The Pensions Regulator

Annual Report and Accounts

2021-2022

HC 344

The Pensions Regulator's Annual Report and Accounts

2021-2022

Report presented to Parliament pursuant to Section 11(5) of the Pensions Act 2004.
Accounts presented to Parliament pursuant to paragraph 27 of Schedule 1 to the Pensions Act 2004.

Ordered by the House of Commons to be printed on 14 July 2022.

HC 344

This publication is available at: **www.gov.uk/official-documents**

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E02756362
978-1-5286-3427-4

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The Pensions Regulator's Annual Report and Accounts 2021-2022

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Introduction

The Pensions Regulator (TPR) is the public body that protects workplace pensions in the UK.

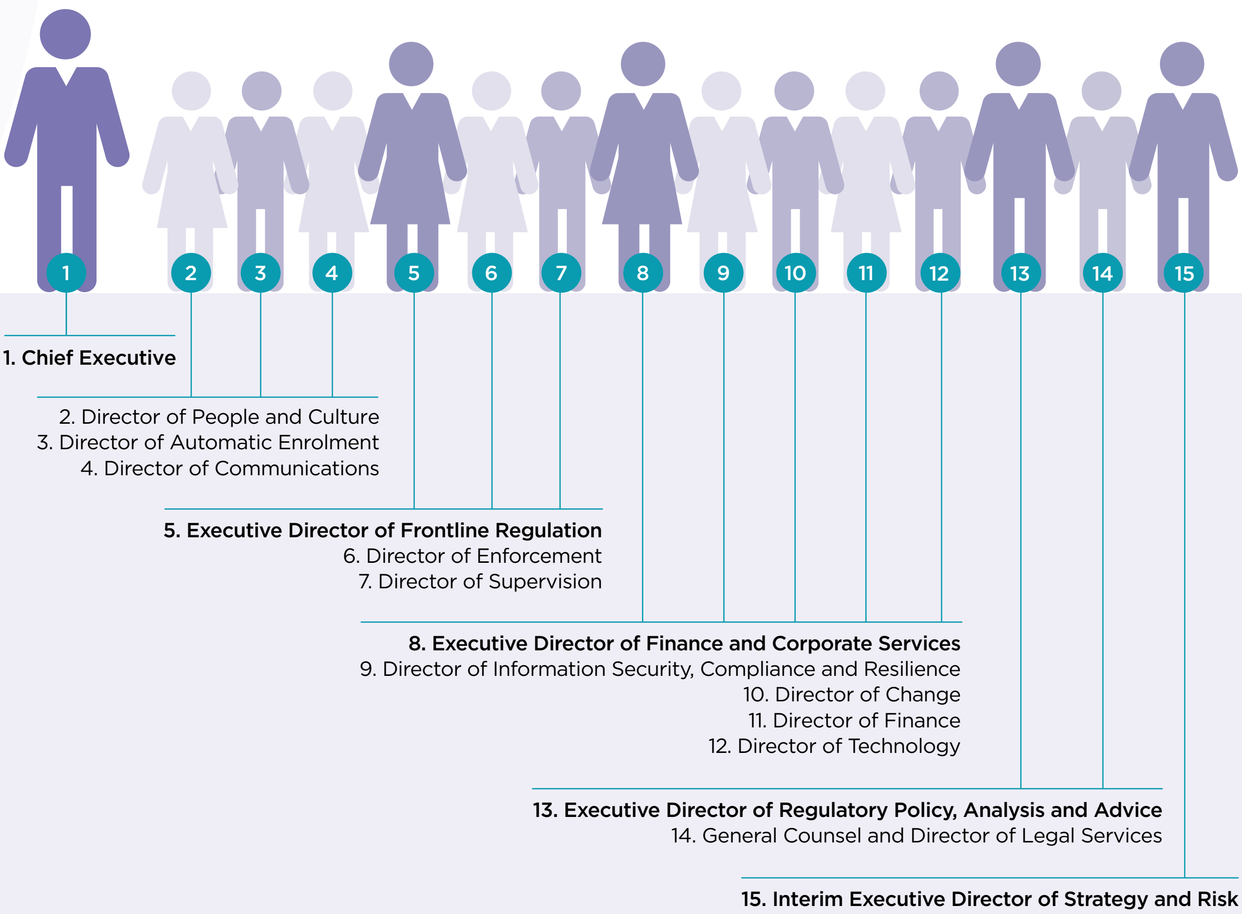
Our statutory objectives are:

1. To protect the benefits of members of occupational pension schemes.
2. To protect the benefits of members of personal pension schemes (where there is a direct payment arrangement).
3. To promote and to improve understanding of the good administration of work-based pension schemes.
4. To reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund (PPF).
5. To maximise employer compliance and employer duties and the employment safeguards introduced by the Pensions Act 2008.
6. In relation to defined benefit (DB) scheme funding, to minimise any adverse impact on the sustainable growth of an employer.

We are a public body sponsored by the Department for Work and Pensions (DWP). We're based in Napier House, Trafalgar Place, Brighton, BN1 4DW and have nearly 900 staff.

You can read more (**www.tpr.gov.uk/about-us**) about our responsibilities, priorities, our approach to regulation and the values we hold that enable our vision of being a strong, agile, fair and efficient regulator.

Figure 1: Our organisational structure (illustrated to Director level)



Performance report
Overview

In this section, our Chair and Chief Executive give an overview of the 2021-2022 business year. We then give a detailed analysis of our performance against our corporate priorities, including the results of our Key Performance Indicators (KPIs) which concludes with a summary of our financial and sustainability performance.

Chair's foreword

I'm really pleased to be introducing this year's Annual Report and Accounts, which sets out how we've kept our focus firmly on the saver against a backdrop of continuing and often unpredictable geopolitical and societal change.

The Coronavirus pandemic and conflict in Ukraine have affected everyone in our regulated community to some extent, resulting in an even greater emphasis on the importance of good pension governance. While we've responded swiftly and tactically to help trustees and employers navigate what these complex global events mean for their schemes, our commitment hasn't wavered from delivering against ambitious longer-term strategic targets, as you'll read in this report.

One of the main purposes of the Board is to make sure TPR is headed in the right direction, and we've been focusing our energies on progressing our Corporate Strategy, which was launched early last year. The team has been working on putting the meat on the bones of what we think our regulatory model should be looking like at the end of the strategy's 15-year lifespan – you can read more about how that looks in practice in this year's Corporate Plan.

Defined contribution in focus

In January, we published research that revealed the defined contribution (DC) market has consolidated by 40% in a decade, a trend we expect to continue. As increasing numbers of savers are automatically enrolled into DC schemes, it's more important than ever that those schemes are well-governed and offer good value.

This focus on value for DC savers was enhanced by two joint initiatives we undertook in partnership with the Financial Conduct Authority (FCA) – a call for input on the consumer journey and a discussion paper on value for money. More than ever, we need to be working side by side with our colleagues from other regulators, building consumer trust so that savers can really start to engage with their pensions, and we're looking forward to making progress with this work over the coming year.

Listening and responding

One of the ways we've been looking at better understanding the needs of the people we're here to help is to establish stakeholder panels representing savers, schemes and practitioners, and employers. We're doing this by engaging representatives of our key audiences to support the implementation of our Corporate Strategy and inform our key policy and other regulatory developments. We are very keen to use the panels as an opportunity to hear from these key stakeholder groups, their perspectives on how we are doing and what more we can collectively do to improve pensions for savers.

We piloted the first employer panel in March and will continue using a test-and-learn approach with our other audiences to better understand the target members and gain their input to the ongoing aims and objectives of each panel.

Diverse and inclusive – our aims for TPR and the regulated community

In June 2021, we launched our Equality, Diversity and Inclusion (ED&I) Strategy, which set out our ambition for positive and lasting change across our own organisation and the industry we regulate. We're very clear about how we want to work with the industry to bring real improvements in diversity in relation to decision-making across the sector, and know that this will improve the quality of decisions made on behalf of savers.

We put our money where our mouth is and followed the principles of this strategy when recruiting our new non-executive directors (NEDs), with a view to increasing diversity on our own Board. I am aware we still have some way to go on this, but I believe we are a step closer to achieving our ED&I targets for some of the more senior roles in the organisation.

Our commitment to ED&I runs through the People and Culture Strategy, (which we launched internally earlier this year and will be published externally this autumn) which I believe is essential to delivering our Corporate Strategy. We need to attract brilliant, diverse candidates and make sure that we provide an environment where their skills can flourish, going from being a good place to work to a great one. This is not just an HR strategy or PR initiative – it's a genuine long-term programme of transformational work in which we all have a stake.

We've also taken a look at our own governance structures to make sure we're using our people and resources as efficiently as we can, and carried out an effectiveness review of our own Board, which led to a number of positive changes. These included reducing the number of meetings, focusing more on strategy, and inviting other regulators to our meetings and away days, to keep challenging ourselves and learning from our regulatory peers.

Moving forward

With change comes renewal, and as we look forward to welcoming new NEDs we necessarily need to say goodbye to others. David Martin and Robert Herga have both left TPR's Board this year, and I would like to thank them both very much for their significant contribution to the organisation. I know TPR has benefited hugely from their wisdom and experience and wish them the best in the next chapters of their professional lives.

I would also like to thank Charles and the whole executive team, who have steered the organisation so well during what has been yet another challenging year. We set the bar very high, asking them to achieve a huge amount with limited resources, and they have continued to deliver. Of course, they could not have done this without the passion and commitment of the whole TPR team. I have rarely encountered such a hard-working and driven group of people, all focused on getting the best possible outcome for the saver, regardless of their role. And I am incredibly proud of and grateful for their efforts, the fruits of which you can read about in this report.

Sarah Smart
Chair, The Pensions Regulator
1 July 2022

Chief Executive’s report

I opened last year’s Annual Report and Accounts by acknowledging how the unprecedented nature of world events had affected those in our regulated community and how we had operationally and tactically responded. Unfortunately, the global situation, as I write, is again full of conflict, challenge and change, and there is no 'normal' to return to.

These external events, most notably the continuing global pandemic and the war in Ukraine, have required us to adapt swiftly, and we have responded by issuing guidance and redeploying our resources to where they’re most needed. As with last year, I want to acknowledge the flexibility and resilience the TPR team has shown in circumstances that have been challenging professionally, socially and personally. In fact, if there were an overarching theme to our work over the past 12 months, it has been one of balance between adapting tactically to events and steering a firm strategic course that keeps good saver outcomes permanently in our sights.

Our approach to automatic enrolment (AE) has been a good example of this – as we have unwound the final easements we introduced for employers at the beginning of the pandemic, we have evidence that despite the challenges, the majority have done the right thing for their staff, and we have returned to business-as-usual sanctions for those who fail to meet their legal duties.

I was also pleased to see that our regulatory initiative for schemes where the employer may be in distress had been very successful, with over 40% of those we contacted taking action as a result of our communication, and over 10% confirming that our message had increased the financial security of the scheme. I believe this demonstrates just how effective targeted communications can be, enabling us to use our heavier regulatory weight where it is really needed.

Pension pressures

Although we have yet to see evidence that the pandemic has had a significant negative impact on pensions, we are very aware of the pressures employers continue to experience, including increased energy costs, increases to National Insurance and the minimum wage, and reductions in staff availability. This heightens the need for guidance that is clear and pragmatic – something that we continually strive to produce and have endeavoured to achieve.

During 2021-2022 our work included consultations on guidance on CDC schemes, climate change, our new Pension Schemes Act 2021 criminal powers, code 12 (material detriment) and certain aspects of our enforcement policy. We have had very positive feedback from stakeholders and the wider industry for these consultations, and very much appreciate the input we have received, whether in the form of written responses or attendance at our stakeholder events.

Regulatory responsibilities and successes

As well as asking questions – of our regulated community – we've also been answering them by giving evidence to the Work and Pensions Committee inquiry on accessing pension savings. We have provided written evidence to the Saving for Later Life inquiry as well as responding formally to the committee's report on scams.

I feel we are privileged to be able to offer our input and experience at the same time as being robustly held to account. We expect high standards of the schemes we regulate, and we, in turn, should be able to display equally high standards when challenged about our activities.

You can read more detail about some of the highlights of the year in our performance section, but I would like to make special mention of the launch of the first assessed superfund, our collaborative preparatory work on pensions dashboards with the industry, and some of our criminal case successes. These included a successful prosecution against former Norton Motorcycle boss Stuart Garner for employer-related investment offences, the prosecution of fraudsters Alan Barratt and Susan Dalton, who were jailed for more than 10 years in total, and using our contribution notice powers against an overseas parent company of an engineering firm with a small defined benefit scheme. This last demonstrates that we are prepared to use our powers against an overseas target, regardless of scheme size, to protect its savers.

Focused on outcomes

It would be tempting to focus only on the highlights and the successes of the year, but I also want to acknowledge where we have not quite met our targets, whether because of delayed legislation or recruitment challenges. We deliberately set ourselves ambitious goals and have put in place clear and detailed plans for how to close the gap between where we are now and where we want to be. In keeping the saver at the heart of all we do, we are tightly focused on outcomes and have been reworking our KPIs for next year to make sure they fully reflect outcomes rather than process.

The performance section of this report sets out the detail of our how we have performed against our existing KPIs. I am pleased that we have delivered against 10 of our 14 KPIs, narrowly missed one other, and have not achieved the remaining two. We set ourselves challenging goals each year and this performance does, I think, reflect this.

We're still very much growing as an organisation, but although we're ending the year with more staff than before and have recruited some very strong candidates to key roles, the total headcount was below what we forecast, which, along with the change to some of our IT project work, meant we finished the year with an underspend. However, we are confident that our recently-launched, targeted recruitment campaign will enable us to fill some of the more specialist and technical roles we need.

The right people doing the right things in the right places

There have been many internal changes that are invisible to those we regulate but remain key to using our resources effectively. These include bringing the majority of our automatic enrolment functions in-house after a very successful 10-year partnership with Capita, and using external providers for specific services. We've created a new authorisation team within our events supervision function that will be assessing DB superfunds, CDC and master trusts and will also consider rolling out more supervision of engaging with administrators, following a successful pilot this year.

To deliver on our commitments we need the right structures, technology and people in place. During the year, we made the transition to SharePoint and Microsoft Teams, which has enabled us to collaborate more effectively, whether in the office or working from home. We also created a new directorate in April 2022 – Digital, Data and Technology – which will take forward our goal of being an effective data-led and digitally enabled organisation.

We have put considerable effort into making sure our teams work as effectively as possible. Over the last two years we've seen how we are able to operate effectively from home when required, with advantages for both individuals and TPR as an organisation that supports flexible working. We now want to harness the benefits of hybrid working, alongside the advantages working from home can bring. We recognise that there are huge benefits to collaborating in person when it comes to teamwork, creativity, morale and enabling less experienced team members to learn from those around them. Our hybrid working model has been introduced in phases, and I truly believe that this approach, combined with effective technology, means we really can have the best of both worlds.

I would like to thank Sarah and the Board for their invaluable oversight and continued challenge over the last year, the executive TPR team for expertly steering us through complex waters, and the whole TPR team for continuing to push through and innovate in spite of all the continued change. Of course, there is always more to do, but I am very proud of the achievements you'll read about over the following pages of this report, and of every individual who has helped deliver them.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
1 July 2022

Performance summary

During the year we increased our regulatory reach by not only increasing savers in schemes in supervision, but also assessing DB superfund applications (publishing the name of the one superfund that met our expectations) and by adding third-party administrators as part of a pilot approach.

As expected, we were also involved in the regulation of a larger amount of merger and acquisition activity, aiming to increase the security available to schemes to cover their deficits.

Our enforcement activity included criminal prosecutions in scams-related cases and recovering lost money to savers through compliance notices. It also marked the first time the Determinations Panel has awarded an additional sum for lost investment returns. In one of many responses to the pandemic, we ran a regulatory initiative (RI) focused on weakening employer covenants which saw us engage with hundreds of schemes covering hundreds of thousands of savers. Nearly 75% of trustees we engaged with in this way confirmed that our intervention enabled constructive discussions with their scheme sponsors. Where we identified further risks through this engagement, we maintained our intervention until satisfied that the risks had been appropriately addressed. Evaluation of the RI provided evidence that low intensity interventions of this kind can be effective at driving change.

Policy achievements

Our policy team has been working collaboratively with the DWP on developing regulations and guidance stemming from the Pension Schemes Act. This work has ranged from articulating how we will use our new criminal powers, through DB funding, climate change to pension dashboards, all the while working closely with the FCA on the consumer journey and value for money discussion document.

The team has been working closely with colleagues from Frontline Regulation on areas such as superfunds and interaction with large schemes, including the Universities Superannuation Scheme, in addition to launching both our Climate Strategy and our ED&I Strategy in early 2022. All these initiatives and publications were supported in their development and then promoted by the communications team, who made sure the right messages landed with the right audiences in a targeted and accessible way.

In the Climate Strategy, we set out the actions that we expect from our regulated community. We have put together a group of technical specialists who are working on how we'll test compliance with the new regulations that came into force in October, how we'll encourage improvement and, if necessary, take enforcement action. Our strategy also set out our own commitment to net zero, and we've brought some more expert resource in to support the team and ensure that we deliver on our strategy.

Our ED&I Strategy similarly set out our plans for driving greater diversity and inclusion in our regulated community and within our own organisation. We are working with our 65 industry volunteers on an action plan and, within TPR, are already making progress on some of the actions we've committed to.

To promote the strategy, we carried out a range of communications activities, including press work, events, blogs, speaking engagements, social media and direct email communications.

Across the year, the comms team published and promoted nine consultations (including the discussion paper and call for input). Campaign activity continued apace, with a new digital automatic enrolment ad campaign and the next phase of our industry-facing 'pledge' campaign, which encourages schemes to do everything they can to protect savers from scammers.

Continued compliance with automatic enrolment

As COVID restrictions eased we successfully re-established our compliance and enforcement activity, withdrawing enforcement easements, managing high volume and complex casework (over 100,000 cases), and re-started running inspections. Our large employer investigations remained effective, and we completed sectoral reviews of the agriculture and hospitality and food and beverage sectors. We ran a regulatory initiative covering the withdrawal of government business support for employers during the pandemic. This found that the withdrawal of government support didn't appear to impact employers' abilities to meet their AE duties, and the number of business insolvencies did not increase in early 2022 as some forecasts had predicted, although we are aware that this situation is still evolving in the context of increasing living and energy costs. There were also notable positive developments in the gig economy, with some well-known operators now committed to providing pension schemes for their staff.

2021-2022 was a year of unprecedented change in the way we run AE internally, as services were transitioned from Capita to either in-house or new out-sourced providers. During this period our operational performance remained robust, and services were delivered without interruption.

Keeping business as usual

Our Corporate Services teams have continued to manage our internal response to the pandemic to enable the business to keep running. We provided IT, procurement and facilities support to enable home working while managing the changing rules throughout the year, re-opening our office in Brighton when we could.

We focused our activities on the priorities that would ensure we delivered our statutory objectives. For 2021-2022 those included the delivery of our systems to support regulatory activity (SSRA) project and the work to enable a safe exit from our relationship with Capita. We gathered requirements and conducted a search for a new office space (the lease on Napier House expires in July 2023) and made several crucial upgrades to our internal systems and ways of working to ensure our people could work efficiently and safely, whether at home or in the office in our new hybrid working approach.

A focus on good governance

Much of the activity that contributes to successful regulation is carried out behind the scenes – and the last year saw changes to our Internal Audit and Risk teams to ensure that organisational risks and issues are fully captured, understood, and managed effectively, with sufficient visibility and scrutiny over those risks which are out of appetite.

Having the right data is key to informing all our work, and the team has worked hard this year to provide support to the organisation as well as rolling out a programme of training across the organisation to improve data literacy. This has means that all our teams can work to their greatest potential, from the strategy team embedding the Corporate Strategy, our analytics and insight teams interpreting the data and our communications team using it to target the right audience with the right messages at the right time.

Our performance in 2021-2022

Automatic enrolment

10.7m
eligible jobholders automatically enrolled into an AE pension scheme to date (2020-2021: 10.5m)

100,705
AE cases (2020-2021: 85,069)

132 (AE only)
Information-gathering powers used (2020-2021: 172)

Declaration and re-declaration of compliance

2,019k
employers completed their declaration of compliance (cumulative total)

1,216k
employers completed their re-declaration of compliance (cumulative total)

Master trusts

20.7m
people saved in assets in master trusts (2020-2021: 18.8m saved £52.7bn)

36
master trusts have been authorised (2020-2021: 36)

Enforcement

51,373
AE fines issued for non-compliance (2020-2021: 28,220)

2/3 or 68%
of scheme memberships are covered by relationship supervision (2020-2021: 2/3)

151
new event supervision cases (2020-2021: 156 when target was 100)

16.1%
of schemes targeted for intervention (2020-2021: 12.4%)

79
times information-gathering powers were used (2020-2021: 78)

70
mandatory penalty notices issued (2020-2021: 62)

7
financial penalties issued to scheme for not completing its scheme return when required (2020-2021: 1)

2
convictions totalling more than 10 years

1
suspended sentence of 8 months

1
Compliance notice issued for over £2m

Press and media

1.15m people made **2.2m** website visits with **5.8m** page views

2,647 updates were made to website content

TPR was mentioned **1,447** times in our core media titles with a reach of **50m**, publicity value of **£5.4m**, and **50.8%** share of voice of all coverage which mentioned TPR

18,778 (+17.9% YOY) followers on LinkedIn (2020-2021: 15,922)

17,467 (+0.7% YOY) Facebook followers (2020-2021: 17.341)

14,292 (+0.2% YOY) followers on Twitter (2020-2021: 14,264)

161 speaking events, **8** round table events, **2** workshops and **4** webinars were delivered

5 new videos published on our YouTube channel, with views totalling **1.2k**

90% customer satisfaction following contact with our customer service centres in Brighton and Birmingham

Scams

27,092 unique page views of TPR's transfer regs guidance

19,490 unique page views of TPR's scams page

8,754 unique page views of TPR's pledge page

A combined total of **477** schemes and organisations have pledged and/or self-certified to meet the principles (including **37** members of PSIF and **21** master trusts)

216 pledges to follow the principles of the PSIG code

180 schemes and organisations self-certifying

Performance analysis

Here, you'll find a more detailed explanation and analysis of the development and performance of our organisation over the last year. This is in line with the risks and priorities we determined in our 15-year Corporate Strategy, our Corporate Plan 2021-2022, and the statutory objectives given to us by Parliament.

We identify and analyse risk on a continuous cycle. This helps us determine the priorities and activities at the beginning of each financial year, along with further mitigations we may take if we see significant movement of those risks. We set these out in our Corporate Plan each year.

This section of the report details how we measure our performance against the strategic priorities from our Corporate Strategy that was published in 2021 and outcomes through key performance indicators and outcome indicators. We list our priorities and outcomes for the year and then break down the measures we have set against each to analyse the results and rationale.

How we measure our performance

We measure our regulatory performance against our statutory objectives and priorities through annual KPIs. The measures in this section are linked to our strategic priorities which were set out in our Corporate Strategy published in March 2021.

As regulatory performance isn't just about metrics, we have included key examples of broader achievements against our strategic priorities, as well as outlining key activities, volumes and successes throughout the report.

The Board adopts our KPIs and associated targets in response to our assessment of the key risks to the achievement of our statutory objectives and strategic priorities. They are mostly collated through management information, which we report to our Board and the DWP on a quarterly basis.

In addition to KPIs, we have a set of key outcome indicators (KOIs) which we have evaluated over the course of this financial year as a means of highlighting and tracking our wider role in the context of providing good retirement outcomes. These are:

- **Participation**
  We want to increase participation in workplace pensions
- **Protection**
  We want to protect members and the PPF
- **Accountability**
  We want to hold those we regulate to account
- **Confidence**
  We want to increase people's confidence in the security and quality of workplace pension savings

These KOIs help to demonstrate trends over a longer period and indicate whether our involvement in the wider pensions framework is delivering better outcomes.

Analysis of performance

Strategic priorities, KPI and KOI outline

We outlined five strategic priorities in our Corporate Strategy, each with a strategic goal. They are:

1	2	3	4	5
Security	**Value for money**	**Scrutiny of decision-making**	**Embracing innovation**	**Bold and effective regulation**
Strategic goal: Savers' money is secure	**Strategic goal:** Savers get good value for their money	**Strategic goal:** Decisions are made in savers' interests	**Strategic goal:** The market innovates to meet savers' needs	**Strategic goal:** TPR is a bold and effective regulator

We set KPIs relevant to one or more of our strategic priorities to measure how we performed against our plans for delivery in year. These KPIs were updated to be consistent with our Corporate Strategy. We achieved 10 of our 14 KPI targets in year 2021-2022, with three amber and one red results.

✓ **Green**
denotes a KPI where the target was achieved.

– **Amber**
denotes a KPI where the target was marginally missed. The result was likely to be within the margin of error for the target or, in the case of a KPI target with multiple parts, the majority or average of parts were achieved.

