

**PENSIONS OMBUDSMAN
&
PENSION PROTECTION
FUND OMBUDSMAN**

**MANAGEMENT STATEMENT
AND
FINANCIAL MEMORANDUM**

April 2007

CONTENTS

	Page	
PART I	INTRODUCTION	3
PART II	THE ROLE AND RESPONSIBILITIES OF THE PENSIONS OMBUDSMAN	4
PART III	THE ROLE AND RESPONSIBILITIES OF THE SECRETARY OF STATE, THE PERMANENT SECRETARY AND THE STEWARD	6
PART IV	THE ROLE AND RESPONSIBILITIES OF THE DEPARTMENT	8
PART V	RELATIONSHIPS	9
PART VI	BUSINESS PLANNING, RISK AND PERFORMANCE MANAGEMENT	11
PART VII	FINANCIAL PLANNING AND CONTROL ARRANGEMENTS	12
PART VIII	ACCOUNTING & BUDGET CONSIDERATIONS	16
PART IX	STAFFING ARRANGEMENTS	21
ANNEX 1	GUIDANCE	22
ANNEX 2	CALENDAR OF KEY FINANCIAL EVENTS	23
ANNEX 3	DELEGATED AUTHORITIES	25
ANNEX 4	THE PENSION PROTECTION FUND OMBUDSMAN	26

THE PENSIONS OMBUDSMAN & PPF OMBUDSMAN

MANAGEMENT STATEMENT AND FINANCIAL MEMORANDUM

PART I INTRODUCTION

- 1.1 The Pensions Ombudsman was established in 1991. The statutory authority for the Pensions Ombudsman is Part X of the Pensions Schemes Act 1993. The legislation in the Pension Schemes Act 1993 was subsequently amended by Part IV of the Pensions Act 1995, Chapter II of Part II of the Child Support Pensions and Social Security Act 2000 and by Part V of the Pensions Act 2004.
- 1.2 The Pensions Ombudsman is an independent statutory body of the Department for Work and Pensions, operating at arms length.
- 1.3 The purpose of this Management Statement and Financial Memorandum is to set out a framework for the relationship between the Pensions Ombudsman and the Department for Work and Pensions (“the Department”). It has been agreed by the Pensions Ombudsman and the Steward on behalf of the Secretary of State. It is effective from 1 April 2007, replaces the earlier version, and remains in force until amended by any future replacement versions.
- 1.4 As the Pensions Ombudsman is funded through a government department its expenditure and income is classified as public finance and it is required to operate in accordance with the rules of Government Accounting and Treasury and Departmental rules. The Pensions Ombudsman is also subject to the scrutiny of the Public Accounts Committee (PAC).
- 1.5 Copies of this Management and Financial Memorandum have been placed in the Libraries of both Houses of Parliament, as will any replacements, and any subsequent amendments. Copies shall also be made available to members of the public on the Pensions Ombudsman’s website.
- 1.6 The Pensions Ombudsman will be reviewed periodically, in accordance with the relevant Cabinet Office guidance. He will be fully consulted throughout the review process.
- 1.7 This Management Statement and Financial Memorandum is open to review at the request of either the Department or the Pensions Ombudsman and may be amended, subject to both parties agreement.

..... Date

On behalf of the Department for Work and Pensions

.....Date

On behalf of the Pensions Ombudsman & Pension Protection Fund Ombudsman

PART II THE ROLE OF THE PENSIONS OMBUDSMAN

- 2.1 The Pensions Ombudsman's statutory duties are set out in the legislation described at paragraph 1.1. He is responsible for investigating and determining:-
- a. specified authorised complaints about maladministration by trustees, managers and employers involved with occupational and personal pension schemes;
 - b. disputes of fact or law between specified authorised complainants and trustees, managers and employers involved with occupational and personal pension schemes;
 - c. any question about the carrying out of trustee duties when it is referred to him by a trustee who is the sole trustee of the scheme.
- 2.2 A Deputy Pensions Ombudsman was appointed on 4 April 2005, in accordance with section 274 of the Pensions Act 2004, with powers to investigate and determine complaints and disputes as described in paragraph 2.1. All references to the Pensions Ombudsman within this document, save those concerning the Pensions Ombudsman's role as Accounting Officer, should be taken to include the Deputy Ombudsman.
- 2.3 The role of the Pensions Ombudsman is to provide an impartial, efficient and effective method of resolving complaints and disputes concerning pension arrangements referred to it under the governing legislation.
- 2.4 The Pensions Ombudsman is responsible for providing effective leadership to his office in the formulation and implementation of its strategies, and will take the lead in relations with Ministers and in representing his office in public.
- 2.5 The Pensions Ombudsman will be designated by the principal Accounting Officer (the Permanent Secretary) as the Accounting Officer for his office. Where in this document references are made to the Pensions Ombudsman in his role as Accounting Officer they do not refer to the Deputy Pension Ombudsman. He is responsible for safeguarding the public funds for which he has charge; for ensuring propriety and regularity in the handling of those public funds and the day-to-day operations and management of his office. The Pensions Ombudsman will be liable to appear together with the principal Accounting Officer on matters relating to the expenditure of his office that may arise before the Committee of Public Accounts or such other Parliamentary Committees as may be appointed.
- 2.6 As Accounting Officer the Pensions Ombudsman shall exercise the following responsibilities:

