



PENSIONS OMBUDSMAN

BUSINESS PLAN 2008/2009

Incorporating Pension Protection Fund Ombudsman

18 April 2008

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Foreword

This business plan is a “first” in three respects.

It is a first for me personally. I took up office in September 2007, just under half way through the last reporting and planning year.

And it is the first plan that the office has prepared since the change from central DWP funding to Grant in Aid with the consequences that we became subject to audit by the Comptroller and Auditor General and, as Pensions Ombudsman, I became the formally designated Accounting Officer. (The 2007/2008 Plan was prepared in expectation of the new arrangements, but before they were in place).

The final “first” is that this year we have decided to make the business plan publicly available on our website so that those who use our services, or are for any other reason interested in our work, can see what our aims are and how we intend to implement them.

This business plan covers the year 1 April 2008 to 31 March 2009 in detail, with forecasts extended for the following two years. We also take into account the intended merger with the Financial Ombudsman Service¹ which, though subject to Ministerial/Parliamentary approval, may take place during the three years covered by the plan.

We are a small office, with just over 40 staff, and relatively modest expenditure (under £3m planned in 2008/2009). Historically, and consistently with needs and expectations, our (unpublished) business plans have concentrated on throughput and expenditure. This year, as a change from the past, as well as looking at our expected caseload, resource needs and finances, we deal with some less easily quantifiable aspects of our work:- our perception of ourselves, coupled with how we are and would like to be

¹ In June 2007 Ministers accepted the recommendation made by Paul Thornton in his Review of Pensions Institutions¹ that the functions of the Pensions Ombudsman and the Financial Ombudsman Service should be combined “ ... to create a single, free standing pensions jurisdiction within the FOS to manage those pensions cases currently dealt with by the PO.”

perceived by others; our overall approach to delivering our services; our priorities across our various areas of endeavour.

And on the subject of priorities, 2008/2009 will be the year in which the final effort is made to dispose of the already reduced backlog of work that has encumbered the office for some years and has hampered us in providing the kind of service that those who deal with us have the right to expect. In the end we are judged on how effectively we deal with the complaints that come to us. We cannot expect that everyone will be pleased with each case outcome, but if the outcome is not delivered in a reasonable timescale we risk pleasing no-one.

Tony King

Pensions Ombudsman

Pension Protection Fund Ombudsman

1. About the Pensions 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 Department for Work and Pensions (**DWP**)). The PPFO's functions are carried out by staff of the Pensions Ombudsman. For overall planning and accounting purposes the functions of the Pensions Ombudsman and the PPFO are combined.

Our aims

Our overall aims align with and supplement the formal statutory roles. 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.

Formal relationships

... with DWP

Funding for the office is provided by way of Grant In Aid from the Secretary of State and liaison is primarily through a DWP official appointed as Steward by the Secretary of State (presently Robert Laslett, DWP Chief Pensions Economist), and the Stewardship department.

The office-holder of Pensions Ombudsman is personally designated as Accounting Officer by the DWP's Principal Accounting Officer, the Permanent Secretary. A Management Statement and Financial Memorandum is in place between the Pensions Ombudsman and the Steward, setting out the respective responsibilities and financial arrangements since the move to Grant in Aid status on 1 April 2007. The Pensions Ombudsman is also the appointed Pension Protection Fund Ombudsman and the relationships in that role are fundamentally the same.

... with other publicly funded bodies

The Pensions Ombudsman for Ireland and the Financial Ombudsman Service

Memoranda of Understanding are in place with the Financial Ombudsman Service and the Pensions Ombudsman for Ireland, defining how each party will deal with areas of potentially overlapping jurisdiction.

The Pensions Advisory Service (tPAS)

Most people that come to the Pensions Ombudsman are expected to have first consulted tPAS. We have quarterly high level meetings to add to the regular communication that takes place between the offices on procedural matters and handling of individual cases.

Other pensions bodies

The Pensions Ombudsman is a member of the Pensions Institutions Forum, established in line with Paul Thornton's recommendation in his Review of Pension Institutions. Less formal lines of communication are also in place with the regulators and others.

2. Our work in 2008/2009

We have identified five key work streams, all interlocking to some extent:

- **Casework** – the core work of dealing with the cases we have or will receive;
- **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;
- **Strengthening relationships** – interacting with stakeholders and partners.

