

Clear value for money

The PPF is growing and we are determined to manage that growth efficiently, utilising our increased scale to drive productivity.





Did you know...

- ▶ We reduced our operating expenses by six per cent in 2019/20.

See pages 137-138.

Investment operations and performance measurement

KPI 16

Following a full review, we are making a number of improvements to our investment operating model. We have made some key appointments to support the target operating model.

We are upgrading to a more robust performance measurement system, which will improve the timeliness and detail of the data available to us.

Following a competitive process, we have appointed our preferred supplier for this system. The data migration phase is currently underway and will be followed by a testing phase, after which the new model will go live in late 2020.

The new platform will provide a more granular level of detail, giving us more information on how performance has been derived. This enhanced oversight will inform our investment decision-making and help us get the best from our external managers.

Long-term expenditure trends

	2016	2017	2018	2019	2020	Plan* 2021	Plan* 2022
	£m	£m	£m	£m	£m	£m	£m
PPF	144.9	191.0	187.8	188.6	196.2	230.9	232.1
PPF Administration Fund	17.6	14.2	13.9	13.1	13.7	14.9	14.6
FAS Administration Fund	6.4	7.9	8.8	9.1	7.8	8.8	8.4
Total	168.9	213.1	210.5	210.8	217.7	254.6	255.1

* Excludes investment transaction fees (2020: £6.6 million).

Our costs are accounted for in three funds as explained on page 114 and further analysed on pages 137-138. Total expenditure for the PPF and the Administration Funds over the last five years, and planned over the next two, is shown in the table above. The Administration Funds comprise PPF and FAS related expenditure.

Although total expenditure is expected to increase, this is driven by an increase in our assets under management as more schemes transfer. The increase in costs is expected to be contained through efficiencies gained in our operations, as set out in our Strategic Plan.

Value for money review

KPI 17

We undertook a value for money review, examining all significant expenditure for the previous 18 months and looking forward a year. The aim was to establish whether we had encouraged competition from suppliers for each procurement exercise, whether we had benchmarked prices and whether we had plans in place to ensure value for money.

We now have plans for 100 per cent of the contracts we looked at or clear rationales where we are not competing or benchmarking. The ExCo will review the latter quarterly.

We now have an upgraded approach to commercial management which integrates our plans for sourcing, contract management and supplier assurance in one place.

As a result of this review, we are confident that we are getting value for money from suppliers by encouraging competition on price, challenging our people to make sure they are purchasing external services for the right reasons, and exploring all options when we procure goods and services.