✗ **Red**
denotes a KPI where the target was missed by a significant degree.

Strategic priorities, KPI and KOI analysis 2022-2023

The following analysis is provided under the strategic priorities we outlined in our Corporate Plan 2021-2024 and the associated measures we outlined under the priorities.

1 **Security**
Strategic goal: Make sure savers' money is secure

Our goal is to protect the money that savers invest in pensions, and our key performance indicators reflect this, with four of our 14 KPIs dedicated to this area. Savers covered by our relationship supervision regime increased over the year, helping to ensure that strategically important DB schemes are funded to meet the promises made to savers whilst protecting the PPF. However, it's not just DB schemes that are covered by supervision – 20.9m savers in DC schemes (mostly in master trusts) are now in schemes that are subject to supervision. Our Supervision team has also been engaging with an administrator as part of a pilot approach to broaden our reach in this area.

Our supervision is not just about proactive relationships – we react quickly and decisively when we learn of a risk to scheme funding. Over the course of the year our Events Supervision team intervened in an increased number of merger and acquisition activity, as expected, and managed the increase through focused and risk-targeted responses.

When things go wrong, we turn from supervision to enforcement, as we did during the year on a number of large and complex criminal cases. For example, our enforcement team achieved criminal sanctions on scams cases and secured millions of pounds worth of settlements from using our anti-avoidance powers..

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1. Security continued...

1 ✓ **97.72%** for re-declarations, **91.05%** for new employers

KPI 1.1: Employers are continuing to re-declare and new employers are making their declarations for the first time in line with their duties for AE.

Declaration and re-declaration rates held up well during the pandemic, supported by an effective communications campaign. We continued to drive improvements through test and learn activity in direct-to-employer communications.

1 ✓ **34m savers**

KPI 1.2: We will extend our supervision coverage across a greater number of savers.

We increased the number of savers covered by our Supervision team through the effective management of our portfolio and by the addition of a third-party administrator. This led to an increase in savers covered by supervision totalling 34 million at year end, exceeding the 30.7 million target.

1 ✓

KPI 1.3: We will be ready to implement our new powers under the PSA 2021 from October 2021.

We have implemented all of the necessary processes and training for the new powers that came into force in 2021-2022 and our enforcement team is now equipped to make full use of this new legislation. Our communications team also issued key policy and guidance documents, including a criminal offence policy and revised clearance guidance.

1 –

KPI 1.4: We will undertake activity that contributes to the prevention and disruption of pension scams.

To meet this performance indicator, we committed to having 10 open scams-related activities at the end of the year and we finished with seven. This was due to our decision to move additional resource to support two of our larger complex criminal cases. We have since achieved successful prosecutions in both these cases. The movement of resources meant that we were unable to undertake new scams-related activities. We also achieved 97% of our target of members of PSIF signing up to the scams pledge and 120% of our target number of pension administrators.

2

Value for money

Strategic goal: Savers get good value for their money

It is essential that savers receive good value from their schemes, and with the assessment that trustees are required to perform becoming more detailed this year, we are even better equipped to determine if our expectations are being met with regards to suitable investments and cost and charges.

This year we worked with our regulatory partners and industry to establish common standards on value for money, and published a joint discussion paper with the FCA and completed a piece of research with the Pensions Policy Institute (PPI).

2 ✓

KPI 2.1: We will work with our partners at the DWP and the FCA to define a set of cross-industry standards on value for money and begin the process of embedding the DWP's new framework for small schemes.

We published a discussion paper in partnership with the FCA in September 2021, and the responses, along with the research carried out by the PPI, are now being used to help develop firmer policy proposals on a value for money metrics framework. This initiative, run jointly with both the FCA and the DWP, will lead to a consultation being published in Q3 2022-2023.

We have also provided guidance to DC schemes with less than £100m assets under management following the introduction of regulations in October 2021 that required them to carry out more rigorous value for money assessments. We're planning to deliver a Regulatory Initiative in 2022-2023 to check compliance with those regulations.

3 Scrutiny of decision-making

Strategic goal: Decisions are made in savers' interests

Decisions made on behalf of savers have the ability to significantly affect not only the savers' retirements but also the world around us. In 2021-2022 we published our guidance on climate change, helping trustees of certain schemes meet the new tougher standards of governing and reporting in this area.

To complement this, we also published our guidance specific to the governance and reporting of climate-related risks and opportunities, which sets out ways in which trustees and advisers might approach implementing the requirements of the new regulations at a practical level.

We also published a climate adaptation report, which sets out the risks from climate change most relevant to occupational pension schemes and the approaches we are taking to tackle them.

We had intended to complete a second consultation on a revised DB code of practice but delays to the regulations have not enabled us to publish this consultation in 2021-2022.

continued over...

3. Scrutiny of decision-making continued...

3 ✓

KPI 3.1: We have launched our Climate Change Strategy and will develop a regulatory approach to the new climate change legislation, including sharing our expectations publicly.

We published our climate change guidance and complimentary guidance on governing and reporting related to climate change. We have recently appointed a climate change lead at a senior level to enable us to further our work in this area.

3 ✗

KPI 3.2: We will complete our second phase of consulting on principles for a revised DB code with a view to finalising the code in 2022.

Due to our dependency on the funding regulations being consulted on we will not be able to achieve publication of the draft DB code until late summer 2022.

4

Embracing innovation

Strategic goal: The market innovates to meet savers' needs

Pensions are evolving, and we have facilitated this innovation over the year in a number of ways. We assessed the applications of two DB superfunds wishing to enter the market, holding them up against our guidance to manage risks and ensure that savers are protected before the specific legislation is in place.

We continued to work with government to support the development of the legislative framework for superfunds, which we anticipate being introduced during 2022-2023. We have also been heavily involved in the emerging new alternative DC vehicle – the collective DC scheme (CDC) – and published a consultation on a code of practice for CDC schemes in early 2022.

We have also been busy supporting the DWP in establishing the policy and legislative framework surrounding pensions dashboards and have been undertaking the necessary design work with our four key delivery partners: the Pensions Dashboards Programme (PDP), the DWP, the Money and Pensions Service (MaPS) and the FCA. Secondary legislation for dashboards will be laid in 2022 with the earliest scheme staging dates being in 2023.

continued over...

4. Embracing innovation continued...

4 ✓

KPI 4.1: We will support the pensions dashboards initiative and deliver on our remit as defined by government.

We have worked closely with the DWP on pensions dashboards during the year and have influenced the draft regulations with regards to the compliance regime. Our industry outreach team have engaged with administrators, software providers and ISPs, and we continue with all of the internal work necessary to be ready for the first schemes staging in 2023.

4 ✓

KPI 4.2: We will continue to apply the interim regime for superfunds in order to protect the interests of savers and the PPF in the period before specific legislation is in force. We will continue to work with government to develop legislation in this area.

Over the course of the year, we have assessed DB superfund applications within our six-month timeframes. We also continued to work closely with government regarding the legislation that will be required to adequately regulate this new DB model.

5

Bold and effective regulation

Strategic goal: TPR is a bold and effective regulator

We are committed to being a bold and effective regulator that transforms the way we regulate, putting the saver at the heart of our work, driving participation in pensions saving and focusing on the value and security that pensions provide.

An area which has seen great transformation over the year was automatic enrolment as we concluded our contract with Capita and moved some services in-house, alongside a new contact centre. Despite these changes, we maintained delivery on all three of our key internal AE metrics – timely and accurate dispatch of communications to employers, call answer times and AE external service availability.

To further support our ambitions to be a data-driven regulator, we have delivered some important technology upgrades in 2021-2022, implementing a new data platform, a new contact management system for our customer support and intelligence teams, and a new document management solution across the business.

continued over...

5. Bold and effective regulation continued...

5 −

KPI 5.1: We will deliver new systems to support our regulatory functions.

Whilst we didn't deliver our full suite of planned change (largely because we didn't pass some of the Government Digital Service (GDS) assessments at the first attempt, though we did pass the assessment for the Beta phase of Dynamics 365), we have forged closer relationships with the DWP to better understand the assessment process. The SSRA programme implemented significant improvements to our technology estate, including a new data platform, new document management system (including a major document migration exercise) and new customer relationship management system. The programme closed in November 2021, with the remaining parts of SSRA being continued as standalone projects.

The new Digital, Data and Technology (DDaT) Directorate is also being created in recognition of the need to be a data-led and digitally-enabled organisation which harnesses technology to optimise our regulatory effectiveness.

5 ✓

KPI 5.2: We will continue to maintain performance across employer and scheme-facing services as we transition to our new AE delivery model.

This year saw a huge amount of change impacting these services – as a result of thorough planning and excellent delivery in the AE Transformation programme, all three key metrics remained above target throughout the year.

5 ✓

KPI 5.3: We will implement two new regulatory initiatives based on our core regulatory risk assessment.

We successfully concluded two regulatory initiatives in 2021-2022 on strategically important areas of risk. The weakening covenant RI achieved some fantastic outcomes, such as 73% of schemes advising that our intervention enabled constructive discussion with employers.

6

Our people

Strategic goal: TPR is a bold and effective regulator

Our people are vital to our success as a regulator and these last two KPIs recognise that we are committed to having a diverse and engaged workforce that is able to work effectively, both at home and in the office.

We recognise the important role diversity and inclusion plays in supporting us as a regulator and an employer and we are excited to have recently welcomed a senior ED&I lead into our team to help cement our ambitions in this area.

Supported by our Diversity and Inclusion Committee, they will forward our diversity and inclusion agenda, providing direction and taking decisions on diversity and inclusion matters and championing inclusion throughout the organisation.

continued over...

6. Our people continued...

6 – 72%

KPI 6.1: We have high employee engagement.

We narrowly missed our employee engagement target, achieving a score of 72% from the all-staff survey which is identical to last year's and follows rises over the previous two years (2019: 58% and 2020: 62%).

Our research partner has advised that a stabilising of employee engagement scores after such positive improvements over the previous couple of years, is to be expected. Nevertheless, we hope to maintain an upward trend in our employee engagement and will set a similarly stretching target for 2022-2023.

6 ✓ 88%

KPI 6.2: Our team is able to work effectively, whether that is solely at home, solely in the office or a combination of both.

Our annual people survey revealed that 88% of TPR staff believed they are/will be able to work effectively, whether that is when individuals are working at home, in the office or a combination of both. This is higher than the 79% who said this in our Wellbeing survey in October 2021.

Our HR and facilities teams have worked extensively on equipping us for a move to hybrid working. We are currently in a test and learn period of hybrid working and will continue to adapt to the needs of our people, and the business, as we become more fluent with this new way of working.

Our key outcomes and analysis 2021-2022

Our outcomes act as a bridge between our statutory objectives and our regulatory activity. They enable us to explain our remit, supported by our partners and stakeholders. They set out what we are seeking to achieve in the longer term. Below are the outcomes for pension savers we set out in our 2021-2022 Corporate Plan.

Figure 2: Outcomes for pension savers

Participation
To increase participation in workplace pensions

Protection
To protect members and the PPF

Accountability
To hold those we regulate to account

Confidence
To increase people's confidence in the security and quality of workplace pension savings

Key outcome indicators

The set of indicators that accompany these outcomes give us some insight into how, over the longer term, we are performing with our partners and stakeholders against the aims.

1. Participation: We want to increase participation in workplace pensions

Measure
Proportion of jobholder population that has been put into a qualifying scheme.

Trend
Relatively stable.

Commentary
This KOI remains above target at 99.12%. Split by size, this KOI performed as follows:

- **99.05%** Large
- **99.78%** Medium
- **99.55%** Small
- **96.65%** Micro

Measure
Proportion of employers that make contributions to schemes before they become significant late payments.

Trend
Relatively stable.

Commentary
Performance over the year has been around 97%, consistently above the 94% target.

2. Protection: We want to protect members and the PPF

Measure
Proportion of members in schemes that are demonstrating good governance.

Trend
No change in schemes. Slight increase in members.

Commentary
The proportion of members in schemes that are demonstrating good governance continues to remain consistent and above 99%, while the proportion of schemes demonstrating good governance is beginning to stabilise relative to last year and the year before.

Measure
Aggregate funding ratio for DB schemes.

Trend
Improving.

Commentary
The aggregate funding level has improved over the last 12 months. This is due to a combination of positive returns from growth assets and an overall fall in the value of liabilities due to higher gilt yields offsetting the impact of higher inflation expectations.

3. Accountability: We want to hold those we regulate to account

Measure
Average scheme record-keeping scores.

Trend
Increased.

Commentary
TPR has moved away from setting targets for common and scheme specific data scores, and our expectation is that trustees are regularly reviewing and improving their data. This trend demonstrates consistency in terms of schemes reporting high data accuracy scores. Moving forward, our focus will be toward schemes that do not regularly review their data or that report lower data accuracy scores.

Measure
Proportion of schemes that have been subject to a risk-targeted regulatory intervention.

Trend
Increased.

Commentary
Work on Regulatory Initiatives began again, after a pause during the COVID pandemic. The increase in coverage reflects the regulatory initiative focused on weakening employer covenants, covering hundreds of schemes.

4. Confidence: We want to increase people's confidence in the security and quality of workplace pension savings

Measure
Proportion of members in pension schemes who are confident in pensions compared to other forms of saving.

Trend
Increasing.

Commentary
We did not conduct a survey ourselves among the general public or pension savers during 2021-2022.

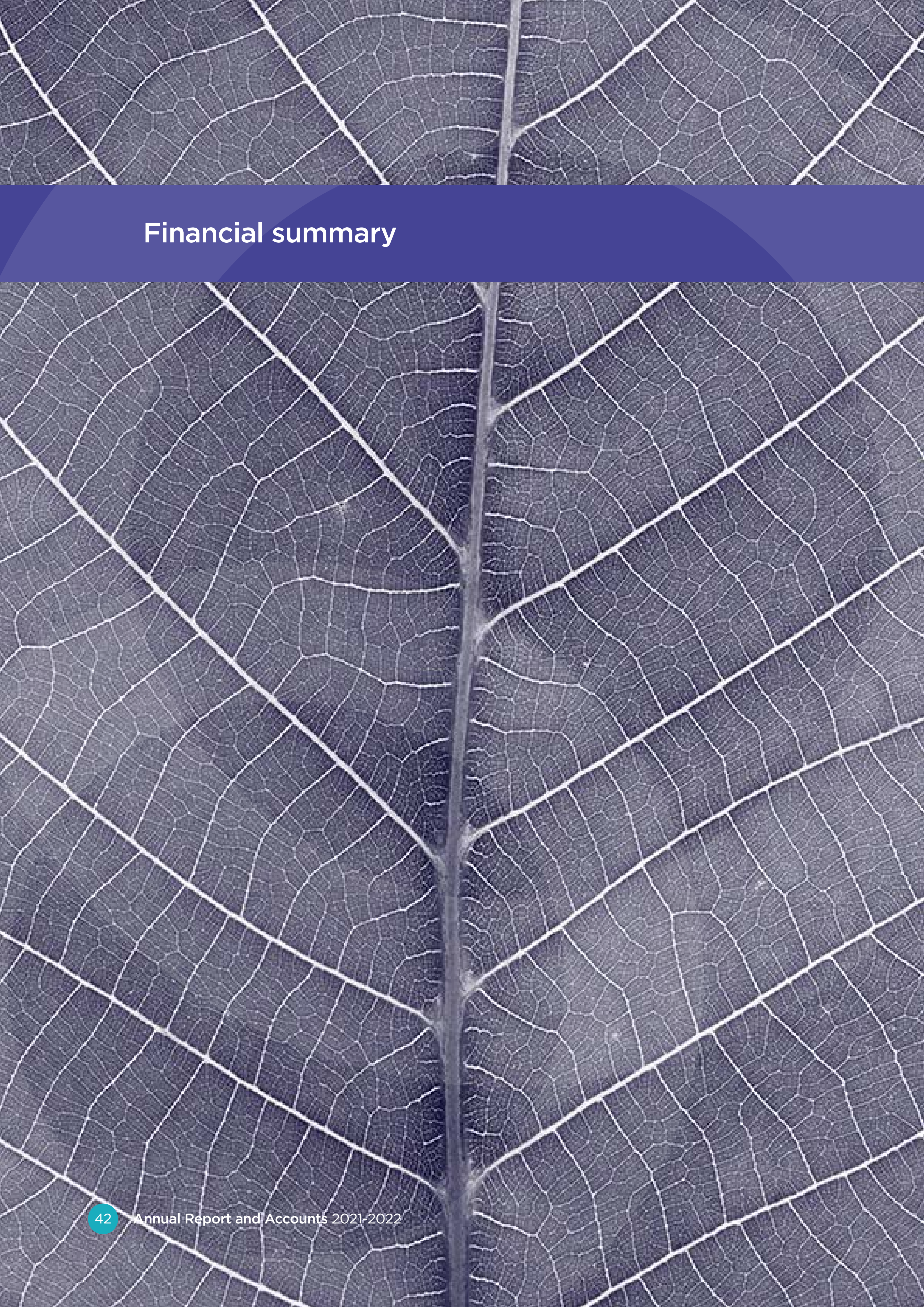
Reviewing research by other organisations suggests there has been an increase in the proportion of people who have confidence in pensions during 2021-2022.

Specifically, the pensions administrator Trafalgar House conducted two waves of research in 2020 among the general public into their trust in the pension industry and repeated this research in September 2021. Trafalgar House's most recent research found that people's trust in the pension industry improved between September 2020 and September 2021[1]. However, there remains a significant minority who do not have much trust in the industry.

As the Trafalgar House reports alludes to, at the time of the 2020 survey – in the relatively early days of the pandemic – there were many unknowns in the world. In the meantime, trust seems to have improved to some extent.

1 https://www.trafalgarhouse.co.uk/media/1840/2021-trust-confidence-index.pdf

Financial summary



We formally agree our annual budget with the DWP each year, and the table below sets out how we have performed against our budget over the previous two years. The actual expenditure in 2021-2022 was £96.8 million, £7.7 million lower than budget due to lower planned projects spend and savings associated with the AE transformation.

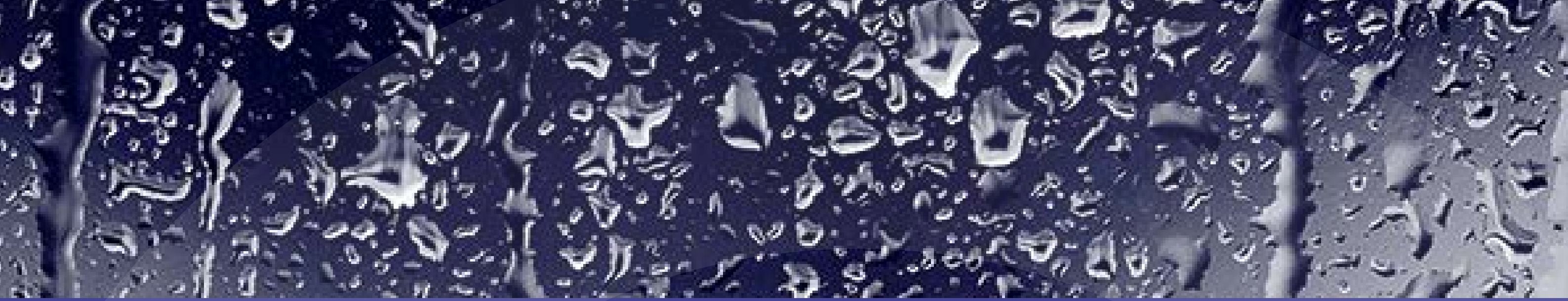
Further information on our 2021-2022 expenditure and a report on our duties in respect of the collection of a variety of pension levies and penalty notices can be found in the Financial review on pages 138 to 144.

Table 1: Actual expenditure vs budget

£m	2021-2022			2020-2021		
	Actual	Budget	Variance	Actual	Budget	Variance
Total TPR*	96.8	104.5	7.7	97.2	98.9	1.7

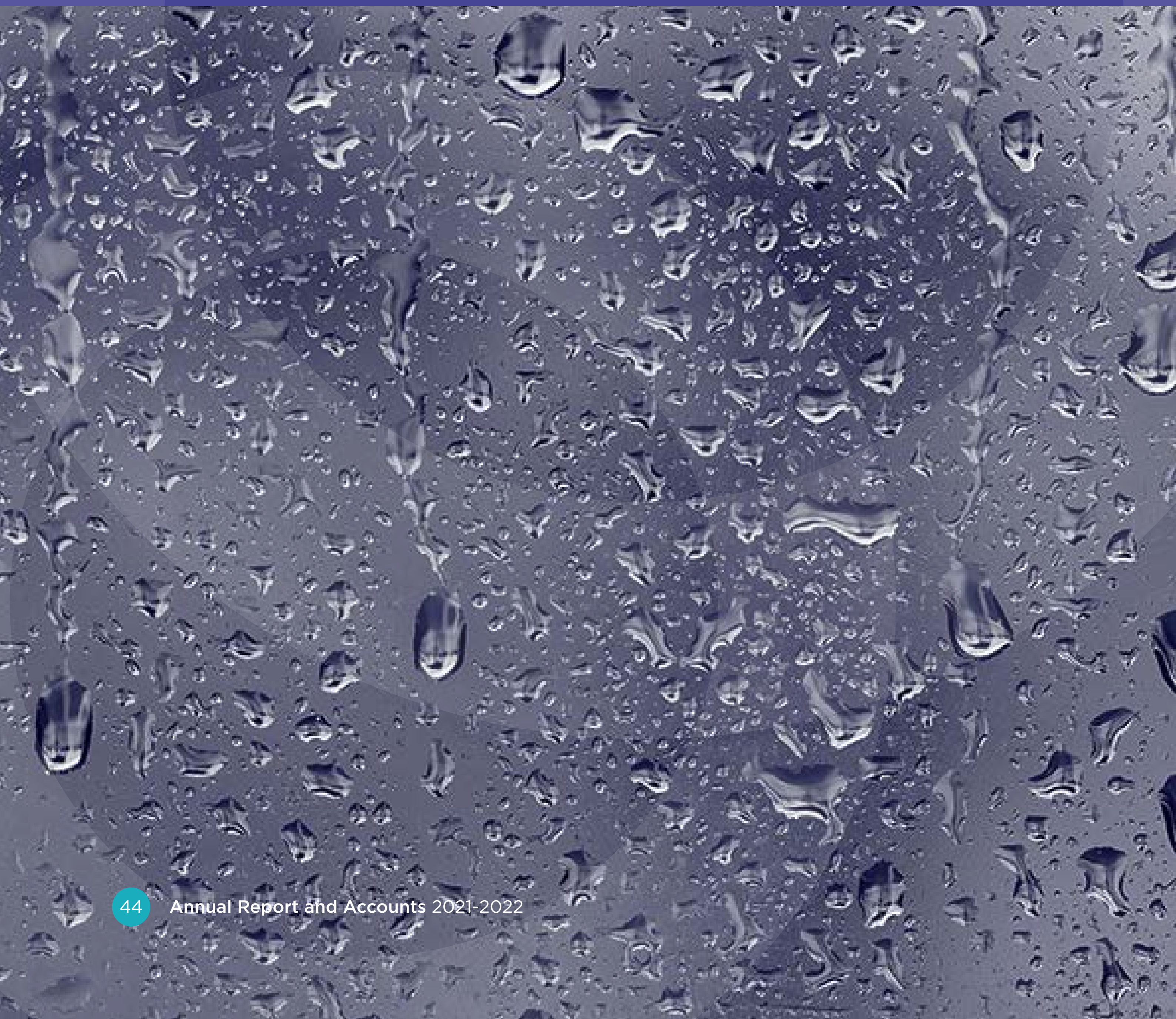
*All figures exclude capital expenditure

Charles Counsell OBE
Chief Executive, The Pensions Regulator
1 July 2022



Sustainability

This sustainability report conforms to the public sector requirements in the Government Financial Reporting Manual. It is an extended version of the sustainability section in the DWP's Annual Report and Accounts. Further explanation of the data used is held both in the DWP's records and on our website. This data is also included in the DWP's Annual Sustainability Report.



Overview of performance

In line with the Greening Government Commitments, we remain committed to sustaining a carbon emissions reduction of at least 25% against our baseline in 2009-2010. This was achieved by the target date of 2014-2015 when judged on emissions per full-time employee (FTE). Our targets and achievements relate to our sole occupancy in Brighton. Further sustainability data can be found at: **https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/climate-change-and-environment/environmental-data**

The last two years have been very different due to the COVID-19 pandemic. During this time, the building has been open to very limited staff occupation, but this has increased during the financial year 2021-2022 as national restrictions start to ease mainly during Q4. There was very little travel expenditure in year due to government restrictions and instructions to work from home, but this has also started to increase. The impact of the reduced occupation and now reopening our office again is showing as an increase in emissions on the previous year. There are also some new conditions that should be considered that the data will not show over the last few years:

1. During the cold months the boilers have had to work harder to heat the office as windows have been open to help aid ventilation.
2. Increased running times of air handling units increased electricity used.
3. With very few people in the office over the last year, a very small amount of waste was produced.
4. The same also applies for water usage.

