Annual Report and Accounts

2014-2015

July 2015

The Pensions Regulator

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Chairman's Foreword

2014-2015 will be viewed as a landmark year for pensions and from a personal perspective it has also been an important one, as I complete my first full year with the regulator.

When I joined in April 2014 I had three very clear objectives: to resolve the appointment of a permanent Chief Executive; to strengthen the working relationships with our Government and industry partners; and to review and where necessary strengthen the corporate governance administration and controls we have. I'm pleased to say that we have made significant progress on all of these fronts in 2014-2015, notably with the appointment of Lesley Titcomb as our permanent Chief Executive. This is in addition to an unprecedented volume of regulatory work delivered under the stewardship of firstly Stephen Soper and latterly Lesley. I'd like to pay a particular tribute to Stephen for his considerable efforts and contribution as interim CEO, as well as to his fellow executive directors for their collective efforts in the year.

I would also like to recognise the contribution of Isabel Hudson who left us after more than five years as a non-executive director. Isabel's was a sterling contribution, providing valuable insight on regulatory strategy during her time here and demonstrating outstanding commitment to the regulator and her role.

The regulatory work that our team handled in 2014-2015 included some outstanding successes, using a diverse range of tactics reflecting our clear approach of education, enablement and enforcement. We have recently produced guidance and supported the Government to educate our regulated community about the impact of the 'freedom and choice' pension reforms. We have moved our automatic enrolment focus from large companies to enabling tens of thousands of small and medium businesses to fulfil their legal obligations. And we have remained committed to the application of our enforcement powers, with particular successes in cases like Lehman Brothers and MG Rover, as well as taking an active role in the cross-industry efforts to limit pension scams through education campaigns and emergency actions.

"2014-2015 included some outstanding successes, using a diverse range of tactics reflecting our clear approach of education, enablement and enforcement"

The multi-agency work that we have undertaken in relation to scams is an example of the increasingly prominent role we are playing in the national conversation around retirement savings. The significance of this conversation is growing, and as I look forward into 2015 and 2016, I can only see our role becoming more and more critical to the achievement of a healthy, productive and member-focused pensions landscape.

I'm confident that Lesley and her team are more than capable of rising to this challenge. In 2014-2015 we showed that we are ready and able to make our voice heard more clearly on a range of issues with stakeholders, the pensions industry and government partners. From our application of automatic enrolment rules for employers new to retirement provision, through to our detailed and nuanced guidance for trustees of large, complex schemes, we have spoken with clarity and authority. We intend to build on this success to play the fullest possible role in ensuring the effective implementation of the government's extensive pension reforms.

I want to finish by recognising the outstanding efforts of all my colleagues here. 2014-2015 provided a stern test for The Pensions Regulator, with each quarter placing increasing demands upon us. These demands were met in full and it is a testament to all of our staff that this annual report reflects on a year of significant achievement.

Mark Boyle
Chairman, The Pensions Regulator
17 June 2015

Management Commentary and Directors' Report

- Chief Executive's Report

Highlights of 2014-2015

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new codes of practice – for DB and Public service pension schemes – were consulted on and subsequently published in response to earlier significant legislative changes

More than

33,000

employers across one three-month period, submitted their online declaration of compliance on time – three times more than all large employers in the UK

We received over

175,000

inbound contacts from scheme members, trustees, employers and advisers about a range of issues

In total, around

787,000

letters raising awareness of automatic enrolment were dispatched in 2014-2015

Settlements of over

200million pounds

were made through casework following our engagement

A year of 'firsts'

for our regulatory communications when we produced our first radio ad, our first in-house media ad campaign and launched our own YouTube channel

Management Commentary

Chief Executive's Report

During a time of immense and continued change in the pensions sector, we have continued to deliver strongly against our objectives. Never before has there been more attention on the mechanisms for entry into, and exit from, UK pension schemes. My arrival as Chief Executive comes at a time when we are required to play a leading role in safeguarding savers as they negotiate these life-changing financial decisions.

2014-2015 was a year of substantial achievement, unprecedented demand and outstanding endeavour across the business. I would like to start by acknowledging the stewardship of our former interim Chief Executive, Stephen Soper, over the majority of what has been a very important year.

We have been challenged on many fronts this year and responded with increasing efficiency both in our regulatory and support functions. Our increasingly complex case interventions have ranged from emergency court actions to protect members from scams to settling anti-avoidance cases that have been years in the making. In automatic enrolment, we've started the transition from small numbers of big companies to many thousands of small and micro businesses. Our approach has kept compliance rates and confidence high, while our guidance and policy interventions will help the industry deliver appropriate retirement vehicles.

There has been no let up in the volume of casework and our activity is becoming more detailed and focused on a smaller number of complex cases. A significant review of existing case stock against our revised risk criteria reduced case volumes from over 900 in July 2014 to 372 at the end of the year. This means we are well placed to be able to manage rising volumes of increasingly detailed high-risk casework, while still engaging with a large number of schemes each year.

While our number of open cases has reduced, the complexity and time commitment in new cases has increased. Particular successes in our case engagements this year have included settlements of £8m in MG Rover, £184m in Lehman Brothers and £8.5m in Carrington Wire. These cases included the successful extra-territorial use of our anti-avoidance powers. We also took successful action in the High Court to prevent further proliferation of a pension 'liberation' model. Along with our government partners, there is much more to be done to protect members from becoming victims of these arrangements.

The level of legislative change that we have processed in 2014-2015 cannot be underestimated. Our policy and communications teams' particular focus in the first part of last year was the revision and launch of our new defined benefit (DB) code of practice.

Soon after this code had been delivered, we embarked upon a major new phase of our regulatory activities with the consultation and then publication of our code of practice for public service schemes. This is the culmination of over two years' work to educate those associated to public service schemes about the changes that are now in place, and our interventions and support have so far been well received. There is, of course, more to do in this area.

Dominating the headlines late in 2014-2015 were pensions freedoms, the flagship development in a suite of changes affecting defined contribution (DC) schemes. Our teams have developed guidance and a regulatory approach to the changes that affect the way many schemes are run as well as the way that members take their pensions.

Throughout the year our automatic enrolment activities have continued to increase at pace, and we can be proud of what we have achieved. We've exceeded our expectation of compliance from large, medium and small businesses. When we analyse ultimate compliance rates for employers, we see that over 99% of eligible jobholders have been automatically enrolled into a qualifying scheme. We've sustained this performance in light of significant increases in volumes, with a peak of over 30,000 employers across a three-month period during the year – three times more than all large employers in the UK.

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"2014-2015 was a year of substantial achievement, unprecedented demand and outstanding endeavour across the business."

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We've educated, enabled and, in some cases, enforced against employers, and while we continue to refine the way that we communicate about automatic enrolment, our carefully tested approach has so far achieved exceptional results. We have achieved these results within budget and with a partial underspend against our automatic enrolment budget.

The success of our approach across all areas of our external-facing business has been heavily linked to the effectiveness of our communications. And while the most extensive communications activities relate to automatic enrolment, we've also carried out campaigns covering all of our policy outputs.

In a year of firsts for our regulatory communications, the Trustee toolkit beat all previous records for module completions, we produced our first radio advertisement, our first in-house media advertising campaign and launched our YouTube channel. We averaged just under two new publications per week to a range of audiences, while continuing our extensive activities in digital marketing, online engagement and social media. This included publishing more reports on the outcomes of our regulatory activities in 2014-2015 than any previous year.

The challenge of delivering this regulatory output was significant, and its delivery is all the more noteworthy in view of the major internal improvements we made to our structure, our governance, and the way we deal with change.

We carried out a significant reorganisation of our structure and governance processes, along with a pay valorisation exercise to ensure that we continue to pay all our staff a fair salary against market rates whilst recognising constraints on public sector pay.

Throughout the year we've been improving the way we use our working environment with all of our teams now working to a 9:10 or 8:10 desk occupancy ratio, making best use of the space we have available. We've implemented a new approach to talent management and succession, ensuring that we do all we can to retain and develop the highly knowledgeable staff that we attract.

Our newly-formed Business Transformation and Operations directorate is already delivering improvements to planning, projects and change while maintaining the delivery of excellent customer support functions in both Brighton and Birmingham. We received over 175,000 inbound contacts from scheme members, trustees, employers and advisers on issues ranging from automatic enrolment, to trustee duties, to complex points of pensions law.

The implementation of standard portfolio management techniques and a Prince2 project lifecycle has significantly improved our delivery of projects. We've also implemented a 'Fast Flow' system which is already delivering cost savings by taking a new approach to certain high-volume low-risk regulatory processes.

All our activities have continued to be monitored through a corporate planning and reporting approach which has evolved over the year in line with changes to our governance structure. This supported the development of our Corporate Plan and, along with better principles of project governance from Business Transformation and Operations, is improving the way we plan and control our work.

We've launched our largest ever programme of IT change while introducing new compliance and enforcement IT capability for our automatic enrolment activities. Throughout these changes we've maintained and improved the day-to-day IT services we deliver to our organisation.

I have joined the regulator during a watershed for the way that people in the UK think about their retirement. Together with government, other regulators and the pensions industry as a whole we're playing our part to make sure that people can have confidence in the means by which they save for retirement.

As both memberships of schemes and interest from the general public about pension savings increases, we will come under increasing scrutiny. In 2014-2015 we continued to demonstrate our ability to regulate a diverse range of entities sensitively and professionally. From small businesses to large pension schemes, our approach is tailored to educate and enable these organisations to become and remain compliant with the law. We identify the challenges faced by our regulated community and help them to comply, but we stand ready to use our enforcement powers where necessary. This Annual Report will show the effectiveness of enforcement powers as a deterrent to non-compliance, and the overwhelming benefits across all regulated entities that we've seen from proactive engagement and education.

Lesley Titcomb

Lesley Titcomb
Chief Executive, The Pensions Regulator
17 June 2015

Strategic Report

- Introduction
- Corporate priorities

94%

of trustees, 92% of employers and 77% of actuaries rated our 2014 annual funding statement as 'helpful'

We undertook

338

speaking events, including workshops with 400 trustees, employers and advisers as well as direct engagement with individual trustees and employers in order to help promote good governance and administration

425

scheme managers, pension board members, administrators and advisers have already signed up for our new public service pension scheme toolkit

We've seen an increase in subscribers to our news-by-email service from 29,506 to

57,635

We now regulate

208 public service schemes, covering around

13 million members associated to nearly

28,000 employers

Highest number of passes

A total of **17,385** modules of our **Trustee toolkit** were successfully passed in 2014-2015 – the highest number of passes since we launched the toolkit

Strategic Report

Introduction

The Pensions Regulator is the UK regulator of work-based pensions. We are a non-departmental public body established under the Pensions Act 2004 and sponsored by the Department for Work and Pensions (DWP). The legal framework within which we regulate is set by Parliament.

We regulate occupational defined benefit and defined contribution schemes, limited aspects of work-based personal pensions, and the governance and administration of public service pension schemes. We are also responsible for maximising employer compliance with their duties relating to automatic enrolment into workplace pensions.

Our regulatory approach

The objectives given to us by Parliament are:

- To protect the benefits of members of occupational pension schemes.
- To protect the benefits of members of personal pension schemes where direct payment arrangements are in place.
- To reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund (PPF).
- To promote, and to improve understanding of, the good administration of work-based pension schemes.
- To maximise employer compliance with employer duties and the employment safeguards.

In relation to DB scheme funding only, to minimise any adverse impact on the sustainable growth of an employer. Our regulatory approach is proportionate, accountable, consistent, transparent and targeted, and we track and evaluate our performance against these principles.

As a risk-based regulator, we formulate our strategy and allocate our resources based on an assessment of risks in the context of our statutory objectives. We categorise the risks we identify in terms of the threat they pose, the extent to which we can mitigate them and our risk appetite. We focus on those areas where our actions are likely to have the greatest impact. Our regulatory strategy, therefore, is to educate and enable our regulated community to comply with their responsibilities, and only usually taking enforcement action as a last resort.

We work closely with a number of government and regulatory bodies, both in the UK and around the world.

This Annual Report and Accounts

Our Annual Report and Accounts 2014-2015 sets out what we delivered within each of the priorities set out in our Corporate Plan 2014-2017. The themes illustrate our strategic direction and are tracked by key performance indicators, the outcomes of which are included in the Corporate priorities section of this report.

As a non-departmental public body, we are required to meet all of the disclosure requirements for Annual Reports and Accounts set out in the Government Financial Reporting Manual and to comply with our statutory obligations in the Pensions Act 2004 in relation to this report.

Strategic Report

Corporate priorities

Our Corporate Plan 2014-2017 sets out the four corporate priorities that guide our strategy. They are derived from our statutory objectives and reflect the risks and challenges that we expected to see over the course of that plan.

Our Corporate Plan shows how we allocate our resources in line with these priorities, and the following section provides details of the activities that we have undertaken in line with this plan during the year to 31 March 2015. Where appropriate, we have noted the external factors that have led to an adjustment in the way that we allocate our resources, for example the changes announced in the government's 2014 Budget.

Impact of 2014 Budget

The 2014 Budget announced reforms that have impacted, and will continue to impact, a large proportion of the schemes that we regulate.

Following the announcement of a charge cap for qualifying automatic enrolment schemes and new governance standards for schemes with DC benefits, the Budget's flexibilities for retiring members of all private sector pension schemes meant that our approach had to be refined in 2014-2015 and in subsequent years. In some cases we were given an explicit responsibility to regulate compliance with new requirements, in others we were expected to provide educational support ourselves or direct trustees, managers, advisers or members to such support.

As the Budget proposals came immediately before the publication of our Corporate Plan 2014-2017, and because the full impact of these proposals only became apparent during the course of 2014-2015, certain of our planned activities have been moved, adapted or deliberately not undertaken. These activities include the active promotion, among DC schemes, of compliance with, and measurement against, our six principles of well run schemes. This was not promoted in view of the announcement of significant structural changes to the legal framework for DC schemes and the impact that they would have.

Additionally, we had planned to undertake a consultation on revisions to our code of practice on trustee knowledge and understanding. We have already started a more fundamental review of our approach to achieving high standards of governance and administration in occupational pension schemes, including trustee knowledge and understanding. Revisions to the code of practice will now follow this review in 2016.

At the time of the development of our 2014-2017 Corporate Plan, it was not clear how the 'guidance guarantee' would be framed and which government departments or agencies would be responsible for its delivery. This activity is subsequently being handled by The Pensions Advisory Service and the Citizens Advice Bureau. We have considered how trustees may be affected in relation to member transfer requests and updated our educational materials as appropriate.

Measuring our performance

Our aim is to measure, as far as practicable, our regulatory interventions against our statutory objectives and Corporate Plan, both in terms of what the interventions have achieved and how effectively we deliver them. These measures are principally secured through management information and survey results. They are reported to our Board and the DWP on a quarterly basis.

The Board adopts these key performance indicators (KPIs) and associated targets annually and they are published in our Corporate Plan. They are based on proposals from the Senior Management Team. Where possible, we seek to achieve stability in our KPIs so that they will apply over a number of years. However, they are set in response to our assessment of the key risks to the achievement of our statutory objectives and corporate priorities, so it is also to be expected that some KPIs may change from year to year. In the event of a change being considered necessary, the Board takes a decision on whether or not to amend, add or withdraw a KPI in consultation with the DWP.

We designate the outcome of a KPI as green, amber or red where:

- **Green** denotes a KPI for which the target was achieved
- **Amber** denotes a KPI for which 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 of parts were achieved, and
- **Red** denotes a KPI for which the target was missed by a significant degree.

We performed well against our KPIs, achieving 14 green results, two amber and one red. This is a better outcome than in 2013-2014 when we achieved eight green, four amber and five red results.

For ease of reference, the individual KPIs have been listed against the corporate priority to which they most closely relate in the tables that follow in this section.