They are listed above in an order that broadly represents a combination of the relative priority of each and the proportion of time that needs to be addressed to them. (So, for example, supporting and developing our staff is high in our priorities and requires a constant but relatively low investment of time).

Casework

The basic matter of dealing with complaints and disputes must always be our first priority. It is, after all, our only statutory purpose. Sections 3 and 4 of this plan deal in detail with our expected case flow and the targets and performance indicators that we have set for ourselves. But key goals are to 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;
- Complete our investigations within an average of 24 months from the date that the initial application is made;
- By 31 March 2009 to have no more than 50 cases on hand that are more than 12 months old;
- To achieve an average age of open investigations of 8 months at 31 March 2009.

We will also continue to support consistency and efficiency by:

- maintaining and adding to our internal knowledge management facilities;
- encouraging communication across staff at all levels.

Process

The processes to be used by the parties and the office for the submission, investigation and determination of complaints and disputes are laid down in primary and secondary legislation, and have been in place since the early 1990s. Operated strictly they allow little room for flexibility. In practice, the office has developed additional ways of dealing with cases, but scope to adapt to the needs of the particular case, or to modern practice and expectations, is severely inhibited. Paul Thornton's review of Pensions Institutions recommended that with or without a merger there should be a review of the Pensions Ombudsman's constitution to simplify and improve effectiveness. The merger is planned to go ahead in due course, subject to Ministerial/Parliamentary approval, and no doubt opportunity will be taken then to adjust formal rules in accordance with the procedural limb of Paul Thornton's recommendation. But in the meantime there is no reason not to make the best of the present constitutional arrangements. In 2008/2009 we will:

- review internally how we can act more efficiently within present constraints;
- discuss with stakeholders where there may be scope for compromise between established and/or statutory process and proportionality;
- put plans in place to modify processes accordingly, taking into account the expected need for consistency with the Financial Ombudsman Service's approach.

Communication

This work stream will be concerned with making sure that our users and potential users can reach us; that we understand what they would like from us; that we explain to them what we can and cannot do; that if things do go wrong we deal with complaints about our service quickly and effectively; and that in progressing cases we communicate appropriately and clearly.

In 2008/2009 we will:

- Establish effective liaison arrangements with appropriate interest groups (including re-establishing a liaison group, meeting regularly and able to initiate discussion within agreed terms of reference);
- Consider and build on the results of the customer satisfaction survey undertaken in the last quarter of 2007/2008;
- Review, simplify and redesign our website, the core of which has essentially been untouched since it was developed some years ago. It no longer meets current standards of content, style or accessibility;
- Establish a scheme to encourage accessibility, to include our ability to communicate in languages other than English, our approach to equality issues (including our disability equality scheme) and the use of technology.

Developing and supporting our staff

In a small office such as ours, the contributions made by individuals and teams fall into sharp focus. We want to ensure our staff have the tools to do their job effectively, to involve them in the development of the office and our processes, and to give them the opportunity to develop their skills. In 2008/2009 we will:

- review our approach to training and development;
- plan for and move towards reaccreditation as an “Investor in People” (due by November 2009);
- encourage good communication, including establishing a representative communication forum.

Relationship and policy developments

Our day to day work brings us into contact with a wide range of bodies. Developing good working relationships helps smooth the flow of casework, and as part of the Communications work stream we have identified the need to re-establish more formal liaison arrangements with our users.

We will strengthen relationships with partners, in particular tPAS, the regulators and other ombudsmen in the field.

In addition we will work constructively with all of the interested parties, and particularly the Financial Ombudsman Service, on merger issues. We will continue to work on policy development and on the many practical matters that need to be carefully thought through and planned.

3. Casework forecast

Our work is demand led. The number of people who bring a complaint to us in any year represents a minute proportion of those who potentially could (just a few hundred out of perhaps 30 million). So neither predicting numbers nor understanding reasons for small changes is easy. It is sometimes said that the weather forecast most likely to be correct for tomorrow is that it will not be very different from today. Given the absence of any obviously explicable trend in the last year or two (the numbers have fallen slightly, but there is no clear reason for that), or any known developments in the wider pensions landscape likely to affect our work, we have assumed that in future years our workload will be very much as this, after adjustment for known anomalies in the current year.