We employed the services of consultancy-based firm Faithful+Gould to run workshops on three key areas:

1. 2023 Accommodation Strategy
2. Current unreported emissions and methodology
3. A new sustainability and net zero adviser role

The report was issued at the end of March and will help form the plan to meet our net zero carbon goals set out in the Climate Change Strategy.

Moving forward on the path to net zero

A significant proportion of carbon emissions is associated with the operation of Napier House. As the lease will end in 2023, further opportunities for significant improvements have been limited in recent years. However, contributing to net zero is a key objective of the Accommodation Programme in planning for, and following, the proposed move in 2023, with a key priority of reducing emissions associated with the operation of our 'preferred option' premises.

We will be using the methodology recommended by Faithful+Gould to start reporting on working from home emissions as well as cloud-based servers and current gaps in our car/vehicle emissions.

We will also be dedicating more time and resources to:

- more detailed reporting methods
- developing a plan for how we meet our commitment to net zero by 2030
- reviewing our travel policy with a view to adding carbon emissions as a factor when deciding the most appropriate form of travel
- engaging with the Carbon Literacy Project to organise training, initially for ExCo/SLT

Sustainable technology

As set out in the Climate Adaptation Report published last year, we took the following actions to improve the environmental performance of our data and systems:

- We migrated the majority of our systems into the Azure public cloud in 2020 from our previous private cloud provider. Therefore, our commitment to reducing our carbon footprint from our use of technology will be influenced by Microsoft's commitments to achieve carbon neutrality. We will continue to minimise our on-premises technology footprint.
- We have a Cloud-First Technology Strategy covering the next three to five years. It includes turning off non-production environments when they are not needed, typically overnight.
- We recognise there will be duplicate datasets within TPR. In 2019, we started a programme of work that includes the introduction of a cloud data platform, incorporating an enterprise data warehouse. Over time, this will consolidate much of our data estate creating a single, central source for most data assets.

To improve the environmental performance of our digital communications, we are:

- minimising the use of energy-inefficient media such as videos where we have not identified a specific user need for it
- using HTML format for our published information and reducing our use of PDFs which generally take longer to load, and to read, which uses more energy

Greenhouse gas performance commentary

There has been an increase in staffing levels over the last year with an average annual FTE increase from 791 in 2020-2021 to 897 in 2021-2022 – a significant proportion of which included former Capita colleagues transferred under TUPE, and contractors.

Despite a 6% increase in headcount, a 22% increase in our total carbon dioxide equivalent (CO2e) emissions has been recorded, relative to 2020-2021. CO2e emissions per FTE have increased by 15%: from 0.28 tonnes per FTE in 2020-2021 to 0.33 tonnes per FTE in 2021-2022. This includes 1,354,849 kWh of gas and electricity. Total gross expenditure on the purchase of energy, including travel, was £178,000.

Water consumption in 2021-2022 was 1,192 m3, reduced by 4% relative to 2020-2021, at a cost of £1,200.

The increase in carbon emissions and water usage is largely due to the reopening of Napier House and occupation levels rising. Other COVID-related factors have also contributed to this, including increased boiler use (as a result of keeping windows open) and increased electricity (due to running of air handling units).

Paper usage has dropped considerably since the baseline figures of 2017-2018.

Table 2: Paper usage

	A4 reams	A3 reams	A4 equivalent
2021-2022	75	0	75
2020-2021	75	0	75
2019-2020	2,100	85	2,270
2018-2019	2,575	60	2,245
2017-2018	2,866	133	3,132

Waste performance commentary

Total waste arising from our estate for 2021-2022 was 7.4 tonnes, of which 5.09 tonnes were recycled, and 2.36 tonnes were processed as energy from waste (EFW) and zero waste to landfill. Overall, the total waste generated has increased by 107% relative to 2020-2021. Total costs equated to £16,524.00 inc VAT on all waste contracts during 2021-2022.

Figure 3: Greenhouse gas and waste performance

6%
increase in headcount
(Relative to 2020-2021)

22%
increase in total CO2e emissions
(Relative to 2020-2021)

15%
increase in CO2e emissions per FTE
(2020-2021: 0.28 tonnes per FTE, 2021-2022: 0.33 tonnes per FTE)

4%
reduction in water consumption
(Relative to 2020-2021)

107%
increase in total waste generated
(Relative to 2020-2021)

Three-year review in numbers

Figure 4: Breakdown of sustainability performance 2019-2022

April 2019–
March 2020
tonnes

Recycled
9,065kg (9.1 tonnes)
Waste to energy (incinerated)
7,538kg (7.5 tonnes)
Landfill
Zero*
Total
16,603kg (16.6 tonnes)

April 2020–
March 2021
tonnes

Recycled
2,520kg (2.5 tonnes)
Waste to energy (incinerated)
1,085kg (1.1 tonnes)
Landfill
Zero
Total
3,605kg (3.6 tonnes)

*From 2019, we changed our waste collection service to Paper Round to achieve zero to landfill

April 2021–
March 2022
tonnes

Recycled
5,085kg (5.1 tonnes)
Waste to energy (incinerated)
2,361kg (2.4 tonnes)
Landfill
Zero
Total
7,446kg (7.5 tonnes)

TOTAL from
2019-2022
tonnes

Recycled
16,670kg (16.7 tonnes)
Waste to energy (incinerated)
10,984kg (11.0 tonnes)
Landfill
Zero
Total
27,654kg (27.7 tonnes)

The employee-led Sustainability Network now has 35 members. Last year, the group provided several online talks ranging from Southern Water educating on micro plastics to an expert beekeeper explaining the important part bees play in our everyday lives, to name a couple. Some of the group members were also involved in workshops with Faithful+Gould.

Sustainable finance and climate change adaptation

We remain committed to collaboration across financial regulators and the sector in order to develop shared expectations on climate-related risks and opportunities. We are an active member of the Climate Financial Risk Forum which brings together representatives from across the UK financial sector, including regulators, to 'advance the financial sector responses to the financial risks from climate change'. The intent is to drive best practice and develop the tools, guidance and techniques necessary for firms to manage climate-related financial risks, exploit opportunities and transition to a net zero emission economy.

Building on the UK's announcement to make climate-related financial disclosures mandatory across the economy by 2025, with a significant portion of requirements in place by 2023, we set out the actions that we expect from our regulated community in our Climate Strategy. In order to test compliance with the new regulations that came into force in October we are establishing a group of technical specialists. This group will also look at how we encourage improvement and, if necessary, take enforcement action as well as support any future expansion of the disclosure reporting requirement.

In our Climate Change Strategy, we set ourselves a challenging target of achieving net-zero greenhouse gas emissions by 2030 and are developing our plans to achieve this, including bringing in some expert resource to support us. We also published and submitted our climate adaptation report to the Department for Environment, Food and Rural Affairs for inclusion in their work on the government's National Adaptation Programme. We continue to align with work of other financial regulators to improve our understanding of systemic risks and assess how resilient the UK financial sector is to climate change.

Ethical and sustainable procurement

Taking account of social value in our procurement and contract management

This year we have focused on social value as a whole, covering COVID-19 recovery, tackling economic inequality, fighting climate change, equal opportunity and wellbeing. We have updated our procurement processes to include impact and/or risk assessments with an output of evaluating one or more of these areas where they are relevant and proportionate to the subject-matter of the contract.

We have upskilled our procurement team, including social value training, participating in the pan-government social value network, knowledge-sharing with other regulators, and working closely with the DWP. This last collaboration has culminated in us being part of their Modern Slavery statement and committing to assessing it in all procurements over £100k from April 2022.

We have reviewed our standard terms and conditions and considered additional clauses in relation to climate change. However, we determined that the most effective option would be to carry out a pre-procurement sustainability impact assessment (IA) and for appropriate contractual obligations to be incorporated into our contracts on a case-by-case basis. We are therefore aiming to review and improve our sustainability IA in 2022-2023 to include appropriate outcomes for the procurement process and resulting contract depending on impact. To support this, we also intend developing a sustainability contract schedule.

Better regulation

The Small Business, Enterprise and Employment Act 2015 requires the government to publish a Business Impact Target (BIT) in respect of qualifying regulatory provisions that come into force or cease to be in force during the current Parliament. In 2016, the scope of the BIT was extended to include the actions of statutory regulators, including TPR.

This means the actions we take that have an impact on business will count towards the BIT. The specific actions within scope are defined as 'regulatory provisions'. They are divided into 'qualifying regulatory provisions' (QRPs) and 'non-qualifying regulatory provisions' (NQRPs). All QRPs must be impact assessed. That assessment must then be verified by the Regulatory Policy Committee (RPC).

Our BIT policy statement describes how we will comply with these requirements. Our general approach will be to submit QRP assessments to the RPC for verification before the change itself has been implemented. We publish QRP assessments and assurance of NQRP summaries for the prescribed reporting periods on our website at: **www.tpr.gov.uk/about-us/how-we-regulate-and-enforce/business-impact-target**

Non-financial information

Publicity

Our communications directorate is committed to ensuring the successful delivery of communications against our statutory objectives, corporate priorities and major government policy areas. We communicate using a range of marketing activities, including press and media, public relations, website and digital, internal communications, and stakeholder and partnership activities, which are insight-driven and robustly evaluated.

Fraud

We take the risk of fraud seriously and will ensure that all suspected cases of fraud are vigorously and promptly investigated, and that appropriate action is taken. Fraud controls in place have enabled us to respond to one case of attempted fraud during the financial year. We are strengthening our counter-fraud capability and have introduced a new functional lead for this area.

Human rights

As an organisation, we are keen to ensure we are inclusive and accessible in all we do. We adhere to the Civil Service Recruitment principles when attracting and recruiting staff, as well as being a Disability Confident Employer, and have signed up to the DWP's Modern Slavery statement. We also have objectives that help us fulfil our responsibilities under the Public Sector Equality Duty. We continue this through our employee lifecycle, ensuring our policies and processes are inclusive and employees have the appropriate voice via multiple networks and forums.

Accountability report

Corporate governance report – directors' reports

This section includes reports on the activities of:

- **The Committee of Non-Executive Members** (page 57)
- **The Audit and Risk Assurance Committee** (page 58)
- **The Remuneration and People Committee** (page 68)

Together the above committees discharge TPR's non-executive functions as described in section 8 of the Pensions Act 2004.

Also, in this section:

- **Details of Board and Committee membership** (page 72)
- **A report on the activities of the Determinations Panel** (page 75)
  The Determinations Panel is a committee of TPR which has separately appointed membership. Its role is to make independent decisions on cases.
- **Statement of Accounting Officer's responsibilities** (page 80)
  This sets out TPR's requirement to prepare a statement of accounts in the form and on the basis determined by the Secretary of State for Work and Pensions, with the approval of HMT.
- **Governance statement** (page 82)
  This is the accounting officers' statement which reports on the arrangements for ensuring TPR's business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for.
- **Remuneration and staff report** (page 110)
  This report sets out TPR's remuneration policy for directors, how that policy has been implemented and the amounts awarded to directors including where there is a link between performance and remuneration. In addition, the report provides details on staff numbers and related costs. Also, information on progress against TPR's equality objectives 2021-2022 and gender pay gap action plan.
- **Financial review** (page 138)
  This review shows the source of TPR's funding and expenditure for the year and how value for money was achieved.

The sections listed on page 55 reflect the best practice outlined in the Government Financial Reporting Manual. The information complies with HM Treasury's Code of Good Practice for corporate governance in central government departments and demonstrates how we have met our responsibilities to Parliament.

Figure 5 below shows the relationship between the Board and its committees, the Executive Committee, and its various sub committees.

Figure 5: Our main committee structure as at 31 March 2022

Report of the activities of the Committee of Non-executive Members 2021-2022

Membership of this committee consists of TPR's non-executive Chair, Sarah Smart, and TPR's non-executive directors – all of whom are appointed by the Secretary of State.

Following former Chair Mark Boyle CBE's departure on 31 March 2021, Sarah Smart served as interim Chair from 1 April to 31 May 2021 and was appointed Chair on 1 June of that year. She and four non-executive directors (Kirstin Baker CBE, Robert Herga, Katie Kapernaros and Chris Morson) were in post throughout (Kirstin's and Robert's terms were due to expire on 31 January 2022 but were extended until 31 May 2022). Non-executive director David Martin stepped down on 31 January 2022.

Attendance is shown in the Board membership and attendance tables on pages 72 to 74.

The Non-executive Committee met formally twice in 2021 in May and November and informally on a number of occasions, such as briefing sessions.

The committee's discussions covered the Board skills matrix, reflections on formal Board agenda topics, the non-executive director recruitment process, the CEO's end of year review, and the Next Generation scheme. Members agreed the committee's report for inclusion in the Annual Report and Accounts and reviewed the purpose of the committee. Succession planning continues to be reviewed on an annual basis as do key deliverables, Corporate Strategy, non-executive director participation across TPR networks and projects and the committee's own terms of reference.

Individual committee members have received ongoing briefing on strategically significant policy and/or cases outside of their attendance at Board were involved in ad hoc activities outside of their attendance at Board, including on a limited number of specific cases, policy development and a range of activities with TPR operational teams. Opportunities were affected by the COVID-19 pandemic restrictions, but throughout the year members engaged with staff in various fora, and through the programme of briefing and discussion sessions for non-executives with TPR teams.

Report of the activities of the Audit and Risk Assurance Committee (ARAC) for 2021-2022

Introduction

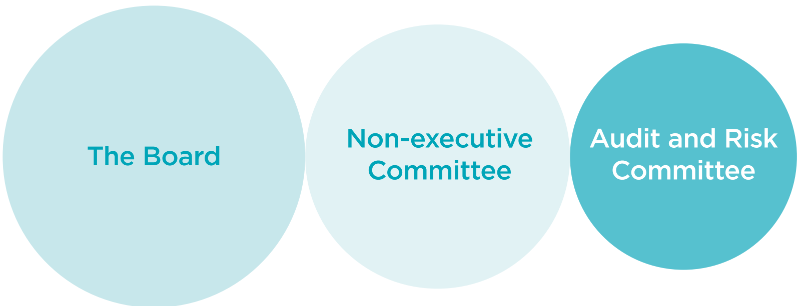
Statement from Chris Morson (ARAC Chair):

'In my first year as ARAC Chair we have seen the continuing development of our risk and assurance framework and an increased focus of assurance on key risk areas following the introduction of the new internal audit function. I am keen that the progress made so far continues to develop in the year ahead, particularly in the areas of regulatory and programme assurance. I particularly wish to see an improved focus on internal controls following the Internal Audit opinion that significant improvements are required in this area.'

Structure and responsibilities

ARAC is a sub-committee of TPR's Non-executive Committee.

Figure 6: ARAC structure in relation to TPR's Board



Audit and Risk Assurance Committee

Members

- Chris Morson, Chair and Non-Executive Director (NED)
- Katie Kapernaros* NED
- David Martin* NED
- Kirstin Baker* NED

In regular attendance

- Charles Counsell, Chief Executive
- Helen Aston, Executive Director of Finance and Corporate Services
- Richard Edes, Interim Director of Strategy and Risk
- Jane George, Head of Internal Audit
- Rachel Gregson, Head of Risk and Assurance
- Representatives from the NAO (external auditors), BDO Ltd (previous internal auditors), and the DWP partnership team

* Katie Kapernaros was co-opted onto the committee in June 2021 following previous ARAC Chair Sarah Smart's appointment as TPR Chair on 1 June 2021.
* David Martin finished his Non-Executive Director term at TPR on 31 January 2022.
* Kirstin Baker was co-opted onto the committee for the March 2022 meeting.

Audit and Risk Assurance Committee's responsibilities

Risk and assurance

- Oversee the management of risk, internal controls and corporate governance arrangements
- Oversee external auditor and internal audit service independence, planned activity, results and effectiveness
- Monitor management responses to issues identified by audit activity
- Manage tendering and purchase of internal or external audit services

Accounting and reporting

- Oversee accounting policies, and the Annual Report and Accounts
- Monitor anti-fraud and whistleblowing processes
- Carry out periodic self-reviews of ARAC's effectiveness

Timetable

There were six ARAC meetings in 2021-2022 covering the full scope of the committee’s responsibilities. This included additional meetings to review internal audit reports in May 2021 and to review the Annual Report and Accounts in July 2021. During the year ARAC members also held closed sessions with external and internal auditors. The committee provided regular feedback to the Board, including detailed updates at the 16 June 2021 and 15 December 2021 Board meetings.

Matters considered

2021-2022 key areas of focus

- **Risk and assurance framework**
  ARAC continues to encourage the development of the assurance activities through a combined assurance framework, and to ensure the appropriate level of resource and skills.

- **Risk Appetite**
  ARAC has overseen the review and development of the Risk Appetite Statement prior to agreement by the Board. It has also referred to the Board risks deemed to be outside of our appetite.

- **Internal audit**
  ARAC has supported the Head of Internal Audit in the development of the in-house internal audit team during the first year of the adopted hybrid model.

2021-2022 key areas of focus: matters considered at meetings

15 June 2021

- Quarter 4 Risk report
- Draft Annual Report and Accounts inc. governance statement
- Assurance overview report
- Internal audit end of year report
- External audit completion report
- Draft Annual Report and Accounts
- Internal audit report
- Payroll audits
- Risk appetite review
- Risk area deep dive on Data Governance and Data Assurance Governance activities
- Programmes and projects

15 September 2021

- NAO management letter review
- Risk and Assurance report*
- Risk Appetite Statement
- Internal audit report
- Internal Audit Annual Review
- Payroll audit
- Data Governance
- Risk area deep dive on Regulatory Policy, Analysis and Advice (RPAA)
- Programmes and projects
- Information and financial security and compliance**

* The Risk and Assurance report replaced the previously separate quarterly risk and assurance overview reports.

** A new item allowing focus on the Senior Information Risk Officer's (SIRO) report, fraud, whistleblowing and procurement.

1 December 2021

- External audit planning
- Risk and Assurance report
- Internal Audit Report and proposed audits for 2022-2023
- Programmes and projects
- SSRA closure – lessons learnt
- AE Data Incidents
- Risk area deep dives on People and Culture, and Core Financial Controls
- SIRO Assurance update*
- Fraud, Whistleblowing and Procurement*
- ARAC Terms of Reference review

* Previous Information and financial security and compliance report was separated into SIRO Assurance update, and Fraud, Whistleblowing and Procurement reports.

3 March 2022

- External audit progress
- Risk and Assurance report
- Programmes and projects
- Internal Audit Report
- Approval of Internal Audit plan 2022-2023
- Debt recovery overview
- Health and Safety Annual Report
- Risk area deep dives on Procurement and Business Continuity
- SIRO Assurance update
- Fraud, Whistleblowing and Procurement
- Committee effectiveness review report

Risk management

ARAC supported and challenged the continuing development of the risk and assurance framework with a focus on ensuring a clear separation of duties under our three lines of defence model. ARAC concluded that the risk monitoring and reporting systems in place gave senior management an appropriate view of our key risks, and a programme of regular 'deep dives' gave further insight into departmental risks.

TPR's risk appetite

TPR's risk appetite is set by the Board and demonstrates how we balance risk and reward in pursuit of our statutory objectives. ARAC's role is to provide assurance to the Board that TPR is operating within its stated appetite, and report instances where we are outside it. The Risk Appetite statement was revised during the year so that ARAC can more easily determine TPR's position, and the business is able to determine whether a new initiative will be inside the stated appetite or an exception. The more granular structure aligns with TPR's risk taxonomy so that new and emerging decisions and processes can be shaped around our stated appetite.

TPR's register of top risks

The register is produced and endorsed by TPR's Risk Committee using management assessments to identify, prioritise, monitor, manage and mitigate our operational and strategic risks. The ARAC reviews them at each meeting to ensure they have clear executive owners and mitigations. It challenges ratings given to risks and the effectiveness of mitigations in relation to changes and trends in risks. The committee highlighted to the Board any risks it considered required more visibility or where the business was operating outside of its stated risk appetite.

Deep dives

A rolling programme of deep dives took place to allow ARAC to review the management of risks in each directorate. It has provided executive directors and directors the opportunity to attend meetings to give in-depth updates on their areas. The deep dives encompassed: the top five risks; the assurance and mitigations in place; the control environment, and the horizon view for each. They have provided excellent opportunities for ARAC members to challenge management on their risk and assurance thinking.

Internal risk management control system

TPR's risk management systems are designed to manage rather than eliminate the risk of failure and can only provide reasonable, and not absolute assurance. However, ARAC noted that effective and thorough monitoring and reporting systems were being developed to give the executive team an appropriate level of control over the management of risk and it endorsed management's assessment of key risks.

Assurance

Assurance mapping

ARAC continues to monitor the development of a comprehensive assurance map which will contribute to identifying areas for future review. The sources of assurance include internal review, regulatory assurance, internal audit, ISO reviews, and specialist reviews or audits. This important part of the new Risk and Assurance Framework provides ARAC with a comprehensive oversight of internal and external assurance.

Audit

Internal audit

2021-2022 was the first year of TPR's internal audit services being provided by an in-house team led by a Head of Internal Audit. During the year the internal team came up to full strength, and it is supplemented by BDO as necessary for specialist skills such as cyber security.

The internal audit team worked to an annual plan of 12 audits and ARAC monitored the progress of these during the year reviewing each of the audit reports.

ARAC took a close interest in the timely execution of management agreed actions from audit reports and monitored their progress each quarter.

ARAC also reviewed and agreed the Internal Audit Charter.

ARAC noted the Head of Internal Audit's annual opinion that, 'significant improvements are required to improve the adequacy and/or effectiveness of governance, risk management and internal control'. You can find more information about this on page 107.

External audit

During the year ARAC reviewed the annual accounts for 2020-2021 and recommended their approval to the Board. It also reviewed the draft Governance Statement for 2021-2022 and the External Audit Strategy and plan for 2021-2022.

ARAC also met in June 2022 to review and finalise the remaining internal audit reports for 2021-2022, the internal audit plan for 2021-2022 and the Annual Report and Accounts for 2021-2022, together with the internal and external auditors' reports for the year, before recommending them to the Board. ARAC's members also attended a number of internal meetings and gave guidance and assistance to projects and programmes.

Chair's meetings

During the year, the Chair had a range of further meetings to support ARAC's work. These included discussions with the internal auditors on internal audit progress and audit themes in the public and regulatory sector, and with members of the executive team.

Membership

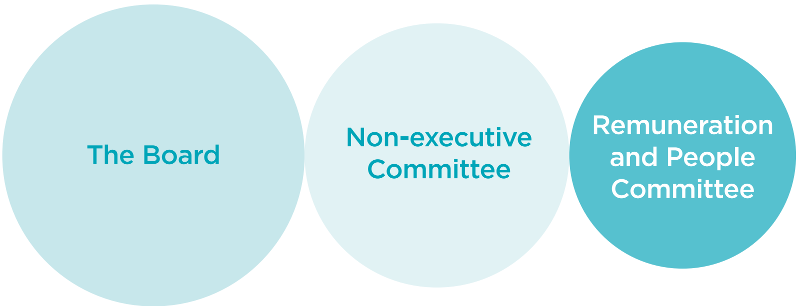
Membership of ARAC throughout the year was Chris Morson (Chair) and Katie Kapernaros (Non-Executive Director). David Martin (Non-Executive Director) attended four meetings and Kirstin Baker (Non-Executive Director) attended one. Other Board members, including the Chief Executive, also regularly attended committee meetings as contributors or observers.

Report on the activities of the Remuneration and People Committee (RaPCo) for 2021-2022

Structure and responsibilities

RaPCo is a sub-committee of TPR's Non-executive Committee.

Figure 7: RaPCo structure in relation to TPR's Board



Remuneration and People Committee

Members

- Kirstin Baker (Chair)
- Robert Herga NED
- Katie Kapernaros NED

In regular attendance

- Charles Counsell, Chief Executive
- Paula Harris, Director of People and Culture

RaPCo responsibilities:

- To provide advice on Chief Executive and Executive remuneration, including supporting relevant business cases to Treasury and the Secretary of State, and considering proposals from the Chair of the Board on the performance and remuneration of the Chief Executive.
- To support the Chief Executive in reviewing and moderating executive performance including performance pay and bonus.
- To approve and monitor the implementation of TPR's People and Culture Strategy, including:
  - ensuring all elements of TPR's internal and external HR obligations and aspirations are identified, with accompanying strategies, action plans and measures to monitor progress, consistent with TPR's commitment to ED&I
  - considering emerging strategic people issues, especially in relation to talent attraction, development and retention and long-term human resource planning
  - considering executive development and succession planning, encompassing the challenges and opportunities facing TPR and the skills and expertise required in the future.
- To keep TPR's Reward Strategy under review, tracking and monitoring the implementation of the job evaluation and reward project as well as specifically the award, amendment, and removal of market premia.
- To review the balance of skills, knowledge, experience, and competencies of the Board, considering future challenges and opportunities and considering any gaps in skills or competencies, and to update the Board accordingly.