Corporate priority one: To promote good governance and administration of work-based pension schemes

The publication of our revised code of practice on DB funding, together with our annual funding statement, an essential guide to the code, and our programme of nationwide workshops and other communications activity, provided us with significant opportunities throughout the year to educate and raise awareness and understanding in our regulated community. In particular, integrated risk management came into focus as a cornerstone of our evolving expectations of trustees.

Through 338 speaking events, including workshops with 400 trustees, employers and advises, direct engagement with individual trustees and employers through casework, and revised content on the Trustee toolkit, we both educated trustees as to the importance of integrated risk management and enabled them to incorporate it further in their schemes. Additionally, we continued to make content from workshops, presentations and other speaking engagements available on our website to help those who were unable to attend these events in person.

This proactive approach, aimed at equipping those responsible for schemes, was mirrored across several lines of business. In particular, we produced significant support for public service pension schemes, for whom a new regulatory framework was to commence immediately after the period of this report. Our face-to-face engagement with those associated with public service pension schemes was already underway, and escalated throughout the year. We regulate 208 public service schemes, covering around 13 million members, associated to nearly 28,000 employers.

The materials provided for these schemes included our public service pension scheme code of practice in January 2015, along with an essential guide which provided an overview of the more detailed document. The code itself provides detailed guidance on how schemes can remain compliant with the law, and was accompanied by guidance, short leaflets and online content to help those responsible for public service schemes.

In particular, we launched the latest instalment of our online learning resources with our public service toolkit, specifically tailored to the needs of these schemes. 425 scheme managers, pension board members, administrators and advisers have already signed up for this toolkit.

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In addition to this new branch of our online learning facilities, we made further improvements to the Trustee toolkit. This included an update to the way in which users record their achievements in the toolkit. Users can now produce a development record which notes their achievements so far. This record will then be updated as and when new modules and learning materials are provided through the toolkit. This reflects the fact that the range of experience necessary for effective trusteeship can change and grow over time and are not limited to the content of our Trustee toolkit at any particular moment.

One of the key forms of pension provision emerging as a result of automatic enrolment is that of the ‘master trust’. These schemes are providing large numbers of employers with automatic enrolment facilities. In May 2014 we launched our master trust assurance framework, developed in conjunction with the Institute of Chartered Accountants of England and Wales (ICAEW). This framework provides a structure against which auditors can provide independent assurance reports for the trustees of master trusts, and is designed to show whether schemes can evidence the existence of our DC quality features.

The period saw the first two master trusts obtain this level of assurance, providing valuable assistance to employers when they are faced with several different schemes to choose from. We will continue to work with providers and employer groups to consider what additional help we can provide to employers who are required to choose a scheme for automatic enrolment.

KPI outcomes

Corporate priority one: To promote good governance and administration of work-based pension schemes	
KPI	**Outcome**
Scheme governance Usage of our Trustee toolkit among lay trustees to average 3,250 module passes per quarter.	**We achieved the target for this KPI. (Green)** A total of 17,385 modules of our Trustee toolkit were successfully passed in 2014-2015 against our cumulative target of 13,000; the highest number of passes since we launched the toolkit. We launched new modules in August to reflect the DB and DC codes. As a result, large number of users re-engaged and many new ones registered.
Record-keeping To publish outcomes of our investigations where we find breaches of pensions regulation with respect to record-keeping standards and practices. To carry out communications activity relating to the DC quality features, in advance of the proposed implementation of the DWP's legislative governance standards.	**We achieved the target for this KPI. (Green)** We closed ten of our eleven record-keeping cases without taking enforcement action and after we had successfully engaged with the trustees and administrators in order to improve the standards in their scheme. In March we published a report explaining the outcome of the cases and outlined our future intentions in relation to record-keeping activity. In August we published a new quick guide to record-keeping, supported by a communications campaign. We also published material to assist trustees in understanding the new governance requirements, including the importance of record-keeping in order to comply with the new 'core financial transactions' governance standard.
Public service pension schemes A positive outcome from our end-to-end operational testing of our procedures, processes and systems for use in our regulation of these schemes.	**We achieved the target for this KPI. (Green)** Following extensive internal development involving teams from across the regulator, we have the necessary tools in place to record public service scheme-specific information and intelligence.

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Corporate priority one: To promote good governance and administration of work-based pension schemes	
KPI	**Outcome**
DB knowledge and understanding A high level of understanding of our expectations set out in our 2014 annual funding statement, measured through a survey among employers, trustee boards and actuaries: ▸ 80% of audiences to be aware of the key messages in the funding statement ▸ 94% of audiences to understand the key messages in the statement ▸ 75% of audiences to rate the statement as helpful ▸ 84% of actuaries to advise on the use of flexibilities in a way that is consistent with our views.	**We achieved the target for this KPI. (Green)** All four parts of the KPI were achieved as follows. ▸ On average 84% across the three target audiences were aware of the key messages in the annual funding statement, versus a target of 80%. ▸ In relation to understanding the key messages in the statement, 95% of employers and 99% of trustees had at least some understanding of the messages against a target of 94%. ▸ Regarding the helpfulness of the statement, 77% of actuaries, 92% of employers and 94% of trustees rated it as helpful, versus a 75% target. ▸ Against a target of 84%, 86% of actuaries reported that they would advise schemes in a way that is consistent with our views.
Governance of DC schemes 86% of schemes being used for automatic enrolment to be aware that we have published details of the DC quality features that are more likely to deliver good member outcomes.	In quarter three, we withdrew this KPI. In light of the DWP's implementation of the governance standards and charge controls, we decided it was inappropriate for us to drive awareness and understanding of our quality features as it would confuse our audiences. While we did not and have not altered our stance that our DC code and quality features remain relevant, the focus needed now to shift to the incoming legislative requirements. Nevertheless we measured this KPI as part of a wider survey and achieved the target we had set, with 88% of schemes being used for automatic enrolment aware of the DC quality features.

Corporate priority two: To promote security and good outcomes for members of work-based pension schemes

In our regulation of DB schemes, we have continued to assess the level of risk that schemes pose to our objectives using a suite of risk indicators. This risk assessment framework, along with casework, discussions with industry, intelligence gathering and landscape analysis, informs the guidance that we provide and our approach to case interventions (both before and after receipt of a recovery plan). As a consequence of this analysis, we have intervened in fewer scheme funding plans while increasing the proportion of cases that see us approach trustees and employers early, during the initial stages of their negotiations toward a funding agreement.

Our analysis provides us with a holistic view of the risks facing DB schemes and is subject to continual refinement and revisions as circumstances and conditions evolve. It contributes to our analysis of the current market conditions and how this impacts on scheme funding as we prepare our annual funding statement, which provides guidance on the way in which we feel the prevailing economic conditions can affect the way trustees and employers approach valuations. The publication of our annual funding statement is now an important means of communicating our expectations of schemes and complements our longer-term code of practice and guidance.

We carried out extensive work with our case teams to ensure our working practices reflected both our new DB code and our new corporate objective to minimise any adverse impact on employer growth when considering DB funding issues. Extensive training and ongoing assessment of our case strategies is continuing to promote alignment between our guidance to schemes and the case-level application of our regulation.

This in-depth evaluation of our approach to cases is a continuation of our ongoing assessment of how we prioritise, escalate and intervene. This was extended to our treatment of whistleblowers during the period, and has resulted in a more refined definition of whistleblowing to ensure that we have an accurate picture of the volume of these types of reports – both in relation to automatic enrolment breaches and to suspected pension scams. We have also assigned more resources to address potential scam operations.

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Corporate priority 2: To promote good governance and administration of work-based pension schemes continued...

Our work with government partners and other regulators has continued to both raise awareness of scams and provide a means through which to co-ordinate the responses of multiple agencies. We've seen real successes in the period through our interventions. Where we have been free to do so, and where publication would not impact on any parallel law enforcement proceedings, we produced public reports about these cases[1].

Robust and informed governance is the most effective way to avoid many of the risks that can impact on the schemes we regulate. In line with our ongoing approach to enable the sound management of schemes by educating those responsible for them, we have updated the guidance and other learning materials we have available in line with changes to the law. Pension flexibilities and new governance standards affected DC schemes from April 2015, and we updated and adapted our existing guidance, as well as produced new, bespoke, materials to reflect these new rules.

In addition to the impact on schemes, we have liaised with the Government and the Financial Conduct Authority (FCA) to ensure that regulatory responses are aligned, consistent and reflect the respective systems of regulation. This collaborative assessment of risks and regulation in occupational DC was also evidenced by an audit of charges and benefits from the Independent Project Board (IPB). The IPB is comprised of representatives from the DWP, regulators, consumer experts and bodies representing the pensions industry. We were a member of this Board, and support their findings and recommendations for further action to improve legacy schemes.

We continue to encourage administrators to attain independent accreditation. In a number of publications over the year, we have promoted the merits of independent accreditation, including that of the Pensions Administration Standards Association (PASA), to trustees, and encouraged them to discuss with their administrators whether they have obtained independent accreditation or plan to do so. The Government has also supported the attainment of independent accreditation such as that offered by PASA, and has stated it may consider mandating accreditation if new DC governance standards do not drive up standards to the desired level.

Following the introduction and bedding in of FCA rules requiring providers of work-based person pensions to appoint Independent Governance Committees from April 2015, we will work with the FCA to explore the merits of a range of tools, possibly including independent assurance, to promote high standards.

1
In November 2014 we published a report on our activities in relation to the LPA Umbrella Trust. This is available at: **www.tpr.gov.uk/lpa**

Corporate priority two: To promote security and good outcomes for members of work-based pension schemes	
KPI	**Outcome**
Funding of DB schemes 49% of trustee boards with a DB scheme to integrate risks fully with respect to scheme funding, scheme investments and covenant.	**We achieved the target for this KPI. (Green)** Three fifths (62%) of the schemes surveyed in quarter three said that they 'fully integrate' the management of the following risks: scheme funding, scheme investments and the employer covenant. This exceeded last year's result (42%) and our target of 49%.
Reduce risks of DB schemes entering PPF 45% of the total PPF risk to be addressed in DB cases opened based on the risk indicators in our DB funding policy.	**We achieved the target for this KPI. (Green)** Of the recovery plans we received up to 31 March 2015, cases we opened covered approximately 55% of PPF risk, as calculated by the PPF deficit and likelihood of employer insolvency.
Sustainable growth of employers sponsoring DB schemes An average rating of 3.64 (where 5 denotes 'agree strongly' to 1 which denotes 'disagree strongly') provided by our core DB audiences against two survey questions, in our Perceptions tracker survey, which relate to our delivery against our new statutory objective to minimise any adverse impact on the sustainable growth of an employer.	**We missed achieving the target for this KPI by a small margin. (Amber)** We did not achieve our target. We achieved an average agreement score of 3.54 in our survey in quarter four which is not a statistical improvement from the baseline score of 3.51 in our quarter two survey. The baseline measure we took in the quarter two survey provided an already high level of agreement with the two survey statements that make up this KPI. Improving on this, in a relatively short period, was inevitably going to be challenging. We can take encouragement from the slight improvement among schemes we opened recovery plan cases with, since advisers associated with schemes we engage with act as intermediaries and messengers to the wider landscape of our revised approach with relation to our new objective. We retain this KPI for 2015-2016 and are putting in place a programme to build on our successes and embed more positive perceptions.

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Corporate priority 2: To promote good governance and administration of work-based pension schemes continued...

Corporate priority two: To promote security and good outcomes for members of work-based pension schemes	
KPI	**Outcome**
Quality of DC schemes 75% of members who are in schemes used by automatic enrolment to have 80% of the features in place.	**We achieved the target for this KPI. (Green)** We found that 78% of members in schemes used for automatic enrolment had at least 80% of our DC quality features in place, according to our DC features survey. The KPI was achieved largely due to master trusts which account for most members of schemes used for automatic enrolment and performed best on meeting the quality features: 84% of members in these schemes are in schemes with at least 80% of features in place.
Value for money of DC schemes To develop with industry and government partners an approach which will allow trustee boards to evaluate their scheme's value for money. We will set a target in 2015-2016 which relates to the evaluation approach being developed.	**We achieved the target for this KPI. (Green)** We reduced the scope of this KPI in quarter two to encompass only costs and charges, rather than benefits since the DWP did not set legislative definitions of costs and charges until later in the year. We achieved this KPI through our publication of the educational materials for trustees in respect of value for money evaluation and understanding costs and charges in a DC scheme, as well as the publication of the DWP's guide to the charge cap and charges assessment, on which we worked with the DWP.

Corporate priority three: To promote employer compliance with their pension responsibilities

Our industry liaison team continued to expand their programme of direct communications with industry sectors that support employers with automatic enrolment. This formed part of our largest ever year for speaking engagements, with teams across the regulator taking part in 338 face-to-face events. We broadened the reach of our automatic enrolment communications through webinars and online question and answer sessions on a range of topics.

In recognition of the increasing numbers of medium-sized businesses due to stage in 2014 and beyond, the emphasis of our industry liaison activities evolved to incorporate more of those sectors that would provide support to the UK's smaller employers. We provided bespoke educational products and online tutorials in the form of webinars to payroll and small accountancy firms. Accordingly, our activities with larger pension providers, many of whom were entering their third year of offering automatic enrolment services and schemes, were reduced in respect of the treatment of new employer business. As the year progressed, our focus with this audience turned to automatic re-enrolment, and the support that the UK's largest employers would need to undertake this process during 2015-2016.

The first employers will reach their deadline to re-enrol eligible jobholders in the summer of 2015. During the period of these accounts we have developed and tested with the industry a series of communications materials which will raise awareness of the need to re-enrol. This has included consultation with some of the first employers that will undertake this activity, in a mirror of our approach to the implementation of automatic enrolment in 2012.

Our bi-annual tracker research provides an opportunity to trace changes in the levels of awareness and understanding among those with whom we communicate about automatic enrolment. In particular, and in line with the changing emphasis of our approach, understanding among bookkeepers and accountants has seen a particularly sharp increase in a year when we have simultaneously provided educational support to these organisations while encouraging employers to seek them out for advice and help. Throughout our communications with business advisers like these, we have emphasised our desire that employers are provided with low to no cost support for automatic enrolment.

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Corporate priority 3: To promote employer compliance with their pension responsibilities continued...

This financial year saw the completion of the large and medium employer journeys, and the beginning of the small and micro (1-4 employees) journey. In terms of overall volume, 334,000 letters were dispatched over the year (against a forecast of 316,000) and 296,000 emails were sent against a forecast of 259,000.

The ultimate outcome of our direct communications is high levels of on-time compliance. However, it is highly likely that the approach taken for larger businesses will not work for small and micro employers. Therefore a new approach was developed and tested for these groups. From June 2014, we tested our small and micro employer journeys with 13,963 employers who will reach their staging date ahead of their peers. This included variations in the tone and format of communications, as well as some outbound calls. As a result of this testing, we have adapted the correspondence we issue to these employers 12 months from their staging date. We will continue to simplify our approach to small and micro employers during 2015-2016.

Additionally, we launched an employer mailing to raise awareness of automatic enrolment among all employers who are more than 12 months from their staging date. In total around 453,000 letters were dispatched in 2014-2015 with a further 872,000 planned to go out over quarter one of the new year.

These activities have accompanied a re-modelling of our website to suit the needs of small and micro employers, and an advertising campaign targeting employers to complement the DWP's individual-facing activity. This included digital, mobile and radio advertising. While we cannot measure the impact of radio directly, our tracking shows it to be the most recognised of the channels used, with 20% of micro employers and 16% of small employers recalling the advert spontaneously.

In line with our overall regulatory approach, enforcement activity remains a last resort in respect of automatic enrolment compliance. As the volume of employers staging has increased, we have flexed our operational model to provide us with the means to carry out larger scale interventions, either through communications to prepare businesses, targeted case work that supports employers or enforcement action where we see non-compliance. This approach reflects the change in employer needs and behaviours that we have observed during detailed research among samples of the small and micro businesses that are now approaching their staging date.