On planning and monitoring

- a. establish, in agreement with the Department, his corporate and business plans;
- b. ensure that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department is notified promptly if overspends or underspends are likely and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Department in a timely fashion;

On managing risk and resources

- c. ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- d. ensure that an effective system of programme and project management and contract management is maintained;
- e. ensure that all public funds made available to the him are used for the purpose intended by Parliament, and that such moneys, together with the his assets, equipment and staff, are used economically, efficiently and effectively;
- f. ensure that he maintains adequate internal management and financial controls including effective measures against fraud and theft;
- g. maintain a comprehensive system of internal delegated authorities which are notified to all staff (see Annex 3), together with a system for regularly reviewing compliance with these delegations;
- h. ensure that effective HR policies are maintained;

On accounting for the Pension Ombudsman's activities:

- i. sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- j. sign the quarterly request for resource funding (Grant in Aid) and ensure funds are requested on a need basis and are expended in accordance with the his business and management plans.
- k. sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- l. sign a Statement on Internal Control regarding his system of internal control, for inclusion in the annual report and accounts;
- m. ensure that effective procedures for handling complaints about the Pensions Ombudsman are established and made widely known within his office;
- n. act in accordance with the terms of this document and with the instructions and guidance in *Government Accounting* and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office – in particular, the Treasury documents *The Responsibilities of an NDPB Accounting Officer and Regularity and Propriety*;
- o. give evidence, normally with the Accounting Officer of the DWP, when summoned before the Committee of Public Accounts on his use and stewardship of public funds.

- 2.7 The Pensions Ombudsman may delegate the day-to-day administration of his Accounting Officer responsibilities to other employees in his office. However, he shall not assign absolutely to any other person any of the responsibilities set out in this document.
- 2.8 The Pensions Ombudsman will meet with the Minister from time to time to discuss priorities and high level objectives and certain key operational targets.
- 2.9 When appropriate, the Pensions Ombudsman will give early warning to the Department on pensions issues of concern.

PART III THE ROLE AND RESPONSIBILITIES OF THE SECRETARY OF STATE, THE PERMANENT SECRETARY AND THE STEWARD

The Secretary of State

- 3.1 The Secretary of State is answerable to Parliament for the Pensions Ombudsman's stewardship of public funds.
- 3.2 The Secretary of State is responsible for approving the amount of grant in aid paid to the Pensions Ombudsman and securing Parliamentary approval.
- 3.3 The Secretary of State is also responsible for setting and reviewing any rate of the levy authorised by Section 175 of the Pension Schemes Act 1993.
- 3.4 The Secretary of State arranges for the Pension Ombudsman's annual report to be published in accordance with Section 145 of the Pension Schemes Act 1993.

The Permanent Secretary

- 3.5 The Permanent Secretary, as the Department's principal Accounting Officer, is responsible for the overall organisation, management and staffing of the sponsor department and for ensuring that there is a high standard of financial management in the Department as a whole. The principal Accounting Officer is accountable to Parliament for the issue of any grant in aid to the Pensions Ombudsman. The principal Accounting Officer designates the Pensions Ombudsman as his office's Accounting Officer, and may withdraw the accounting officer designation if he believes that the incumbent is no longer suitable for the role.
- 3.6 In particular, the principal Accounting Officer of the Department shall ensure that:
 - a. the financial and other management controls applied by the Department to the Pensions Ombudsman are appropriate and sufficient to safeguard public funds and for ensuring that the Pensions Ombudsman's compliance with those controls is effectively monitored;
 - b. the internal controls applied by the Pensions Ombudsman conform to the requirements of regularity, propriety and good financial management;
 - c. any grant in aid to the Pensions Ombudsman is within the ambit and the amount of the Request for Resources (RfR) and that Parliamentary authority has been sought and given.
- 3.7 The responsibilities of a departmental Accounting Officer are set out in more detail in Annex 4.1 of *Government Accounting*.

The Steward

- 3.8 The Steward is an official designated by the Secretary of State for Work and Pensions, as being responsible for the stewardship of the Pensions Ombudsman. The Steward will agree formal decisions on behalf of the Secretary of State with the Pensions Ombudsman, in respect of matters falling outside the scope of his operational independence.

- 3.9 The performance measures and targets developed by the Pensions Ombudsman are for agreement between the Pensions Ombudsman and the Steward, on behalf of the Secretary of State, and the Steward will review the Pensions Ombudsman's performance against them. The Steward is also responsible for monitoring the achievement of the Pensions Ombudsman's business plan.
- 3.10 The Steward seeks assurance on behalf of the Permanent Secretary (acting as Departmental Accounting Officer) that the Pensions Ombudsman has in place appropriate financial management controls to safeguard public finance. The Steward is in particular responsible for approving the annual budget for the Pensions Ombudsman within the framework of the spending review.

