Possible changes to public sector pension arrangements will inevitably result in an increasing number of complaints whether directly associated with the changes or simply as people look more closely at their financial entitlements and legal rights. We said last year that it was difficult to plan meaningfully for a resulting increase in caseload (which would never be directly attributable to economic circumstances anyway). But we have taken it into account in estimating the future workload.

Finally, it is intended we will have jurisdiction over personal accounts. It is far too early to assess the full impact of that, but it would be unwise not to bear that in mind in planning for 2012/13.

### ***Productivity in 2010/2011 and beyond***

As we have for the past few years, we aim to be completing cases at a higher rate than we are accepting them for investigation and at an increasing rate without adding resource. This relies however on the number of cases being referred to us, and being accepted for investigation, remaining relatively stable. In 2009/10 we undertook 13% more investigations than we expected to, which meant that we were unable to close more cases than we had opened even though we met our closure target.

We have talked in the previous section of this Plan about continuous improvement and developing and supporting our staff. That work must bear fruit in improving productivity.

There is presently a sticking point in our process. After we have decided that a matter falls in jurisdiction and should be investigated, there is a pool of cases awaiting their turn to be examined by an investigator. We aim to reduce the size of that pool and the waiting time for cases within it.

Reducing the pool (about 230 cases) will not be easy with current resource and doing so will not significantly reduce the average times taken to close cases in the short term (because the cases closed over much of the coming year will already have spent time in the pool this year).

Nevertheless we aim to continue to improve our working methods, with an accompanying restructure of the casework teams. The aim is to limit unnecessary waiting time through effective “triage” and to increase output without adding to resource, sufficiently to make good reductions in the average age of open cases over the three years covered by this plan.

## **1.4 Business goals for 2010/2011**

### ***Dealing with written enquiries***

We receive many enquiries in many forms, and not all are matters we could ever deal with. Last year we improved our website to provide better signposting for users, but this still does not allow us to control the flow of work to the office. Our objective must be to deal with whatever reaches us, whether strictly for us or not, in a timely fashion. (Indeed when we are pointing people elsewhere, the least we can do is do it quickly so that they do not waste time in the wrong place.) So for initial enquiries the goals will be:

- to deal with an expected 3,300 enquiries so as to hold no more than 200 open enquiries at the year end;
- to provide an initial response, definitive where possible, asking for further information where not, in an average time of 3 working days (unchanged from 2009/10).

When we receive a complaint or dispute which we can potentially deal with we carry out preliminary work to ensure that the matters complained of fall within our remit, for example that the application has been made within the statutory time limits and we have jurisdiction over the parties, and that we properly understand the issues. Sometimes the decision about whether a matter is within jurisdiction will be finely balanced. There can be complex points involved. Inevitably with a statutory jurisdiction and scope for discretion in the application of time limits – and indeed whether to investigate at all – there can be debate over marginal decisions, leading to additional correspondence.

For these cases our goal will be:

- to take decisions whether to investigate within an average of 10 weeks (unchanged from 2009/10).

### ***Investigating cases***

The investigation process strictly begins once an application has been through our jurisdiction review and we have decided to take it on (although we measure the time from the date than the acceptable application is made). The resource requirements and time taken to investigate vary dramatically depending on the complexity of the case. Sometimes circumstances beyond our control can significantly affect how long an investigation takes. Now that we have cleared the backlog of old cases, our expectation is that over the next few years we will close more cases than are accepted for investigation. In addition as part of our continuous improvement exercise we will be looking to see if there are any further ways we can make our end to end processes smarter.

Having cleared the backlog the improvements year on year may look less impressive. This is also a year in which we are restructuring our teams as an investment in future productivity. It will not pay off in the current year (gains in the year are likely to be offset by some unavoidable disruption in process).

We begin this financial year two investigatory staff down and are in the process of seeking to replace both as soon as possible. In such a small office being unable to replace these staff would likely have an impact on casework output. During 2010/11 we are revising our organisational structure aimed at achieving greater efficiencies at the front end of our process and earlier resolution of cases. Inevitably this new structure and the processes behind it will take time to bed down, which may mean that we will not see immediate improvements.

Our goals for the next year will be:

- to close no fewer than 860 investigations by the end of the year so as to hold no more than 540 open investigations at the year end; (2009/10 goal was 800 and 475 respectively – the former being exceeded but the latter not being met as new cases were higher in number than expected)

- to complete investigations within an average of 10 months; (2009/10 goal was also 10 months)
- to achieve an average age of open investigations of 24 weeks (2009/10 goal was 28 weeks; outturn 26)
- to have in hand at 31 March 2011 no more than 20 investigations that are over 12 months old, and no cases over 24 months old; (2009/10 goals were the same).