Proactive case interventions have been a central element of this refinement of our approach. This year we have focused on two particular areas which had the potential to result in non-compliance – the requirement to complete a declaration of compliance (formerly referred to as 'registration') and the suitability of certain pension providers to provide pension products that comply. This proactive work has provided good insight that has led, in some instances to solving specific issues within employers or helping us to refine our communications and guidance to support employers systematically and help them comply with their duties.

Proactive work is just one branch of our automatic enrolment case activity. In addition, we responded to 674 whistleblower reports and reviewed 1,362 suspected instances of non-compliance with automatic enrolment duties. Some employers have also 'self-reported', before or after their staging date, that they are encountering difficulties with compliance. In these instances we provide information and guidance to help the employer achieve compliance.

We have continued our partnerships with other bodies, such as HM Revenue & Customs, with whom we have raised awareness of automatic enrolment among tax agents and bookkeepers, and the Gangmasters Licensing Authority. This work has extended to include joint case activities, and we continue to utilise the insight we gain from them on potentially non-compliant sectors. Our approach to regulating large numbers of small and micro employers has been informed by our analysis of the operational models of such regulators.

While we did not proceed with the publication of a scheme list to assist employers as they prepare for automatic enrolment, we are continuing to keep this under review and develop the educational materials we have available to help employers choose a pension scheme. This may include the way in which we highlight to employers those schemes that have confirmed their compliance with the master trust assurance framework.

The implementation of our reporting system for late and non-payment of pension contributions has been successful. The overwhelming majority of automatically enrolled pension scheme members in the UK are in schemes that use this online portal, and we have opened more than 218 cases as a result of these reports.

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Corporate priority 3: To promote employer compliance with their pension responsibilities continued...

The publication of our revised compliance and enforcement policy for automatic enrolment was scheduled for release in quarter four of 2014-2015. However, due to a refinement of our policy on backdating contributions and the restrictions of publishing documents during the pre-election period, this document is now scheduled to be published in quarter one 2015-2016. Our revised DB code of practice, together with our annual funding statement and essential guide to the DB code, emphasised the importance of balancing sustainable growth with the funding needs of schemes. Supported by outbound education campaigns, including workshops attended by over 400 trustees, employers and advisers, these documents provided a clear steer not just on the way in which to approach funding, but on the way that trustees and employers should work together.

The revised code was the subject of formal consultation prior to the period of this report, and was finalised following discussions with industry representatives in quarter one 2014-2015. Following the publication of the revised code and our annual funding statement, we conducted research on our regulated community to measure the extent to which these had been received and understood as we intended and to inform who would most benefit from further communications about the existence of, and messages in, these products. This showed very high levels of awareness and understanding of the key messages in these publications, with more than 75% of readers rating them very positively.

Our increasing focus on proactive casework has seen our teams engage additionally with employers more frequently than in previous years. This reflects the importance of ensuring that both trustees and employers approach valuations and recovery plans with a common understanding of our expectations. In doing this, we have been able to indicate to parties well ahead of their submission deadline whether their approach is likely to result in a valuation and/or recovery plan that would cause us concern. This, in turn, has enabled trustees and employers to carry out more informed and effective discussions. Our proactive engagements have been informed and directed by our analysis of risks facing schemes and their employers, and our assessment of those employers and schemes that are most impacted by changes to external economic factors.

While our priority is education and enablement, our activities throughout the year have continued to demonstrate that we are willing and able to enforce against employers where they have not been able to negotiate suitable arrangements for their scheme. During the year, we reviewed our existing cases to be sure that we were targeting the most important risk areas and securing the right outcomes. By reducing case volumes from over 900 after our first recovery plan peak in July 2014 to 372 at the end of the year, we ensured that we would be well placed to succeed with rising volumes of increasingly complex casework.

During the year we have continued to strengthen our analysis of structures and transactions that may undermine support to DB schemes. In terms of structures, our key focus remains on asset-backed contributions. As set out in our November 2013 guidance, our approach is to 'unpack' such structures into the income stream and contingent assets. We then analyse the quality of each, to identify whether these add value to the trustee's position.

In terms of transactions, our main focus has been on regulated apportionment arrangements, which, in exceptional circumstances, allow separation of the scheme from the employer without payment of the debt due under section 75 of the Pensions Act 1995. We examine these proposals very rigorously to ensure that our criteria are met, including that the insolvency of the employer would be otherwise inevitable and the outcome for the scheme is better than that which would be achieved through insolvency.

Corporate priority three: To promote employer compliance with their pension responsibilities

KPI	Outcome
Qualifying scheme for automatic enrolment in place The number of employers who completed the declaration of compliance.	**We achieved the target for this KPI. (Green)** During the year, 35,003 employers confirmed to us they have met their duties by completing their declaration of compliance during the period.
Employer communications effectiveness For those employers whose staging date falls in 2014-2015, 95% to be aware and 80% to understand their duties shortly before their staging date.	**We achieved the target for this KPI. (Green)** The awareness and understanding targets were achieved in all staging date groups throughout the year. The measures were taken among employers who were surveyed shortly before their staging date.
Employer compliance with duties in DB schemes 99.8% of DB schemes to adhere to their schedule of contributions prior to any required interventions by the regulator.	**We achieved the target for this KPI. (Green)** The target was no more than ten instances of a scheme not adhering to their schedule of contributions (with no material deviation from this) prior to any required interventions by the regulator. We achieved this target on the basis of five instances having occurred.

Corporate priority four: To improve our organisational efficiency and effectiveness

Our case interventions have continued to evolve in light of the changes that were made to our operating model. A review of our DB case management processes has led to an adjustment to the way in which cases are handled. This has included providing help in the administrative elements of case managers' roles, thereby freeing up more of their time to deal with complex cases.

As we see the anticipated increase in enforcement relating to automatic enrolment, we are utilising our experience across other business units to make these interventions as effective as possible. Working experience of case and document management systems has therefore been fully leveraged in the development of new facilities for automatic enrolment.

We carried out a significant review of our operating model and structure in July 2014. Where similar functions were previously carried out across separate business units these were brought together into larger teams, thereby removing duplication of effort and enabling us to target our resources more effectively. The changes mainly related to the way in which expert, professional services, such as legal and actuarial advice, are delivered internally. This review was completed on time and on budget, and provided significant cost savings for the organisation.

We established our Business Transformation and Operations directorate from which we oversee our change and business architecture and through which we seek to continuously improve the way we operate. Our continuous improvement function works across the whole of the regulator evaluating, prioritising and ensuring the more efficient delivery of more than 60 smaller projects.

One particular efficiency improvement has been the development of our 'Fast Flow' approach to certain activities. This has involved analysing and improving the efficiency of seven distinct regulatory tasks that are typically low risk and of a high volume and frequency. We have allocated these to teams that are resourced and trained specifically to carry out such tasks, rather than having these activities carried out in teams that are also responsible for more complex regulatory interventions.

As well as improving our assignment of tasks and governance of projects, we've also implemented several solutions that make it easier for our staff to perform their roles. For example, we have improved communications within our Board by providing non-executive members with laptops, which has in turn reduced paper use.

This improvement in our business change capabilities will ensure that 80% of all projects are completed on time, within budget, and in line with their plan.

A further efficiency has been the work we have undertaken to ensure that our treatment of whistleblowers keeps pace with evolving anti-bribery and corruption requirements, providing customer-facing staff with clear guidelines on what enquiries should be treated as whistleblowing, even when they are not presented as such.

In our 2014-2017 Corporate Plan we made a commitment to improve the way we manage case information and associated documentation. This programme of work will continue through the whole period of that plan. In this reporting period we implemented a case and document solution for our automatic enrolment case activities. This system was designed to reflect the nuances of our automatic enrolment cases, while being informed by the case procedures and processes that have been developed in other areas of our business.

We have continued to make efficiencies in the way we communicate with our regulated community, including our use of digital channels. We completed a significant re-design of our website to deliver an improved experience for all our online customers, but particularly for mobile users. Early reports show a 53% increase in the amount of time users spend on our website from a desktop and a 96% uplift in time spent by mobile users. This has gone hand in hand with an increased use of online events and developing our ability to produce short educational videos in-house which can then be made available on our new YouTube channel.

We have taken a controlled approach to the gradual increase in our use of social media. This has developed into an important method for the promotion of automatic enrolment to both employers and business advisers. The number of users following us on Twitter has doubled in the year, while automatic enrolment and public service scheme regulation have both contributed to an increase in subscribers to our news-by-email service from 29,506 to 57,635.

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Corporate priority 4: To improve our organisational efficiency and effectiveness continued...

Our measurement of the impact of our communications continues to develop. We carry out research into our regulated community to assess the extent to which behaviour has been changed by our communications. These include tracking surveys, which this year showed that, by Autumn 2014, 95% of employers due to comply with automatic enrolment between June and November 2015 were aware that they had duties. When asked six months earlier, only 85% of these employers were aware of their duties. The measurement of our communications effectiveness also includes perceptions tracking research, intelligence reports, and awareness surveys, which this year showed, for example, that the number of small DC schemes aware of our DC quality features has increased 10% from last year to 78%.

In some cases there is not a clear answer to whether it is solely our communications that have changed behaviour. In other cases the link is more evident, such as our warm up campaign for the requirement for schemes to complete a scheme return. This activity is completed successfully by 98.7% DB schemes and 86.7% of DC schemes, covering 98.9% of DC members.

Throughout the period we have remained compliant with the targeted spending plans from the government comprehensive spending reviews, having achieved the required 25% reduction on our levy cost base over the four years to 2014-2015. In addition, we have underspent our agreed budget this year by £13.5m. This is in part as a result of the efficiency savings outlined above, as well as through reduced need for certain planned automatic enrolment activities, but also because of delays in recruitment to some vacancies.

As the efficiency of our interventions improves, so does our targeting of our activities against risks. During the period we carried out a review of the effectiveness of our approach to enterprise risk management, in addition to a board review of our risk appetite statement. No significant changes to our plan were needed. Separately, in light of changes to our internal structure, we also created new risk committees for case management, business transformation and IT. These committees contribute to our ongoing assessment of strategic, operational and reputational risks.

Corporate priority four: To improve our organisational efficiency and effectiveness	
KPI	**Outcome**
Governance standards of the regulator A positive result from our external board effectiveness review.	**We achieved the target for this KPI. (Green)** The findings of our external Board effectiveness review were positive. The report of the review concluded that "The Pensions Regulator is an excellent organisation with solid governance in place and a very committed and caring Board, management and staff where everyone strives to do 'the right thing' with an excellent and supportive culture."
Value for money of the regulator To adjust our operating model to achieve more efficient internal work processes. To measure the baseline level of the cost per member of regulatory activities, against which we will set an appropriate target for 2015-2016.	**We achieved the target for this KPI. (Green)** We adjusted our operating model as part of an organisational restructure, thereby removing duplication of effort and achieving more efficient internal processes. This resulted in significant ongoing savings. In quarter three we withdrew the 'cost per member' element of the KPI since it was deemed inappropriate given the factors of this KPI which are outside of our control, predominantly the number of members.
Delivery against better regulation principles (PACTT*) 70% (on average) of our key audiences to rate us positively on the constituent parts of the better regulation principles. * Proportionality, accountability, consistency, transparency, targeted.	**We achieved the target for this KPI. (Green)** We set a target of 70% of our key audiences to rate us positively on average across the different elements of the better regulation principles, representing the right balance that a regulator should achieve to be seen as effective and fair. We achieved a result of 72%, similar to the result in 2013-2014.

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Corporate priority 4: To improve our organisational efficiency and effectiveness continued...

Corporate priority four: To improve our organisational efficiency and effectiveness	
KPI	**Outcome**
Customer service 85% of customers rate our overall service as 'excellent', 'very good' or 'good'. Among users of our website, 78% as the average result of the following two measures: ▸ the proportion who obtained 'all' or 'most' of the information they were looking for on our website ▸ the proportion who rated the website positively on a number of key ratings.	**We missed achieving the target for this KPI by a small margin. (Amber)** The customer support element of this target was that 85% of those contacting us by phone surveyed said they rate the service they received as at least 'good'. We achieved this target with a result of 88%. We failed the online services part of the target. The target was 78% of website visitors obtaining on average 'all' or 'most' of the information they wanted from the website plus a 'very good' or 'good' score in response to questions on user perceptions. The result was 53%. While significant enhancements have been made to the website this year to simplify automatic enrolment for small and micro employers, the website was not optimised at the time it was assessed in a user survey. We will continue to review the website design and evolve it to meet the full needs of these audiences.
Employee engagement An employee engagement index score of 75. The index comprises seven elements including commitment, satisfaction and advocacy.	**We did not achieve the target for this KPI. (Red)** The employee engagement index score was 69, missing the target of 75. This result was in the context of organisational change, including a restructure. We retain this KPI for 2015-2016, with the same target of 75, and are putting in place an action plan to ensure we achieve it.

Governance Statement

- Scope of responsibility
- Overview
- Board

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of our statutory objectives and functions, and for reviewing its effectiveness. My review is informed by the work of the internal auditors, the Audit and Risk Assurance Committee, those responsible for the development and maintenance of the internal control framework, and the plan that we have in place to address weaknesses and ensure continuous improvement. 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 DWP. As accounting officer my responsibilities include ensuring the propriety and regularity of our public finances and keeping proper records. These are set out in the Non-Departmental Public Bodies Accounting Officers Memorandum issued by Her Majesty's Treasury (HMT). I am accountable (through the DWP principal accounting officer) to Parliament.

Having reviewed the evidence provided from risk management and internal controls, and from the internal audit opinion, I am satisfied that we have maintained a sound system of internal control during the financial year 2014-2015, on which I can rely as Accounting Officer. Where control issues arose over the year they have been, or are in the process of being, mitigated. There were no significant control failures or data losses.

Board

Board structure

We are subject to legislative requirements as to the composition, powers, functions, committee structure and responsibilities of our Board. The Board is accountable to Parliament through Ministers and is supported by a secretariat.

The Board structure at the end of the reporting period comprised the Chairman, five non-executive directors, the Chief Executive and three executive directors.

I was appointed as Chief Executive from 2 March 2015, replacing the interim Chief Executive who reverted to his substantive role as executive director for DB regulation on my appointment. Board members' appointment dates, terms of office, committee membership and biographies are set out on pages 52 to 57.

Responsibilities of the Board

The key responsibilities of the Board are:

- overseeing our strategic direction and making key decisions on policy
- ensuring we are properly run as a public body and has effective internal controls, and
- ensuring compliance with statutory and administrative requirements for the use of public funds.

Further detail is available in the Board's Code of Conduct and its Standing Orders.

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. These include a minuted check at the start of each meeting of whether any conflicts arise. The Board last reviewed its Code of Conduct and Standing Orders in December 2014 and updated these in line with ongoing good practice.

As an arm's length body, the Board has taken into account the principles of the government's 2011 corporate governance code as part of its own governance framework, and those of 'Managing public money'. It reviewed an updated framework document between the DWP and the regulator, which was then put in place. The most recent internal audit assessment of our performance against this code and the DWP's most recent Triennial Review, (both completed before this reporting period,) confirmed that our corporate governance is strong.

Board meetings from 1 April 2014 to 31 March 2015

In the year from 1 April 2014 to 31 March 2015, there were nine meetings of the Board, five meetings of the Audit and Risk Assurance Committee, three meetings of the Remuneration Committee and seven meetings of the Committee of Non-executive Members. In addition there were two strategy 'away day' discussion meetings, in May and November 2014, at which the Board received extensive briefings on operational and market developments and discussed strategic issues. At the February 2015 board meeting, the Determinations Panel Chairman discussed the Panel's role and work.

Throughout the year, our interim Chief Executive and the Chief Executive of the PPF continued to attend the meetings of each other's boards as observers.

Board evaluation

An external review of the Board's effectiveness has been undertaken and a draft report was considered by board members in March 2015. The final report and an action plan were considered by the Board after the end of the reporting period. Aspects covered included:

- board dynamics
- processes delegation to and oversight of management
- culture, ethics and clarity of purpose
- strategic direction
- stakeholder engagement and reporting, and
- committees.