PART IV THE ROLE AND RESPONSIBILITIES OF THE DEPARTMENT

- 4.1 The Department has a duty to ensure that the financial and other management controls to be applied by the Pensions Ombudsman are appropriate and sufficient to safeguard public funds and comply with the requirements of regularity and propriety; and that the Pensions Ombudsman conducts his operations as economically, efficiently and effectively as possible.
- 4.2 The Department will fulfil its responsibilities largely by following the principles in the Management Statement and Financial Memorandum. The Department will scrutinise and agree plans produced within the Pensions Ombudsman's business and financial planning and monitoring framework which includes:
 - a. a three year corporate plan co-ordinated in line with spending reviews and Public Service Agreement (PSA);
 - b. a one year business plan which, based on the resources allocated to the Pensions Ombudsman, shows the targets (performance indicators and milestones) to be achieved;
 - c. monitoring (mid-year and end of year) of the business plan targets by the Steward (on behalf of the Secretary of State).
- 4.3 The Secretary of State remains answerable to Parliament for the Pensions Ombudsman stewardship of public funds.
- 4.4 The Permanent Secretary is designated by the Treasury as the Accounting Officer for the Department and as such is accountable to Parliament for the proper and effective use of Departmental resources. The Steward will seek assurance on behalf of the Department that the Pensions Ombudsman as Accounting Officer has in place appropriate financial management controls to safeguard public finance.
- 4.5 On behalf of the Steward, Finance Directorate will monitor the Pensions Ombudsman's expenditure and other financial matters and advise the Steward and the Pensions Ombudsman on financial planning matters.
- 4.6 It is for Ministers to answer questions raised by Members of Parliament on the broad policies behind the Pensions Ombudsman's responsibilities under the Act. Questions on details of the operational performance will be referred to the Pensions Ombudsman for a direct reply to the MP.
- 4.7 In those areas where a Ministerial response to a Parliamentary Question and/or correspondence from Members of Parliament is appropriate, the Secretary of State will expect the Pensions Ombudsman, through DWP, to provide ad hoc information to the necessary time-scale, providing the cost of gathering any information not immediately available is not disproportionately high (as indicated in the Departmental Guidance on answering of parliamentary questions). Where the cost of providing an answer to a written PQ is considered likely to exceed the disproportionate cost threshold, it should be referred to the appropriate Minister and an answer may be refused in whole or in part, on the grounds of disproportionate cost.

PART V RELATIONSHIPS

Relationship between the Department and the Pensions Ombudsman

- 5.1 The Department will respect the operational independence of the Pensions Ombudsman and his independent statutory status. At all times the Pensions Ombudsman will act with due propriety using its resources efficiently and effectively. The Pensions Ombudsman will give the Department advance notice of issues likely to be novel or contentious and shall provide such information as may reasonably be required by the Secretary of State to give satisfactory answers to Parliament.
- 5.2 The Pensions Ombudsman agrees to make available to Departmental officials (including Risk Assurance Division) or other authorised personnel all materials required by them to carry out reviews.
- 5.3 The Pensions Ombudsman may request Risk Assurance Division to provide an internal audit service and support and advice on governance, risk management and internal control. The National Audit Office may also carry out reviews in accordance with their statutory powers.
- 5.4 After the end of each financial year, the Pensions Ombudsman shall publish an annual report of his activities together with his audited annual accounts.
- 5.5 The report and accounts shall comply with the Treasury document *Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance*. The accounts shall be prepared in accordance with the relevant statutes and the specific Accounts Direction issued by the Department. (A model accounts direction is included at Annex B of *Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance*).
- 5.6 The report and accounts shall outline the Pensions Ombudsman main activities and performance during the previous financial year and set out in summary form his forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.
- 5.7 The Comptroller and Auditor General (C&AG) audits the Pensions Ombudsman's annual accounts. For the purpose of audit, the C&AG has a statutory right of access to relevant documents as provided for in the Government Resources and Accounts Act 2000, including by virtue of any Order made under that Act.
- 5.8 The C&AG has agreed to consult the Department and the Pensions Ombudsman on who, – the NAO or a commercial auditor, - shall undertake the actual audit on his behalf. The final decision rests with the C&AG.
- 5.9 The C&AG has agreed to share with sponsor departments information identified during the audit process and the audit report (together with any other outputs) at the end of the audit. This shall apply, in particular, to issues which impact on the Department's responsibilities in relation to financial systems within the Pensions Ombudsman's office. The C&AG has also agreed, where asked, to provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.
- 5.10 The Department, where appropriate and after consultation, has the right of access to examine all books and records of the Pensions Ombudsman subject to prevailing Data Protection legislation, with the exception of confidential papers relating to individual cases. The Pensions Ombudsman will provide the Department with copies of all published leaflets and reports originating from his office.

- 5.11 The Pensions Ombudsman shall consult with the Department before any expansion of his work is undertaken which would involve an addition to recurrent expenditure in future years or before any arrangements are entered into which would imply any new financial commitments.
- 5.12 Where appropriate, the Department will consult the Pensions Ombudsman on relevant policy developments. The Pensions Ombudsman will keep such consultations “in-confidence” to ensure that the integrity of policy development is maintained.