The following table shows our expected position at 1 April 2008 and our anticipated enquiry and investigation throughput to 31 March 2011, with comparative figures for 2006/2007.

	2006/07	2007/2008 (est)	2008/2009	2009/2010	2010/2011
Telephone enquiries		6000	6000	6000	6000
Written enquiries					
b/fwd	329	°754	280	300	300
New	3023	2328	2500	2500	2500
Total in Year	3352	3082	2780	2800	2800
Referred, rejected or discontinued	1896	1870	1780	1800	1800
Accepted for Investigation	702	°932	700	700	700
Total Enquiries Closed	2598	2802	2480	2500	2500
c/fwd	°754	280	300	300	300
Investigations					
b/fwd	1413	982	*926	500	400
Accepted for Investigation	702	°932	700	700	700
Total in Year	2115	1914	*1626	1200	1100
Total Investigations closed	1133	988	*1126	800	800
c/fwd	982	*926	500	400	300

° including c240 connected cases

* including two groups of connected cases, the one of c240 and one of c60.

Starting position

The position at 1 April 2008 is distorted because it includes two large groups of cases, totalling in all over 300. Each group consists of inter-related cases that cannot be progressed individually, but which in terms of work in hand do not amount to anything like the 300 or more cases that they appear to be in bald statistical terms.

The age profile of cases at the start of 2008/2009 represents a significant improvement on 2007/2008. The picture is masked somewhat by the two sets of extraordinary cases, but the underlying feature is a drop of two thirds in old cases (measured as those over a year old from the date of the application to us). One group of 60 related cases was already under investigation at 1 April 2007. The other group of about 240 was not accepted for investigation until after April 2007, but because they had made their application in March 2007 they would have been over a year old by April 2008.

	Unadjusted	Less multiples
Over 12 months old at 1/4/07	512	462
Other cases that could reach 12 months old by 1/4/08	810	570
Total potentially 12 months old at 1/4/08	1322	1022
Closed	872	872
Over 12 months old at 1/4/08	450	150

Productivity in 2008/2009

As identified in Section 2, we intend to review our processes (including discussion with stakeholders) with the aim of dealing proportionately with cases and resolving them as early as possible within present statutory constraints.

This work will take time and resource and will not deliver immediate benefits. A significant number of the cases that we will close in the year will have been started using existing processes. However we expect to make progress in the year towards more straightforward approaches which will help us deal with *new* cases more quickly. And at least some of the cases already started may benefit to some extent.

To balance against those potential productivity gains we know that:

- we still have a number of very old and complex cases in the office, not typical of our normal work, some of which are likely to require relatively lengthy oral hearings;

- our new IT system, which went live in September 2007, is unlikely to deliver significant productivity improvements in the year. At present it is a drain on resources.

We expect a further significant improvement in the age profile as the rump of old cases is completed and new cases are not allowed to become old. It is inevitable as we have continued to close older cases that it will be some little time before we achieve the average time to close cases we would like of significantly less than 12 months, hence the anticipated 24 month average time to close for this year.

Overall we expect improvements that are reflected in reduced staff (accommodated by natural wastage) and faster throughput. These come through in the business goals set out in the next section of this plan.

4. Business goals

Dealing with written enquiries

Written enquiries may consist of an information request, a request for advice that we pass on elsewhere, a complaint that we cannot handle (or cannot handle yet), or a completed application form and supporting submissions. We are of course at the mercy of demand. But we can undertake to deal with those cases we receive without building up a backlog, and to do so expeditiously. So our goals will be:

- to deal with an expected 2,500 enquiries so as to hold no more than 300 open enquiries at the year end;
- to provide an initial response, definitive where possible, asking for further information where not, to 95% of enquiries within 2 days.

Where the enquiry amounts to a formal application we ensure that the matters at issue have been accurately identified, that the subject matter and the parties are within our jurisdiction and that the application has been made within the statutory time limits. Sometimes these issues involve considerable correspondence. Where our initial conclusions are disputed we have an internal “appeals” process which is allowed for in the time to deal with this work. For these cases our goal will be:

- to take decisions whether to investigate within an average of 10 weeks.