Overall, the report was very positive:

"TPR is an excellent organisation with solid governance and a very committed and caring board, management and staff where everyone strives to do 'the right thing' with an excellent and supportive culture."

"...an able and developing board, which is very willing to steer the organisation into the future."

The review made a number of recommendations for fine tuning: progress will be covered in the 2015-2016 Annual Report.

The Board considers that it receives adequate information and quality of data, including management information, from its committees and through the reports it receives. These include regular reports from the Chief Executive, and from the executive directors for DB regulation, for DC and public service pensions and for automatic enrolment and from the director of finance. The external review concluded that the quality of information had been significantly improved; the Board will follow up recommendations to improve information further, including management information, to enable it best to recognise and monitor key issues.

Role of the Board Chairman

The Chairman is responsible for our strategic leadership. This includes:

- chairing the Board, keeping our strategic direction under review, and leading us in the fulfilment of our statutory objectives and functions
- chairing the Committee of Non-executive Members, in order to discharge our non-executive functions, including ensuring that the internal financial controls secure the proper conduct of our financial affairs
- appraising the performance of non-executive members of the Board and the Chief Executive
- working with the Chief Executive in ensuring that our internal operations are conducted effectively and with maximum efficiency
- communicating on our behalf with key stakeholders, and
- ensuring stewardship mechanisms are in place and operating effectively.

Role of the Chief Executive

In addition to being accounting officer, the Chief Executive has executive responsibility for securing that our statutory objectives and functions are exercised efficiently and effectively, for leading stewardship arrangements with government, for working with key stakeholders, and – as an executive member of the Board – contributing to and reviewing our strategic direction.

The Chief Executive's performance is reviewed by the Chair as the line manager for the role. The Chief Executives objectives are set by the Chair in conjunction with the Remuneration Committee which approves them. If the Chief Executive's contract includes scope for a bonus then the Remuneration Committee will consider any nomination from the Chair and decide on that element of performance-based remuneration annually. As Accounting Officer, the Chief Executive also has a reporting line to the DWP's Permanent Secretary.

Board committees

Committee of Non-executive Members

The duties of the Committee of Non-executive Members are to keep under review the question of whether our internal financial controls secure the proper conduct of our financial affairs, and to determine the remuneration of the Chief Executive. As required under section 8 of the Pensions Act 2004, this Committee has two standing subcommittees: an Audit and Risk Assurance Committee and a Remuneration Committee. A report of the activities of the Committee of Non-executive Members during 2014-2015 is on page 59.

Audit and Risk Assurance Committee

Terms of reference for the Audit and Risk Assurance Committee are agreed by the Board and the Committee of Non-executive Members. These are published as part of the Board's Standing Orders. The Committee advises the Accounting Officer and the Board on the strategic processes for risk management, internal control, governance and accounting policies. It also manages the planned activity and results of both the internal and external audit and the adequacy of management responses to issues identified by that activity. In addition the committee is responsible for anti-fraud policies, whistle-blowing processes and arrangements for special investigations. A report of the activities of the Audit and Risk Assurance Committee during 2014-2015 is on pages 60 to 63.

Remuneration Committee

Terms of reference for the Remuneration Committee are agreed by the Board and the Committee of Non-executive Members. In addition to its ongoing reward-related focus, this committee keeps under review our human resource strategy and considers emerging people issues. This covers succession planning and talent management and long-term human resource planning, with a particular focus on leadership capability. The terms of reference are published as part of the Board's Standing Orders. The Remuneration Committee reports during the year on its activities to the Board, primarily through oral reports. A report on the activities of the Remuneration Committee during 2014-2015 is on pages 64 to 65.

Determinations Panel

We are required by Section 9 of the Pensions Act 2004 to establish and maintain a committee called the Determinations Panel ('the Panel'). The Panel exercises certain regulatory functions on our behalf. A report of the activities of the Panel during 2014-2015 is on pages 66 to 68.

DWP stewardship

As Accounting Officer, my line of accountability is through the DWP. The DWP, through the nominated steward, receives reports on performance, finance and risk, has regular accountability review meetings, and attends our Audit and Risk Assurance Committee. The stewardship arrangement is set out in a published joint framework agreement.

Executive Committee

The corporate governance systems of the Board and its committees are further supported in our executive arm by the Executive Committee. Operational management and business planning functions are co-ordinated by the Executive Committee to:

- direct resources across the organisation
- ensure that we deliver to our strategies and objectives as set out in the Corporate Plan
- ensure oversight of corporate performance and governance
- set our operational direction
- develop and recommend strategic direction to the Board
- develop and recommend to the Board future corporate and business plans
- manage risk including oversight of the model risk framework
- assist the Board by ensuring it is only asked to make necessary decisions and that it is provided with appropriate information and support
- assist the Board's non-executive committees including the Audit and Risk Assurance Committee and the Remuneration Committee, by providing appropriate information and support
- manage stakeholder relationships, and
- provide a final point of escalation for issues arising from our directorates.

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Executive Committee continued...

The Executive Committee was formed during a strategic reorganisation of internal operations in July 2014. Previously, the role of the Executive Committee was performed by a Senior Management Team.

At the end of 2014-2015, Executive Committee membership comprised the Chief Executive (as Chairman), the executive director for automatic enrolment, the executive director for DC and public service schemes and the executive director for DB regulation. The interim director of finance and the corporate secretary both also attend. The Executive Committee meets weekly.

Control framework

Our system of internal controls was in place during the year ended 31 March 2015 and up to the date of approval of the Annual Report and Accounts. It accords with HM Treasury guidance and supports the achievement of our objectives, while safeguarding public funds and departmental assets. It is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide 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 the requirements on government spending, and to track and monitor service delivery in areas most affected

Internal controls

Key components of the internal controls are:

- codes of conduct and supporting training materials where appropriate, for Board members, staff and contractors, setting out expectations of behaviour, and the policy framework for declaring and managing conflicts of interest, ensuring data protection and information security, countering the risk of fraud, and providing for a system of whistleblowing
- standing orders and terms of reference for the Board and its committees, and a set of general, financial and regulatory delegations, which are approved by the Board and which are reviewed at least once a year
- terms of reference for the Executive Committee, which are kept under review by that committee
- a business planning system linking strategic, operational and personal objectives, subject to regular review by the Executive Committee, and with quarterly reporting to the Board and the DWP Steward
- an annual budget together with quarterly forecasts, agreed by the Board, developed through using priority-based budgeting methodology, linking into the business planning cycle and risk appetite. This includes a set of financial protocols outlining the relationship between levy funded activities and those relating to automatic enrolment, which are also reviewed annually
- management reporting through the Executive Committee on a set of agreed measures designed to reflect the performance of the organisation and to monitor key performance indicators
- detailed business processes, a consistent standard of documentation, and clear lines of accountability and escalation in respect of regulatory decisions and actions taken
- a process for managing change, the resources dedicated to change projects and the overall change requirement on the organisation, with a directorate dedicated specifically to business transformation and operations, and
- a programme of internal audits and a system for progressing implementation of audit recommendations and reporting progress to the Audit and Risk Assurance Committee.

The performance of the Chief Executive and Executive Committee members is reviewed by the Remuneration Committee. Details of the remuneration of all Board members are given in the Remuneration Report on pages 77 to 85.

Risk management

The identification and management of risk forms an integral part of the way we operate. We deal with two fundamental types of risk: those risks to members in the external pension landscape, and those which, if left to crystallise, would specifically affect our ability to deliver our strategic objectives and our Corporate Plan. Assessments of risk inform our regulatory approach and corporate planning, and are taken into account when judging the prioritisation of interventions and the allocation of resources. Risks are managed at the level most able to deal with them, with the most serious risks being escalated to the Audit and Risk Assurance Committee and to the Board.

A key element of our governance and reporting framework is the Risk appetite statement which was formally agreed by the Board in December 2013 and subsequently published in the 2014 and 2015 Corporate Plans. The statement sets out how we balance risk and opportunity in pursuit of achieving its objectives.

At the Board's first annual review of our risk appetite in February 2015, it was agreed that there was no need to amend the current Risk appetite statement. However, it was acknowledged that as we take on more responsibilities, a revision of our Risk appetite statement may be required.

Our Risk Committee is responsible for weighting risks in terms of threat and control and for proposing the top ranking risks to the Executive Committee. Risk committees have been established across our directorates to ensure effective risk management capabilities also operate at that working level.

In October 2014, the Risk Committee undertook a review of its effectiveness and performance. Outcomes from this review concluded that there were no immediate areas of concern and therefore the Risk Committee considers that it is currently fulfilling its stated purpose and remit. During the course of the year we managed our risk through an Enterprise risk management framework. In particular, the top risks were or continue to be managed with a number being mitigated to within acceptable levels and only two top risks crystallising over the year. We have not been exposed to any major risks or unseen adverse events that have led to the instigation of an emergency reaction.

Two risks of notable magnitude did crystallise over the past year. Both risks were identified and tracked within our risk register and in both instances the associated mitigation plans proved effective in limiting the impact of these risks. They were:

- failure of the air conditioning in our data centre within Napier House, and
- substantial changes in senior level staffing, with several Senior Management Team members (directors) leaving the organisation during the period.

We use models to enhance the effectiveness and efficiency of our regulatory activities and internal operations. In doing so, it acknowledges the risks ('model risk') that their use carries and the need to manage these risks in a manner consistent with appropriate best practice.

As a non-departmental public body, two explicit sets of guidance apply to our modelling activities: the recommendations of the Macpherson Review apply to all business critical modelling; and the guidance within 'Managing public money' applies to the use of models for the management of finances, and financial reporting.

We manage the risks arising from the use of business critical models under a formal risk management framework of governance and process ('the model risk framework'), and a broader environment conducive to high quality modelling. Both of these elements are actively supported by the CEO and Executive Committee. On this basis, we are compliant with the terms of the Macpherson recommendations, and 'Managing public money'.

Financial contingency

Our financial resource and headcount budget is agreed with the DWP. In the event of unpredictable events, for example a significant change in the economic environment or unexpectedly high costs of legal enforcement action, there is the potential for the DWP to provide additional resources in response to a supplementary bid request. This could then be recouped from pension schemes. We have never requested additional resources through this facility.

In conjunction with government spending controls, arrangements are in place which delegate responsibility for authorising certain expenditure, which would ordinarily be captured by limits within these controls, to the Chief Executive, with oversight by the DWP. These arrangements have provided important flexibility and helped us to respond to increased caseloads and some IT challenges.

Information security

In accordance with our responsibilities under the HMG Security Policy Framework and the Data Protection Act 1998, we have arrangements in place to provide for information security. It also has ISO 27001 accreditation. We advise the Information Commissioner's Office (ICO) of data protection related incidents. There were no such incidents drawn to the ICO's attention in 2014-2015.

Internal audit

A programme of internal audits was undertaken and reported to the Audit and Risk Assurance Committee during the period of this statement. The classification of the audit reports was three high risk, two medium risk and one low risk. In addition, three management letters were provided at the request of management commenting on controls, risk and governance, in particular, in relation to IT.

Based on the spread of findings arising from the work they had completed, the internal auditors identified that improvements were required to aspects of IT controls and the Programme Management Office. Management has implemented a range of measures to improve controls over these areas. Apart from these areas for improvements, internal audit did not identify any control failures within the business and operational processes that were significant in aggregate to the system of internal control.

Responsibilities of Executive Committee members

Members of the Executive Committee take shared responsibility for executive decision making and for recommendations made to the Board. In addition, each member of the Executive Committee and each of the other directors has internal controls in place for their area of responsibility (eg compliance with the Board's delegations, the Board's Code of Conduct and the regulator's data handling procedures) and has given me formal assurance that these have been operating effectively throughout the year.

Conclusion

Having reviewed the evidence provided, and from the internal audit opinion, I am satisfied that we have maintained a sound system of internal control during the financial year 2014-2015. Areas outlined above where control issues arose over the year have been, or are in the process of being, mitigated. There were no significant control failures or data losses.

To my knowledge, and that of the Board, there is no relevant audit information of which the auditor is unaware. I have taken appropriate steps to become aware of and report to the auditors any relevant audit information.

I can confirm that we received no ministerial direction under the Ministerial Code 2010 during the financial year 2014-2015.

Lesley Titcomb
Chief Executive, The Pensions Regulator
17 June 2015

Details of Board membership

Board appointments and committee membership are set out below. A register of Board members' interests is on our website: **www.tpr.gov.uk/docs/register-board-interests.pdf**

Name	Date appointed	Date term expires/expired	Committee membership
Mark Boyle	1 April 2014	31 March 2018	Non-executive (Chairman)
Non-executive members			
Tony Brierley	9 July 2008	8 July 2016	Audit and Risk Assurance (Chairman), Non-executive
Bruce Rigby	1 June 2009	31 May 2017	Audit and Risk Assurance, Non-executive
David Martin	1 February 2013	31 January 2017	Remuneration, Non-executive
Graham Mayes	1 February 2013	31 January 2017	Audit and Risk Assurance, Non-executive
Ann Berresford	1 August 2013	31 July 2017	Remuneration (Chair – from 10 September 2014), Non-executive
Executive members			
Lesley Titcomb	2 March 2015	1 March 2019	
Stephen Soper	11 May 2011	30 April 2016	
Charles Counsell	1 July 2011	1 July 2017	
Andrew Warwick-Thompson	8 April 2013	31 March 2016	
Former executive members			
Isabel Hudson	1 June 2009	Stepped down 5 September 2014	Remuneration (Chair), Non-executive until 5 September 2014

Details of Board attendance

Member	Number of meetings			
	Board	Audit and Risk Assurance Committee	Remuneration Committee	Committee of Non-executive Members
Mark Boyle	9/9	N/A	N/A	7/7
Tony Brierley	8/9	5/5	N/A	7/7
Bruce Rigby	9/9	5/5	N/A	7/7
David Martin	9/9	N/A	3/3	7/7
Graham Mayes	9/9	5/5	N/A	7/7
Ann Berresford	8/9	N/A	2/2	7/7
Lesley Titcomb	1/1	N/A	N/A	N/A
Stephen Soper	9/9	N/A	N/A	N/A
Charles Counsell	9/9	N/A	N/A	N/A
Andrew Warwick-Thompson	9/9	N/A	N/A	N/A
Former member	**Number of meetings**			
	Board	**Audit and Risk Assurance Committee**	**Remuneration Committee**	**Committee of Non-executive Members**
Isabel Hudson	3/3	N/A	1/1	3/3

Board members

Full biographies can be viewed at **www.tpr.gov.uk/board**

Chairman

Mark Boyle became non-executive Chairman of The Pensions Regulator in April 2014. Mark has a 30-year career spanning three separate spheres – banking, FTSE corporate and central Government. He has a background in corporate finance, governance and stakeholder management. Alongside his role here, Mark is also the independent non-executive Chairman of HM Land Registry.

Mark was previously director and chief operating officer at the Shareholder Executive, the specialist team based in the Department for Business, Innovation & Skills (BIS) that looked after a portfolio of Government-owned businesses ranging from the Royal Mail to Ordnance Survey. Before this, he spent 12 years in senior commercial and corporate development roles with two major FTSE companies, Compass Group and Rentokil Initial. The first 15 years of his career was spent in banking with Lloyds Bank International and Kleinwort Benson.

Non-executive directors

Tony Brierley is a solicitor and has spent over 25 years in the private equity and venture capital industry. He was formerly general counsel and company secretary of 3i Group plc, the FTSE100 international private equity business. As a member of 3i's Executive Committee, he was responsible for the Group's legal, compliance, company secretarial and internal audit functions worldwide. He now has a portfolio of commercial and public sector non-executive positions.

Tony was re-appointed as Non-Executive Director of the Board with effect from 9 July 2012.