PART VI BUSINESS PLANNING, RISK AND PERFORMANCE MANAGEMENT

- 6.1 In line with the Spending Review, Public Service Agreement and Service Delivery Agreement cycles the Pensions Ombudsman will be required to submit a corporate plan to the Department for approval by the Steward. The plan should set out how the Pensions Ombudsman intends to approach its functions and activities and the strategic aims, policies and priorities it will adopt in doing so. It should be reviewed annually in line with the business plan timetable.
- 6.2 The corporate plan will:
- a. cover a three year period;
 - b. clarify policies, strategies, objectives and risks for the future three years;
 - c. set out priorities and planning assumptions, including efficiency planning, specifying cost effectiveness and value for money;
 - d. be submitted to the Steward for approval within the agreed timetable.
- 6.3 The Pensions Ombudsman will prepare an annual business plan which sets out its business proposals and resource requirements for the forthcoming year. The business plan, which will be presented to the Steward for approval, will cover:
- a. workload assumptions;
 - b. anticipated resource requirements supported by an analysis of outputs and related prices;
 - c. performance measurement, including previous and current outputs and the proposed clearance rates/targets;
 - d. efficiency plans, including capital.
- In addition, and in line with the corporate plan, it will clarify policies, key strategies and objectives for the forthcoming year. It shall be submitted to the Steward for approval and agreement within the timetable proposed by the Department and prior to the start of the operational year in question.
- 6.4 The agreed performance measures and targets will be laid out in the Pensions Ombudsman's Business Plan and the Pensions Ombudsman will report to the Steward on his performance against them. The Pensions Ombudsman will embed risk management into his activities. This will involve the regular assessment of risks relating to his objectives and consideration of the effectiveness of procedures and controls for managing the risks.
- 6.5 The Pensions Ombudsman will establish management information systems sufficient to enable the monitoring of performance against targets set and overall levels of expenditure.
- 6.6 Information will be provided quarterly to the Steward on the achievement, monitoring delivery of business plan or otherwise, of its key performance targets and delivery milestones.
- 6.7 The Steward and the Pensions Ombudsman will meet at least once a year to discuss progress and will arrange for their staff to meet on at least one other occasion for the same purpose.

PART VII THE PENSIONS OMBUDSMAN'S FINANCIAL ARRANGEMENTS

Expenditure

- 7.1 The Pensions Ombudsman's current and capital expenditure form part of the sponsoring department's resource DEL and capital DEL respectively. The Department's resource DEL position is neutral. This is because the Pensions Ombudsman's resource expenditure will be matched by an allocation from the General Levy appropriated in aid by the Department.
- 7.2 The Pensions Ombudsman shall not, without prior written Departmental approval, enter into any undertaking to incur any expenditure which falls outside the his delegations or which is not provided for in the his annual budget as approved by the Department.

Procurement

- 7.3 The Pensions Ombudsman's procurement policies shall reflect guidance from the Office of Government Commerce, including *Procurement Policy Guidelines*. The Pensions Ombudsman shall also ensure that it complies with any relevant EU or other international procurement rules.
- 7.4 Periodically and wherever practicable the Pensions Ombudsman's procurement shall be benchmarked against best practice elsewhere and contracted out where this would achieve better value for money.
- 7.5 Procurement by the Pensions Ombudsman of works, equipment, goods and services shall be based on value for money, i.e. quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.
- 7.6 Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall.
- 7.7 Proposals to let single-tender or restricted contracts shall be subject to a specified delegated authority, and the NDPB shall send to the Department after each financial year a report for that year explaining any contracts above [£5,000] in which competitive tendering was not employed.

Timeliness in paying bills

- 7.8 The Pensions Ombudsman shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, as provided for in Annex 16.2 of *Government Accounting*. The Pensions Ombudsman shall comply with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890), and with the Late Payment of Commercial Debts (Interest) Act 1998 as amended. (The 1998 Act allows creditors to claim statutory interest and compensation on late payment of commercial debts).

Novel, contentious or repercussive proposals

- 7.9 The Pensions Ombudsman shall obtain the approval of the Department before:
 - a. incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
 - b. making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department; or

- c. making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

Risk Management

- 7.10 The Pensions Ombudsman shall ensure that the risks which it his office faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Treasury guidance *Management of Risk: A Strategic Overview*.
- 7.11 The Pensions Ombudsman shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with Treasury's guide *Managing the Risk of Fraud*.
- 7.12 The Pensions Ombudsman shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant in aid.

Grant in aid arrangements

- 7.13 Grant in aid will be paid to the Pensions Ombudsman in quarterly instalments, on the basis of a written application from the Pensions Ombudsman showing evidence of need. The application shall certify that the conditions applying to the use of grant in aid have been observed to date and that further grant in aid is now required for purposes appropriate to the Pension Ombudsman's functions.
- 7.14 The Pensions Ombudsman should have regard to the general principles enshrined in Chapter 9 of *Government Accounting* that he should seek grant in aid according to need.
- 7.15 The Pensions Ombudsman will provide the following information to support such claims:
 - a. grant in aid received in year to date;
 - b. actual expenditure in year to date, analysed by month with an explanation of variances from forecast expenditure;
 - c. anticipated expenditure for the remainder of the year, analysed by month;
 - d. amount requested, with relevant supporting calculations, including amount of any receipts; and
 - e. an exception report where actual expenditure in the current year is plus or minus 5 percent of budgeted expenditure for the current year to date or forecast at year end.
- 7.16 All grant in aid applications will be authorised by the Pensions Ombudsman and should be received by the Department no less than 7 working days before payment is required.
- 7.17 Both the Department and the Pensions Ombudsman will use their best endeavours to ensure that financial transactions in relation to the grant in aid are dealt with efficiently and on a timely basis.