Investigating cases

This is the core of our work, and in any individual case the part that is most difficult to predict. The variation in complexity and time and resource requirements is enormous (and there is no direct correlation between the two). Some aspects are entirely beyond our control – for example, difficulties in tracing respondent trustees, whether a hearing is required, the effect of an appeal on one case in the form of delay in related cases and so on.

However, as described in Section 2 we hope to develop more flexible processes to deal with simpler cases as effectively as possible, and with the burden of very old cases lifting and some resource being freed, our goals will be:

- to close not less than 1,100 investigations by the end of the year so as to hold no more than 500 open investigations at the year end;
- to complete investigations within an average of 24 months;
- to have in hand at 31 March 2009 no more than 50 investigations that are over 12 months old, of which no more than 15 are over 24 months old (position at start of year: 450 over 12 months old of which 149 over 24 months old);
- to achieve an average age of open investigations of 8 months (position at start of year: 19 months).

Costs

We measure two output/expenditure ratios. They should not strictly be regarded as representing the unit cost of output, since the total costs cover all of our activities and the output units only relate to some of them. They do not say anything useful about efficiency by comparison to other complaint handling bodies. We set them as goals because the ratios as they change over time may say something about our own efficiency. But even that needs to be treated with considerable caution. The ratios are vulnerable to unusual events, such as the closure of groups of connected cases or extraordinary incidence of expenditure. (We expect both in 2008/2009. Our goals below are not adjusted to remove the expected anomalies.)

Our goals will be:

- To restrict cost per case to £982 (calculated as actual expenditure/total closures²)
- To restrict cost per investigation to £2,535 (calculated as actual expenditure/total closed investigations)
- To restrict total expenditure to no more than £2.9m (PO only).

² Calculation is Total Enquiries closed + Investigations closed – Accepted

5. Resources and budget

We start 2008/2009 with 36.5 posts (two vacant), plus two nominally allocated to PPFO work (covered in more detail in Section 2). This is below the number (43) agreed with DWP before we switched to Grant in Aid funding. To reflect changes in workload and efficiency gains, we do not intend to recruit back to that establishment, and indeed we expect the PO total to fall further by one, to 35.5, during the year.

Casework

We show our PO casework resource as 22.5 investigators at 1 April 2008, though one legal investigator is in fact on maternity leave and we are carrying two vacancies. The profile of investigative resource is that we have (and intend to remain with) fewer senior investigators than establishment and an exactly compensating number of investigators.

We need to retain similar staffing levels to be able dispose of the residual backlog, and to have the resource to carry out the work additional to ordinary casework that is identified in Section 1 (including process review). Some knowledge management work is provided by investigative staff in place of a permanent member of staff (see below).

Business Support and Administration

We have managed the change to Grant in Aid status from April 2007 with no significant additional resource, largely thanks to the recruitment of a new Business Manager with significant similar experience. However, this year we deal with NAO audit for the first time, and we want to minimise the level of casework resources caught up in non-investigative work (for example, the Annual Report).

We have a Project Manager/Systems Administrator on two year loan at HEO level, whose term will finish in the summer of 2008. This role will be developed in the coming months to include the provision of all management statistical information and responsibility for the accuracy of financial information being produced under the new financial package. We have budgeted for the role to continue beyond the end of the present loan.

We have a knowledge manager in our establishment, but the post is vacant and we are not recruiting to it. The work is being carried out by a team drawn from investigative and administrative staff.

Ombudsmen

The Deputy Pensions Ombudsman acts also as Casework Director. His first term of office as Deputy Pensions Ombudsman ended on 31 March 2008 and his appointment has been renewed for a further year.

PO Staff Resource	Actual PO staff 1 April 2008	Planned PO staff 1 April 2009
Pensions Ombudsman	1	1
Deputy Pensions Ombudsman	1	1
Team Leaders	3	3
Business Manager	1	1
Knowledge Manager	0	0
Legal Investigators	2.5	2.5
Senior Investigators	11	10
Project manager/Systems Admin	1	1
Investigators	*9	9
Investigation Assistants	2	2
Management Assistant/Systems Admin	1	1
Management Assistants	2	2
General Administration	0	0
Investigation Assistants	2	2
	36.5	35.5

* Including two vacancies

The budget for 2008/2009 that follows takes account of the resource changes described above. For the forecast for 2009/2010 we assume no further changes in staffing requirements during that year.