Bruce Rigby retired in early 2012 after a full career with Mercer, mainly as a consulting actuary advising on occupational pension provision. He held many management roles with the company, including global leadership of the Mercer's retirement, risk and finance business and as its global chief retirement strategist. In addition, Bruce is a Non-Executive Director of Baillie Gifford Life and Mercer Global Investment Europe, and a governor of Edinburgh Napier University.

Bruce was re-appointed as Non-Executive Director of the Board with effect from 1 June 2013.

David Martin has over 40 years' experience in the pensions industry, including 30 years of giving direct advice to trustees of occupational pension schemes. He is an actuary and was, until recently, a partner at Mercer Ltd and its predecessor companies (1980 to 2012).

David is involved at a senior level with the Institute and Faculty of Actuaries. He is a Chair of the Professionalism Committee of the International Actuarial Association, and an officer of the Actuarial Association of Europe.

Graham Mayes is a finance professional with over 30 years' experience in the global consumer goods industry with Kimberly Clark and Unilever. He has held numerous financial positions including director of finance for Kimberly Clark's MEA region from 2006 to 2009. He chaired a number of NHS Audit Committees between 2010 and 2013.

He is currently a Trustee Director for Kimberly Clark Pension Trust Ltd where he chairs the Investment, Funding and Covenant Committee.

Ann Berresford has worked in a range of financial roles over the years across different businesses and has gained broad general management and strategic experience on the boards of large and small organisations.

She was the UK Finance Director for Bank of Ireland (1998-2006) and was also the Finance and Administration Manager and Group Treasurer for Clyde Petroleum (1985-1998).

Ann was also a Non-Executive Director of the Pension Protection Fund (PPF) until 31 July 2013. She is a Non-Executive Director with the Bath Building Society and an independent trustee of a Local Government Pension Scheme – the Avon Pension Fund.

Former non-executive director

Isabel Hudson has had an extensive career in financial services in the life, non-life and pensions industries in a number of senior roles, including M&A and as finance director. Isabel stepped down from the Board in September 2014 on her appointment to the BT Board and to the BT Pensions Committee.

Chief Executive

Lesley Titcomb became Chief Executive of The Pensions Regulator on 2 March 2015. Previously, she was Chief Operating Officer at the Financial Conduct Authority (FCA), responsible for the FCA's operational platform, and was also a member of the FCA's Board. She has led the work to deliver the transition to the FCA from the Financial Services Authority (FSA) and oversaw the work to bring the regulation of consumer credit from the Office of Fair Trading (OFT) to the FCA.

Lesley joined the FCA's predecessor-but-one, the Securities and Investments Board (SIB), in 1994 after qualifying as a chartered accountant with Ernst and Young. She held a wide range of posts covering both regulatory and operational issues at the SIB and the FSA. In January 2006 she was appointed Director of Regulatory Transactions and in February 2007 became Director responsible for the supervision of small firms, including financial advisers, mortgage brokers and insurance intermediaries. In July 2010, she was appointed Acting Chief Operating Officer and joined the Executive Committee. On transition to the FCA she was appointed as the Chief Operating Officer of the new organisation and joined the Board as one of its four executive members.

Lesley read Classics at St Anne's College, Oxford. She is married, and is Treasurer of her local church. She serves on the Diocesan Synod and the Diocesan Board of Finance for the St Albans Diocese within the Church of England.

Former interim Chief Executive and current Executive Director

Stephen Soper is the Executive Director for defined benefit (DB) regulation (prior to this Stephen held the position of Interim Chief Executive from August 2013 – March 2015). Stephen was promoted to the Board as Executive Director in February 2011 after joining in February 2009 to restructure our risk and funding activities.

A chartered banker (ACIB), Stephen began his career at RBS in 1986 within the international banking division and subsequently worked in executive positions at the Allied Dunbar Group, Zurich Financial Services, Eagle Star and Aon.

Executive directors

Charles Counsell became Executive Director in 2011, and since 2008 has been involved with our design and delivery of automatic enrolment. Prior to that Charles led the Transformation programme following our creation in 2005 from Opra.

For nearly 20 years, Charles has been setting up and running major business change programmes. As well as his work in the public sector, Charles has run major programmes of change in the financial services and automotive industries. Many of these programmes have been international, including work in South Africa, the United States, the Middle East and in Europe.

Andrew Warwick-Thompson has nearly 30 years' consulting and senior management experience, spanning the insurance, pensions funding vehicles and asset management markets, both in the UK and internationally. He has advised leading banks, insurance companies and asset managers on product design and market entry strategies in the UK and overseas; the Financial Services Authority on their 'League Tables'; the European Commission on a multi-employer, cross-border pension plan for EU Researchers; as well as many well known public and private sector employers on the design and governance of their domestic and multinational retirement programs.

He joined the Board of The Pensions Regulator in the UK as Executive Director for defined contribution (DC) and public service pension schemes in April 2013. Andrew read Law at Sheffield University and then at Guildford College of Law. In 1986, joined Bacon and Woodrow (now Aon Hewitt) where he became an Equity Partner in 1997.

He held positions within the insurance, investment and retirement practices of the firm, latterly as partner in the international retirement and investment practice where he was responsible for global DC governance and investment solutions. In February of 2000 the Council of the Institute of Actuaries elected Andrew as an Affiliate Member of the Institute. From 2011 to 2013, he gave some of his time to Mencap, the voice of learning disability, as Chairman of the Mencap Pension Plan Trustees.

Accountability Reports

- Report of the activities of the Committee of Non-executive Members
- Report of the activities of the Audit and Risk Assurance Committee
- Report of the activities of the Remuneration Committee
- Report of the activities of the Determinations Panel

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

Membership of the Committee of Non-executive Members consists of the Chairman, Mark Boyle, and the non-executive directors. From the start of the period to 6 September 2014, the non-executive directors were Tony Brierley, Isabel Hudson, Bruce Rigby, Graham Mayes, David Martin, and Ann Berresford. Isabel Hudson stood down from the Board in September 2014.

Reports follow from each of the standing sub-committees: the Audit and Risk Assurance Committee and the Remuneration Committee, including on the membership of these committees. Members' attendance records are included in the tables showing details of board membership and details of board attendance on pages 52 to 53.

The Committee met seven times during the period of this report.

Its consideration included a range of appointments and staff matters such as Chief Executive recruitment, senior management recruitment processes, senior staff changes, and restructure of the organisation.

Members also considered further key topics, including the regulator's major business transformation and IT programme proposals and progress, board papers, processes and evaluation, DWP stewardship, internal audit provision, and the regulator's successes and priorities.

By invitation from the Chairman, the interim Chief Executive attended parts of some of these meetings, and the Chief Executive designate attended part of the February 2015 meeting.

Report of the activities of the Audit and Risk Assurance Committee

As a result of its work and the reports that it has received and considered, the Audit and Risk Assurance Committee:

- noted that our control system is designed to manage risk rather than to eliminate all risk. It therefore provides reasonable rather than absolute assurance of effectiveness. It has evolved to provide compliance with government spending requirements and to track and monitor service delivery in key areas.
- endorsed management's assessment of key risks, through identification, prioritisation, monitoring and reporting systems, and concluded that effective and thorough monitoring and reporting systems were in place to give the executive team an appropriate level of control over the management of risk, and
- noted that of the nine internal audits undertaken, which identified opportunities for improvement, the classification of three was high risk, two were of medium risk, two were of low risk, while two management letters were not classified. There were no reports during the year with an overall critical risk rating and similarly none of the individual findings within the audits were classified as critical.

The Committee was satisfied at the year-end that good progress was being made in the implementation of agreed internal audit recommendations; and concluded that the monitoring and reporting systems in place give senior management an appropriate level of control over processes, that management of processes within the organisation were broadly effective, and that where gaps were identified, appropriate actions were effectively put in place.

The Committee noted the internal auditors' assessment that:

- No critical issues were identified
- Those issues identified as high priority were mostly isolated to IT, some of which related to non-compliance with existing controls
- Since the reviews, management had undertaken significant work to address and improve IT operations, programmes and controls, to mitigate or resolve the high priority issues identified
- The spread of medium-rated issues reported in other processes and systems, together with their wider review of assurances (eg Board effectiveness review), did not identify any control failures within the business and operational processes that were significant in aggregate to the system of internal control.

The Committee was satisfied at the year-end that good progress was being made in the implementation of agreed internal audit recommendations, and concluded that the monitoring and reporting systems in place give senior management an appropriate level of control over processes, that management of processes within the organisation were broadly effective, and that where gaps were identified, appropriate actions were effectively put in place.

Subjects considered by the Committee

Specifically, during the year the committee:

- reviewed our Annual Accounts for the period 2013-2014 and recommended their approval to the Board
- reviewed the external audit management report for 2013-2014
- reviewed the internal audit management report for 2013-2014
- approved the external audit strategy and plan for 2014-2015
- approved initial elements of the proposed internal audit strategy for 2015-2016
- considered and reviewed with senior management the approach to risk management and kept our risk register under review
- considered and reviewed the system of delegated authorities and their use, including reviewing the principles against which the delegations are made and considering delegations to the regulator's automatic enrolment partner
- reviewed Board and Determinations Panel members' expenses and hospitality information for publication
- reviewed the regulator's draft IT strategy
- received reports from the internal auditors reviewing areas of the business, and
- monitored the implementation of recommendations made in earlier internal audit reports.

Members of the Committee had an additional meeting with senior management and internal audit to review senior IT resourcing arrangements and emerging findings of an internal audit report. The DWP group head of internal audit also attended a Committee meeting.

During the year, the Chairman had a range of meetings. These included discussions with the DWP regarding the work of the Committee generally, and with the DWP group head of internal audit, regarding specific aspects of the work of internal audit and longer term internal audit resourcing requirements. Also with the National Audit Office (NAO) regarding audit issues in general, the performance of the Committee, and emerging audit themes within the public and regulatory sector generally.

The Committee also met in May and June 2015 to review:

- the final internal audits for 2014-2015
- the internal auditors' annual opinion for 2014-2015
- the draft Governance Statement for 2014-2015
- our Annual Report and Accounts 2014-2015, together with the internal and external auditors' reports for the year, and
- further elements of the proposed internal audit strategy for 2015-2016.

Following completion of those reviews, the Audit and Risk Assurance Committee recommended to the Board approval of the elements of the Annual Report and Accounts within its remit.

Risk management

The Audit and Risk Assurance Committee undertook a quarterly review of our top risks, based on management processes and inputs to identify, prioritise, monitor, manage and mitigate risks, both operational and strategic, throughout the organisation. The Committee was able to question management as to the ratings given to risks, to monitor the effectiveness of mitigations and to consider the changes and trends in risks.

The Committee considered cyber security risk, considered a review of enterprise risk management, and reviewed a specific aspect of the risk register in depth: relating to trustees and those running schemes.

The Committee noted with pleasure the publication of the regulator's risk appetite statement during the period, as part of its Corporate Plan. This followed development work over the previous year.

Internal audit strategy for 2014-2015

As in the previous year, internal audit services were provided by auditors whose services have been procured via a DWP framework agreement.

The Committee agreed a programme of internal audits for the year, covering major areas of the business assessed as priority topics for review, investigation and audit. Some further audits were added to this programme during the year at management's request and some were not pursued – with the Committee's agreement. Progress over the year was kept under review and the Committee was able to review each of the audit reports before review of the Annual Report and Accounts and the Governance Statement and their subsequent recommendation to the Board for approval.

The Committee gave and will continue to give close attention to monitoring progress quarterly in the implementation of previous audit recommendations.

Systems and processes

Our internal audit programme for the period covered a range of systems and processes, with nine audits, covering automatic enrolment delegated authorities (in two phases), DC, IT key controls, IT governance and controls, software licensing, contract management, our programme management office, and previous project management.

Financial information

In addition to the external auditors' annual work, elements of the internal audit programme above covered aspects of financial controls.

Board and Determinations Panel expenses

The Committee reviewed the expenses of Board and Determinations Panel members for quarterly publication on our website and was satisfied that the expenses claimed were appropriate.

Membership

Membership throughout the period was Tony Brierley (Chairman), Bruce Rigby and Graham Mayes.

Report of the activities of the Remuneration Committee

The Remuneration Committee met on three occasions in 2014-2015. Its terms of reference provide for the committee:

- to advise the Secretary of State in relation to the pay of the Chief Executive including base salary, bonus and any other components under the terms of that contract, performance against agreed objectives, pay levels for relevant comparable public and private sector roles, and pay increases awarded to the regulator's staff
- within the terms of the regulator's pay remit agreed with the Secretary of State, to review the pay and performance of the executive directors including approval of any annual bonuses to be awarded to them
- to keep the regulator's reward strategy under review, and
- to keep under review the regulator's human resource strategy and to consider emerging strategic people issues, especially in relation to talent attraction, development and retention and long-term human resource planning, with a particular focus on leadership capability, and to update the Board accordingly.

Membership until September 2014 was Isabel Hudson (Chair) and David Martin. From September 2014, membership was Ann Berresford (Chair) and David Martin.

The Committee continued to focus on reward-related issues and on the objectives for senior staff, and reviewed:

- bonus nominations for executive and other directors, and for other members of staff, relating to 2013-2014 performance
- additional duties allowances, and
- executive directors' objectives for 2015-2016, as a basis for operational planning.

In addition to these areas, the committee discussed topics including diversity, talent management and succession planning, HR dashboard, and the annual 'Speak up' staff engagement survey.

Through its discussions, including with management, the committee formed the view that effective human resource approaches have been in place to give the executive team an appropriate level of support.

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

The Chair, non-executive members of the Board, and the Determinations Panel are not entitled to receive any bonus.

The remuneration of our first Chief Executive was determined by the Secretary of State for Work and Pensions, in accordance with Part 2 of Schedule 1 of the Pensions Act 2004. The legislation requires that we determine the remuneration of subsequent Chief Executives with the approval of the Secretary of State.

The interim Chief Executive was in this role from the start of the period through to 1 March 2015. His remuneration remained as in his substantive role as executive director for defined benefit regulation. Under the terms of this contract no bonus is payable. The remuneration of the incoming Chief Executive who took up the role from 2 March was approved by the Secretary of State and the Chief Secretary to the Treasury. Final decisions on remuneration relevant to this year were again taken in accordance with the current rules on public sector pay.

The remuneration of the other executive members of our Board is also, in accordance with Part 2 of Schedule 1, determined by us and approved on appointment/re-appointment by the Secretary of State for Work and Pensions. The majority of executive members of the Board were eligible in this period for an annual bonus to a maximum of 10% of base salary based on performance. Decisions on such remuneration were also taken in accordance with the current rules on public sector pay.

Report on the activities of the Determinations Panel

Legislative framework

The regulator is required by Section 9 of the Pensions Act 2004 to establish and maintain a committee called the Determinations Panel ('the Panel'), whose purpose is to exercise, on the regulator's behalf, certain regulatory functions, as set out in schedule 2 to that Act.

In summary, these powers may be used either where we consider that certain enforcement action needs to be taken in respect of pension schemes, their trustees or employers, or where trustees or other interested parties ask that certain actions be taken to safeguard the interests of scheme members. The purpose of this arrangement is to ensure that the regulator undertakes serious regulatory action in a transparent way, allowing those affected to understand the reason for it and the evidence upon which it is based.

Membership

The regulator appoints a Chairman to the Panel. The Chairman then nominates at least six other members, who the regulator must then appoint. The Panel consists of Tony Foster, Peter Hinchliffe, David Latham, Matthew Lohn, Elizabeth Neville, Catharine Seddon, Alasdair Smith, Anthony Stern and myself, Andrew Long, as Chairman.

Procedures

Procedures made by the Panel ensure that every regulatory decision it makes is reached after a full and impartial consideration. This requires the Panel to be satisfied that the evidence put forward supports the decision it is being asked to make. The standard of proof required will be on a balance of probabilities. If the Panel is not satisfied that the standard of proof is met, then it will refuse to make the decision requested.