- 7.18 Cash balances accumulated during the course of the year from grant in aid or other Exchequer funds shall be kept at the minimum level consistent with the efficient operation of the Pensions Ombudsman's office. Grant in aid not drawn down by the end of the year shall lapse. However, where draw-down of grant in aid is delayed to avoid excess cash balances at year-end, the Department will make available in the next financial year, – subject to approval by Parliament of the relevant Estimates provision, – any such grant in aid which is required to meet any liabilities at year end, such as creditors.

End-Year Flexibility

- 7.19 As set out in PES(2000)25, the Department will aim to set firm multi-year plans and cascade end-year flexibility (EYF) on budgets where possible. In particular, the Department will aim to:
- a. agree, ahead of the year in question, a rolling three-year budget, fixed for at least the first year and with indicative amounts for subsequent years;
 - b. decide at that point the Pensions Ombudsman's likely entitlement to EYF against the overall Departmental position (having regard to any loss of EYF as a result of Departmental Expenditure Limit (DEL) Reserve claims made by the Department) and ministerial priorities, on the presumption that at least 80 per cent of any underspend by the Pensions Ombudsman that represents slippage (as opposed to e.g. initial overprovision or abandonment of a project or programme) will normally be available for carryover in the area where it has arisen;
 - c. adjust (if necessary) and confirm the amount of EYF when accurate information is available in the Public Expenditure Outturn White Paper, taking account of outturn and of any DEL Reserve claims which might limit the EYF entitlement of the adjust Department itself.
- 7.20 At the end of any quarterly accounting period, the Pensions Ombudsman should aim to hold a cash or cash equivalent balance of not more than 5 per cent of the annual grant in aid, after taking into account accruals. At the end of the financial year, the Pensions Ombudsman's carry over into the next financial year of any issued but unexpected balance of the grant in aid must be agreed with the Department.

Delegated Powers

- 7.21 The delegated powers of the Pensions Ombudsman in respect of grant in aid are set out below.
- 7.22 The Pensions Ombudsman has personal authority to write off individual losses under [£2,500] without prior consultation with the Department and an overall limit of [£10,000] in any financial year. Losses are defined monies or items of monetary value which have been erroneously expended or removed in the normal course of business and are deemed irrecoverable. This does not include losses arising from the disposal of fixed assets that are disposed of through the normal course of business, but does include losses arising from the theft or loss of fixed assets. Once the Pensions Ombudsman's budget has been approved by the Department, and subject to any restrictions imposed by the Department, he shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:
- a. the Pensions Ombudsman shall comply with his responsibilities as accounting officer as set out in this document;

- b. the Pensions Ombudsman shall comply with the conditions set out in paragraph 7.9 regarding novel, contentious or repercussive proposals;
- c. inclusion of any planned and approved expenditure in the Pensions Ombudsman's budget shall not remove the need to seek formal Departmental approval where any proposed expenditure is outside the delegated limits;
- d. the Pensions Ombudsman shall provide the Department with such information about his office's operations, individual projects or other expenditure as detailed in this document.

7.23 The Pensions Ombudsman does not possess the power to:

- a. commit any material capital expenditure for the purchase of assets, capital projects, lease agreements or contracts, which was not included in the annual grant in aid capital expenditure submission without the approval of the Departmental Steward;
- b. dispose of any individual fixed asset which was not included in the annual grant in aid capital expenditure submission without the approval of the Department.

Management and disposal of fixed assets

7.23 The Pensions Ombudsman shall maintain an accurate and up-to-date register of his fixed assets.

7.24 The Pensions Ombudsman shall dispose of assets which are surplus to his requirements. Assets shall be sold for best price, taking into account any costs of sale. High-value assets shall be sold by auction or competitive tender unless otherwise agreed by the Department, and in accordance with *Government Accounting*, Chapter 24.

7.25 Anticipated proceeds from the sale of fixed assets should be included in estimates supplied to the Department for the purposes of determining grant in aid requirements. Any amounts in excess of the estimated receipts should be treated in accordance with paragraph 24.4 of *Government Accounting*.

PART VIII ACCOUNTING AND BUDGET CONSIDERATIONS

Budgetary Control

- 8.1 The Pension Ombudsman's approved annual business plan will take account both of his approved funding provision and of any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any Departmental funding and/or other income over the year. These elements will form part of the approved business plan for the year in question (paragraph 4.2).
- 8.2 The Pensions Ombudsman undertakes to keep within his budget allocation, subject to his duties and responsibilities remaining unchanged. The Pensions Ombudsman shall provide the Department with, as a minimum, information on a regular basis which will enable the satisfactory monitoring by the Department of:
- a. the Pension Ombudsman's cash management;
 - b. his draw-down of any grant in aid;
 - c. forecast outturn by resource headings;
 - d. other data required for the Government Expenditure Monitoring Systems.
- 8.3 If the Pensions Ombudsman does not receive all the resources he bids for, he will agree with the Department the relative priorities contained in his plan. It is for the Pensions Ombudsman to decide how the budget is spent, subject to the guidelines set out in this Management Statement & Financial Memorandum. The Pensions Ombudsman must not commit to expenditure for which resources have not been secured nor vire resources from one category of expenditure to another.
- 8.4 The Pensions Ombudsman will consult with the Department, normally within the management and business planning process, before any significant expansion of the scope of his work is undertaken which would involve an addition to recurrent expenditure in future years, or before any arrangements are entered into which would imply any new financial commitments. The Pensions Ombudsman should notify the Department immediately of any forecast overspend. Any proposals to incur capital expenditure for any project, lease or contract and any matter requiring the consent or approval of HM Treasury should be included in the annual budgetary process with the Department.