### **Costs**

We monitor and measure the overall average cost of dealing with a case – both for enquiries and investigations. As explained in previous years it would not be appropriate to regard these as “unit costs” in the strict sense, because our expenditure goes wider than pure casework. But the figures are useful as a crude measure of how our efforts to improve cost effectiveness and productivity are progressing. Even then year on year comparisons may need to be adjusted for anomalies such as:

- unusual groups of cases that may look like more work than they are (in 2009/10 we had a relatively small group of about 40 such cases; the previous year there were about 250;
- exceptional expenditure (such as reviewing IT, which is budgeted for in 2010/11).

Our goals will be:

- to restrict cost per case to £880; the 2009/10 goal was £918, so the goal represents a 4% productivity improvement;
- to restrict cost per investigation to £3,430 (calculated as actual expenditure – which includes exceptional items in the year - divided by total closed investigations); the 2009/10 goal was £3,482, so the goal only represents a minimal productivity improvement: excluding the exceptional items would show a productivity improvement of about 4%;
- to restrict total expenditure to no more than £2.950m (PO only); the 2009/10 goal was no more than £2.853m.

## Casework Forecast

	2008/09	2009/10	2010/11	2011/12	2012/13
<b>Telephone enquiries</b>	4036	4000	4000	4000	4000
<b>Written enquiries</b>					
B/fwd	282	283	222	187	187
New	3007	3664	3300	3520	3600
Total in year	3289	3947	3522	3707	3787
Referred rejected or discontinued	2263	2775	2475	2640	2700
Accepted for Investigation	743	950	860	880	900
Total enquiries closed	3006	3725	3335	3520	3600
C/fwd	283	222	187	187	187
<b>Investigations</b>					
B/fwd	930	477	538	538	498
Accepted for investigation	743	950	860	880	900
Total in year	1673	1427	1398	1418	1398
Total Investigations closed	1196	889	860	920	930
C/fwd	477	538	538	498	468

## **2. Pension Protection Fund Ombudsman**

## **2.1 Plan and casework forecast**

The work of the Pension Protection Fund Ombudsman is handled from the same office and by the same staff as the work of the Pensions Ombudsman. It presently forms a very small proportion of the total work undertaken and we do not account or report on its finances separately.

So most of what we say in the previous sections about our general approaches and plans apply equally to PPFO work as PO work. In particular we intend to apply the same principles of dealing with matters proportionately and effectively to PPFO cases as we do to PO cases.

Our present PPFO caseload is lower than originally anticipated when establishing the PPFO in 2004. We do, however, expect a gradual increase of PPFO cases over time. At present most cases relate to the “reviewable matter” of the calculation of the Pension Protection Fund levy for individual schemes. Those cases may drop slightly as the Pension Protection Fund will be able to add interest to levies paid late. (Hitherto the absence of an interest provision has acted as a possible incentive to prolong the dispute over the calculation for as possible.)

However, the more schemes go into the PPF – and the more that time passes during which benefits are paid by the PPF (either administering the PPF itself or as the scheme manager of the Financial Assistance Scheme) – the more opportunity there will be for complaints from recipients concerning administrative issues.

	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2010-12</b>	<b>2010-13</b>
<b>b/fwd</b>	7	16	35	30	25
<b>New</b>	26	38	30	30	30
<b>Total in year</b>	33	54	65	60	55
<b>Closed</b>	17	19	35	35	30
<b>c/fwd</b>	16	35	30	25	25

The casework forecast above includes both PPF and FAS cases.

With such a small caseload it is not practical to set meaningful detailed targets. We do, however, undertake to maintain open cases at the present level at most (ie to close at least as many cases as we receive).

### **3. Resources and budget**

### **3.1 Staffing**

We start 2010/2011 with, excluding ombudsmen, 34.7 full time equivalent staff actively in post, plus one on maternity leave.

For some years the posts of Deputy Ombudsman and Casework Director have been held jointly by the same person. For reasons of accountability and flexibility we have recruited separately to the roles, which are now held by two part time post-holders. The new Casework Director (who joined us in January 2010) is included in the above at 0.8 full time equivalent.

#### ***Casework***

We have 30.7 full time equivalent staff (again excluding the two ombudsmen) devoted to our core business of dealing with complaints, disputes and referrals, of which roughly two full time equivalents are required for PPFO activity.