The cases coming before the Panel are prepared by the regulatory teams and incorporated into a warning notice which is sent, in standard procedure cases, to all parties who are considered to be directly affected by the decision under consideration and giving each party a full opportunity to respond, and to make their own case, if they wish. The papers, including the warning notice, the supporting exhibits and the responses, are then submitted to the Panel. The Panel for a specific case is a sub-committee of members, which is supported by a clerk as appropriate and the Panel's administrative support staff.

The Panel then makes its decision on the basis of material already submitted. In those cases where an oral hearing has been applied for, and granted, all parties are invited to give evidence or make 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 regulatory case teams to investigate fully and explain the grounds of concern with sufficient evidence to support them.

Special procedure is an emergency procedure allowing action to be taken quickly and without notification to the directly affected parties. This is put into action when the regulator considers that the scheme funds or members' interests would otherwise be at immediate risk. A special procedure decision must be fully reviewed by the Panel at a compulsory review soon after the initial hearing, with all parties given an opportunity to make representations on the initial decision made. The Panel's procedures are published on the regulator's website.

Casework in 2014-2015

During the year, the Panel made determinations in ten cases. The schemes concerned in all these cases were DC. All the cases were determined on consideration of the papers. Five of the cases were determined under special procedure and five under standard procedure. One of the cases was brought by a third party under s10(2) (b) of the Pensions Act 2004, rather than by the regulatory case teams. In this case the application was not granted. Further details are in the table on page 68. A further two cases were heard at the end of the financial year, but determination notices were not issued until the following year. Both were heard under standard procedure, and one was heard as an oral hearing.

Upper Tribunal references of Panel determinations

Any determination made by the Panel can be referred to the Upper Tribunal ('the Tribunal'). Although similar to an appeal, this is called a reference. The Tribunal is the independent body set up to hear references on determinations. It has its own guidance on how to make a reference. The Tribunal may decide to confirm, vary, revoke or substitute a determination made by the Panel.

There are currently three cases with the Tribunal. These all relate to cases first heard by the Panel between 2010 and 2012.

The Panel awaits with interest the outcome of the Tribunal hearings.

Meetings and Panel training

In February 2015 I attended the regulator's Board meeting, where I updated the Board on the work of the Panel, the cases heard to date, cases with the Upper Tribunal, Panel membership and training. The Panel holds quarterly meetings where members discuss a variety of topics. Over the past year, these discussions included case studies, particularly around trustee appointments, suspension and prohibition, the DB funding code, covenant assessment, and learning from cases.

Conclusion

The Determinations Panel has now existed for ten years, bringing a robust degree of challenge to the regulator's casework. It has good administrative support and an appropriate level of membership. I have confidence in the mutual respect that exists between the executive arm of the regulator and the Panel, and believe that the Panel will continue to maintain its good reputation.

Determination requested	Number of cases	Outcome
Appointment of independent trustee	3	Independent trustees were appointed to 33 separate schemes. Two of these cases were heard by special procedure. In one case, the appointment was upheld at compulsory review. The compulsory review for the second case is still to be heard.
Vesting order	3	These cases were heard at the same time as the appointment of independent trustee cases above.
Prohibition of trustees	1	A total of three trustees were prohibited in this case.
Extension of suspension of trustees	1	In this case, two trustees had their existing suspension extended for a further 12 months.
Suspension of trustees	1	This was heard by special procedure and seven trustees were suspended. This was upheld at compulsory review.
Waiver of disqualification as a trustee	1	This was brought under s10(2)(b) of the Pensions Act 2004 and related to one trustee. The Panel did not grant the application.

Andrew Long
Chairman, Determinations Panel
April 2015

Freedom of information, data protection and complaints

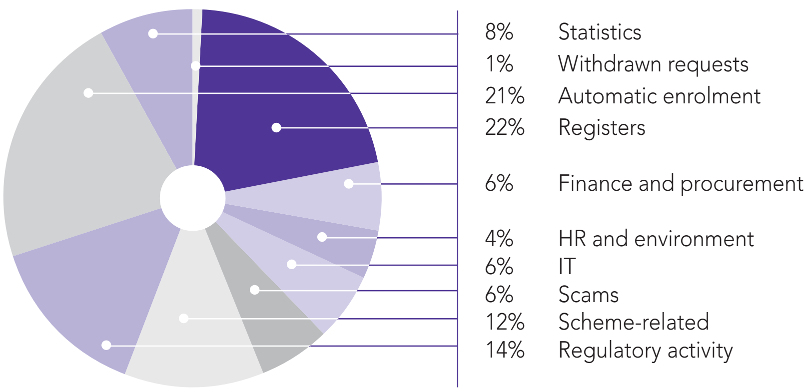
Freedom of information and data protection

We are as open and transparent as possible in our work, including proactive publication of material of public interest on the website, through our publication scheme and disclosure log.

Requests for information

In the period 1 April 2014 to 31 March 2015, 72 information requests were made under the Freedom of Information Act 2000 (FoIA), and eight subject access requests under section 7 of the Data Protection Act 1998 (DPA). This compares with 75 FoIA requests and five subject access requests in the previous year. The largest group of requests related to registers (22%), automatic enrolment (21%), regulatory activity (14%) and scheme information (12%). The remainder related to statistics, finance and procurement, scams, IT, and HR and environment.

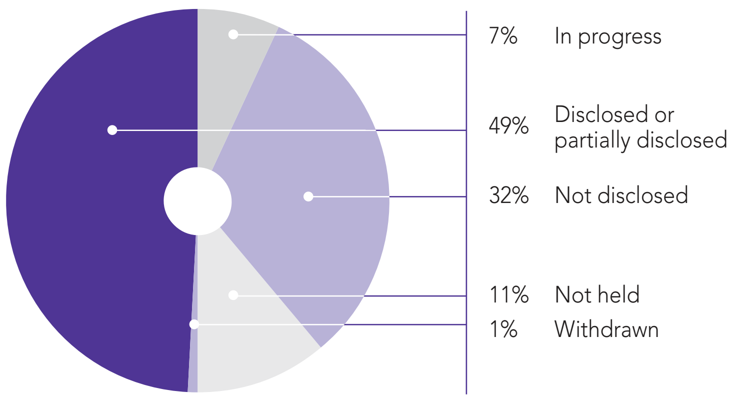
Figure 1: Freedom of Information requests for information



Under section 82 of the Pensions Act 2004 much of the information we gather falls within the definition of 'restricted information', and it is therefore an offence for it to be released, except where certain exceptions apply. The duty to provide information under FoIA is also subject to exemptions. For example, restricted information is exempt from disclosure under section 44 of the FoIA. We consider each request on a case by case basis, to establish whether a full, summarised or redacted version of information could be disclosed.

We also take into account DPA provisions on disclosure and apply relevant exemptions. Information was disclosed or partially disclosed in 49% of requests, not disclosed in 32%, not held in 11%, with the remainder of requests in progress (7%) or withdrawn (1%).

Figure 2: Proportion of Freedom of Information disclosures



Disclosure of information

We did not receive any requests for internal review of our decisions not to disclose information. Under the FoIA, there is a further right of appeal to the Information Commissioner's Office (ICO). We received one complaint which resulted in a fuller disclosure to the applicant and no further action from the ICO. We have not been advised by the ICO of any other referrals.

Complaints

In 2014-2015, at stage 1 of our formal complaints process we received 49 new complaints. As at 31 March 2015, eight complaints remained in progress. By comparison, 16 new complaints were received in 2013-2014. This remains a small proportion of those in contact with us, particularly in the context of the major expansion during the year in the number of our stakeholders that have automatic enrolment duties, for example. These duties have seen us send 771,518 letters to employers during the year.

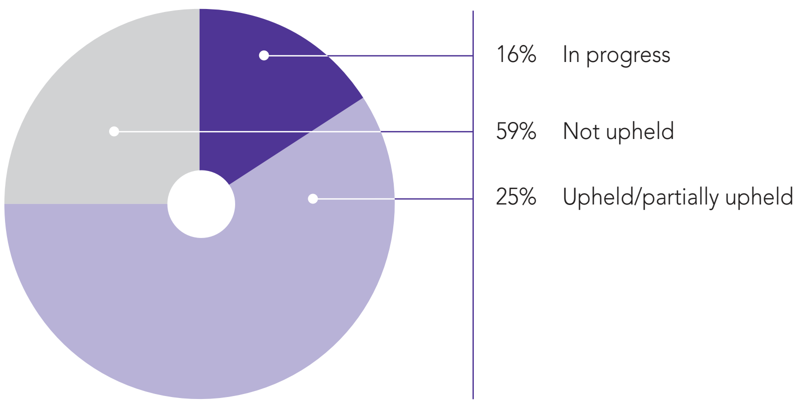
Of those upheld in full or in part:

- A number of complaints were upheld where there had been issues with the level of customer service received.
- In a number of cases incorrect information had been provided to the complainants.
- In some cases operational processes had not been correctly followed which had resulted in an error.

At Stage 1, 59% of complaints were not upheld, 25% were upheld in whole or part, whilst 16% remained in progress at the year end.

We received eight requests for review of the complaint at stage 2. All complaints were completed by the end of the year, none were upheld. During the year, one complaint was investigated by the Parliamentary Ombudsman whose review had not been completed by the end of the period.

Figure 3: Outcomes of complaints



Financial Review, Statutory Accounts and Notes to the Accounts

Financial Review

Form of accounts

The accounts have been prepared in a form directed by the Secretary of State for Work and Pensions, with the approval of HM Treasury (HMT), in accordance with paragraph 27 of schedule 1 to the Pensions Act 2004 (PA04).

Results for the period

The financial statements are set out on pages 90 to 121.

The funding of regulation is derived from two main sources: a Grant-in-Aid (GIA) from the DWP which is recoverable from a levy on pension schemes and covers activities relating to the Pensions Acts 2004 and 2008 (levy), and a separate Grant-in-Aid from general taxation which funds automatic enrolment (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.

In the year ended 31 March 2015, we had net expenditure of £60.1m. This includes £26.2m which is directly attributable to AE. The net expenditure has been transferred to the general reserve and is offset through contributions from the DWP of £34.0m for our levy activities and £25.6m from the DWP for AE activities.

Payroll staff costs have increased by £1.3m to £30.7m compared to 2013-2014 expenditure due to increasing staff levels to cover the requirements of AE offset by a reduction in the levy staff levels during the year, in part due to a restructure during the year. Temporary staff costs have decreased by £0.5m.

Other expenditure has increased by £4.3m across the organisation, a £1.0m increase for levy and a £3.3m increase for AE, compared to 2013-2014. This increase is mainly driven by the £2.8m increase in costs from business outsourced services relating to the roll out of automatic enrolment and £0.9m as a result of the initial costs related to the IT and business transformation programme and associated amortisation that commenced during the year.

There have been no significant events occurring since period end.

Property, plant and equipment and intangible assets

Capital expenditure of £2.4m was incurred during the period ended 31 March 2015, of which £0.4m related to property, plant and equipment (PPE) and £2.0m to intangible assets (computer software). Intangible assets include £1.9m for investment in a new case management system for automatic enrolment.

We occupy only short leasehold property and do not have any finance leases. Rent payable for accommodation has been charged to operating leases (Note 5 to the accounts).

All non-current assets are valued at current replacement cost as detailed more fully in Notes 7 and 8 to the accounts.

Payments to suppliers

We are committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in contracts. If there is no contractual provision or understanding, invoices are deemed due to be paid within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever was later. During the period ended 31 March 2015, by volume, we paid 78% of invoices in line with this policy.

The Late Payment of Commercial Debts (Interest) Act 1998 and the Late Payment of Commercial Debts Regulations 2002 provides all businesses and public sector bodies with the following entitlements:

- the right to claim interest for late payment, and
- the right to claim reasonable debt recovery costs, unless the supplier has acted unreasonably the right to challenge contractual terms that do not provide a substantial remedy against late payment and the right for 'representative bodies' to challenge contractual terms that are grossly unfair on behalf of small and medium enterprises.

Going concern

The Statement of Financial Position at 31 March 2015 shows net liabilities of £5.5m. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from our other sources of income, may only be met by future grants or Grants-in-Aid from the DWP, as our sponsoring department. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such contributions may not be issued in advance of need.

Levies account

The PA04 does not require us to prepare a levies account.

During the year ended 31 March 2015, we invoiced and collected levies in respect of the general levy and the PPF administration levy on behalf of the DWP, and the fraud compensation levy on behalf of the PPF, which will be reported in the audited financial statements of those organisations. The following results summarise key facts and figures in respect of levy activity undertaken during the period. These figures do not feature in our audited accounts.

During the year we invoiced £52.8m, of which £16.5m relates to the PPF administration levy, £36.3m relates to the general levy and £16k related to the PPF.

The opening debt position as at 1 April 2014 was a net creditor balance of £21k. The closing debt position as at 31 March 2015 was a balance of £244k, comprised of £55k for PPF administration levy, £19k relating to other PPF levies; £273k due for the general levy offset by £103k credit relating to the Occupational Pensions Regulatory Authority (Opra). Schemes are contacted to apply for a refund where a credit balance exists.

We collected £52.5m during the year. Of this, £53.0m of cleared funds relating to the DWP and £50k to the PPF were transferred during the financial year, and £34k relates to cash received but not transferred at year end. The difference of £0.6m relates to cleared funds received but not transferred by year end 31 March 2014 which was transferred during 2014-2015 financial year.

We pro-actively sought payment of any outstanding levy payments with an internal credit control team and have also contracted with a legal services provider to assist with this. This work will continue with a view of seeking prompt payment of levy. Our current cumulative debtor days are 31 days.

Prior to onward transmission to the DWP or the PPF, we place levies received and unallocated cash receipts in respect of levies on overnight deposit. Any interest earned is paid over to the relevant recipient along with levy payments. Total interest earned and transferred in 2014-2015 was £3k.

Automatic enrolment penalty notices

During the year ended 31 March 2015, we issued penalty notices under section 40 and 41 of the Pensions Act 2008. The following results summarise key facts and figures in respect of automatic enrolment activity undertaken during the period.

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. No funds were transferred to the consolidated fund during 2014-2015 due to the small value collected.

During the year, we issued penalty notices totalling £193k of which £60k has been collected and £47k has been written off. Two penalties have been refunded and the closing debt position as at 31 March 2015 was £86k.

We pro-actively sought payment of any outstanding penalties and this work will continue with a view of seeking prompt payment of any penalties due.

Audit

The PA04 requires our accounts to be certified by the Comptroller and Auditor General (C&AG). The audit fee for 2014-2015 was £33k.

Accounting Officer responsibilities

The Accounting Officer confirms:

- there is no relevant audit information of which the auditors are unaware
- she has taken all steps she ought to ensure the auditors are aware of all relevant audit information, and
- she has taken all the steps she ought to establish that The Pensions Regulator's auditors are aware of the information.

Lesley Titcomb

Lesley Titcomb
Chief Executive, The Pensions Regulator
17 June 2015

The Remuneration Report

The Remuneration Committee

Details of the activities of the Remuneration Committee during the period ended 31 March 2015 are set out in pages 64 to 65.

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 Chairman) and the Chief Executive. We determine the length of service contracts for other executive members of the Board and for members of the Determinations Panel. This must then be approved by the Secretary of State for Work and Pensions.

Details of service contracts are shown below. The notice periods of the Board members' contracts and the amounts payable for early termination of Board members' contracts are also set out in the table below.

Name	Notice period	Early termination payable to employee (Net pay plus accrued bonus if applicable)
Mark Boyle* (Chairman)	3 months	3 months
Non-executive members		
Anthony Brierley	1 month	1 month
Bruce Rigby	1 month	1 month
Isabel Hudson	1 month	1 month
David Martin	1 month	1 month
Graham Mayes	1 month	1 month
Ann Berresford	1 month	1 month
Executive members		
Lesley Titcomb**	3 months from CEO, 6 months from employer	6 months
Stephen Soper	3 months	3 months
Charles Counsell	3 months	3 months
Andrew Warwick-Thompson	3 months	3 months

* Appointed Chairman 1 April 2014.
** Appointed 2 March 2015.