Timetable

There were four Remuneration and People Committee meetings in 2021-2022 covering the full scope of the committee's responsibilities. Feedback from all the meetings was provided to the Board through detailed updates at the March and November Board meetings.

Matters considered

2021-2022 key areas of focus

- **People and Culture Strategy**
  The committee was pleased to approve the strategy with the implementation plan to be presented to the Board in March 2022 for launch early in the new 2022-2023 financial year. The committee was also updated on progress on the ED&I Strategy.
- **CEO objectives**
  A new approach has been taken to ensure cohesion between the approved objectives of the CEO and those of the executive directors.
- **Bonus nominations**
  Bonuses were reviewed in accordance with appropriate guidelines with an additional review of bonuses for the CEO direct reports.
- **Reward project**
  The committee was updated on implementation of the reward project and will continue to monitor retention issues in specific areas. An external pay fairness review produced no issues. Support will be given to managers regarding equal pay and the recruitment processes.
- **Board skills matrix review**
  The matrix was deemed fit for purpose and did not identify any skill gaps, with allocations and categories deemed appropriate and effective.
- **New (hybrid) working**
  New working arrangements will be trialled until the end of 2022.

2021-2022 key areas of focus: matters considered at meetings

23 June 2021

- Review of RaPCo terms of reference
- Review of RaPCo work 2021-2022 – ARA paper
- ED&I Committee update
- Pay remit update
- MyTPR survey results

28 September 2021

- TPR Board skills matrix review

20 December 2021

- People and Culture Strategy – High level summary, communications and plan and milestones for the next five years
- Employee value proposition

23 February 2022

- ED&I Committee update
- MyTPR survey update
- People risks
- CEO succession and talent management update
- Reward update

Committee chair's meetings

During the year, the committee Chair met with the Chief Executive regularly to discuss key matters. The Chair also met with the Director of People and Culture to ensure RaPCo meetings were focused and conducted according to recommendations.

Details of Board membership

See below for Board appointments and committee memberships. You can also view the register of Board members' interests on our website: **www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/register-of-board-members-interests.ashx** and their biographies at: **www.thepensionsregulator.gov. uk/en/about-us/the-board**

Table 2: Details of Board membership

Name	Date appointed	Date term expires/ended	Committee membership
Sarah Smart	1 June 2021*	31 May 2026	Non-executive (Chair)
Non-executive members			
David Martin	1 February 2013	31 January 2022	Audit and Risk Assurance, Non-executive
Robert Herga	1 July 2017	31 May 2022	Remuneration and People, Non-executive
Kirstin Baker CBE	1 February 2017	31 May 2022	Remuneration and People (Chair), Non-executive, Senior Independent Director (SID), Audit and Risk Assurance
Katie Kapernaros	1 April 2020	31 March 2024	Remuneration and People, Non-executive, Audit and Risk Assurance
Chris Morson	1 April 2020	31 March 2024	Audit and Risk Assurance, Non-executive
Executive members			
Charles Counsell OBE	1 April 2019	31 March 2023	
Helen Aston	1 December 2015	30 November 2023	
Nicola Parish	1 August 2016	31 July 2024	
David Fairs	2 July 2018	1 July 2022	
Jo Hill	12 November 2018	11 November 2022 (left TPR on 9 April 2021)	

*Sarah Smart acted as Interim Chair from 1 April 2021 to 31 May 2021.

Details of Board attendance

Table 3: Details of Board attendance at committee meetings

Member	Number of meetings			
	Board	ARAC	Remuneration and People Committee	Committee of Non-Executive Members
Sarah Smart	8/8	N/A	N/A	2/2
David Martin	6/8	5/5	N/A	2/2
Robert Herga	4/8	N/A	4/4	2/2
Kirstin Baker CBE	8/8	1/1	4/4	1/2
Charles Counsell OBE	8/8	N/A	N/A	N/A
Nicola Parish	8/8	N/A	N/A	N/A
Helen Aston	8/8	N/A	N/A	N/A
David Fairs	8/8	N/A	N/A	N/A
Katie Kapernaros	6/8	6/6	4/4	2/2
Chris Morson	8/8	6/6	N/A	2/2

In addition to ARAC members, other Board members also attend the meetings by invitation. The Chief Executive regularly attends RaPCo and ARAC. The Chair attends ARAC and RaPCo on an occasional basis.

Report on the activities of the Determinations Panel

This is my first report as Panel Chair having taken over from Andrew Long in April 2021.

Legislative framework

TPR is required by the Pensions Act 2004 to maintain the Determinations Panel, whose purpose is to exercise certain regulatory functions to safeguard the interests of pension scheme members. In particular, the Panel can appoint and remove trustees, and can order parties to make contributions to schemes where there is a risk to members' benefits.

The Determinations Panel membership is separately appointed, and it has its own legal support. This enables it to make decisions independently from the TPR teams which investigate cases, considering all the evidence before it and providing each party with reasonable opportunity to present their case. Members of the Panel are not involved in the investigative process and any decisions reached make clear to the affected parties the reasons and evidence on which they are based.

Membership

TPR's Chair appoints a Chair to the Panel, who then nominates at least six other members. Panel members are usually appointed for a four-year term and can reapply thorough open competition to be reappointed for a further four-year term. The Panel usually comprises eight to 10 members.

Table 4: Details of Determinations Panel membership

Name	Date appointed	Date term expires/ended	Term
Antony Townsend (Panel Chair)	7 April 2021	6 April 2025	1st
Andrew Long (Panel Chair)	7 April 2013	6 April 2021	2nd
David Latham	1 April 2014	30 September 2022	2nd
Tony Foster	31 March 2014	30 September 2022	2nd
Pauline Wallace	13 March 2017	12 March 2025	2nd
Sarah Chambers	1 September 2018	31 August 2022	1st
Mike Urmston	1 September 2018	31 August 2022	1st
Megan Forbes	1 January 2021	31 December 2024	1st
Shrinivas Honap	1 January 2021	31 December 2024	1st
Anne Fletcher	1 January 2021	31 December 2024	1st
Stephen Mount	1 January 2021	31 December 2024	1st

Procedures

The Panel's procedures, published on TPR's website, set out the process by which cases reach the Panel.

Standard procedures

In standard procedure cases, a Warning Notice is sent to all parties considered to be directly affected by the action, giving each party an opportunity to submit representations in response. The regulatory case team later decides whether the case should be referred to the Panel. Once a case is referred to the Panel, a case panel (usually three of its members) is created, supported by a legal clerk and the Panel's administrative support staff.

The Panel makes its decisions based on the material submitted. In cases where there is an oral hearing, all directly affected parties are invited to attend and make written and/or oral representations. The procedures have been designed to ensure that the Panel's determinations are made in a fair, open and impartial manner. They place an expectation on our regulatory case teams to investigate fully and explain the grounds of concern with sufficient evidence to support them.

Special procedure

Special procedure is an 'emergency' procedure, allowing action to be taken quickly and without notice to the directly affected parties. The special procedure is primarily used when we believe that scheme funds or members' interests would otherwise be at immediate risk. A special procedure decision is subject to a compulsory review by the Panel as soon as reasonably practicable after the initial hearing and before which all parties are given an opportunity to make representations on the initial decision.

Review of the Determinations Panel procedure

The Panel has spent a signification portion of the year conducting a review of its formal procedures, particularly with a view to being more transparent and comprehensible to those unfamiliar with TPR's procedures. It is planned that the revised procedures will be published in 2022.

Casework in 2021-2022

During the year, the Panel issued five determination notices, and exercised seven powers. All cases brought to the Panel this year were made under the standard procedure. All cases related to issuing penalties for scheme return failures. The Panel has been discussing with TPR the volume of cases, and whether case numbers will grow again. It appears that TPR's resources have recently been concentrated on dealing with scams in the criminal courts, and there has also been a trend towards cases being settled without referral to the Panel.

However, TPR has recently been granted significant new powers, and it is probable that this will in due course generate some further cases to come before the Panel, although probably not at the levels seen two to three years ago.

Upper Tribunal references of Panel determinations

Parties who are dissatisfied with a Panel decision can appeal challenge ('refer the decision') to the Upper Tribunal (UT). In recent years there have been few references resulting in substantive Upper Tribunal hearings. However, there is currently one case with the UT relating to a Panel determination to issue contribution notices. The Determination Notice was issued in 2020 and referred to the UT. No date has yet been fixed for the substantive hearing.

Panel training and meetings

The Panel arranged a training event for its members in November 2021, which focused on the new powers introduced as a part of the Pensions Schemes Act 2021. The training event was also an opportunity for knowledge sharing between new and existing Panel members.

The Panel holds quarterly meetings where members discuss a variety of aspects of its work. These have been held remotely, with the exception of two meetings in December 2021 and March 2022. Regular updates are received at these meetings from the Chief Executive and senior leadership team to keep the Panel informed on TPR's priorities.

As Panel Chair, I also regularly meet TPR's Chair, Chief Executive and senior leadership team including regular meetings with the Director of Enforcement and TPR's General Counsel.

Conclusion

While the volume of casework has been low, the Panel has focused its attention on improvements to the Determinations Panel procedure, panel objectives and training programme. I have also conducted panel member appraisals to ensure skills, experience and knowledge are appropriate for the work required. The Panel continues to offer independent scrutiny of proposals to exercise some of TPR's most important and wide-ranging powers.

Antony Townsend
Chairman, Determinations Panel
April 2022

Statement of Accounting Officer's responsibilities

Under paragraph 27 of Schedule 1 to the Pensions Act 2004, TPR is required to prepare for each financial year a statement of accounts in the form and on the basis determined by the Secretary of State for Work and Pensions, with the approval of HMT. The accounts are prepared on an accruals basis and are required to give a true and fair view of TPR's state of affairs at the period end and of its income, expenditure, Statement of Financial Position and cash flows for the financial period. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, and in particular to:

- observe the accounts direction issued by the Secretary of State for Work and Pensions, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed in accordance with the Government Financial Reporting Manual and disclose and explain any material departures in the financial statements, and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the entity will continue in operation

The Permanent Secretary in their role as Principal Accounting Officer (PAO) of the DWP has appointed the Chief Executive as Accounting Officer of TPR. Their relevant responsibilities as Accounting Officer, including propriety and regularity of the public finances and for the keeping of proper records and for safeguarding TPR's assets, are set out in the Non-Departmental Public Bodies Accounting Officers' Memorandum issued by HMT and published in 'Managing Public Money'.

The Accounting Officer confirms:

- as far as I am aware, there is no relevant audit information of which the auditors are unaware
- I have taken all steps I ought to have taken to make myself aware of any relevant audit information and to establish that TPR's auditors are aware of the information
- that the Annual Report and Accounts as a whole is fair, balanced and understandable
- that I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

Charles Counsell OBE
Chief Executive, The Pensions Regulator
1 July 2022

Governance statement

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal controls that support the achievement of our statutory objectives and functions, and for reviewing its effectiveness. My review is informed by the work of our in-house Internal Audit and Risk, Enterprise Assurance, and Regulatory Assurance teams, other external assurance, and our Corporate Governance team, who together are responsible for monitoring and testing our internal controls using our assurance framework, and feedback from the Audit and Risk Assurance Committee.

I also have visibility of internal reporting on the development and maintenance of assurance maps and the plans that we have in place to address weaknesses in our internal control framework. It is also informed by comments made by the external auditors in their annual audit completion report.

Overview

We are operationally independent of government and overseen by a board of executive and non-executive members. Our plans, finances and key appointments are subject to the approval of the Secretary of State for Work and Pensions.

As Accounting Officer, my responsibilities include ensuring the propriety and regularity of our public finances, keeping proper records, and safeguarding our assets, as set out in 'Managing Public Money'. I am accountable (through the Department of Work and Pensions Principal Accounting Officer) to Parliament.

Having reviewed these assurances and the evidence provided from the risk and assurance teams the assurance framework and from the internal audit opinion, I am satisfied that we maintained a sound system of internal controls during the 2021-2022 financial year, including the period up to the date of approval of this Annual Report and Accounts. Where control issues arose over the year, they have been, or are in the process of being, mitigated.

This year has seen the introduction of functional standards[2] which we are working on complying with in line with our plans and priorities. The use of the standards is being embedded into our business plans for 2022-2023 onwards including addressing any identified gaps.

2 Functional Standards - GOV.UK (www.gov.uk)

Our governance structure

Figure 8: Relationship between TPR's Board, associated committees and Panel

Responsibilities of the Board

The key responsibilities of the Board are set out in the Board's Code of Conduct and Standing Orders which can be viewed at: **https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/board-information**

The Board publishes and regularly reviews these documents, which also cover aspects such as the terms of reference of the Board committees and the management of conflicts of interest. It has an ongoing system for managing any conflicts of interest that may arise, involving a minuted check at the start of each meeting. The Board reviewed its conflicts of interest process in May 2021 and there is now greater transparency of members' declared conflicts of interest in the published register.

As TPR is an arm's length body of the DWP, the Board has taken into account the principles of the government's corporate governance code (April 2017) as part of its own governance framework, and those of 'Managing Public Money'.

1. The Board structure

The Board structure at the end of the reporting period comprised the Chair, four non-executive directors, and four executive directors. Their key responsibilities include:

- setting the strategic direction, priorities, high level objectives and key operational targets of TPR
- monitoring performance against the key operational targets and overseeing management of corporate risk
- ensuring adequate resourcing and effective resource management and that a sound framework is in place to manage the exercise of regulatory functions
- making arrangements via the Chair for approving the appointment of the Chief Executive and executive directors
- ensuring appropriate standards of governance and approving the Corporate Plan and annual reports and accounts

Board members' appointment dates, terms of office, committee membership, attendance records and web links to their biographies are set out on pages 72 to 74 along with details of recent changes to Board membership. The role of the Chair is set out in the joint framework agreement between TPR and the DWP. The joint framework document can be viewed at: **www.tpr.gov.uk/-/media/thepensionsregulator/files/import/pdf/framework-doc-tpr-dwp**

2. Non-executive Committee

Their duties are to review whether our internal financial controls secure the proper conduct of our financial affairs, to determine the remuneration of the Chief Executive and to provide oversight of remuneration policy and practices and people matters generally. As provided for under section 8 of the Pensions Act 2004, this committee has two standing sub-committees: the Remuneration and People Committee and the Audit and Risk Assurance Committee. Terms of reference for each of these sub-committees are set out in the Board's standing orders: **https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/board-information/standing-orders-governing-the-pensions-regulators-board-procedures**

3. Remuneration and People Committee (RaPCo)

Their key duties are to review the pay and performance of the Chief Executive and executive directors, TPR's reward, people, and culture strategies and to update the Board accordingly. See pages 68 to 71 for a full report on the committee.

4. Audit and Risk Assurance Committee (ARAC)

Their activities are designed to give the Board assurance that TPR is operating within the Board's risk appetite and to oversee audit and assurance processes (both internally and externally). See pages 58 to 67 for a full report on the committee.

5. Chief Executive

The Chief Executive's role is set out in the joint framework agreement between TPR and the DWP, which can be viewed at: **www.tpr.gov.uk/-/media/thepensionsregulator/files/import/pdf/framework-doc-tpr-dwp**

The Chief Executive is also the Accounting Officer, who has responsibility for maintaining a sound system of internal controls that support the achievement of our statutory objectives and functions, and for reviewing its effectiveness. The Chief Executive is accountable (through the DWP Principal Accounting Officer) to Parliament and responsibilities include ensuring the propriety and regularity of our public finances, keeping proper records, and safeguarding our assets.

6. Executive Committee (ExCo)

At the end of the year, Executive Committee membership comprised the Chief Executive, the Chair of the committee, the Executive Director of Frontline Regulation, the Executive Director for Finance and Corporate Services, the Executive Director for Regulatory, Policy, Analysis and Advice, the Interim Director of Strategy and Risk, the General Counsel and Director of Legal Services, the Director of Communications, the Director for Automatic Enrolment, and the Director of People and Culture.

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6. Executive Committee (ExCo) continued...

The Executive Committee supports the corporate governance systems of the Board and its committees. It also co-ordinates the operational management and business planning functions to deliver our strategies and objectives as set out in the Corporate Plan. The committee has oversight of corporate performance and governance, manages risk, engages with stakeholders and provides a point of escalation for issues arising from our directorates.

7. Determinations Panel

We are required by Section 9 of the Pensions Act 2004 to establish and maintain the Determinations Panel, whose purpose is to exercise certain regulatory functions on our behalf which are primarily set out in schedule 2 to that Act. See pages 75 to 79 for a full report on the Panel.

Board meetings from 1 April 2021 to 31 March 2022

In the year from 1 April 2021 to 31 March 2022, there were eight Board meetings, six ARAC meetings, four Remuneration and People Committee meetings and two Committee of Non-Executive Members meetings. You can read summaries of the minutes of the Board meetings at: **https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/board-information**

The planned May 2021 strategy 'awayday' meeting did not go ahead due to the constraints of the pandemic. However, the November 2021 strategy 'awayday' discussion meeting did take place at an external venue. At that meeting, Board members reflected on the long-term balance of our activity in relation to the implementation of TPR's new 15-year strategy and provided a steer for the development of a suite of saver outcomes which will underpin our strategic and regulatory decision-making designed to put the saver at the heart of our work.

Throughout the year, our Chief Executive, the Chief Executive of the PPF, or their representatives, continued to attend the meetings of each other's Boards as observers.

Board evaluation

An external review of the Board's effectiveness was undertaken during the second half of the year. The evaluation was informed by interviews with all members of the Board, executives, a representative of the DWP, the PPF, the National Audit Office (NAO), and other TPR staff as well as reviewing board and committee papers and observing meetings. In looking at the effectiveness of TPR's Board a comparison was made with other boards in both public and private sectors, and to relevant aspects of the UK code of corporate governance, as well reviewing progress since the previous external review in 2018.

The report, received by the Board in December 2021, noted the Board's important strengths including:

- Being led by a well-respected and hard-working new Chair who is forming a transparent and constructive relationship with the CEO based on mutual respect.
- That strong relationships established prior to the pandemic have served the Board well in its response to the pandemic crisis and it has adapted well to virtual meetings. Boardroom dynamics are collegial and constructive with a strong sense of common purpose. Board and Committee meetings are well chaired with a range of executives and non-executives contributing to inclusive and wide-ranging debates on major topics.
- The Chair, CEO and other executives are working well with government stakeholders at the DWP, keeping them informed and taking into account their perspectives.
- There is an agreed and clear strategic direction centred around savers' needs and interests with a strategic planning process that is working well. A more robust framework for risk management and assurance is being established.

continued over...

Board evaluation continued...

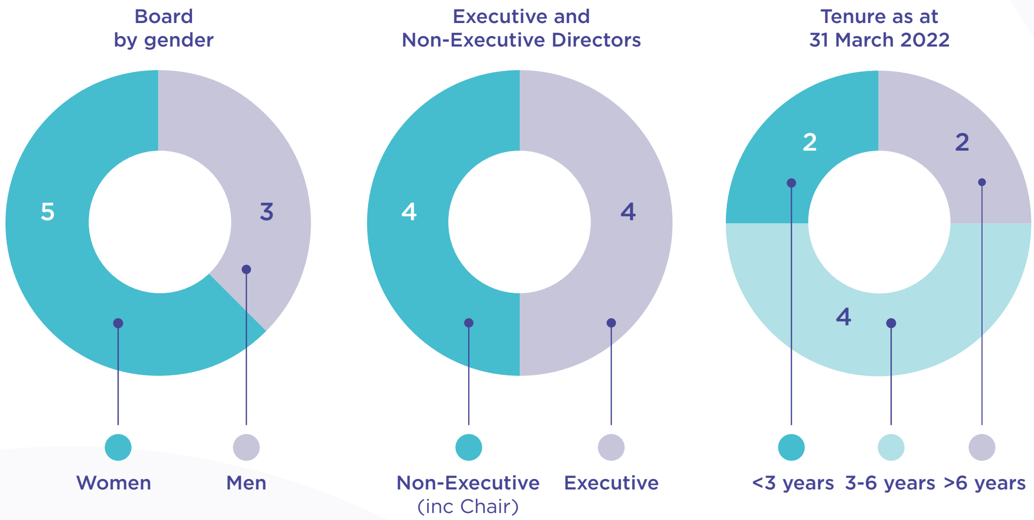
At the March 2022 meeting members considered suggestions made in the report and agreed an action plan. Aspects of this included:

- **Bedding down the new Board**
  Ensure there are sufficient in person meetings, including informal interaction, to allow the group to bond together. Also, to have more structured Board training and integration of new Board members with thorough inductions.
- **Supporting a strong management team**
  Allocating more time to considering executive succession and strength and how the NEDs (Non executive Directors) can continue to challenge constructively to strengthen the Board's decision-making.
- **Operationalising the strategy**
  Focusing resources on achieving the most important outcomes in the agreed long-term strategy and using the framework of KPIs and milestones being developed to monitor progress.
- **Develop further the assurance and risk management approach**
  ARAC and the Board to prioritise pushing forward with the development of a strong 'three lines of defence' model along with the continued progress of a more robust risk and assurance framework and in-house Internal Audit function.
- **Reconnecting with people and culture**
  The Board to evaluate the target culture for TPR and how it will be embedded by the Executive as well as considering a more structured employee engagement plan.

Progress against the action plan will be covered in the 2022-2023 Annual Report.

Our Board diversity
As at 31 March 2022

Figure 9: Breakdown of the diversity of TPR's Board



Responsibility for TPR Board appointments rests with the DWP, which has an objective that by 2022, 50% of all public appointees are female and 14% of all public appointments made are from ethnic minorities (**www.gov.uk/DWP-equality-objectives**).

A recruitment campaign managed by the DWP public appointments team for four Non-executive Directors was held in 2021. TPR provided guidance and advice to the campaign to assist reaching a more diverse candidate pool and to maximise the number and diversity of applicants. This included a webinar for prospective applicants which featured the Chair and members of TPR's diversity networks.

DWP partnership

As Accounting Officer, the Chief Executive's line of accountability to Parliament is through the DWP. The DWP, through the nominated partner, receives reports on performance, finance and risk, has regular accountability review meetings, and attends our ARAC. The partnership arrangement is set out in our published joint framework agreement.

The DWP annual assurance assessment for 2021-2022 has been completed and they have confirmed that our risk rating is medium[3]. Whilst the assessment included a majority of low ratings the overall assessment has increased slightly due to the greater weight carried by three categories and the change from a five-rating system to three (Low/Medium/High).

The categories 'Diversity', 'Organisation Capacity and Capability', and 'Internal Governance' have all moved from low/medium to medium. There are still further improvements to consider regarding the diversity structure of the Board and Senior Management levels within TPR and there are also retention and recruitment concerns. Though now addressed, the other medium rating relates to several historic over/under payments.

3 Medium Assessment: The risk the body poses to the Department is medium. No serious issues with performance and delivery of objectives, or issues are being managed effectively. External changes have minimal impact or are being mitigated effectively. No serious issues identified with the relationship with the DWP.