Capital Expenditure

- 8.5 Expenditure on the acquisition or creation of fixed assets for the use of administration purposes shall be capitalised on an accruals basis in accordance with the Pensions Ombudsman's capitalisation policy, as agreed with the Department.
- 8.6 Proposals for large-scale individual capital projects or acquisitions (including capital expenditure on property leases) will normally be considered within the Pensions Ombudsman's management and business planning process. Applications for approval by the Department shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Pensions Ombudsman. Regular reports on the progress of projects shall be submitted to the Department. Proposed in-year capital expenditure arising outside of the management and business planning process should first be discussed with the Departmental Steward before expending funds.

- 8.7 Within his approved overall resources limit, the Pensions Ombudsman shall, as indicated in Annex 3 on delegations, have delegated authority to spend up to [£5,000] on any individual capital project or acquisition. Beyond that delegated limit, the Department's prior authority must be obtained before expenditure on an individual project or acquisition is incurred.

Leasing

- 8.8 Prior Departmental approval must be secured for all property and finance leases. The Pensions Ombudsman must have capital DEL provision for finance leases and other transactions which are in substance borrowing.
- 8.9 Before entering into any lease (including an operating lease), the Pensions Ombudsman shall demonstrate that the lease offers better value for money than purchase.

Expenditure on Staff

- 8.10 Subject to his delegated levels of authority, the Pensions Ombudsman shall ensure that the creation of any additional posts does not incur forward commitments which will exceed its ability to pay for them.
- 8.11 The Pensions Ombudsman's staff, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service including superannuation within the general pay structure approved by the Department and the Treasury. The Pensions Ombudsman has no delegated power to amend these terms and conditions.
- 8.12 Current terms and conditions for the Pensions Ombudsman's staff are those set out in his Employee Handbook. The Pensions Ombudsman shall provide the Department with a copy of the Handbook and subsequent amendments.
- 8.13 The Pensions Ombudsman shall operate a performance-related pay scheme which shall form part of the general pay structure approved by the Department and the Treasury.
- 8.14 The Pensions Ombudsman shall comply with the EU directive on contract workers (Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)).
- 8.15 The Pensions Ombudsman's staff shall normally be eligible for a pension provided by membership of the Principal Civil Service Pension Scheme (PCSPS).
- 8.16 Staff may opt out of the occupational pension scheme provided by the Pensions Ombudsman. However, the employer's contribution to any personal pension arrangement, including a stakeholder pension, shall normally be limited to the national insurance rebate level.
- 8.17 Any proposal by the Pensions Ombudsman to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the Department. Proposals on severance payments must comply with DAO(GEN)04/02.

Accounting requirements

- 8.18 The Pensions Ombudsman is required to produce accounts in accordance with the requirements of the Accounts Direction issued by authority of the Secretary of State. The accounts must also contain a foreword by the Pensions Ombudsman, which must include:
- a. an explanation of his present and future liabilities and assets;
 - b. a description of the method used to assess his liabilities.
- 8.19 In general, the Pensions Ombudsman's accounts will follow the Government Financial Reporting Manual and will report liabilities in accordance with relevant accounting standards.
- 8.20 Resource Accounting requires that a cost of capital charge be charged or credited on the average net assets or liabilities held by Departments and NDPBs. Such a charge will be applied to assets held for the purposes of administering the Pensions Ombudsman and will be included in General Levy calculations.

Banking arrangements

- 8.21 The Pensions Ombudsman is responsible for ensuring that his banking arrangements are in accordance with the requirements of *Government Accounting* and the Treasury guidance document *Departmental Banking: A Manual for Government Departments*. In particular, he shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.
- 8.22 He shall therefore ensure that:
- a. these arrangements are suitably structured and represent value for money, and are reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years;
 - b. sufficient information about banking arrangements is supplied to the Department's Accounting Officer to enable the latter to satisfy his own responsibilities as set out in the Management Statement;
 - c. his office's banking arrangements shall be kept separate and distinct from those of any other person, NDPB or organisation;
 - d. adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

Investment and Borrowing

- 8.23 The Pensions Ombudsman may invest the grant in aid in any interest bearing account at a bank or building society or in such other accounts or investments as the Secretary of State may from time to time agree in writing. The Pensions Ombudsman may not borrow from commercial sources for the purposes of meeting administration costs.

Interest earned

- 8.24 Any interest earned by the Pensions Ombudsman on his assets shall be given the same budgeting treatment as the cost of capital charge on the assets.
- 8.25 Under SR2002 budgeting rules, the cost of capital charge and any interest receipts on most DEL financed assets score as resource DEL.
- 8.26 If the receipts are used to finance additional expenditure by the Pensions Ombudsman, the Department will need to ensure it has the necessary DEL cover. Any interest earned on cash balances arising from grant in aid or other Exchequer funds shall be treated as a receipt from an Exchequer source. Depending on the budgeting treatment of this receipt, and its impact on the Pension Ombudsman's cash requirement, it may lead to commensurate reduction of grant in aid or be required to be surrendered to the Consolidated Fund via the Department.