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

Remuneration policy

In accordance with part 1 of schedule 1 to the PA04, the current and future remuneration of all non-executive members of our board (including the Chairman) is determined by the Secretary of State for Work and Pensions.

The remuneration of the initial Chief Executive was determined by the Secretary of State for Work and Pensions in accordance with part 2 of schedule 1 to the PA04. Remuneration of subsequent Chief Executives is determined by the Secretary of State based on recommendations from the Remuneration Committee.

We determine the current and future remuneration of the other executive members of our Board. This must then be 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.

Certain executive members of the Board are eligible for an annual bonus of up to 10%, capped at £12,500 for Executive Directors and £17,500 for the Chief Executive. Non-executive members of the Board, the Chairman and the Determinations Panel are not entitled to receive any bonus.

The Chairman is responsible for reviewing annually the performance of the Chief Executive and reporting the results of this review to our 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. The final decision on performance-related bonus awards lies with the Secretary of State for Work and Pensions.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the executive management.

Executive members

Officials	Salary (£'000)		Bonus payments (£'000)*		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000)[1]		Total (£'000)	
	2014-2015	2013-2014	**2014-2015**	2013-2014	**2014-2015**	2013-2014	**2014-2015**	2013-2014	**2014-2015**	2013-2014
L Titcomb** (Chief Executive)	15-20	N/A	N/A	N/A	–	N/A	N/A	N/A	15-20	N/A
B Galvin*** (Former Chief Executive)	N/A	30-35	N/A	10-15	N/A	–	N/A	9,000	N/A	50-55
S Soper**** (DB executive)	210-215	210-215	N/A	N/A	–	–	79,000	80,000	290-295	290-295
C Counsell (AE executive)	140-145	140-145	10-15	10-15	–	–	53,000	62,000	205-210	215-220
D Farlow***** (Support executive)	N/A	60-65	–	N/A	N/A	–	N/A	25,000	N/A	85-90
A Warwick-Thompson (DC executive)	140-145	140-145	10-15	N/A	–	–	53,000	53,000	205-210	195-200

* Bonuses relating to 2013-2014 performance but paid in 2014-2015.
** Appointed on 2 March 2015. Full time equivalent band is £200-210k.
*** Left on 30 June 2013. Full time equivalent band is £140-145k.
**** Interim Chief Executive from 1 August 2013 to 1 March 2015. Not eligible for a bonus under terms of contract.
***** Left on 15 August 2013. Full year equivalent band is £140-145k.
D Farlow received payment in lieu of notice and annual leave owed totalling £52k.

1 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.

Pay multiples

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 2014-2015 was £210-215k (2013-2014: £210-215k). This was 4.8 times (2013-2014: 4.9) the median remuneration of the workforce, which was £44k (2013-2014: £43k).

In 2014-2015, no employees (2013-2014: Nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £16k to £210-215k (2013-2014: £16k to £210-215k).

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.

Salary

The following section provides details of the remuneration and pension interests of our Board and the members of the Determinations Panel. 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office 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 attained and are made as part of the appraisal process. Bonuses relate to the previous year in which they were paid to the individual.

Remuneration

Non-executive members

Non-executive part-time members of the Board receive non-pensionable remuneration as set out in the table below.

	2014-2015		2013-2014	
	Salary	Total Benefits in Kind	Salary	Total Benefits in Kind
M Boyle* (Chairman)	£60-65k	£2,583	–	–
M O'Higgins** (Former Chairman)	–	–	£55-60k	£1,785
I Hudson***	£5-10k	£175	£15-20k	£158
B Rigby	£15-20k	£1,968	£15-20k	£1,556
A Brierley	£20-25k	£211	£20-25k	£249
G Mayes	£15-20k	£448	£15-20k	£539
D Martin	£15-20k	£431	£15-20k	£467
A Berresford****	£15-20k	£1,776	£10-15k	£543

* M Boyle was appointed 1 April 2014.
** M O'Higgins retired 31 March 2014.
*** I Hudson stepped down on 5 September 2014. Full time equivalent £15-20k.
**** A Berresford appointed 1 August 2013.

The total amount paid to non-executive directors (including the Chairman) during the period was £160-165k. 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 travelling to Board meetings and Board Committee meetings. The remuneration of the Chairman and non-executive members is non-pensionable.

Executive members' pension benefits

Executive members	**Accrued pension at age 60 as at 31/3/15 and related lump sum** (£'000)	**Real increase in pension and related lump sum at age 60** (£'000)	**CETV at 31/3/14** (£'000)	**CETV at 31/3/15** (£'000)	**Real increase in CETV** (£'000)
S Soper (DB executive)	30-35 plus lump sum of 0	2.5-5 plus lump sum of 0	281	349	34
C Counsell (Automatic enrolment executive)	10-15 plus lump sum of 0	2.5-5 plus lump sum of 0	131	177	27
A Warwick-Thompson (DC executive)	5-7.5 plus lump sum of 0	2.5-5 plus lump sum of 0	44	93	34

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four DB schemes: either a final salary scheme (**Classic, Premium** or **Classic plus**) or a whole career scheme (**Nuvos**). 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** and **Nuvos** are increased annually in line with pensions increase legislation. Members joining from October 2002 may opt for either the appropriate DB arrangement or a 'money purchase' stakeholder pension with an employer contribution (Partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for **Classic** and 3.5% and 8.25% for **Premium, Classic plus** and **Nuvos**. Increases to employee contributions will apply from 1 April 2015. 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. In all cases, members may opt to give up (commute) their pension for a lump sum up to the limits set by the Finance Act 2004.

The Partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three 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 0.8% 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 and 65 for members of Nuvos.

Further details about the Civil Service pension arrangements can be found at the website: www.civilservice-pensions.gov.uk

New career average pension arrangements were introduced from 1 April 2015 and the majority of Classic, Premium, Classic plus and Nuvos members will join the new scheme. Further details of this new scheme are available at http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

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 effectively funded by the employer. It takes account of 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

Members of the Determinations Panel receive a daily allowance in respect of the time devoted by each of them to the work of the panel. The rate for the Chairman is £900 per diem and for the other members is £692 per diem.

Salary (2014-2015)	**Members**
£30-35k	A P Long (Chairman)*
£10-15k	P Hinchliffe, David Latham**, E L Neville and C Seddon
£5-10k	M Lohn, M A Smith, A E Stern and T Foster**
£0-5k	J Eady

* Appointed Chairman of the Determinations Panel on 6 April 2014.
** Appointed 1 April 2014.

Members of the Determination Panel may be removed from office at any time by the Chairman of the Panel with our approval. The Chairman can be removed from office at any time by the regulator. Members who wish to leave the Panel are required to give the Chairman two months' notice and the Chairman is required to provide three months' notice. Any compensation payment would be made in line with contractual obligations with reference to these notice periods.

Off payroll engagements

For all off-payroll engagements as of 31 March 2015, for more than £220 per day and that last for longer than six months:

Number of existing engagements as at 31 March 2015	11
of which, the number that have existed for:	
less than one year at time of reporting	10
between one and two years at time of reporting	1
between two and three years at time of reporting	–
between three and four years at time of reporting	–
four or more years at time of reporting	–

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015, for more than £220 per day and that last for longer than six months:

Number of new engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015	**26**
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	11*/**
Number for whom assurance has been requested	9***
of which:	
Number for whom assurance has been received	8
Number that have been terminated as a result of assurance not being received	1**

* 14 individuals were engaged as secondees during the year. In these cases, the agreement with their employer confirmed the employer will be responsible for paying tax/NI but did not specify the right to request assurance. This is now sought for all new appointments.

** One individual's contract did not include a contractual clause giving the regulator the right to request assurance in relation to income tax and National Insurance obligations. This information was subsequently sought but not received. The contract ended on 2 April 2015.

*** Assurance was not requested for three individuals due to the initial contracts being shorter than six months but subsequently extended. The contracts for all three of these individuals have now ended.

For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2014 and 31 March 2015:

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	**–**
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 should include both on payroll and off-payroll engagements	12*

* The 12 individuals include all members of the board including non-executives and the director of finance.

Lesley Titcomb
Chief Executive, The Pensions Regulator
17 June 2015

Statutory Accounts and Notes to the Accounts

Statement of the Board's and Chief Executive's responsibilities

Under paragraph 27 of schedule 1 to the Pensions Act 2004, the regulator is required 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. The accounts are prepared on an accruals basis and are required to give a true and fair view of the regulator's state of affairs at the period end and of its income, expenditure and cash flows for the financial period.

In preparing the accounts, the regulator was required 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 judgments 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 Chief Executive is the accounting officer for the regulator. Her relevant responsibilities as accounting officer, including propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies Accounting Officers Memorandum issued by HMT and published in 'Managing public money'.

Lesley Titcomb

Lesley Titcomb
Chief Executive, The Pensions Regulator
17 June 2015

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

We certify that we have audited the financial statements of The Pensions Regulator for the year ended 31 March 2015 under Schedule 1 of the Pensions Act 2004. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, certify and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to The Pensions Regulator's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by The Pensions Regulator; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our certificate.

We are required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

Opinion on regularity

In our opinion, in all material respects the expenditure and income 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.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of The Pensions Regulator's affairs as at 31 March 2015 and of the net expenditure for the year then ended, and
- the financial statements have been properly prepared in accordance with the Pensions Act 2004 and Secretary of State for Work and Pensions' directions issued thereunder.

Opinion on other matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State for Work and Pensions' directions made under the Pensions Act 2004, and
- the information given in the Chairman's Foreword, Management Commentary and Directors' Report, Strategic Report, Governance Statement, Accountability Reports and the Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

We have nothing to report in respect of the following matters which we report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by our staff, or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- we have not received all of the information and explanations we require for our audit, or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

We have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP
22 June 2015

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

	Note	**2014-2015 £'000**	2013-2014 £'000
Expenditure			
Staff costs	4	**33,971**	32,501
Depreciation and Amortisation	5	**964**	633
Other expenditures	5	**25,227**	21,303
Total expenditure		**60,162**	54,437
Interest receivable		**(21)**	(22)
Net expenditure after interest, before taxation		**60,141**	54,415
Taxation	6	**4**	4
Net expenditure after interest and taxation		**60,145**	54,419
Other comprehensive expenditure			
Net gain on revaluation of property, plant and equipment	7	**(24)**	–
Total comprehensive expenditure		**60,121**	54,419

All income and expenditure is derived from continuing operations.
The accounting policies and notes on pages 95 to 121 form part of these accounts.

Statement of Financial Position as at 31 March 2015

	Note	At 31 March 2015 £'000	At 31 March 2014 £'000
Non-current assets			
Property, plant and equipment	7	**1,961**	1,965
Intangible assets	8	**2,506**	1,077
Total non-current assets		**4,467**	3,042
Current assets			
Trade and other receivables	10	**993**	791
Cash and cash equivalents	11	**464**	1,275
Total current assets		**1,457**	2,066
Total assets		**5,924**	5,108
Current liabilities			
Trade and other payables	12	**(10,747)**	(9,303)
Provisions	13	**(1)**	(134)
Total current liabilities		**(10,748)**	(9,437)
Non-current assets less net current liabilities		**(4,824)**	(4,329)
Non-current liabilities			
Provisions	13	**(629)**	(591)
Total non-current liabilities		**(629)**	(591)
Assets less liabilities		**(5,453)**	(4,920)
Taxpayers' equity			
Revaluation Reserve		**19**	29
General Reserve		**(5,472)**	(4,949)
		(5,453)	(4,920)

The financial statements on pages 90 to 121 were approved and authorised for issue by the Board on 17 June 2015 and were signed on its behalf by:

Lesley Titcomb

Lesley Titcomb
Chief Executive, The Pensions Regulator, 17 June 2015

The accounting policies and notes on pages 95 to 121 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2015

	Note	2014-2015 £'000	2013-2014 £'000
Cash flows from operating activities			
Net expenditure after interest		**(60,141)**	(54,415)
Adjustments for non-cash transactions	5	**982**	635
(Increase)/Decrease in trade and other receivables	10	**(202)**	186
Increase/(Decrease) in trade and other payables	12	**1,445**	(152)
Decrease in provisions	13	**(95)**	(300)
Cash outflow due to taxation		**(4)**	(4)
Net cash outflow from operating activities		**(58,015)**	(54,050)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	**(415)**	(1,538)
Purchase of intangible assets	8	**(1,969)**	(869)
Net cash outflow from investing activities		**(2,384)**	(2,407)
Cash flows from financing activities			
GIA to cover ongoing operations levy		**34,000**	34,750
GIA to cover initial costs of AE		**25,588**	22,133
Net financing		**59,588**	56,883
Net (Decrease)/Increase in cash and cash equivalents in the period	11	**(811)**	426
Cash and cash equivalents at the beginning of the period		**1,275**	849
Cash and cash equivalents at the end of the period	11	**464**	1,275

The accounting policies and notes on pages 95 to 121 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

	Revaluation Reserve £'000	General Reserve £'000	Total Reserves £'000
Balance at 1 April 2013	41	(7,425)	(7,384)
Changes in Taxpayers' Equity 2013-2014			
GIA received from DWP	–	56,883	56,883
Net gain on revaluation of property, plant and equipment	–	–	–
Transfers between reserves*	(12)	12	–
Comprehensive expenditure for the year	–	(54,419)	(54,419)
Balance at 31 March 2014	29	(4,949)	(4,920)
Changes in Taxpayers' Equity 2014-2015			
GIA received from DWP	–	59,588	59,588
Net gain on revaluation of property, plant and equipment	24	–	24
Transfers between reserves*	(34)	34	–
Comprehensive Expenditure for the year	–	(60,145)	(60,145)
Balance at 31 March 2015	19	(5,472)	(5,453)

*Transfers between reserves are made in respect of the following:

– Each year, the realised element of the Revaluation Reserve (ie an amount equal to the excess of the actual depreciation over depreciation based on historical cost of revalued assets) is transferred from the Revaluation Reserve to the General Reserve.

– On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset becomes fully realised and is transferred to the General Reserve.

The accounting policies and notes on pages 95 to 121 form part of these accounts.

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2014-2015 Government Financial Reporting Manual (FReM) issued by HMT. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the regulator for the purpose of giving a true and fair view has been selected. The particular policies adopted by the regulator are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

a) Property, plant and equipment

Property, plant and equipment are held at fair value which is calculated by applying appropriate Office for National Statistics indices to the historical cost of each asset. Any surplus on revaluation of property, plant and equipment is credited to the Revaluation Reserve. 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. The regulator is required to remit the proceeds of disposal of property, plant and equipment to the Secretary of State.

The threshold for treating expenditure on single or pooled items of property, plant and equipment fixed assets as capital expenditure is £1,000.

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 (telecoms and servers)	–	7 years
IT hardware (other)	–	5 years
IT software	–	5 to 7 years

The amortisation period for IT software has been changed from 6 to 7 years to 5 to 7 years to allow for the expected 5 year lifespan of the new case managment system for automatic enrolment. A full year's charge is made in the year of acquisition.

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.

Intangible assets are carried at depreciated replacement cost, which is a proxy for fair value.

The threshold for treating expenditure on single items of intangible fixed assets as capital expenditure is £1,000.

d) Impairment

Under IAS 36, individual assets are reviewed for impairment to ensure their carrying amount is not greater than the recoverable amount. Property, plant and equipment are valued at current replacement costs which is calculated by applying appropriate Office for National Statistics indices to the historical cost of each asset. An impairment surplus is taken to the revaluation reserve, an impairment loss is recognised as an expense in the Statement of Comprehensive Net Expenditure for assets carried at cost, and treated as a revaluation decrease for assets carried at revalued 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.

f) Value added tax

The regulator’s 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 based on an extrapolation of 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

Trade and other receivables

Trade and other receivables are not interest bearing and are stated at cost reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other payables

Trade and other payables are not interest bearing and are stated at amortised cost.

j) Government grants and 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.