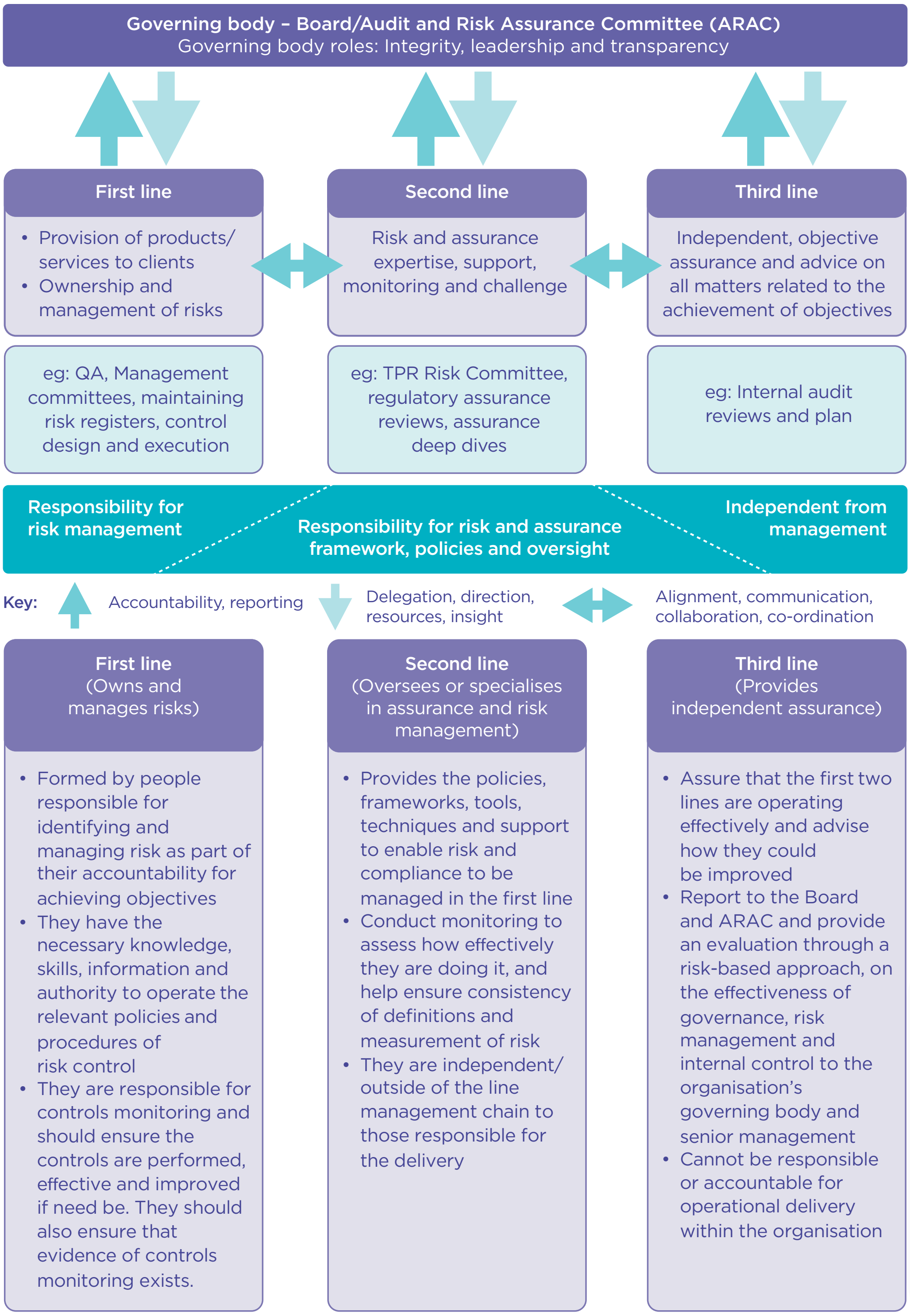
Control and assurance framework

Three lines of defence model

TPR operates a 'three lines of defence' model, supporting clarity of accountability and levels of assurance, allowing those closest to the risks in the business (the 'first line') to articulate, score and remediate them whilst the Risk and Assurance teams (the 'second line') ensure the tools and support is embedded throughout the business to effectively manage its risks.

Since they are not under the same line management chain and have no influence over the risk drivers or controls themselves, the second line is able to provide an objective and independent view of assurance to senior management, ARAC and the Board. Work of the second line is tested by the 'third line', Internal Audit, for robustness and efficacy along with the activities of the first line. TPR's 'three lines of defence' model is based on best practice in the industry and across government.

Figure 10: How we manage risk - our risk and assurance model



Our first line (management controls)

- Determine local processes and controls, including assurance to manage and mitigate risk in line with the organisational risk appetite in their activity.
- Undertake assurance activity in line with the locally designed processes and controls.
- Undertake assurance across the portfolio of change so that each project or programme operates within a governance framework and a suite of controls.
- Manage operational risk reporting when local management believe their controls or assurance are outside overall organisational risk appetite.
- Provide management reporting of wider (non-operational) risk to inform the overall risk picture.

Internal controls

Our system of internal controls was in place throughout the year and up to the date of approval of this Annual Report and Accounts. It accords with HM Treasury (HMT) guidance and supports the achievement of our statutory objectives, while safeguarding public funds and departmental assets. Rather than to eliminate all risk of failure, to achieve policies, aims and objectives it is designed to manage risk to a reasonable level and in line with our risk appetite. It can therefore only provide a reasonable and not absolute assurance of effectiveness.

Our commitment to value for money underpins our planning and control systems. The control system has evolved to ensure that we are compliant with our legal obligations, with the requirements on government spending and to track and monitor service delivery in the most affected areas.

The Executive Committee supports the Chief Executive and the Board in ensuring our functions are exercised efficiently and effectively. Executive Committee members take shared responsibility for executive decision-making and for recommendations made to the Board. This includes assisting the Board, ARAC and the Remuneration and People Committees by ensuring they are only asked to make necessary decisions and that they are provided with appropriate information and support. Each member of the Executive Committee also has internal controls to ensure there is good quality governance and decision-making, at the right levels, across their area of accountability.

continued over...

Internal controls continued...

Any weaknesses identified through internal controls have agreed mitigations that are acted on and monitored through the assurance framework. Over the course of the year, the Board was provided with detailed, high-quality information including executive directors' reports and quarterly corporate performance reports. ARAC also receives a formal assurance report at each meeting which sets out in detail the key assurance activities undertaken. The report covers all types of assurance activities and is not limited to internal and external audit.

Throughout the year work is undertaken to monitor and continuously improve our internal controls, which fall under three main areas – regulatory, operational, and financial.

Regulatory

- Detailed business processes, a consistent standard of documentation and clear lines of accountability and escalation in respect of regulatory decisions and actions.
- Quality assurance reviews.
- Management and responsibility for recommendations and observations from the regulatory assurance function, which provides objective assurance in relation to the quality of regulatory work and decisions, and therefore to the achievement of our statutory objectives.
- A robust programme management approach to developing and implementing the new target operating model defining the people, processes, data and technology required for our internal programmes including our post-Capita AE operating model.

Operational

- Codes of conduct and supporting training materials, where appropriate, for Board members, staff and contractors. These set out expectations of behaviour, and the policy framework for declaring and managing conflicts of interest, ensuring data protection and information security and countering the risk of fraud.
- Standing orders and terms of reference for the Board and its committees and a set of general, financial and regulatory delegations and terms of reference for the Executive Committee.
- Management of, and responsibility for, the programme of internal audits, regulatory assurance and other external assurance activity.
- A formal complaints procedure to deal with complaints made against us about the way in which we have carried out or failed to carry out our role.

We continue to manage our suppliers in line with our governance structure and we are working closely with the DWP and Cabinet Office in the development of our Supplier Relationship Management (SRM) capability and have aligned our framework methodology to industry best practise evidenced against Cabinet Office guidelines. We are currently embedding and enhancing our SRM activities across all tier 1 major contracts. This will include strategic, operational and programme boards, management committees and service delivery teams which are responsible for working with the supplier to ensure they operate in line with the contractual obligations through an operational control framework.

Internal controls continued...

Financial

- A corporate planning and reporting system linking strategic and operational objectives and key outcomes, which is subject to regular review by the Executive Committee, and with quarterly reporting to the Board and the DWP.
- An annual budget agreed by the Board and the DWP, linking into the business planning cycle and risk appetite, supported by monthly reforecasts and quarterly reporting to the Board.
- Monthly management reporting through the Executive Committee on a set of agreed measures and key performance indicators designed to reflect the performance of the organisation.
- A process for managing change and the resources dedicated to change projects.

Our second line (Risk and Assurance)

TPR is evolving, increasingly pursuing a strategy to promote our ambition to be a data-led and digitally-enabled organisation, harnessing technology to optimise our regulatory effectiveness.

We've refreshed our risk management framework to respond to changing risk and operational activity, supporting delivery and decision-making by providing clear and consistent digital risk and assurance tools, clear risk escalation, and appropriate and centralised remediation activity. We've also strengthened our risk and assurance second-line capability and created a dedicated enterprise assurance team to work alongside the risk and regulatory assurance teams, supported by dynamic, real-time assurance tools.

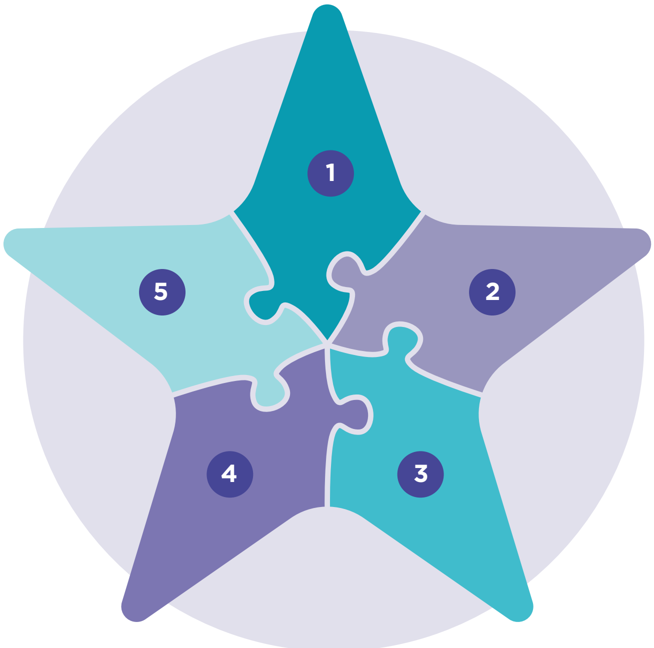
The risk and assurance teams gather various sources of data to support timely and useful management information. Business as usual sources of risk information include:

- directorate risk registers on a monthly basis and committee risk registers on a quarterly/monthly basis depending on frequency
- escalated top risks for consideration for the top register
- identified gaps in control or governance as presented by TPR's Assurance Map
- information on a directorate's management of audit, regulatory and other recommendations and actions, as monitored through TPR's Centralised Actions Tracker (CAT)
- identified emerging risks within Management or Specialist committees or through conversations with external and internal stakeholders

Our second line (Risk and Assurance) continued...

Figure 11 below presents the different assurance tools employed by the Risk and Assurance second line teams. Each tool looks at risk and control gaps under a slightly different lens but all feed in to support an assurance opinion around the overall health of the organisation.

Figure 11: How we manage risk - our risk and assurance model



Risk and Assurance tools

The tools we use form a circle of assurance from different lenses. Together, the outputs from each tool support the 2nd line teams in forming an assurance opinion around each activity area and directorate.

1. **Risk appetite statement**
   Board-approved steer on how to manage types of risk based on resource, strategy and current risk landscape.
2. **Assurance map and maturity matrix**
   1st line identified governance across key activity areas, sampled and tested by the EA team to identify gaps in assurance. The map presents control gaps which may not be recorded in risk registers due to shared ownership of activities, complexity of process or due to optimism, bias or siloed working.
3. **Centralised Action Tracker**
   2nd and 3rd line actions and recommendations to the business to close gaps in assurance, to ensure regulatory and functional standards compliance and to maintain good order and protect TPR.
4. **Local risk leaders**
   1st line risk management, supported directly by the 2nd line Risk team. Ensures consistency, categorisation and scoring and current live registers. Early identification of emerging risks.
5. **Risk registers**
   1st line identified and managed risks to delivery and reputation (inc. those risks with external drivers and those risks which arise as part of doing business, managing the organisation and being a regulator).

Risk and assurance tools

TPR’s Risk and Assurance teams and activities are closely linked, since we only attempt to obtain assurance around those areas of risk which threaten our objectives, delivery and safety. The Risk and Assurance teams form a line of defence against ineffective risk management in TPR, providing the framework and the tools, support and guidance to the business, or ‘first line’ and providing challenge and recommendations through reviews and committee membership.

The Risk team has responsibility for setting the framework of methods and processes to enable TPR to visualise, assess, manage and escalate significant risks to the achievement of the objectives. It supports the organisation in its identification, escalation, and mitigation of both external and internal risks. In support of this, the Risk team works across the organisation to:

- Support the business in the identification and management of TPR’s key risks and provide assurance as to the integrity and appropriateness of the risk profile ratings.
- Provide quarterly risk updates on TPR’s key risks via the risk dashboard, and to conduct risk reviews on applicable emerging /horizon risks; including TPR's top risk dashboard, to facilitate risk discussions at TPR's Risk Committee, ARAC and the Board.
- Document TPR’s annually approved Board Risk Appetite Statement (RAS) and to monitor adherence against the defined tolerances.
- Run TPR's Risk Committee quarterly to assess and track the effectiveness of mitigations and controls in place for TPR’s key risks.
- Meet risk owners regularly to support risk assessments to understand, interrogate and challenge the appropriateness of risk profile ratings.
- Support the first line in attending risk conversations, whether at management or risk committees or other boards, to provide advice and guidance as a ‘critical friend’, supporting risk owners.
- Develop and enhance the content of the suite of risk analysis and where appropriate, aligning risk reporting to support corporate planning and strategic direction.
- Provide appropriate training and instruction to staff, risk owners and the Board.

Our second line (Risk and Assurance) continued...

In the past year we refreshed our top risk management and reporting, resulting in tangible and realistic due dates, complete with mitigating action burndown charts. The new capture and reporting of top risks has driven more granular and robust risk conversations, with dependencies being called out and decisions being made at the correct level.

The risk management framework has been revised to complement our size and objectives in 2022, and introduces a bottom-up and top-down risk identification and escalation process, complete with guidance at every stage. The internal risk management model has been refreshed to move away from business partner service to a more risk-mature system, which puts ownership and accountability with directors and chairs of committees, ensuring transparency and encouraging clarity around the lines of defence.

The top risks were relatively stable throughout the year, with the focus being on risks out of appetite which are regularly reported on at Board level. These included a group of inter-related risks (obsolete systems, unmanaged data and cyber).

TPR's Executive Risk Committee was also challenged by ARAC earlier in the year to consider whether SSRA represented a risk in its own right. The Executive Committee reflected and confirmed that the SSRA Programme was actually a key mitigation of some of the top operational risks (obsolete systems, unmanaged data), addressing as it did certain 'burning platforms' and providing a new document management system and also an enabler to cyber risk reduction with the replacement of the CRM system. However, the committee acknowledged that this focus on urgent remedial action was at the expense of other aspects of the delivery.

The Programme team and executive have since reflected on the SSRA Programme and learned a number of lessons that we've applied to other projects and programmes. There remains risk with our ability to deliver digital changes and remedial actions are in development. Alongside this, the Risk team is continuing to develop its second line critical friend live assurance process, with increased focus on key programmes across TPR and internal audit is engaged to provide assurance.

It was also agreed in the last quarter of the year that we would escalate a new top risk with regard to staffing. This was particularly driven by ongoing challenges in recruitment and retention of staff in our digital, change, data and technology teams. Further to this, a risk has recent been escalated to the committee around our ability to meet our ambitions in the digital space and to meet the requirements of the Government Digital Service (GDS) Standards.

The other risk reported during the year as being out of appetite has been in relation to our regulatory grip. We're still working to better understand and measure the extent to which we've been able to reassert control over our regulated community, particularly where easements were previously applied during the pandemic.

We saw the de-escalation of risks around the stability of the AE function (mitigated by the successful transition of people and services from Capita). We also de-escalated the risk around member decumulation. As our approach to how we identify, manage and report external risks continues to evolve, and to ensure we accurately capture the key risks to TPR, the committee agreed to close this risk and monitor the risks of pension scams and other decumulation products through directorate risk committees.

The Enterprise Assurance team works closely with the Risk team, providing assurance and expertise to TPR by developing and maintaining TPR's assurance map, undertaking practical assurance reviews and testing, supporting the business in closing down any gaps identified. The team manages TPR's risk, assurance and audit actions, enabling central reporting to evidence the health of the organisation and supporting senior management in their objectives to act promptly and appropriately around closing identified gaps in assurance, whether they arose through a corporate or regulatory assurance review, an audit or another source.

Enterprise assurance ensures that internal audit actions are closed by the internal audit team and, separately, evaluates and forms objective opinions on the strength of assurances across TPR using the assurance maturity matrix and framework with reference to the government functional standards as appropriate.

The Enterprise Assurance and Risk teams collaborate to produce the risk and assurance overview report, which is used to inform ExCo, ARAC and the Board of current risks, and which is overlaid with a second line assurance opinion.

Regulatory assurance

Regulatory assurance (RA) provides second line, objective assurance in relation to the quality of regulatory work and decisions, and therefore to the achievement of TPR's statutory objectives and strategic priorities. At its core, RA assures the organisation that it is making sound regulatory decisions and fulfilling its duties as a regulator.

The RA team considers the quality, consistency and effectiveness of approaches across the full regulatory grip of TPR. This includes all matters that relate, facilitate, or are incidental to, the exercise of the regulator's functions, including policies and procedures that support regulatory decision-making.

During 2021-2022, RA focused on developing and embedding ways of working alongside the Risk team and new enterprise assurance team. Actions resulting from RA reviews are now fed into the centralised actions tracker for tracking and monitoring.

The levels of assurance determined by RA reviews are reported into TPR's assurance map to support ongoing monitoring and evaluation of governance, assurance and risks. The conclusions of RA reviews and second line assurance commentary is captured within the quarterly risk and assurance overview report which is used to support good governance and decision-making.

With the support of ExCo and ARAC, RA is extending its assurance model to move towards a blend of the existing risk-based and commissioned reviews (or deep dives) with a more flexible, dynamic and "live" assurance offering. This form of assurance centres around key regulatory decision-making forums and means visible assurance in real time, focused on any rapidly emerging risks and issues.

During the year, regulatory assurance has carried out a programme of reviews focusing on a number of regulatory themes. Recommendations and observations have been fed back to the relevant business areas which have also informed our risk assessments.

Model risk

We use models to enhance the effectiveness and efficiency of our regulatory activities and internal operations – for example, our AE volumetric model is designed to provide assumptions on caseloads and the resources required to meet that work. In doing so, we acknowledge the risks that come with their use, and the need to identify and manage them in a way that is proportionate to the model's complexity and intended use.

Our business-critical modelling activities are governed through our internal model risk framework. We have reviewed and updated it to ensure our models are subject to robust levels of governance and quality assurance, through our implementation of the recommendations of the Macpherson Review and 'Managing Public Money'.

Information security, compliance and resilience

In April 2021 a new function was set up within the corporate services directorate to pull together the existing information security and compliance, IT security and business continuity teams and put in place a dedicated function with responsibility for overseeing TPR's information system management system under ISO (International Standards Organisation) 27001:2013 but also to manage cyber security risk at the regulator as a second line function.

This was in recognition of the ever-evolving cyber threat environment but also to reflect the importance of having effective information security governance in place to enable the regulator to work securely ensuring the effective identification, assessment and management of cyber security risks.

In line with the Government Functional Standard for Security (007), which has replaced the Government Security Policy Framework we have an appointed Board Member with specific responsibility for Security and our Senior Information Risk Owner heads up the new function and reports directly to the Accounting Officer in respect of these specific matters.

The Senior Information Risk Owner provides regular assurance updates to ARAC, which includes the status of the regulator's security posture and identifies any actions required to mitigate any risks which may be outside of our stated risk appetite. We have a minimal appetite to cyber risk.

In accordance with our responsibilities under the Data Protection Act 2018 and GDPR (General Data Protection Regulation), we have arrangements in place to provide for information security and we continue to hold ISO 27001:2013 certification over our information and data.

TPR self-reported to the ICO in relation to two personal data related incidents. Both were self-contained and did not result in the ICO taking any further action.

Complaints to the Parliamentary Ombudsman

No complaints regarding TPR were made to the Parliamentary Ombudsman during the period.

Whistleblowing

There is a policy for staff whistleblowing that applies to all employees and sets out how any concerns about wrongdoing or malpractice in TPR can be raised by our staff. Where employees feel unable to report such concerns internally, they can contact the Chair of ARAC, or the DWP partnership division directly.

We are committed to ensuring that every employee is aware of our policy and how to raise concerns. Our staff whistleblowing policy is published and accessible to all staff on our intranet.

During the reporting period no staff whistleblowing reports were made.

I am satisfied that there is an effective framework in place to handle cases arising from staff whistleblowing.

Health and safety

We are committed to ensuring high standards of health and safety. It is therefore our policy to make continual improvements to minimise the risk of accidents and reduce the risk of personal injury and damage to property and the environment. In particular, we:

- provide and maintain safe and healthy working conditions, taking account of statutory requirements
- provide information, instruction, training and supervision to enable employees to perform their work safely
- make available all necessary safety devices and protective equipment and supervise their use, and
- promote a positive health and safety culture in the organisation by consulting and involving employees and their representatives

The Health and Safety Policy and associated documents are published on our staff intranet. We recognise the commitment required by our people to ensure that the Health and Safety Policy is effective, and we expect them to take reasonable care of themselves, and others, and to co-operate in the implementation of this policy, which is reviewed on an ongoing basis and updated as necessary.

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Health and safety continued...

Health and safety of our staff played a key part of our ongoing response to the pandemic. The priority was to ensure that all staff were safe, and to do this we exercised our business continuity plans following the government's guidance to stay at home.

A specific COVID-19 hub was set up on the intranet to ensure that all communication and information relating to the pandemic was captured in one place that staff could access remotely. This included new HR policies, support and guidance to reflect the changing circumstances and take into account remote ways of working.

A team was also set up to ensure that, when it was possible to return to the office, we could meet our health and safety requirements and provide a COVID-19 secure building. As part of this work we developed a COVID-19 response protocol and undertook a formal risk assessment which was available to all staff and implemented changes to the physical building and how it is used. This risk assessment has been reviewed regularly and we have been responsive in adapting our controls as government guidance has changed.

Our third line

- Provides assurance that the first and second lines of defence are operating as reported.
- Provides specialist assurance resource for activities where general assurance resource could not provide a sound enough view – and/or where the volume of assurance work needed to manage the risk doesn't justify permanent resource in the second line.
- Can be deployed to more sensitive and reactive issues where ARAC or Board requires greater independence.

The Head of Internal Audit's annual opinion

The International Professional Practices Framework (IPPF) and the associated International Standards for the Professional Practice provide the basis of internal auditing standards in the UK. They state that the Head of Internal Audit (HIA) is required to produce an annual report on the risk management, governance and control framework on the organisation subject to internal audit (IA). The UK Public Sector Internal Audit Standards (PSIAS) also require the HIA to give a formal annual opinion to the Accounting Officer, providing assurance on the effectiveness of the organisation's risk management, control and governance processes.

As HIA for TPR, I have built an annual IA and assurance cycle with a risk-based plan of work, agreed with management and approved by the Audit and Risk Assurance Committee, which ends with provision of an End of Year HIA opinion. This has to remain 'live' until the accounts are laid before Parliament and is usually presented as final at the June ARAC after all reports for the previous financial year have been finalised. The opinion is provided with a summary of:

- all completed IA work during the annual cycle
- progress on agreed management actions from previous periods and during the period, summarised in the 'management actions' section of the report
- changes to the organisation's strategy, objectives, processes or infrastructure within the period, summarised in the 'themes' section of the report
- details any resourcing or other issues that are considered to have affected IA activity
- other assurance sources that have been taken into account, and
- any significant control failings or on-going concern

I can confirm that in completing the delivery of my audit plan, there were no restrictions placed on the scope of my work.

My annual opinion is drawn mainly from the assurance ratings stated in individual audit reports. Opinions for each assignment are based on my assessment of whether the controls in place support the achievement of management's objectives as set out in our individual assignment terms of reference. Overall, there were 11 assurance assignments conducted during the year plus one advisory review and 'follow up' activity on outstanding actions.

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The Head of Internal Audit's annual opinion continued...

The assurance opinions provided in the audits undertaken were:

- four received green-amber (generally a good control framework is in place. However, some minor weaknesses have been identified in the control framework or areas of non-compliance which may put achievement of system or business objectives at risk)
- three were amber (weaknesses have been identified in the control framework or non-compliance which put achievement of system objectives at risk. Some remedial action will be required), and
- four were amber/red (significant weaknesses have been identified in the control framework or non-compliance with controls which put achievement of system objectives at risk. Remedial action should be taken promptly)

Themes drawn together from our work over the year included:

Key controls

There were examples where policies did not exist or were not up-to-date (some significantly so) and processes had not been sufficiently mapped and documented. Where processes did exist, there was evidence some were not followed. Risks posed by the lack of suitable underpinning enabling systems are evident. Allied to this are the associated risks faced where some of the systems are no longer supported, or the expertise to reconfigure no longer exists. Amidst this, there are good examples of strong strategy and compliance in cyber security.

Governance and change (project and programme management)

Our reviews confirmed the need to clarify and strengthen decision making routes in TPR. A new Head of Corporate Governance is taking forward a governance review and we're continuing to work with them to ensure actions from this review are implemented.

We also noted marked improvements being developed and rolled out throughout the year through the Programme Management Office function (portfolio and programme levels) with a recognition of controls derived from functional standards and Green Book methodologies. However, we will continue to work with the Change team on case preparation and submission and benefits.

Assurance

There is a reasonably strong suite of first line assurances to inform management. However, there is more to do to develop sufficient second line assurances, and a need to strengthen awareness of the three lines model within TPR where there continues to be some misunderstandings of assurance.

My opinion is that there is considerable risk that the system of internal control, governance and risk management will fail to meet management's objectives. Significant improvements are required to improve the adequacy and/or effectiveness of governance, risk management and internal control.

This is a 'level 3' rating, against four possible rating levels. My opinion for 2021-2022 remains the same as that provided by our outsourced provider, BDO, in the 2020-2021 financial year.

Conclusion

Having reviewed the evidence and internal audit opinion I recognise the importance of continuing to improve our processes and managing risk.