#### ***Business Support and Administration***

Preparation of accounts and payroll are outsourced, as are technical IT support and website management. That leaves us with the core functions of governance, HR, financial management, IT, secretariat and clerical support. We manage that with four full time equivalent staff.

#### ***Ombudsmen***

The present Pensions Ombudsman's initial term of office runs to 31 August 2010, and is renewable without open competition for a further three years.

In November 2009 the Secretary of State appointed a new Deputy Ombudsman. Her initial term of office runs until 2012. It is a part-time appointment, presently 88 days a year, subject to review as need changes.

For the budget forecast for the years up to 2012/13 we assume no further changes in staffing requirements beyond 2010/11.

The bulk of our expenditure is staff costs. We have allowed for a 1% increase in payroll each year, though actual increases are subject to DWP approval taking account of Treasury guidance.

In 2010/11 and 2011/12 we have also budgeted for consulting and staff time spent on reviewing our casework management system.

We have budgeted for £200,000 capital expenditure in 2010/11 to allow for an IT hardware refresh. (Our present hardware will be over three years old at the beginning of the year.) This spend however, may be timed to fit in with a change of casework management system and so may not be incurred in 2010/11.

### 3.2 Joint PO/PPFO Expenditure

	2008/09 Spend £000	2009/10 Spend £000	2010/11 Forecast Spend £000	2011/12 Forecast Spend £000	2012/13 Forecast Spend £000
Staff Salaries	1935	1890	1929	1948	1968
Other staff costs including training and recruitment	35	44	45	45	45
IT/Telecommunications	241	266	280	200	200
Professional Services	79	114	206	95	60
Subscriptions	49	56	67	67	67
Legal Costs	46	36	30	30	30
Accommodation	303	318	320	330	340
Printing and Stationery	21	28	30	30	30
Insurance	3	33	23	23	23
Postage /Courier	10	9	15	15	15
Other	28	21	25	25	25
<b>Sub total</b>	<b>2750</b>	<b>2815</b>	<b>2970</b>	<b>2808</b>	<b>2803</b>
Depreciation	59	59	70	70	70
<b>Total Operating Costs</b>	<b>2809</b>	<b>2874</b>	<b>3040</b>	<b>2878</b>	<b>2873</b>
<b>Capital</b>					
IT Telephony	0	0	200	5	5
Furniture/Equipment	0	0	5	5	5
<b>Total</b>	<b>2809</b>	<b>2874</b>	<b>3245</b>	<b>2888</b>	<b>2883</b>

### 3.3 PPFO Expenditure

It is not practicable to budget separately for the small amount of our work that relates to the PPFO jurisdiction. In 2009/10 we made an allowance of £90,000 (nominally split £60K for work relating to the Pension Protection Fund part of the jurisdiction and £30K to the Financial Assistance Scheme). If anything this has been a slight overstatement, so in spite of allowing for a gradual increase in casework, we have left it unchanged this year and thereafter allowed for it to increase in line with expenditure overall.

## **4. Risks and Governance**

## **4.1 Governance**

Since our funding arrangements changed to Grant-in-Aid in April 2007 we have had to make enormous changes to our internal governance. Our internal and external auditors and our Audit Committee will continue to provide us with support and advice.

We continue to monitor and improve the ways in which we comply with our various obligations. Although, as we get used to the new regime, there are fewer areas that have not been reviewed, there are still some where assurances can be strengthened. There are a number of audit recommendations due to be acted on in 2010/11. Chief amongst them is consolidation of our data security policy and fuller management of data security risks (though no immediate vulnerabilities have been identified).

During the year our internal auditors will also carry out a high level review of our casework process.

In addition to the strategic risk register referred to below, this year we plan to also monitor risks at team level.

## **4.2 Risks**

We maintain a risk register which identifies key strategic and operational risks to the effective functioning of the office as a whole. These are monitored by the Senior Management Team on a quarterly basis and reviewed regularly by the Audit Committee. The main risks (not in any order of importance) are:

- there is a breakdown in good relationships with key stakeholders e.g. DWP;
- public sector financial constraints have a significant impact;
- our corporate governance and management controls are not fit for purpose;
- our financial controls and systems fail
- we have insufficient resource;
- we fail to fulfill our legal responsibilities as an employer;

- the office fails to keep pace with external pensions environment;
- our casework input or throughput predictions are not met;
- the office fails to make the right casework decisions and/or there are significant and serious challenges on casework decisions or processes;
- our IT and telephony systems are not fit for purpose;
- our Business Continuity Plan is not sufficiently robust
- we breach Data Protection requirements;
- our key suppliers will not survive the economic downturn