The bulk of our finances are staff costs. We have allowed for a 4% increase in 2008. Other staff costs are reduced as we no longer need to use agency staff, having filled vacancies on the admin team.

Our IT spend in 2008/2009 is expected to be unusually high at £390K. It will include costs carried over from 2007/2008, unpaid because we have not been able to sign off our new systems. In addition we intend a revamp of our website at a cost of around £10K.

We have no significant capital spend forecast mainly because our furniture is covered by a contract for which we pay a monthly charge included in our accommodation costs.

Legal costs are budgeted to decrease from £45K in 2007/2008 to £32K in 2008/2009 as our legal adviser returns from maternity leave and we will not therefore need to seek external advice to the same extent. Professional services costs will increase, though, as our new accounting responsibilities mean we have to pay for National Audit Office, an internal audit function provided by DWP, and our own accountants.

PO Expenditure

Broad Spend Heading	2006/2007 £000's	2007/2008 £000's	2008/2009 £000's	2009/2010 £000's	2010/2011 £000's
Staff Salaries	*2142	2057	2078	2161	2236
Other Staff operating costs		77	30	30	30
Staff Training		9	15	15	15
IT/Telephony	141	26	**390	205	205
Print & Stationery	56	30	30	35	35
Professional Services		23	37	35	35
Legal Costs	26	39	32	15	15
Postage/Courier Services		12	20	22	22
Insurance		3	3	3	3
Other Expenses	148	65	80	85	85
Accommodation		217	218	220	222
Sub Total	2513	2558	2933	2826	2903
Capital IT/Telephony		0	10	10	10
Furniture/Equipment		0	2	2	2
Total		2558	2945	2838	2915
Less PPFO FAS salaries		181	90	90	90
Total PO costs	2513	2377	2855	2748	2825
Depreciation		77	75	75	0

* Includes all staff costs.

** Includes IT charges carried over from 2007/08

6. Key risks

We maintain a risk register which identifies key risks to the effective functioning of the office as a whole, and how we manage them as best we can.

As far as delivering this business plan is concerned the key risks are:

- **Intake of cases varies significantly from forecast** – with obvious consequences for workflow and/or costs.
- **Process review inhibited or delayed by lack of stakeholder support, statutory constraints etc, or does not reveal significant opportunity for change** – but the impact will be limited in 2008/9 anyway.
- **IT does not perform as intended** – our new systems are not yet proven, and in particular we will be dependent on good quality MI to monitor our goals throughout the year.
- **FOS merger plans detract from productivity** – staff motivation and retention is essential at a crucial time.
- **Unexpected events in the wider pensions landscape dramatically affect workload** – but there is a very low probability of any such events.

7. Pension Protection Fund Ombudsman: PPF and FAS

We deal with PPF and FAS together as, although separate workstreams, they are both dealt with in the capacity of Pension Protection Fund Ombudsman. It should be noted that the funding source is ultimately different. Although directly we are supported by Grant in Aid from DWP, which is then recovered through the general levy on pension schemes, PPF work will be funded by a separate levy on occupational pension schemes. FAS work is funded by Government.

We have staff in place to deal with PPF and FAS cases, although these remain at low levels. Those staff have, hitherto, been available to assist with PO casework.

It is difficult to predict case numbers for PPF and FAS but current indications (consistent with discussions with PPF) are that numbers will be small, and we are planning on the basis of around 20 PPF cases and 10 FAS cases. Whilst not always intrinsically complex, these cases are ground breaking and inevitably involve detailed exchanges with the parties. We estimate therefore that they are slightly more expensive on an average unit cost basis than PO cases.

The establishment approved until now for such work is:

FAS	1 team leader
	2 senior investigators
	2 investigators

Given the unlikelihood that case numbers will increase dramatically, the time has now come to rationalise this position. In broad terms, any PPFO resource now considered surplus, should equate with the extent of the PO deficit against complement. We consider the work will require 1 senior investigator and 1 investigator. The proposed budget for 2008/2009 is:

PPF	£60k
FAS	£30k