I am satisfied that we maintained a sound system of internal controls during the 2021-2022 financial year. Control issues that arose over the year have been, or are in the process of being addressed. We have discussed all amber-red reports in detail at ExCo and ARAC, all actions have been accepted and are being acted on, and there were no significant control failures or significant data losses.

Our investment in an in-house internal audit function is building and developing well. Alongside our strengthening second line assurance function our corporate governance and processes are becoming more robust and as a result, reducing our level of organisational risk.

I can confirm that we received no ministerial direction under the Ministerial Code 2019 during the financial year 2021-2022.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
1 July 2022

Remuneration and staff report – remuneration report

The Remuneration Committee

Details of the activities of the Remuneration Committee during the period ended 31 March 2022 are set out on page 68.

Service contracts

The length of service contracts is determined by the Secretary of State for Work and Pensions for non-executive members of the Board (including the Chair) and the Chief Executive. The length of service contracts for other executive members of the Board and for members of the Determinations Panel is determined by TPR and approved by the Secretary of State for Work and Pensions.

The notice periods of the Board members' contracts and the amounts payable for early termination of Board members' contracts are set out in Table 5 on page 111.

Table 5: Length of service contracts for Board members

Board member	Notice period	Early termination payable to employee (Net pay plus accrued bonus if applicable)
Sarah Smart (Chair)*	3 months	3 months
Non-executive members		
David Martin*	3 months	3 months
Robert Herga	3 months	3 months
Kirstin Baker CBE	3 months	3 months
Katie Kapernaros	3 months	3 months
Chris Morson	3 months	3 months
Executive members		
Charles Counsell OBE (CEO)	6 months	6 months
Helen Aston	3 months	3 months
Nicola Parish	3 months	3 months
David Fairs	3 months	3 months
Jo Hill**	3 months	3 months

Other than as shown above, TPR would have no other contractual liability on termination of a Board member's appointment.

* David Martin's contract ended 31 January 2022.
** Jo Hill left TPR on 9 April 2021.

Remuneration policy

In accordance with Part 1 of Schedule 1 to the 2004 Pensions Act, the current and future remuneration of all non-executive members of the Board of TPR (including the Chair) is determined by the Secretary of State for Work and Pensions.

In accordance with Part 2 of Schedule 1 to the 2004 Pensions Act, remuneration of the Chief Executive is based on recommendations from the Remuneration Committee and approved by the Secretary of State for Work and Pensions.

The current and future remuneration of the other executive members of TPR's Board is determined by TPR and approved by the Secretary of State for Work and Pensions.

Additionally, the Secretary of State for Work and Pensions determines the fees of the Determinations Panel for current and future periods.

The Chief Executive is eligible for a bonus capped at £17,500. All other executive members of the Board are eligible for an annual bonus capped at the lower of 10% of salary or £12,500. Non-executive members of the Board, the Chair and the Determinations Panel are not entitled to receive a bonus.

The Chair is responsible for reviewing annually the performance of the Chief Executive and reporting the results of this review to TPR's Remuneration Committee. The Remuneration Committee will decide the amount of any performance-related bonus payments due under the terms of the Chief Executive's contract.

Remuneration (including salary) and pension entitlements
(subject to audit)

The following sections provide details of the remuneration of senior management.

Table 6: Remuneration of Senior management

Executive members									
Salary (£'000)		Bonus payments (£'000)*		Benefits-in-kind (to nearest £100)		Pension benefits (to nearest £1,000)[4]		Total (£'000)	
2021 -2022	2020 -2021	**2021 -2022**	2020 -2021	**2021 -2022**	2020 -2021	**2021 -2022**	2020 -2021	**2021 -2022**	2020 -2021
Official: C Counsell OBE (Chief Executive)									
205-210	205-210	15-20	10-15	–	–	–	–	225-230	220-225
Official: H Aston (Executive Director, Finance and Corporate Services)									
140-145	140-145	5-10	–	–	–	55,000	55,000	200-205	195-200
Official: N Parish (Executive Director, Frontline Regulation)									
145-150	150-155	10-15	10-15	–	–	58,000	58,000	215-220	220-225
Official: D Fairs (Executive Director, Regulatory Policy, Analysis and Advice)									
145-150	145-150	10-15	10-15	–	–	–	–	155-160	155-160
Official: J Hill** (Executive Director, Strategy and Risk)									
40-45	145-150	5-10	0-5	–	–	–	48,000	50-55	195-200

* Bonuses relating to 2020-2021 performance but paid in 2021-2022.

** J Hill chose to opt out of the pension scheme on 31 January 2021 and left TPR on 9 April 2021. On a full year basis Jo Hill's remuneration would have been £155k-£160k. The above remuneration reflects payment of notice period as set out in Table 5 on page 111.

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

Salary

Salary includes gross salary, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits-in-kind

The monetary value of benefits-in-kind covers any benefits provided and treated by HM Revenue & Customs as a taxable emolument.

Bonuses

Bonuses are based on performance levels and are made as part of the appraisal process. Bonuses relate to the previous year to that in which they were paid.

Pay multiples (subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the organisation in the financial year 2021-2022 was £225-230k (2020-2021: £220-225k). Table 7 on page 115 outlines the 25th, 50th and 75th percentile pay ratios comparing all staff to the midpoint of the banded remuneration of the highest paid director.

Table 7: 25th, 50th and 75th percentile pay ratios comparing all staff to the midpoint of the banded remuneration of the highest paid director.

	2021-2022			2020-2021		
Percentile	**Ratio**	**Salary £'000**	Total Remuneration £'000	**Ratio**	Salary £'000	**Total Remuneration £'000**
25th percentile pay ratio	7.2:1	32	32	6.7:1	32	33
Median pay ratio	5.0:1	44	46	4.8:1	47	47
75th percentile pay ratio	3.6:1	64	64	3.5:1	64	64

The increase in all ratios is due mainly to an increase in the bonus received by the highest-paid director.

Our annual pay review is governed by the Civil Service pay remit guidance. Although we are not civil servants, as an ALB we operate under the same remit. We use the pay remit increase each year to reward performance related pay to our staff. This pay is moderated each year, based on the distribution of staff throughout our pay bands and the performance ratings they receive, this ensures that the pay remit award is consistently and fairly applied.

The pay is staggered to allow higher payments to staff at the bottom of the pay bands and top performers, which ensures over time staff are evenly distributed throughout the bands based on their skills, experience and performance.

The percentage change from the previous financial year in respect of the highest paid director is an increase of 2.2%. The average percentage change from the previous financial year in respect of all employees is an increase of 2.8%.

Pay multiples (subject to audit) continued...
In 2021-2022, two (2020-2021: two) agency contractors received remuneration more than the highest-paid director on a full year equivalent basis. No payroll employees received more than the highest-paid director in the current or previous financial year. Remuneration ranged from £15,274 to £325-330k full year equivalent (2020-2021: £15,000 to £285-290k).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Remuneration for Board members (subject to audit)

Non-executive members

The following sections provides details of the remuneration and pension interests of TPR's Board and the members of the Determinations Panel. Non-executive part-time members of the Board receive non-pensionable remuneration as set out in Table 8 on page 117.

Table 8: Remuneration of TPR's Board and Determination Panel members

	2021-2022			**2020-2021**		
	Salary (£'000)	**Total benefits-in-kind** (to nearest £100)	**Total** (£'000)	**Salary** (£'000)	**Total benefits-in-kind** (to nearest £100)*	**Total** (£'000)
S Smart (Chair)	70-75	£200	70-75	20-25	£200	20-25
K Baker CBE	15-20	–	15-20	15-20	–	15-20
R Herga	15-20	–	15-20	15-20	–	15-20
K Kapernaros	15-20	–	15-20	15-20	–	15-20
D Martin*	10-15	–	10-15	15-20	£200	15-20
C Morson	20-25	–	20-25	15-20	–	15-20
M Boyle** CBE	–	–	–	70-75	£100	70-75
T Ross***	–	–	–	0-5	–	0-5
M Snowdon**** OBE	–	–	–	0-5	–	0-5

* D Martin's contract ended 31 January 2022. On a full year basis, D Martin's total salary would have been £15k-£20k.

** M Boyle's contract ended 31 March 2021.

*** T Ross' contract ended 30 April 2020. On a full year basis, T Ross' total salary would have been £15k-£20k.

**** M Snowdon's contract ended 8 May 2020. On a full year basis, M Snowdon's total salary would have been £15k-£20k.

The total amount paid to non-executive directors (including the Chair) during the 2021-2022 period was £160-165k (2020-2021: £185-190k). The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits shown above represent the payment of expenses for travel and subsistence. None of the non-executive members received pensions benefits in the current or previous year.

Executive members' pension benefits (subject to audit)

Table 9: Executive members' pension benefits as at 31 March 2022

Executive members	Accrued pension at pension age as at 31/3/2022 and related lump sum (£'000)	Real increase in pension and related lump sum at pension age (£'000)	CETV at 31/3/2022 (£'000)*	CETV at 31/3/2021 (£'000)	Real increase in CETV (£'000)
H Aston (Executive Director, Finance and Corporate Services)	35-40	2.5-5	418	375	22
N Parish (Executive Director, Frontline Regulation)	35-40	2.5-5	533	476	33
J Hill** (Executive Director, Strategy and Risk)	5-10	–	70	71	–

None of the executive members received employer contributions to a partnership scheme in the current or prior year.

*C Counsell and D Fairs chose not to be covered by the Civil Service pension arrangement during the year.
**J Hill chose not to be covered by the Civil Service pension arrangement during the year and left TPR on 9 April 2021.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or 'alpha', which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher).

From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that data, civil servants were members of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60, and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 switch into alpha sometime between 1 June 2015 and 1 February 2022.

Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the cash equivalent transfer values shown in this report – see page 121). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha as appropriate.

Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate DB arrangement or a DC (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum.

Classic plus is essentially a hybrid with benefits for service before 1 October 2002, calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational DC pension arrangement which is part of the Legal & General Master trust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at: **www.civilservicepensionscheme.org.uk**

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Determinations Panel (subject to audit)

Members of the Determinations Panel receive a daily allowance for the time they devote to the work of the panel. The rate for the Chair is £900 per day and for the other members is £692 per day.

Table 10: Allowance rates for members of the Determinations Panel

Salary (2021-2022)	**Panel members in band**
£25k-£30k	A Townsend (Chair)
£5k-£10k	M Forbes, A Foster, D Latham, S Mount, P Wallace
£0k-£5k	S Chambers, A Fletcher, S Honap, A Long, M Urmston

Members of the Determination Panel may be removed from office at any time by the Chair of the Panel with the approval of TPR, and the Chair can be removed from office at any time by TPR. Members who wish to leave the Panel are required to give the Chair two months' notice and the Chair is required to give TPR three months' notice.

Staff report

Staff numbers and related costs (subject to audit)

2021-2022	AE £'000	Levy £'000	Total TPR £'000
Permanent employed staff			
Salaries and wages*	11,335	27,240	38,575
Social security costs	1,377	3,270	4,647
Other pension costs	3,166	7,517	10,683
	15,878	**38,027**	**53,905**
Other			
Salaries and wages*	2,817	5,741	8,558
Social security costs	132	313	445
Other pension costs	303	719	1,022
	3,252	**6,773**	**10,025**
Less recoveries in respect of outward secondments	(62)	(480)	(542)
Total costs	**19,068**	**44,320**	**63,388**

2020-2021	AE £'000	Levy £'000	Total TPR £'000
Permanent employed staff			
Salaries and wages*	9,324	26,028	35,352
Social security costs	1,131	3,138	4,269
Other pension costs	2,538	7,035	9,573
	12,993	**36,201**	**49,194**
Other			
Salaries and wages*	3,149	8,047	11,196
Social security costs	119	328	447
Other pension costs	265	736	1,001
	3,533	**9,111**	**12,644**
Less recoveries in respect of outward secondments	(56)	(337)	(393)
Total costs	**16,470**	**44,975**	**61,445**

Staff report continued...

A summary of the staff numbers and related costs shown on page 123 is included in Note 3 to the accounts set out on page 169.

*Salaries and wages for 2021-2022 includes staff holiday accrual £902k (2020-2021: £1,012k) for levy and £344k for AE (2020-2021: £360k).

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as alpha are unfunded multi-employer DB schemes. However, it is not possible to identify our share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: **www.civilservicepensionscheme.org.uk**

For 2021-2022, employers' contributions of £11,595k were payable to the PCSPS (2020-2021: £10,470k) at one of four rates in the range 26.6% to 30.3% (2020-2021: 26.6% to 30.3%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2019-2020 and will remain unchanged until 2023-2024. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, an occupational DC pension arrangement which is part of the Legal & General Master trust, with an employer contribution. Employers' contributions of £114k (2020-2021: £103k) were paid to the Civil Service Partnership scheme. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay from 1 October 2015.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £4k, 0.5% (2020-2021: £4k, 0.5%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

No individual retired early on ill-health grounds during 2021-2022 (2020-2021: one); the outstanding pensions contributions as at 31 March 2022 equates to £1,203k (31 March 2021: £1,144k) are included in current liabilities in Note 10 on page 179.

Average number of persons employed (subject to audit)

The average number of whole-time equivalent persons employed during the year was as follows:

2021-2022	AE	Levy	Total TPR
Permanently employed staff	241	470	711
Other	42	86	128
Staff engaged on capital projects	2	21	23
Total	**285**	**577**	**862**

2020-2021	AE	Levy	Total TPR
Permanently employed staff	189	440	629
Other	47	92	139
Staff engaged on capital projects	2	20	22
Total	**238**	**552**	**791**

The average turnover of all payrolled staff for 2021-2022 was 16.9% (2020-2021: 8.8%).

Consultancy and temporary staff (subject to audit)

We occasionally use professional service providers to help with specialist work, including consultancy and contingent labour where it is necessary and prudent to do so. 2021-2022 has seen a reduction in the amount of consultancy and contingent labour expenditure, mainly due to the completion of previous large-scale projects that required additional support.

2021-2022	AE	Levy	Total TPR
Consultancy	73	778	851
Temporary (off-payroll staff)	1,739	3,181	4,920

2020-2021	AE	Levy	Total TPR
Consultancy	102	1,403	1,505
Temporary (off-payroll staff)	2,180	5,359	7,539

Full time equivalent off-payroll staff*	AE	Levy	Total TPR
31 March 2022	19	41	60
31 March 2021	10	14	24

*The full time equivalent off-payroll staff numbers relate to the position at the end of the year.

Reporting of Civil Service and other compensation schemes – exit packages (subject to audit) Comparative data for previous year in brackets

Table 11: Exit packages (subject to audit)

Exit package cost band	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	5 (1)	5 (1)
£10,000-£25,000	– (–)	– (–)
£25,000-£50,000	– (–)	– (–)
£50,000-£100,000	– (–)	– (–)
£100,000-£150,000	– (–)	– (–)
£150,000-£200,000	– (–)	– (–)
Total number of exit packages by type	**5 (1)**	**5 (1)**
Total resource cost/£'000	28 (10)	28 (10)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where TPR has agreed early retirements, the additional costs are met by TPR and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Off-payroll engagements

Highly paid off-payroll worker engagements as at 31 March 2022, earning £245 per day or greater.

Number of existing engagements as at 31 March 2022	42
of which, the number that have existed for:	
less than one year at time of reporting	38
between one and two years at time of reporting	3
between two and three years at time of reporting	1
between three and four years at time of reporting	0
four or more years at time of reporting	0

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2022, earning £245 per day or greater.

Number of temporary off-payroll workers engaged during the year ended 31 March 2022	73
of which were not subject to off-payroll legislation	73
of which were subject to off-payroll legislation and determined as in-scope of IR35	0
of which were subject to off-payroll legislation and determined as out-of-scope of IR35	0
Number of engagements reassessed for compliance or assurance purposes during the year	**0**
Of which number of engagements that saw a change to IR35 status following review	0

For any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022.

Number of off-payroll engagements during the financial year	0
Total number of individuals on-payroll and off-payroll that have been deemed 'Board members, and/or, senior officials with significant financial responsibility', during the financial year. This figure includes both on payroll and off-payroll engagements.	5*

*All Board members with significant responsibility are on payroll.

Report of progress against TPR's Equality, Diversity and Inclusion Strategy 2021-2025

In June 2021 we published our first Equality, Diversity and Inclusion (ED&I) Strategy 2021-2025, which outlined our plans to embed ED&I across our organisation and support our regulated community to do the same.

Internally, the strategy sets out our ambitions to diversify our TPR community and create the right environment for our people to thrive and be their best selves.

Externally, it outlines how we plan to create a fairer and more inclusive culture across the pensions industry, and how we will work with others to address inequality among savers.

To promote the launch of our strategy, we carried out internal launch activities and hosted an external webinar. You can read more about it and view our external launch webinar on our website: **https://equalitydiversityandinclusion-webinar-july-2021.tprevents.org.uk/home**

The strategy sets out a number of ambitious strategic aims, objectives and success measures. We have made some progress over the past nine months against our aims and objectives and the majority of these are in progress. While this has meant we did not achieve all of the success measures that we committed to deliver in 2021-2022, we built good foundations to achieve our ambitions going forward.

Over the past nine months, we have made the following progress.

1 Strategic objective 1: To be a fair, diverse and inclusive employer

- Incorporated additional questions on ED&I in our MyTPR staff engagement survey and carried out regular wellbeing pulse surveys through the pandemic to help us understand the impact on our staff, their work and their wellbeing.

  The feedback from these surveys helped us to set benchmarks and measure levels of inclusion within TPR, with the commitment to take action to ensure marked improvement by 2025 and address the issues and provide ongoing support.

- Updated our anti-bullying and harassment and equal opportunities policies in response to feedback received in the staff engagement survey, which showed that some people were not sure how to report bullying, harassment and discrimination. The revised policy provides clarity and gives people the confidence to raise and report an issue of harassment, bullying or discrimination.

  Alongside this, we established an anti-bullying and harassment group, which carried out a review of discriminatory behaviours and identified three key actions to take forward, including the creation of fair treatment ambassadors, signposting on the intranet and training for managers.

- Embedded work to revise our values and behaviours framework within our new People and Culture (P&C) Strategy to provide a foundation for transforming our culture.

  The P&C and ED&I strategies complement one another and have shared objectives to make sure our people feel safe, supported and celebrated throughout their career at TPR, particularly in terms of building a more inclusive and supportive culture. The P&C Strategy has three areas of focus, all of which will have a strong ED&I element: culture, leadership and organisation and people.

continued over...

Strategic objective 1: To be a fair, diverse and inclusive employer continued...

- Carried out an external review of recruitment processes, working with external ED&I experts to enable us to reflect best practice and attract talented people from diverse backgrounds. An action plan has been developed to address the issues identified within the review findings. The action plan aims to ensure we have a consistent, fair and inclusive approach to recruitment across the organisation though updated recruitment policy, guidance, tools and management training.
- Partnered with external reward specialists to support us identify the issues and interventions required to develop long-term diversity pay gap action plans for gender, disability, ethnicity and sexual orientation and reduce the pay gaps for under-represented groups.

2 Strategic objective 2: To build a collective understanding of why pensions inequalities occur and work in partnership with others seeking to reduce them

- We launched a call for input on the pensions consumer journey jointly with the FCA in May 2021. This outlined the structural issues within society that can have an impact on good pensions outcomes and asked how the journey be improved to help seeking to provide an evidence base for future regulatory reform
- Respondents offered pension-specific solutions to help inform our work, particularly around gender and religion. As a result, we invited the Islamic Finance Guru in to provide a policy workshop which highlighted a potential equality duty issue around the lack of sharia-compliant pensions being offered to muslims under automatic enrolment, which we are currently exploring further.
- We are also working with colleagues at the DWP to help develop our collective evidence base in this area.
- Developed and launched a tailored Inclusive Leadership Development Programme to equip our leaders with the confidence to talk about inclusion and enable inclusion to play an everyday part of life at TPR.

3 Strategic objective 3: To promote high standards of equality, diversity and inclusion among our regulated community

- Worked closely with representatives from the pensions industry on equality, diversity and inclusion issues via our D&I industry working group to use our influence to increase diversity and inclusion in the governing bodies of schemes within our regulated community. We set up four D&I sub-groups to lead the development of materials and insights that we hope will help trustee boards to become more diverse and inclusive.

  The sub-groups are focused on the role data can play in bringing diversity and inclusion to governing bodies – developing best practice in the composition of boards, developing practical tools to share best practice on recruiting trustees, and delivering engagement with employers to help broaden the appeal of trusteeship. The output from those workstreams will be turned into an action plan in 2022-2023.

We know we have more work to do. The activities we have progressed demonstrate our continued commitment to ED&I and have been significant in enabling us to continue to work towards achieving our objectives in 2022-2023.

Diversity pay gap data

We published details of our gender, disability, ethnicity and sexual orientation pay gap data in our Diversity pay gap report 2021 on our website. While it is only mandatory to report on gender, the report voluntarily includes our diversity pay gap data for disability, ethnicity, and sexual orientation for the second time as part of our commitment to go beyond legal compliance to drive meaningful change and provide continuity and transparency in our data.

- **Gender pay gap**
  The mean gender pay gap is 9.1%, an increase of 2.7 percentage points compared to 6.4% in 2020, and the median pay gap is 11.1%, an increase of 4.8 percentage points compared to 6.3% last year. The mean bonus gap is 10.2%, an increase of 5.2 percentage points compared 5.0% last year, while the median bonus gap is 6.8%, an increase of 6.9 percentage points compared to -0.1% last year.
- **Disability pay gap**
  The overall disability pay and bonus gap is more favourable for those declaring a disability compared to colleagues who didn't declare a disability. The mean disability pay gap is -12.7% an increase of 8.2 percentage points compared to -20.9% in 2020, and the median disability pay gap is -17.6%, a increase of 7.2 percentage points compared to -24.8% the previous year. The mean disability bonus gap is -56.0%, a decrease of 55.4 percentage points compared to -0.6% in 2020, while the median disability bonus gap is -69.3%, a decrease of 56.6 percentage points compared to -12.7% in 2020.
- **Ethnicity pay gap**
  The overall, the ethnicity pay and bonus gaps are less favourable to colleagues from a minority ethnic background than to white colleagues. The mean ethnicity pay gap is 16.7%, an increase of 5.3 percentage points from 11.4% in 2020, and the median ethnicity pay gap is 13.4%, an increase of 1.7 percentage points compared to 11.7% the previous year. The mean ethnicity bonus gap is 17.3%, an increase of 16.5 percentage points compared to 0.8% in 2020, while the median ethnicity bonus gap is 33.0%, an increase of 9.3 percentage points compared to 23.7% in 2020.

- **Sexual orientation pay gap**
  Overall, the sexual orientation pay and bonus gaps for the period are less favourable for LGBT+ colleagues than they are for heterosexual colleagues. The mean sexual orientation pay gap is 10.4%, a decrease of 1.8 percentage points from 12.2% in 2020, and the median sexual orientation pay gap is 10.1%, a decrease of 5.0 percentage points compared to 15.1% in the previous year. The mean sexual orientation bonus gap is 3.3%, a decrease of 3.0 percentage points compared to 6.3% in 2020, while the median sexual orientation bonus gap is 33.6%, an increase of 15.1 percentage points compared to 18.5% in 2020.

Our ED&I Strategy 2021-2025 sets out an objective to reduce the gender, ethnicity, LGBT+ and disability pay gaps. We also set ourselves a target to reduce our gender pay gap to 2% by 2024 and publish an action plan by 2022 setting how we will reduce the pay gaps for under-represented groups.

We know we have a lot of work to do to achieve our ambitions, but we're committed to take the necessary long-term action to reduce them. We are partnering with external reward specialists to help us identify the issues and interventions required to address the issues and bringing on board the resource we need to see these plans through. We will link these findings into our ED&I and wider People and Culture Strategies and share our plans for action later in 2022.

You can find more details in our Diversity pay gaps report 2021: **https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/gender-pay-gap#fae20d23c53043cd938677b7ae7925c1**

Disability, health and mental wellbeing

We are a Disability Confident Employer committed to recruiting, retaining and developing disabled people. Through our recruitment process we aim to offer an interview to and make reasonable adjustments for candidates who declare that they have a disability and meet the essential criteria for the job.

We enable people with disabilities and long-term health, including mental health conditions to remain in employment by ensuring that our policies are fully inclusive and take account of reasonable adjustments.

We provide training and support to line managers and take advice from our occupational health advisers to ensure that people have the support they need. In addition, we provide staff with access to a confidential care Employee Assistance Programme. We support and champion internal activities and events focused on disability, positive mental health and wellbeing.

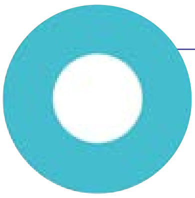
Our annual staff engagement survey reflects this commitment, with 90% of staff believing that their line manager cares about their wellbeing, which is 15 percentage points higher than the public sector benchmark. In 2022, 84% of staff said that their wellbeing in relation to work was good, five percentage points higher than in 2021.