Audit arrangements

- 8.27 The Pensions Ombudsman must establish an effective internal audit function in accordance with HM Treasury legislation and guidance. The Pensions Ombudsman may use the Department's Risk Assurance Division to satisfy this requirement. Such audit will be in accordance with the objectives, standards and practices outlined in HM Treasury's "Government Internal Audit Manual".

Insurance

- 8.28 The Pensions Ombudsman is not exempted from the Employers' Liability (Compulsory Insurance) Act 1969 and must therefore insure against losses arising from his duty as an employer. Furthermore, the Department does not indemnify the Pensions Ombudsman against the risk of loss of, or damage to, assets or against third party claims. Commercial insurance must therefore be procured to safeguard against the risk of losses to or impairment of assets, and claims from third parties, where this is deemed to be cost effective. The Pensions Ombudsman is also required to insure any vehicles registered in his office's name for third party vehicle claims so as to comply with the Road Traffic Acts.
- 8.29 Pensions Ombudsman staff using their own vehicles for official business purposes must have the appropriate business insurance cover for any loss occurred whilst on duty.

Gifts made, Write-offs, Losses and other Special Payments

- 8.30 Proposals for making gifts or other special payments (including write-offs) must have the prior approval of the Department.
- 8.31 If the total losses or special payments in a single financial year exceed [£10,000] the Pensions Ombudsman's accounts should include a statement on losses and/or special payments as appropriate. This statement should include the total amount and the number of incidents involved. In addition any individual loss or special payment exceeding [£2,500] should be separately noted.

- 8.32 Gifts by management to staff are subject to the requirements of DAO(GEN)13/01 and the associated Cabinet Office guidance on non-pay rewards.

Gifts and Bequests received

- 8.33 The Pensions Ombudsman is free to retain any gifts, bequests or similar donations. These shall be treated as receipts. Before proceeding in this way the Pensions Ombudsman should consider if there are any associated costs in doing so or any conflicts of interest arising. The Pensions Ombudsman shall keep a written record of any such gifts, bequests and donations, whether given or received and of their estimated value and whether they are disposed of or retained.

Goods and Services

- 8.34 The Pensions Ombudsman shall agree levels of delegated financial authorities for those in his employ authorised to enter into contracts for goods, services, lease or rental agreements (see Annex 3).

Lending, guarantees, indemnities; contingent liabilities; letters of comfort

- 8.35 The Pensions Ombudsman shall not, without the Department's prior written consent, lend money, charge any asset or security, give any guarantee or indemnities or letters of comfort, or incur any other contingent liability, as defined in Chapter 26 of *Government Accounting*, whether or not in a legally binding form.

Unconventional financing

- 8.36 Unless otherwise agreed with the Department, the Pensions Ombudsman shall not enter into any unconventional financing arrangement.

PART IX STAFFING ARRANGEMENTS

- 9.1 Within the arrangements approved by the Secretary of State and the Treasury, the Pensions Ombudsman shall have responsibility for the recruitment, retention and motivation of his staff. To this end, the he shall ensure that:
- a. his rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
 - b. the level and structure of his office's staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
 - c. the performance of his staff at all levels is satisfactorily appraised and his performance measurement systems are reviewed from time to time;
 - d. his staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve his office's objectives;
 - e. proper consultation with staff takes place on key issues affecting them;
 - f. adequate grievance and disciplinary procedures are in place;
 - g. whistleblowing procedures consistent with the Public Interest Disclosure Act 1998 are in place;
 - h. a code of conduct for staff is in place based on the Cabinet Office document, *Model Code for Staff of Executive Non-Departmental Public Bodies*.

ANNEX 1 GUIDANCE

The Pensions Ombudsman shall follow the following general guidance documents:

- a. this document (both the management statement and the financial memorandum);
- b. *Government Accounting* , including in particular the Accounting Officer memorandum for NDPBs (reproduced in Annex 8.2 of *Government Accounting*);
- c. *Non-Departmental Public Bodies – a Guide for Departments* (the “NDPB Guide”), issued by the Cabinet Office;
- d. *Government Internal Audit Standards* , issued by the Treasury;
- e. *Managing the Risk of Fraud* , issued by the Treasury;
- f. *Executive NDPBs – Annual Reports and Accounts Guidance* , issued by the Treasury;
- g. the *Fees and Charges Guide* , issued by the Treasury;
- h. *Departmental Banking: A Manual for Government Departments* , issued by the Treasury;
- i. relevant “Dear Accounting Officer” (DAO) letters, issued by the Treasury;
- j. *Regularity and Propriety* , issued by the Treasury;
- k. other relevant instructions and guidance issued by the central departments;
- l. specific instructions and guidance issued by the sponsor department; and
- m. recommendations made by the Public Accounts Committee, or by other Parliamentary authority, which have been accepted by the Government and which are relevant to the Pensions Ombudsman.