We carried out regular wellbeing pulse surveys through the pandemic to help us understand the impact that the circumstances have had on our staff, their work and their wellbeing. Survey results from the start of the pandemic showed that staff felt well supported during the first phases of the pandemic and we are proud of the support we provided in such unprecedented circumstances. The feedback from these surveys helped us to address the issues and continue to provide ongoing support.

This year we developed and launched a new range of workshops and resources available to develop our employee knowledge on mental health awareness at work. The resources include a mental health awareness at work course for all staff, a mental health and wellbeing workshop for managers, designed to provide managers with the knowledge and confidence to understand common mental health issues, spot the signs of mental ill health and be able to fully support an individual who is in distress or crisis, while managing their own wellbeing. We are also in the process of implementing a mental health first aid initiative.

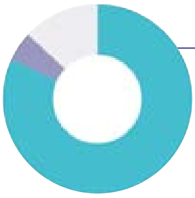
Staff information as at 31 March 2022*

*Results are rounded to the nearest whole number for ease of reading and interpretation



Age

100% **aged 30 to 59, average age of 43** (2020-2021: 83% aged 30 to 59, average age was 43)

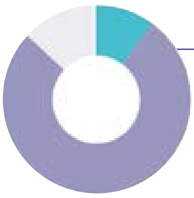


Disability

We hold data on disability for **87%** of our people

5% **of the workforce have a disability** (2020-2021: 5%)

82% **of the workforce do not have a disability** (2020-2021: 82%)

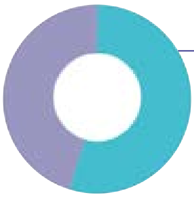


Ethnicity

We hold data on ethnicity for **87%** of our people

10% of the workforce are from a minority ethnic background (2020-2021: 7%)

77% are of white origin (2020-2021: 77%)



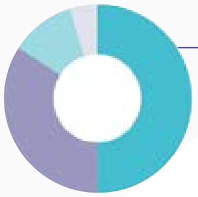
Gender pay gap

11% **median** (2020-2021: 6.3%) **9.1%** **mean** (2020-2021: 6.4%)

Marriage and civil partnership

We hold data on marriage and civil partnership for **90%** of our people

50% **of the workforce declared as married or in a civil partnership** (2020-2021: 50%)



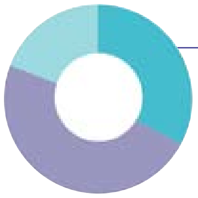
New parents

32 new parents took leave (2020-2021: 29)

22 went on maternity leave (2020-2021: 12)

7 took paternity leave (2020-2021: 7)

3 took shared parental leave (2020-2021: 10)

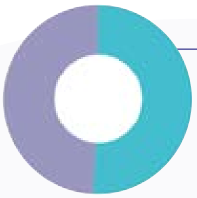


Religion or belief

We hold data on religion and belief for **81%** of our people

33% of the workforce declared a religion (2020-2021: 32%)

48% of the workforce declared no religion (2020-2021: 48%)

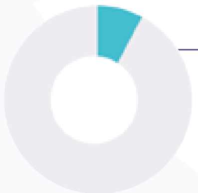


Sex

We hold data on sex for **100%** of our people

51% female (2020-2021: 51%)

49% male (2020-2021: 49%)



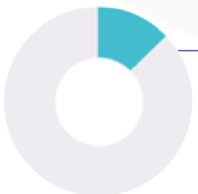
Sexual orientation

We hold data on sexual orientation for **81%** of our people

8% of the workforce declared as gay, lesbian or bisexual (2020-2021: 8%)

Sickness

8.2 days average days lost per head due to sickness absence (2020-2021: 4.4 days)



Working pattern

13% of the workforce work part-time (2020-2021: 11%)

Financial review

The funding of regulation is derived from two main sources: a grant-in-aid from the DWP which is recoverable from a levy on pension schemes and covers activities relating to the Pensions Act 2004 and the Pensions Act 2008, and a separate grant-in-aid from general taxation which funds AE. Expenditure on activities is accounted for separately to prevent cross subsidy. The accounting policies under which income and expenditure are recognised, are set out in Note 1 to the accounts on page 160.

Expenditure for year ended 31 March 2022

In the year ended 31 March 2022, TPR had net expenditure of £96.8m, of which £58.8m related to levy-funded activities and £38.0m was attributable to AE. Our net expenditure has been transferred to our general reserve and is offset by contributions from the DWP of £60.2m for our levy activities and £37.9m for AE activities. Staff costs have increased by £1.9m to £63.4m. This includes permanent staff costs (less outbound secondments) of £53.4m, £4.5m higher than the previous year due to increasing staff levels (increase in average permanent staff numbers from 629 to 711).

Temporary staff costs reduced by £2.6m due to reduced temporary resource because of the end of some major projects. Other expenditure has reduced by £2.4m mainly due to the insource of AE delivery activities for the second half of the 2021-2022 offset by the impairment of our digital portal asset developed as part of the SSRA Programme. The portal asset has been impaired in full (£1.7m) on the basis that it has not met the Government Digital Service (GDS) service standards and it is unlikely that this asset will be completed and placed into service. This decision will be kept under review and the impairment reversed should a future benefit be expected.

Property, plant and equipment and intangible assets

Capital expenditure of £5.8m was incurred during the year which includes the capitalisation of multi-year software licences and the capitalisation of internally generated software developed through the SSRA Programme.

The SSRA Programme was a two to three-year programme to develop systems to support TPR's regulatory activities. Four main assets were developed as part of this programme of which three (Data Platform, SharePoint and Customer Relationship Management system) were successfully implemented and one (Portal) was impaired as set out above.

Payments to suppliers

We are committed to the prompt payment of invoices for goods and services received. Payments are normally made as specified in individual contracts. If there is no contractual provision or understanding, invoices are deemed due within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. During the year ended 31 March 2022, we paid 93% of invoices in line with this policy.

Long-term expenditure trends

Over the previous five years, total expenditure had increased each year. In 2021-2022 the decrease is a direct result of the completion of the AE Transformation project in October 2021. The planned increase for 2022-2023 is due to new initiatives and the impact of inflation.

Table 12: Long-term financial analysis

(£m)	Actual 2017-2018	Actual 2018-2019	Actual 2019-2020	Actual 2020-2021	Actual 2021-2022	Budget 2022-2023
Total TPR*	83.5	85.4	93.1	97.2	96.8	102.8

*All figures exclude capital expenditure.

Value for money (VFM)

As a public sector body, we recognise that we need to secure value for money (VFM) in the delivery of our statutory objectives. We have highlighted a few examples below to provide a flavour of our governance structures that have driven value for money over the last year and some examples of the decisions they took to demonstrate how we achieved VFM.

- Our Operational Governance Committee, monitors our performance of business as usual and change programmes, and supports better decision-making, visibility and application of resources to priorities. Operationally, we have implemented the monitoring and optimisation of our IT Azure cloud costs, decommissioned redundant legacy services and improved the delivery model saving £0.6m per year. We made the decision to move our telephony platform saving a further £0.3m per year.
- Our Gateway Governance Committee, focuses on our regulatory grip, and risk and economic assessment to inform our activity. This group ensured we prioritised and deprioritised the right activity to provide the best support to our regulated community and mitigate the highest risks.
- Our procurement processes ensure that we deliver value for money in a clear, transparent and proportionate manner. We do this through applying the following key principles:
    - Having a strategic approach to procurement
    - Using electronic procurement
    - Managing procurement risk
    - Developing appropriate contract strategies that are actively managed
    - Developing partnerships and longer term collaboration with suppliers when appropriate

  - Ensuring there is reliable procurement financial and management information
  - Effective contract management and supplier relationship management
  - Maintaining consistency and transparency in our procurement processes
  - Considering, where appropriate, the whole life cost of what is being procured

- As we emerge from the pandemic and transition to hybrid working, we continue to use HR information to monitor the wellbeing of our staff and their adaptation to the new ways of working. It enables us to better understand working patterns and the activities best suited to the office or home. We continue to build our toolkits and guidance to support managers to transition with their teams to the most effective ways of working. Our annual survey shows our people believe they are/will be able to work effectively, whether working at home, in the office or a combination of both. This is an indicator of how well our staff adapted to the changing environment and felt supported.
- During the year we have insourced a large number of our automatic enrolment services achieving a saving of around £4m per year.
- We currently occupy a Net Internal Area (NIA) of 36,366m^2. Our current ratio of m^2 per FTE is around 5 – well under the current government benchmark ratio of 8m^2 per FTE. This clearly demonstrates that we use our space efficiently, whilst keeping our accommodation costs under 3% of our total operational expenditure.

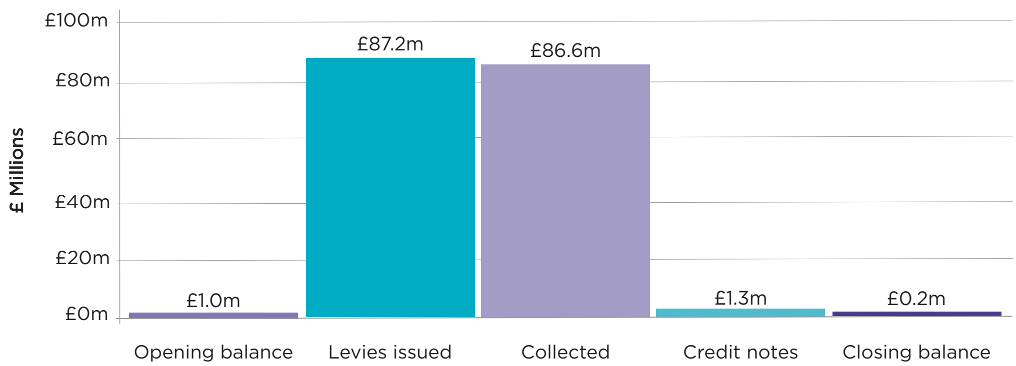
Other activities

Levies account

During the year ended 31 March 2022, we invoiced and collected levies on behalf of the DWP (the general levy and PPF administration levy) and the PPF (the fraud compensation levy). These figures do not feature in our audited accounts they will be reported in the audited financial statements of those organisations.

The opening debt balance as at 1 April 2021 was £965k and during the year we invoiced £87.2m, of which £52.6m related to the general levy, £19.4m to the PPF administration levy and £15.2m to the PPF fraud compensation levy. £86.6m has been collected, and credit notes and remissions totalled £1.3m. The closing debt position as at 31 March 2022 was £186k.

Figure 12: Levy debt



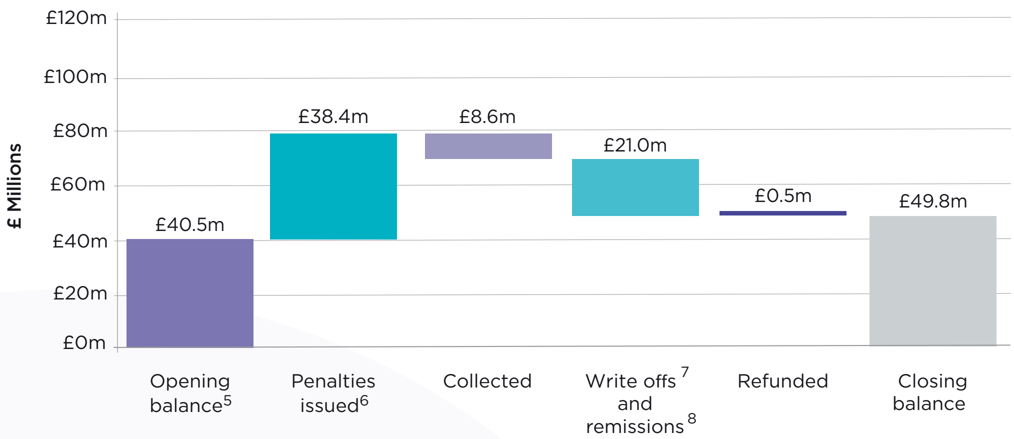
We transferred £86.2m during the year, £71.3m to the DWP and £14.9m to the PPF.

Automatic enrolment penalty notices

During the year ended 31 March 2022, we issued penalty notices under section 40 and 41 of the Pensions Act 2008. These figures do not feature in our audited accounts. We collect and hold penalties on behalf of HM Treasury and transfer it over to the consolidated fund via the DWP.

The opening debt balance as at 1 April 2021 was £40.5m and during the year 2021-2022, we issued fixed penalty notices (FPN) and escalating penalty notices (EPN) totalling £38.4m, £8.6m has been collected, write offs and remissions totalled £21.0m. Several penalties were refunded in the year, leaving the closing debt position as of 31 March 2022 at £49.8m.

Figure 13: AE penalty notices debt



£7.6m was transferred to the consolidated fund via the DWP during the year. £1.5m was received and not yet transferred at year end.

We have proactively sought payment of any outstanding penalties and this work will continue with a view of seeking prompt payment of any penalties when due. Much of the closing debt has yet to fully progress through TPR's debt recovery process. The journey was suspended at times during the COVID-19 pandemic.

The debt recovery process differs based on the type of enforcement action we have taken against an employer and in some cases where multiple notices have been issued the recovery process can take over a year.

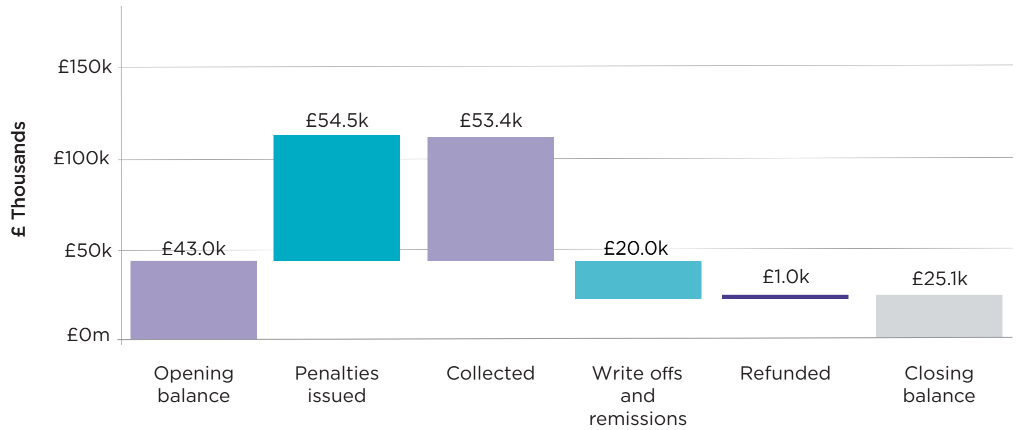
5. The Opening balance includes prior year adjustments of £115k relating to penalties amended or changed. The Closing balance as at end of March 2021 was £40.4m.
6. There is £53.7m of discharged debt, this is where we amend and reissue or cancel a penalty as further information is received which reduces the liability or confirms that it is not legally due, ie where a change of the employer's address has occurred. Discharged debt is not included in the chart above.
7. Write-offs are debts that are irrecoverable because there is no practical means for pursuing the liability.
8. Debt 'remission' is where we decide not to pursue a debt primarily on the grounds of value for money, ie the cost of pursuing it would be greater than the benefit or is not the most efficient use of limited resources.

Section 10 and chair’s statement penalty notices

During the year ended 31 March 2022, we issued penalty notices under: (a) Section 10 of the Pension Act 1995 for failures to provide a scheme return: and (b) Regulation 28 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 for failures to prepare a chair’s statement. These figures do not feature in our audited accounts. We collect penalties on behalf of HMT and transfer them over to the consolidated fund via the DWP.

The opening debt balance as at 1 April 2021 was £43k and during the year 2021-2022, we issued penalty notices totalling £54.5k, £53.4k has been collected, write offs and remissions totalled £20k. Several penalties were refunded in the year, leaving the closing debt position as at 31 March 2022 at £25.1k.

Figure 14: Section 10 and chair's statement penalty notices debt



£51.8k was transferred to HMT’s consolidated fund via the DWP. £1k was outstanding to be transferred at year end.

Master trust authorisation fees

No master trusts were authorised this year.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
1 July 2022

Parliamentary accountability and audit report

The disclosures in this Parliamentary Accountability Report along with the Statement of Accounting Officer's Responsibilities and the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament bring together the key documents demonstrating TPR's accountability to Parliament in relation to the Annual Report and Accounts.

The Chair and Chief Executive meet regularly with Ministers and senior officials from the DWP in addition to quarterly accountability review meetings. The DWP approves the Corporate Plan and the Board delivers its Annual Report and Accounts to Parliament through the Secretary of State.

The Chief Executive of TPR is also its Accounting Officer. Compliance with Accounting Officer responsibilities is supported through the Board's risk management procedures and through a shared objective for senior management to support the Accounting Officer in fulfilling his responsibilities.

Regularity of expenditure

Losses, special payments and gifts (subject to audit)

There were no losses, special payments or gifts during the current or prior year either individually or in aggregate above the £300k limit prescribed by 'Managing Public Money'.

Further parliamentary accountability disclosures

Fees and charges (subject to audit)

There are no fees and charges to disclose.

Remote contingent liabilities (subject to audit)

There are no remote contingent liabilities to disclose.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
1 July 2022

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of The Pensions Regulator for the year ended 31 March 2022 under the Pensions Act 2004.

The financial statements comprise The Pensions Regulator's

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

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

In my opinion, the financial statements:

- give a true and fair view of the state of The Pensions Regulator's affairs as at 31 March 2022 and its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Pensions Act 2004 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of The Pensions Regulator in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that The Pensions Regulator's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on The Pensions Regulator's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Chief Executive as Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for The Pensions Regulator is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Chief Executive as Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Pensions Act 2004.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Pensions Act 2004; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of The Pensions Regulator and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by The Pensions Regulator or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing The Pensions Regulator's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by The Pensions Regulator will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Pensions Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- the nature of the sector, control environment and operational performance including the design of The Pensions Regulator's accounting policies.
- Inquiring of management, The Pensions Regulator's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to The Pensions Regulator's policies and procedures relating to:
  - identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance.
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including The Pensions Regulator's controls relating to The Pensions Regulator's compliance with the Pensions Act 2004 and Managing Public Money'.
- discussing among the engagement team and involving relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I also obtained an understanding of The Pensions Regulator's framework of authority as well as other legal and regulatory frameworks in which The Pensions Regulator operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of The Pensions Regulator. The key laws and regulations I considered in this context included the Pensions Act 2004, 'Managing Public Money', employment law, pensions legislation and tax legislation.

In addition, I considered significant management judgements in relation to intangible assets and evaluated the risk arising from The Pensions Regulator's funding limits as set by the Department for Work and Pensions for indicators of fraud.

Audit response to identified risk

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- enquiring of management, and assessing the evidence supporting, the basis of their significant judgements for the recognition and measurement of internally generated intangible assets

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General,
National Audit Office, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP
7 July 2022

Financial statements and Notes to the Accounts

Statement of comprehensive net expenditure for the year ended 31 March 2022

	Note	2021-2022 £'000	2020-2021 £'000
Expenditure			
Staff costs	3	**63,388**	61,445
Depreciation, amortisation	4	**2,989**	1,595
Impairment charges	4	**1,721**	-
Other operating expenditure	4	**28,719**	34,199
Total operating expenditure		**96,817**	97,239
Finance (income)/expenditure		**(7)**	9
Net expenditure after interest, before taxation		**96,810**	97,248
Taxation		**1**	(2)
Comprehensive net expenditure for the year		**96,811**	97,246

All income and expenditure is derived from continuing operations.
The accounting policies and notes on pages 160 to 181 form part of these financial statements.

Statement of financial position as at 31 March 2022

	Note	At 31 March 2022 £'000	At 31 March 2021 £'000
Non-current assets			
Property, plant and equipment	5a	**1,650**	1,468
Intangible assets	6a	**8,144**	7,283
Trade and other receivables	7	**34**	106
Total non-current assets		**9,828**	8,857
Current assets			
Trade and other receivables	7	**1,634**	1,482
Cash and cash equivalents	8	**-**	1,767
Total current assets		**1,634**	3,249
Total assets		**11,462**	12,106
Current liabilities			
Trade and other payables	9	**(10,911)**	(11,908)
Total current liabilities		**(10,911)**	(11,908)
Total assets less current liabilities		**551**	198
Non-current liabilities			
Trade and other payables	9	**(250)**	(1,160)
Provisions	10	**(722)**	(698)
Total non-current liabilities		**(972)**	(1,858)
Assets less liabilities		**(421)**	(1,660)
Taxpayers' equity			
General fund		**(421)**	(1,660)
Total equity		**(421)**	(1,660)

The financial statements on pages 156 to 159 were approved and authorised for issue by the Board on 15 June 2022 and were signed on its behalf by:

Charles Counsell OBE
Chief Executive, The Pensions Regulator
1 July 2022

The accounting policies and notes on pages 160 to 181 form part of these financial statements.

Statement of cash flows for the year ended 31 March 2022

	Note	2021-2022 £'000	2020-2021 £'000
Cash flows from operating activities			
Net expenditure after interest		**(96,810)**	(97,248)
Adjustments for non-cash transactions	4	**4,723**	1,624
(Increase)/decrease in trade and other receivables	7	**(81)**	63
Decrease in trade and other payables (excludes cash overdraft)	9	**(896)**	(1,426)
Increase in provisions	10	**24**	6
Cash outflow due to taxation		**-**	(15)
Net cash outflow from operating activities		**(93,040)**	(96,996)
Cash flows from investing activities			
Purchase of property, plant and equipment	5b	**(722)**	(466)
Purchase of intangible assets	6b	**(6,090)**	(4,662)
Disposal of intangible fixed assets		**-**	-
Net cash outflow from investing activities		**(6,812)**	(5,128)
Cash flows from financing activities			
Grant-in-aid to cover ongoing operations of Levy		**60,150**	63,400
Grant-in-aid to cover ongoing operations of AE		**37,900**	39,150
Net financing		**98,050**	102,550
Net (decrease)/increase in cash and cash equivalents in the period	8	**(1,802)**	426
Cash and cash equivalents at the beginning of the period		**1,767**	1,341
Cash and cash equivalents at the end of the period	8	**(35)**	1,767

The accounting policies and notes on pages 160 to 181 form part of these financial statements.

Statement of changes in taxpayers' equity for the year ended 31 March 2022

	Total Reserves £'000
Balance at 1 April 2020	**(6,964)**
Changes in taxpayers' equity 2020-2021	
Grants from the DWP	102,550
Comprehensive net expenditure for the year	(97,246)
Balance at 31 March 2021	**(1,660)**
Changes in taxpayers' equity 2021-2022	
Grants from the DWP	98,050
Comprehensive net expenditure for the year	(96,811)
Balance at 31 March 2022	**(421)**

The accounting policies and notes on pages 160 to 181 form part of these financial statements.

Notes to the accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2021-2022 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. Where the FReM lets us choose an accounting policy, we have picked the one that we think is the most appropriate to our circumstances and which gives a true and fair view. The policies we have adopted are set out below. We have applied them consistently in dealing with items that we consider are material to the accounts.

These accounts have been prepared pursuant to section 145(8) of the Pension Schemes Act 1993 and Section 212A(1) of the Pensions Act 2004, and in accordance with the Accounts Direction issued by the Secretary of State for Work and Pensions (with the consent of HM Treasury).

1.1 Accounting standards, interpretations and amendments

We have adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2022.

IFRS 16 has been effective since 1 January 2019 for the private sector and was planned to be introduced in the 2021-2022 FReM to replace IAS 17. Due to the impact on government departments of COVID-19 HM Treasury agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 in central government until 1 April 2022.

This represents a two-year deferral from the initial effective date of 1 April 2020. The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off balance sheet) and a finance lease (on balance sheet). The new standard requires recognition of all qualifying leases on balance sheet. The result will be recognition of a right to use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right to use asset and an associated finance cost being recognised.

Upon transition, TPR shall recognise the cumulative effects of initially applying IFRS 16 recognised at the date of initial application as an adjustment to the opening balances of taxpayers' equity. TPR has chosen not to apply IFRS 16 to intangible assets. TPR will also assess lease/service components on a case-by-case basis and decide whether to separate or elect to combine components (IFRS 16 practical expedient).

TPR will apply the following for leases previously classified as operating leases:

- No adjustments for leases for which the underlying asset is of low value.
- No adjustment for leases for which the lease term ends within 12 months of initial application.
- Use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

Our expectation is that two of TPR's operating leases could meet the definition of a lease under IFRS 16, resulting in recognition from 1 April 2022 of assets with a value in the region of £1.2m (over 99.9% of this value relates to leased property), along with a lease liability of a similar amount. As a result of recognising these assets on the balance sheet, TPR expects that the impact on the SoCNE from associated depreciation and finance costs will amount to a reduction in costs of approximately £15k in 2022-2023. TPR's right of use asset and lease liability values for leased property have been calculated using the HM Treasury discount rate (currently 0.95%) promulgated in PES papers.

In addition, the lease on TPR's new premises will also meet the definition of a lease under IFRS16, resulting in recognition of an asset with a value in the region of £5m, along with a lease liability of a similar amount.

IFRS 17 (Insurance Contracts) effective from 1 April 2023

The International Accounting Standards Board (IASB) has issued IFRS 17 (Insurance Contracts), which replaces IFRS 4 (Insurance Contracts). It is expected to be effective for accounting periods beginning on or after 1 January 2023, following IASB decisions to defer the effective date. Guidance has yet to be issued to government departments on the interpretation of this standard.

1.2 Accounting convention

We have prepared these financial statements on an accruals basis under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and some financial assets and liabilities.

a) Property, plant and equipment

Property, plant and equipment are stated at fair value. As permitted by the FReM, we use a depreciated historical cost basis as a proxy for fair value as non-property assets have a short useful life or are of relatively low value. Any permanent impairment in the value of property, plant and equipment on revaluation is charged to the Statement of Comprehensive Net Expenditure when it occurs. TPR is required to remit the proceeds of disposal of property, plant and equipment to the Secretary of State but there have been no disposals in the current or prior period.

The threshold for treating expenditure on single or pooled items of property, plant and equipment fixed assets as capital expenditure is £5,000 with the exception of IT hardware, which is £1,000. Pooling is applied where appropriate but generally low value items (less than £250) would not be capitalised.

b) Depreciation and amortisation

Depreciation is provided on property, plant and equipment and amortisation is provided on intangible assets at rates calculated to write down the cost or valuation (less any estimated residual value) of each asset evenly over its expected useful life as follows:

Leasehold improvements	–	the shorter of 10 years or the remainder of the lease term
Furniture, fixtures and office equipment	–	10 years
IT hardware	–	3 to 7 years
Internally generated software	–	3 to 7 years
Software acquired	–	5 to 7 years

Depreciation is charged on a straight-line basis to reflect the consumptions of economic benefits.

Assets are not depreciated until they are commissioned or brought into use.

c) Intangible assets

The costs of purchasing major software licences and software built in-house are capitalised as intangible fixed assets, although ongoing software maintenance costs are written off in the period in which they are incurred.

Whether we acquire intangible assets externally or generate them internally, we measure them initially at cost, with subsequent measurement at fair value. Where an active market exists for the asset, it is carried at a revalued amount based on market value at the end of the reporting period. Where no active market exists, we revalue assets using appropriate indices to indicate depreciated replacement cost as an alternative for fair value. We revalue internally developed software and software licences using the most recent Office for National Statistics published indices.

The threshold for treating expenditure on single items or pooled items of intangible fixed assets as capital expenditure is £5,000.

Multi-year software as a service agreement, comprising software licence and service elements paid for on a subscription basis, are reviewed individually to determine the extent of the service provision. Any licencing component in the agreement is assessed against IAS 38 (Intangible Assets) to determine whether it meets the criteria for recognition as an intangible asset and where it does; a threshold of £1 million is applied.

Internally developed software is capitalised if it meets the criteria in IAS 38 (Intangible Assets). We classify development costs software under development until the asset is available for use. At that point, we transfer it to the relevant asset class.

d) Impairment

Under IAS 36, individual assets are reviewed for impairment to ensure their carrying amount is not greater than the recoverable amount.

e) Other income and expenditure

Other income and expenditure is recognised on an accruals basis. Where income received relates to a period of time covering more than one accounting period, that part extending beyond the current accounting period is treated as deferred income. Corporate overheads are split between AE and Levy on the basis of headcount. A breakdown of other income and expenditure is provided in Note 2.

f) Value Added Tax (VAT)

TPR's main activities are exempt under the terms of the VAT legislation and therefore input VAT is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase of non-current assets as appropriate.

g) Employee benefits

In accordance with IAS 19 Employee benefits, accruals have been made for short-term employee benefits, such as salaries, paid absences and general staff bonuses. Bonuses in relation to senior Civil Service employees are not recognised until payments to individuals have been determined and notified. The holiday accrual is an estimate of the total leave owed to staff based on a sample of employees.

h) Operating leases

Rent payable under operating leases is charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease. Amounts received as inducements to enter into operating leases are treated as deferred income (rent rebates), and are recognised to reduce the operating lease costs over the same period as the corresponding lease.

i) Financial Instruments

Pre-payments

Pre-payments occur where payment for operating costs (mainly IT and facilities) have been incurred in advance of the goods or services which they relate to.

Cash and cash equivalents

Cash and cash equivalents comprise current balances with banks. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents are net of outstanding bank overdrafts. We include bank overdrafts in current liabilities in the Statement of Financial Position. TPR collect fines, penalties and levies on behalf of the DWP and the PPF. This income is not accounted for in TPR's accounts nor are any related cash balance.

Trade and other liabilities

Trade and other payables are not interest-bearing and are stated at amortised cost. They represent outstanding costs that TPR are liable for and the accrued capital cost relating to capitalised multi-year software licenses.

j) Grant-in-aid

Grant-in-aid received used to finance activities and expenditure which support the statutory and other objectives of the entity are treated as financing, credited to the General Reserve, because they are regarded as contributions from a controlling party.

All grant-in-aid is reported on a cash basis in the period in which it is received.

k) Early retirement and severance costs

Compensation payments are charged to the Statement of Comprehensive Net Expenditure when an early retirement or severance arrangement has been agreed. Obligations relating to those former members of staff aged 50 or over are provided for until their normal date of retirement.

l) Provision for liabilities

Provision is made for early retirement and redundancy costs when a constructive obligation is created. Similarly, provision for leasehold dilapidations is made as the dilapidations arise over the life of the lease. A provision for dilapidations is held to cover the cost of remedial works when the lease terminates.

m) Reserves

General Reserve

Grant-in-aid received from TPR's sponsoring organisation and the total costs included in the Statement of Comprehensive Net Expenditure are transferred to this reserve.

n) Going concern

These financial statements are prepared on a going-concern basis. The negative cumulative balance on the General Reserve is due to timing differences between consumption and payment since TPR only draws grant-in-aid from the DWP, reflected in the Statement of Changes in Taxpayers' Equity, to cover its current cashflow requirements. TPR has already agreed it's ongoing funding with DWP as part of the recent three year spending review.

o) Segmental analysis

Segmental reporting is applied in line with IFRS 8 to report the split between Levy and AE expenditure (as described in Note 2). Segmental reporting is not required for assets and liabilities as this information is not regularly reported to the chief operating decision maker.

p) Critical accounting judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts in the accounts. Areas of judgement include non-current asset revaluations, depreciation and amortisation periods, provisions and impairment. One specific judgement was around the impairment of the intangible software assets as set out in Note 6a. We consider there to be no other areas of critical judgment used in applying the accounting policies.

q) Key sources of estimation uncertainty

IT software internally generated

In identifying what software development work should be capitalised under IAS 38, internal procedures have been developed which include an ongoing review to ensure accuracy and consistency of capitalised amounts as disclosed in Note 6.

Useful economic lives of software assets

Given the history of rapid changes in technology, computer software is susceptible to technological obsolescence. Therefore, it will often be the case that their useful life is short. TPR review the assets in line with the guidance provided by IAS 38 and will continue to review the remaining life each year.

Dilapidations

A dilapidation provision is held for the office TPR occupies in Brighton to cover the requirements of the lease (expires July 2023).

The provision is to cover remedial works required on the lease termination. The provision is based on a survey completed in 2013 and subsequently adjusted for inflation. Negotiations will take place over the next 12 months to agree what the final cost will be when the lease ends.

1.3 Pensions

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a multi-employer defined benefit scheme and is unfunded and contributory, except in respect of dependents' benefits. TPR recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' service by payment to the PCSPS of amounts calculated on an accruing basis. Liability for the payment of future benefits is a charge on the PCSPS. As described more fully in the Staff Report, certain employees can opt for a stakeholder pension. Employer contributions for the financial year to 31 March 2023 are expected to be around £12m. Liability for the payment of future benefits is a charge on the PCSPS.

2 Statement of operating costs by operating segment

	AE £'000	Levy £'000	Total TPR £'000
2021-2022			
Staff costs	19,068	44,320	63,388
Other operating expenditure	18,922	14,507	33,429
Taxation	1	-	1
Income	-	(7)	(7)
Net expenditure	**37,991**	**58,820**	**96,811**
2020-2021			
Staff costs	16,470	44,975	61,445
Other operating expenditure	20,565	15,229	35,794
Taxation	(1)	(1)	(2)
Income	2	7	9
Net expenditure	**37,036**	**60,210**	**97,246**

TPR comprises of two distinct operating segments: Levy and AE. Levy activity relates to the regulation of new and existing DB, DC, master trust and public sector schemes while AE supports the delivery of automatic enrolment.

Levy activity is funded by grant-in-aid payments from the DWP which is recovered through the general levy charged on pension schemes in the United Kingdom. AE is tax-payer funded through a separate grant-in-aid stream from the DWP and resources are charged and treated separately to the correct funding stream.

AE-related work is separately accounted for and strict protocols are adhered to in order to avoid cross subsidy. Reporting is provided to the Executive Committee and the Board on both AE and Levy expenditure. Corporate overheads are split between AE and Levy based on headcount. Regular reporting of the assets of each segment is not provided to the Executive Committee and this information is therefore excluded from the financial statements. Further breakdown of the operating expenditure is provided in Note 4.

3 Staff numbers and related costs

	AE £'000	Levy £'000	Total TPR £'000
2021-2022			
Salaries and wages	14,090	32,501	46,591
Social security costs	1,509	3,583	5,092
Other pension costs	3,469	8,236	11,705
Total costs	**19,068**	**44,320**	**63,388**
2020-2021			
Salaries and wages	12,417	33,738	46,155
Social security costs	1,250	3,466	4,716
Other pension costs	2,803	7,771	10,574
Total costs	**16,470**	**44,975**	**61,445**

4 Other operating expenditure

	AE £'000	Levy £'000	Total TPR £'000
2021-2022			
Running costs			
Chair and part-time Board members' fees and expenses*	54	125	179
Consultancy, contracted-out and other professional services	5,076	4,986	10,062
Business process outsourced services	8,752	-	8,752
Training and recruitment costs	385	345	730
Staff travel and expenses	137	532	669
General expenses including accommodation expenses	296	1,652	1,948
Rentals under operating leases	292	692	984
Dilapidations costs	-	24	24
Computer systems development and maintenance	2,818	2,480	5,298
Auditor's remuneration	-	60	60
Loss on disposal of fixed assets	-	13	13
	17,810	**10,909**	**28,719**
Depreciation and impairment charges			
Depreciation	-	525	525
Amortisation	940	1,524	2,464
Impairment of fixed assets	172	1,549	1,721
	1,112	**3,598**	**4,710**
Total	**18,922**	**14,507**	**33,429**

*Includes fees of £164k (2020-2021: £188k), social security costs of £15k (2020-2021: £17k) and expenses of £0k (2020-2021: £1k). Details of the remuneration and pension benefits of the Chair and all other members of the Board are given in the Remuneration report in the Financial review (see page 110). There is tax due to HMRC on expenses as part of the PAYE Settlement Agreement (payable in August 2021).

4 Other operating expenditure continued...

	AE £'000	Levy £'000	Total TPR £'000
2020-2021			
Running costs			
Chair and part-time Board members' fees and expenses	62	144	206
Consultancy, contracted-out and other professional services	2,165	6,781	8,946
Business process outsourced services	15,479	–	15,479
Training and recruitment costs	325	928	1,253
Staff travel and expenses	15	84	99
General expenses including accommodation expenses	559	1,977	2,536
Rentals under operating leases	292	703	995
Dilapidations costs	–	6	6
Computer systems development and maintenance	1,346	3,262	4,608
Auditor's remuneration	–	42	42
Loss on disposal of fixed assets	–	29	29
	20,243	**13,956**	**34,199**
Depreciation and impairment charges			
Depreciation	–	609	609
Amortisation	322	664	986
Impairment of fixed assets	–	–	–
	322	**1,273**	**1,595**
Total	**20,565**	**15,229**	**35,794**

5a Property, plant and equipment

2021-2022	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Total £'000
Cost or valuation				
At 1 April 2021	1,918	1,310	2,528	5,756
Additions	52	75	595	722
Disposals	-	(20)	(477)	(497)
At 31 March 2022	**1,970**	**1,365**	**2,646**	**5,981**
Depreciation				
At 1 April 2021	1,567	938	1,783	4,288
Charged in year	161	90	274	525
Disposals	-	(20)	(462)	(482)
At 31 March 2022	**1,728**	**1,008**	**1,595**	**4,331**
Carrying amount at 31 March 2021	**351**	**372**	**745**	**1,468**
Carrying amount at 31 March 2022	**242**	**357**	**1,051**	**1,650**

TPR does not hold any assets under finance leases.

5a Property, plant and equipment continued...

2020-2021	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Total £'000
Cost or valuation				
At 1 April 2020	1,882	1,310	2,468	5,660
Additions	37	16	297	350
Disposals	(1)	(16)	(237)	(254)
At 31 March 2021	**1,918**	**1,310**	**2,528**	**5,756**
Depreciation				
At 1 April 2020	1,394	837	1,677	3,908
Charged in year	174	115	320	609
Disposals	(1)	(14)	(214)	(229)
At 31 March 2021	**1,567**	**938**	**1,783**	**4,288**
Carrying amount at 31 March 2020	**488**	**473**	**791**	**1,752**
Carrying amount at 31 March 2021	**351**	**372**	**745**	**1,468**

TPR does not hold any assets under finance leases.

5b Cash flow reconciliation

	2021-2022 £'000	2020-2021 £'000
Capital payables and accruals at 1 April	**-**	116
Capital additions	**722**	350
Less Capital payables and accruals at 31 March	**-**	-
Purchase of property, plant and equipment as per Statement of cash flows	**722**	466

6a Intangible assets

2021-2022	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2021	3,530	2,674	6,669	12,873
Additions	3,783	-	1,263	5,046
Transfers in asset class	(5,592)	5,592	-	-
Impairments	(1,721)	-	-	(1,721)
Disposals	-	-	(779)	(779)
At 31 March 2022	**0**	**8,266**	**7,153**	**15,419**
Amortisation				
At 1 April 2021	-	1,246	4,344	5,590
Charged in year	-	912	1,552	2,464
Disposals	-	-	(779)	(779)
At 31 March 2022	**-**	**2,158**	**5,117**	**7,275**
Carrying amount at 31 March 2021	**3,530**	**1,428**	**2,325**	**7,283**
Carrying amount at 31 March 2022	**0**	**6,108**	**2,036**	**8,144**

6a Intangible assets continued...

2020-2021	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2020	-	1,493	3,903	5,396
Additions	4,969	-	2,784	7,753
Transfers in asset class	(1,439)	1,439	-	-
Disposals	-	(258)	(18)	(276)
At 31 March 2021	**3,530**	**2,674**	**6,669**	**12,873**
Amortisation				
At 1 April 2020	-	1,493	3,381	4,874
Charged in year	-	11	975	986
Disposals	-	(258)	(12)	(270)
At 31 March 2021	**-**	**1,246**	**4,344**	**5,590**
Carrying amount at 31 March 2020	**-**	**-**	**522**	**522**
Carrying amount at 31 March 2021	**3,530**	**1,428**	**2,325**	**7,283**

6a Intangible assets continued...

The SSRA Programme was a two to three-year programme to develop systems to support TPR's regulatory activities. Four material assets were developed, three of which have been successfully implemented and moved into active use. Further information on these assets is set out in Table 13 below.

Table 13: SSRA assets

Material intangible assets (£k)	Purchase cost	Expiry date	NBV
Data platform	2,801	31/01/2027	2,430
CRM	2,536	31/10/2026	2,208
SharePoint	1,693	31/10/2026	1,469

The annual review of TPR intangible assets was completed as at 31 March 2022. TPR has taken the decision to impair the full value of £1.7m for the Portal asset, the fourth asset developed through the SSRA Programme. This asset is an internally developed web based digital portal service to gather scheme return data. The asset has not met the Government Digital Service (GDS) Service Standard assessment and therefore cannot be put into use – this means that it currently seems unlikely that the assets will deliver future economic benefits for TPR and therefore the asset value is impaired. This decision will be kept under review and the impairment will be reversed should a future benefit be expected.

6b Cash flow reconciliation

	2021-2022	2020-2021
	£'000	£'000
Capital payables and accruals at 1 April	3,091	–
Capital additions	5,046	7,753
Less Capital payables and accruals at 31 March	(2,047)	(3,091)
Purchase of intangible assets as per Statement of cash flows	6,090	4,662

7 Trade receivables and other current assets

	2021-2022 £'000	2020-2021 £'000
Amounts falling due within the year		
Trade receivables	246	316
Other receivables	33	40
Pre-payments	1,355	1,126
	1,634	**1,482**
Amounts falling due after more than one year		
Trade receivables	-	-
Other receivables	-	-
Pre-payments	34	106
	34	**106**

8 Cash and cash equivalents

	2021-2022 £'000	2020-2021 £'000
Balances at 1 April	1,767	1,341
Net change in cash and cash equivalent balances	(1,802)	426
Balance at 31 March (Current year balance held within current year liabilities - Note 10)	**(35)**	**1,767**
At 31 March, the following balances were held:		
Commercial banks and cash in hand	**(35)**	**1,767**

Cash at bank and short term investments represents the only funds held by TPR. These funds are held at HSBC within two accounts. We also hold five further accounts with HSBC to hold funds collected on behalf of the DWP and the PPF but any funds held in these accounts are not available for TPR's use.

9 Trade payables and other current liabilities

	2021-2022 £'000	2020-2021 £'000
Amounts falling due within one year		
Bank overdraft	35	-
Other taxation and social security	1,314	1,343
Trade payables	144	2
Capital accruals	1,797	1,931
Other creditors	-	-
Accruals	7,621	8,632
	10,911	11,908

	2021-2022 £'000	2020-2021 £'000
Amounts falling due after more than one year		
Other taxation and social security	-	-
Trade payables	-	-
Capital accruals	250	1,160
Other creditors	-	-
Accruals	-	-
	250	1,160

There is no deferred income due in less than one year or greater than one year at the end of the current year or prior year.

10 Provisions for liabilities and charges

2021-2022	Year end total £'000
Balance at 1 April 2021	698
Provided in the year	24
Provision not required written back	–
Provisions utilised in the year	–
Balance at 31 March 2022	**722**
Analysis of expected timing of discounted flows	
Not later than one year	–
Later than one year and not later than five years	722
Later than five years	–
Balance at 31 March 2022	**722**
Balance at 1 April 2020	692
Provided in the year	6
Provision not required written back	–
Provisions utilised in the year	–
Balance at 31 March 2021	**698**
Analysis of expected timing of discounted flows	
Not later than one year	–
Later than one year and not later than five years	698
Later than five years	–
Balance at 31 March 2021	**698**

Liabilities and provisions

The provision is to cover expected dilpidations costs and reflects the expected liability to cover the cost of restoring Napier House at the end of the lease in 2023 (following a survey by Carter Jonas LLP).

11 Commitments under leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2021-2022 £'000	2020-2021 £'000
Obligations under operating leases for the following periods comprise:		
Buildings:		
Not later than one year	1,029	1,029
Later than one year and not later than five years	257	1,286
Later than five years	-	-
	1,286	**2,315**
Other:		
Not later than one year	18	12
Later than one year and not later than five years	12	-
Later than five years	-	-
	30	**12**

The existing lease for TPR's office in Brighton expires in July 2023. The leases are based on standard terms and do not include renewal or purchase options. There are no options for subletting or sale of the lease rights. TPR has no obligations under finance leases.

12 Capital commitments

There was no other contractual commitments at the end of the current year. In the prior year TPR had a contractual commitment at 31 March 2021 for development costs for £1.3m of internally developed software assets.

13 Contingent assets and liabilities disclosed under IAS 37

TPR has not entered into any unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort.

From time to time we will be subject to legal challenge and judicial review of decisions made in the normal course of our business as regulator of workplace pensions. Legal judgements could give rise to liabilities for legal costs but these cannot be quantified as the outcome of proceedings would be unknown and there is therefore considerable uncertainty as to the nature and extent of any subsequent liability.

As at 31 March 2022 there were no ongoing cases which would result in liabilities for TPR.

14 Losses and special payments

There were no losses or special payments during the current or prior year above the limits prescribed by 'Managing Public Money'.

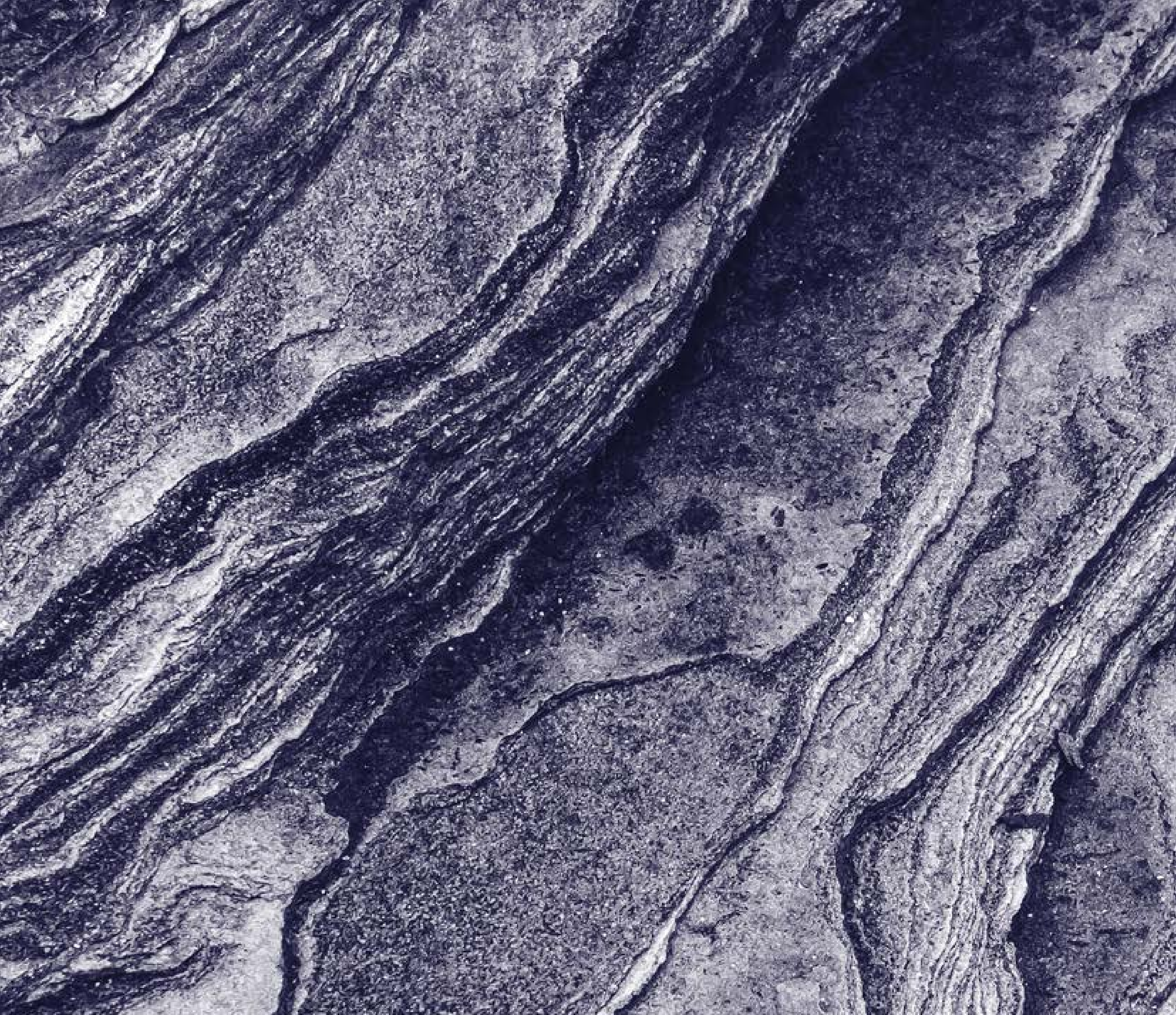
15 Related party transaction

TPR is a Non-Departmental Public Body (NDPB) accountable to the Secretary of State for Work and Pensions. During the year, TPR had a small number of immaterial transactions relating to seconded employees with the department and the Money and Pension Service, another NDPB of the DWP. In addition there are a further small number of immaterial transactions with other bodies within government - again relating to seconded employees. All transactions with related parties have been completed at arms length.

During the current and prior year, no other related parties, including TPR's Board members and key management staff, had undertaken any material transactions with The Pensions Regulator.

16 Events after the reporting period

In April 2022, TPR entered into an agreement for a new 10 year commercial property lease starting later in the year with a five year break clause and an initial annual rent of £0.6m. IAS 10 requires TPR to disclose the date on which the financial statements are authorised for issue by the Accounting Officer. The Annual Report and financial statements were authorised by the accounting officer for issue on the date of the Comptroller and Auditor General's audit certificate.



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E02756362
978-1-5286-3427-4