ANNEX 2 CALENDAR OF KEY FINANCIAL EVENTS

Event	Date	Responsibility
Provide financial forecasts to the Department for the next operational year to inform the Department's main estimate (forecast cash spend)	30 September	Pensions Ombudsman
Approval of General Levy for next operational year	31 December	DWP Steward liaising with DWP finance teams as appropriate
Preparation of draft Business Plan	31 December	Pensions Ombudsman
Approval of Business Plan and budgets/grant in aid for next operational year	31 January	DWP Steward liaising with DWP finance teams as appropriate
Quarterly financial reports for the Pensions Ombudsman	10 th working day of preceding month	Pensions Ombudsman
Quarterly requests for grant in aid drawdown	To be submitted to Steward 14 working days before drawdown except where additional funds or material changes to grant in aid are to be requested when a full business case must be submitted one month prior to drawdown	Pensions Ombudsman
Grant in aid drawdown request approved by relevant Departmental finance team and paid to the Pensions Ombudsman by DWP Finance	7 working days from receipt of grant in aid request from the Pensions Ombudsman, subject to any issues to be resolved	Relevant DWP finance team
Provide resource expenditure and cash outturn forecast for winter Supplementary Estimate to Pensions Finance	15 September (for clearance and issue to FMCD by 1 October)	Pensions Ombudsman
Provide resource expenditure and cash outturn forecasts for spring Supplementary Estimate to Pensions Finance	8 December (for clearance and issue to FMCD by 3 January)	Pensions Ombudsman

Event	Date	Responsibility
Make annual accounts available for audit	31 August. The Pensions Ombudsman to send the statement of accounts to the Secretary of State and to the C&AG before the end of August next following the financial year to which the statement relates	Pensions Ombudsman
Annual accounts approved by the Pensions Ombudsman and NAO		Pensions Ombudsman/NAO

ANNEX 3 DELEGATED AUTHORITIES

Delegated Authorities

Levels of Financial Authority: Approved April 2007

1. Pensions Ombudsman (David Laverick)

- 1.1 Approve future financial projections and annual bid for funding
- 1.2 Approve annual audited accounts

2. Deputy Pensions Ombudsman (Charlie Gordon)

- 2.1 Approve individual items or projects for expenditure not included in the original bid in excess of £50,000 provided it is satisfied that the cost can be contained from within the original budget.
- 2.2 Authorisation of items purchased in excess of £10,000

3. Business Manager (Jane Carey)

- 3.1 Authorisation of items purchased up to £10,000
- 3.2 Authorisation of expenses in accordance with the office's Travel and Subsistence rules.
- 3.3 Annually review the levels of financial authority.

4. Project Implementation Manager

5.

- 5.1 Authorisation of items purchased up to £1,500.

6. Administrative staff

- 5.1. Authorisation of items purchased up to £1,000

Internet Banking – signatories to verify and release payment

Two signatories required of three.

Government Procurement Card – authorised users

Authorised User	Credit limit
Business Manager	£3,000
Admin staff	£1,000
Admin staff	£1,000
GPC Cheque Book	
Business Manager (sole holder of cheque book)	£3,000

ANNEX 4 PENSION PROTECTION FUND OMBUDSMAN

1. The Pension Protection Fund Ombudsman (PPFO) was established in April 2005. The statutory authority for the Pension Protection Fund Ombudsman is section 209 of the Pensions Act 2004. The PPFO is responsible for investigating and determining:-
 - a. complaints about the way people and their cases have been handled by the Pension Protection Fund Board;
 - b. matters where the Pension Protection Fund Board has the power to review its decision.
2. The PPFO has also taken on responsibility from 1 September 2005 for dealing with appeals against decisions made on the Financial Assistance Scheme (FAS). Statutory authority for this appointment is in the Financial Assistance Scheme (Appeal) Regulations 2005 made under powers in section 286 of the Pensions Act 2004.
3. A Deputy Pension Protection Fund Ombudsman was appointed on 4 April 2005, in accordance with section 210 of the Pensions Act 2004, with powers to investigate and determine complaints and matters as described in paragraph 1. All references to the PPFO within this Annex should be taken to include the Deputy PPFO.
4. The role of PPFO is undertaken by the Pensions Ombudsman and that of the Deputy PPFO by the Deputy Pensions Ombudsman.
5. For 2005/6 the costs of the PPFO was met through the funding for the Pensions Ombudsman. From April 2006 funding of the PPFO has been provided via a grant in aid. The Department will recover the PPFO's costs by a levy on occupational and personal pension schemes.
6. The PPFO will prepare an annual business plan which sets out his business proposals and resource requirements for the forthcoming year. The business plan, which will be presented to the Steward for approval, will cover:
 - a. workload assumptions;
 - b. anticipated resource requirements supported by an analysis of outputs and related prices;
 - c. performance measurement, including previous and current outputs and the proposed clearance rates/targets;
 - d. efficiency plans, including capital.

In addition, it will clarify policies, key strategies and objectives for the forthcoming year. It shall be submitted to the Steward for approval and agreement within the timetable proposed by the Department and prior to the start of the operational year in question.

7. The agreed performance measures and targets will be laid out in PPFO's Business Plan and the PPFO will report to the Steward on his performance against them. The PPFO will embed risk management into his activities. This will involve the regular assessment of risks relating to his objectives and consideration of the effectiveness of procedures and controls for managing the risks.
8. The PPFO will establish management information systems sufficient to enable the monitoring of performance against targets set and overall levels of expenditure.

9. Information will be provided quarterly to the Steward on the achievement, monitoring delivery of business plan or otherwise, of its key performance targets and delivery milestones.
10. The arrangements set out in parts I to IX of this document in respect of the Pensions Ombudsman should be read as applying to him in his role as PPFO.