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.

m) Reserves

General Reserve

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

Revaluation Reserve

This reflects the unrealised balance of the cumulative indexation and revaluation adjustments to non-current assets.

n) Going concern

The negative cumulative balance on the general reserve is due to timing differences between consumption and payment since The Pensions Regulator only draws Grant-in-Aid from the DWP, reflected in the Statement of Changes in Taxpayers' Equity, to cover its current cashflow requirements.

o) Critical accounting judgements and key sources of estimation uncertainty

The Board are required to exercise judgement, estimates and assumptions in the application of these policies. Actual results could differ from these estimates. Information about such judgements and estimation is contained in the accounting policies or the notes to the accounts, and the key areas are summarised below.

Critical judgements in applying the accounting policies

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 8.

Dilapidations

A dilapidation provision is held for the office the regulator occupies in Brighton to cover the requirements of the new lease (expires July 2023). The provision is to make good dilapidations or other damage occurring during the lease periods.

There are no other significant judgements made in applying the accounting policies.

Key sources of estimation uncertainty

There are no significant areas of estimation uncertainty.

1a Pensions

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and contributory, except in respect of dependents' benefits. the regulator 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 Note 4, certain employees can opt for a stakeholder pension.

1b Impending application of newly issued accounting standards not yet effective

No Standards and Interpretations that have been issued but are not yet effective, and that are available for early application, have been applied by the regulator in these financial statements.

IFRS 13 – Fair Value Measurement

For accounting periods starting on or after 01 April 2015, IFRS 13 will require the information available as a basis for establishing the fair value of assets to be ranked in a hierarchy. It is not expected that the future application of this standard will have a material effect on the fair value of the regulator's assets. The application of IFRS 13 is also subject to further review by HM Treasury following the outcome of a consultation which took place in 2013.

There are no other Standards or Interpretations issued, but not yet effective, which are expected to have a material effect on the financial statements in the future.

2 Statement of operating costs by operating segment

	AE £'000	Levy £'000	Total £'000
2014-2015			
Gross expenditure	26,243	33,923	60,166
Income	(10)	(11)	(21)
Net expenditure	**26,233**	**33,912**	**60,145**
Total assets	2,372	3,552	5,924
Total liabilities	(6,611)	(4,766)	(11,377)
Net liabilities	**(4,239)**	**(1,214)**	**(5,453)**

	AE £'000	Levy £'000	Total £'000
2013-2014			
Gross expenditure	20,652	33,789	54,441
Income	(10)	(12)	(22)
Net expenditure	**20,642**	**33,777**	**54,419**
Total assets	1,290	3,818	5,108
Total liabilities	(4,851)	(5,177)	(10,028)
Net liabilities	**(3,561)**	**(1,359)**	**(4,920)**

The regulator comprises of two distinct operating segments: levy and automatic enrolment (AE). Levy activity relates to the regulation of new and existing DB and DC 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 as such, that resources are charged and treated separately and to the correct funding stream.

All AE-related work is recorded on separate ledgers and 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.

3 Board members

The Chairman and other members of the Board of the regulator are appointed under the Pensions Act 2004 by the Secretary of State for Work and Pensions. The Chairman (Mark Boyle) was appointed on 1 April 2014.

Other part-time (non-executive) Board members are also appointed for periods of between one and four years. Details of the remuneration and pension benefits of the Chairman and all other members of the Board are given in the Remuneration Report on pages 77 to 85. The total cost for the Chairman and part-time Board members are as follows and these costs are included within other operating expenditure (Note 5).

	2014-2015	2013-2014
	£'000	£'000
Salary/fees	**164**	163
Social security costs	**15**	15
Part-time Board expenses	**8**	7
	187	185

4 Staff numbers and related costs

	AE £'000	Levy £'000	Total TPR £'000
2014-2015			
Salaries and wages*	7,624	16,141	23,765
Social security costs	545	1,769	2,314
Other pension costs	1,140	3,452	4,592
	9,309	21,362	30,671
Temporary staff	843	1,676	2,519
Severance and early retirement costs	–	781	781
Subtotal**	**10,152**	**23,819**	**33,971**
Less recoveries in respect of outward secondments	–	–	–
Total net costs	**10,152**	**23,819**	**33,971**

	AE £'000	Levy £'000	Total TPR £'000
2013-2014			
Salaries and wages*	6,034	16,746	22,780
Social security costs	449	1,748	2,197
Other pension costs	908	3,489	4,397
	7,391	21,983	29,374
Temporary staff	449	2,578	3,027
Severance and early retirement costs	–	166	166
Subtotal**	**7,840**	**24,727**	**32,567**
Less recoveries in respect of outward secondments	–	(66)	(66)
Total net costs	**7,840**	**24,661**	**32,501**

* Salaries and wages for 2014-2015 includes staff holiday accrual £337k (2013-2014: £390k) for levy and £159k for AE (2013-2014: £134k).

** Prior year excludes £258k salaries capitalised which are included in software internally generated in Note 8. (No staff salaries were capitalised in 2014-2015).

4 Staff numbers and related costs continued...

The Pensions Act 2004 includes employment with the regulator under the Superannuation Act 1972 and all employees of the regulator including the Chief Executive are entitled to membership of the Principal Civil Service Pension Scheme (PCSPS), including family benefits. The PCSPS is an unfunded multi-employer DB salary-related scheme, but the regulator is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012 and details can be found in the accounts of the Cabinet Office: Civil Superannuation (**www.civilservice.gov.uk/pensions**).

For 2014-2015, employers' contributions of £4,486k (2013-2014: £4,299k) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect the benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers contributions of £100k 2014-2015 (2013-2014: £92k) were payable to one or more of a panel of three appointed stakeholder pension providers. Employers' contributions are age-related and range from 3% to 12.5% of pensionable pay, and employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £6k 2014-2015 (2013-2014: £6k), being 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

The outstanding pensions contributions as at 31 March 2015 equates to £547k (31 March 2014 £521k) are included within current liabilities in Note 12.

Average number of persons employed

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

2014-2015 **Number of staff**	**AE**	**Levy**	**Total TPR**
Employees	116	338	454
Temporary staff	4	23	27
Staff engaged on capital projects	–	–	–
Total	**120**	**361**	**481**

2013-2014 **Number of staff**	**AE**	**Levy**	**Total TPR**
Employees	87	349	436
Temporary staff	2	27	29
Staff engaged on capital projects	4	–	4
Total	**93**	**376**	**469**

4.1 Reporting of Civil Service and other compensation schemes – exit packages

Comparative data for previous year in brackets

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	– (–)	3 (1)	**3 (1)**
£10,000-£25,000	– (–)	13 (4)	**13 (4)**
£25,000-£50,000	– (–)	3 (3)	**3 (3)**
£50,000-£100,000	– (–)	6 (–)	**6 (–)**
£100,000-£150,000	– (–)	– (–)	**– (–)**
£150,000-£200,000	– (–)	– (–)	**– (–)**
Total number of exit packages by type	**– (–)**	**25 (8)**	**25 (8)**
Total resource cost/£'000	– (–)	781 (162)	**781 (162)**

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 the regulator has agreed early retirements, the additional costs are met by the regulator 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.

5 Other expenditure

	AE £'000 DEL programme	Levy £'000 DEL programme	Levy £'000 DEL admin	Total TPR £'000
2014-2015				
Running costs				
Chairman and part-time Board fees and expenses*	1	121	65	187
Consultancy, contracted-out and other professional services	2,131	3,184	1,714	7,029
Business process outsourced services	11,801	–	–	11,801
Training and recruitment costs	151	560	301	1,012
Staff travel and expenses	215	323	174	712
General expenses including accommodation expenses	379	1,182	636	2,197
Rentals under operating leases	194	415	224	833
Dilapidations costs**	–	(56)	(30)	(86)
Computer systems development and maintenance	827	432	232	1,491
Auditor's remuneration	–	21	12	33
	15,699	**6,182**	**3,328**	**25,209**
Non-cash items				
Loss on disposal of fixed assets	–	–	18	18
Depreciation	4	–	419	423
Amortisation	387	–	154	541
	391	–	591	982
Total	**16,090**	**6,182**	**3,919**	**26,191**

* There is tax due to HMRC on expenses as part of the PAYE settlement agreement (payable in August 2015).

** The dilapidations provision was revised in the prior year to reflect the expected liability at the end of the current lease's expiry in 2023 (following a survey by Carter Jonas LLP) and to provide for the outstanding requirements stipulated by the previous lease. These outstanding requirements were completed in the current year.

5 Other expenditure continued...

	AE £'000 DEL programme	Levy £'000 DEL programme	Levy £'000 DEL admin	Total TPR £'000
2013-2014				
Running costs				
Chairman and part-time Board fees and expenses	50	87	48	185
Consultancy, contracted-out and other professional services	1,838	3,174	1,709	6,721
Business process outsourced services	9,035	–	–	9,035
Training and recruitment costs	200	510	274	984
Staff travel and expenses	193	275	148	616
General expenses including accommodation expenses	840	904	485	2,229
Rentals under operating leases	173	451	243	867
Dilapidations costs	–	(183)	(98)	(281)
Computer systems development and maintenance	377	348	187	912
Auditor's remuneration	–	21	12	33
	12,706	**5,587**	**3,008**	**21,301**
Non-cash items				
Loss on disposal of fixed assets	–	–	2	2
Depreciation	5	–	381	386
Amortisation	100	–	147	247
	105	–	530	635
Total	**12,811**	**5,587**	**3,538**	**21,936**

For 2014-2015 and 2013-2014
The regulators' expenditure is allocated between DEL (Departmental Expenditure Limit) programme and DEL admin to reflect the distinction between front line services and back office services. Levy expenditure is split on a notional basis (65% DEL programme and 35% DEL admin) as agreed with the DWP. All AE expenditure is considered DEL Programme.

6 Tax on interest receivable

	AE £'000	Levy £'000	Total TPR £'000
2014-2015			
UK Corporation Tax	2	2	4
2013-2014			
UK Corporation Tax	2	2	4

7 Property, plant and equipment

2014-2015	Levy				AE	Total TPR
	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Levy total £'000	IT hardware £'000	Total £'000
Cost or valuation						
At 1 April 2014	1,529	1,016	1,940	**4,485**	33	**4,518**
Additions	210	4	201	**415**	–	**415**
Disposals	(184)	(4)	(49)	**(237)**	–	**(237)**
Revaluations	31	10	15	**56**	–	**56**
At 31 March 2015	**1,586**	**1,026**	**2,107**	**4,719**	**33**	**4,752**
Depreciation						
At 1 April 2014	922	315	1,301	**2,538**	15	**2,553**
Charged in year	72	83	263	**418**	5	**423**
Disposals	(174)	(4)	(39)	**(217)**	–	**(217)**
Revaluations	23	1	8	**32**	–	**32**
At 31 March 2015	**843**	**395**	**1,533**	**2,771**	**20**	**2,791**
Carrying amount at 31 March 2014	**607**	**701**	**639**	**1,947**	**18**	**1,965**
Carrying amount at 31 March 2015	**743**	**631**	**574**	**1,948**	**13**	**1,961**

The regulator does not lease any assets under finance leases.

7 Property, plant and equipment continued...

2013-2014	Levy				AE	Total TPR
	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Levy total £'000	IT hardware £'000	Total £'000
Cost or valuation						
At 1 April 2013	1,166	897	1,758	**3,821**	34	**3,855**
Additions	612	508	418	**1,538**	–	**1,538**
Disposals	(311)	(403)	(194)	**(908)**	–	**(908)**
Revaluations	62	14	(42)	**34**	(1)	**33**
At 31 March 2014	**1,529**	**1,016**	**1,940**	**4,485**	**33**	**4,518**
Depreciation						
At 1 April 2013	1,110	633	1,287	**3,030**	10	**3,040**
Charged in year	67	82	232	**381**	5	**386**
Disposals	(310)	(402)	(194)	**(906)**	–	**(906)**
Revaluations	55	2	(24)	**33**	–	**33**
At 31 March 2014	**922**	**315**	**1,301**	**2,538**	**15**	**2,553**
Carrying amount at 31 March 2013	**56**	**264**	**471**	**791**	**24**	**815**
Carrying amount at 31 March 2014	**607**	**701**	**639**	**1,947**	**18**	**1,965**

The regulator does not lease any assets under finance leases.

8 Intangible assets

Intangible assets comprise software licences and software developed in-house.

2014-2015	Levy			
	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2014	–	1,363	1,209	**2,572**
Additions	–	–	49	**49**
Transfers between asset categories	–	–	–	**–**
Disposals	–	–	(7)	**(7)**
At 31 March 2015	**–**	**1,363**	**1,251**	**2,614**
Amortisation				
At 1 April 2014	–	1,182	895	**2,077**
Charged in year	–	74	80	**154**
Disposals	–	–	(8)	**(8)**
At 31 March 2015	**–**	**1,256**	**967**	**2,223**
Carrying amount at 31 March 2014	**–**	**181**	**314**	**495**
Carrying amount at 31 March 2015	**–**	**107**	**284**	**391**

8 Intangible assets continued...

Intangible assets comprise software licences and software developed in-house.

2013-2014 **Levy**

	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2013	–	1,363	1,138	**2,501**
Additions	–	–	192	**192**
Transfers between asset categories	–	–	–	**–**
Disposals	–	–	(121)	**(121)**
At 31 March 2014	–	**1,363**	**1,209**	**2,572**
Amortisation				
At 1 April 2013	–	1,108	943	**2,051**
Charged in year	–	74	73	**147**
Disposals	–	–	(121)	**(121)**
At 31 March 2014	–	**1,182**	**895**	**2,077**
Carrying amount at 31 March 2013	**–**	**255**	**195**	**450**
Carrying amount at 31 March 2014	–	**181**	**314**	**495**

8 Intangible assets continued...

Intangible assets comprise software licences and software developed in-house.

2014-2015	AE			
	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2014	44	258	382	**684**
Additions	1,920	–	–	**1,920**
Transfers between asset categories	(1,436)	–	1,436	**–**
Disposals	–	–	–	**–**
At 31 March 2015	**528**	**258**	**1,818**	**2,604**
Amortisation				
At 1 April 2014	–	37	65	**102**
Charged in year	–	37	350	387
Disposals	–	–	–	–
At 31 March 2015	**–**	**74**	**415**	**489**
Carrying amount at 31 March 2014	**44**	**221**	**317**	**582**
Carrying amount at 31 March 2015	**528**	**184**	**1,403**	**2,115**

8 Intangible assets continued...

Intangible assets comprise software licences and software developed in-house.

2013-2014 **AE**

	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2013	–	–	7	**7**
Additions	44	258	375	**677**
Transfers between asset categories	–	–	–	**–**
Disposals	–	–	–	**–**
At 31 March 2014	**44**	**258**	**382**	**684**
Amortisation				
At 1 April 2013	–	–	2	**2**
Charged in year	–	37	63	**100**
Disposals	–	–	–	–
At 31 March 2014	**–**	**37**	**65**	**102**
Carrying amount at 31 March 2013	**–**	**–**	**5**	**5**
Carrying amount at 31 March 2014	**44**	**221**	**317**	**582**

8 Intangible assets continued...

Intangible assets comprise software licences and software developed in-house.

2014-2015 **Total TPR**

	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2014	44	1,621	1,591	**3,256**
Additions	1,920	–	49	**1,969**
Transfers between asset categories	(1,436)	–	1,436	**–**
Disposals	–	–	(7)	**(7)**
At 31 March 2015	**528**	**1,621**	**3,069**	**5,218**
Amortisation				
At 1 April 2014	–	1,219	960	**2,179**
Charged in year	–	111	430	541
Disposals	–	–	(8)	(8)
At 31 March 2015	**–**	**1,330**	**1,382**	**2,712**
Carrying amount at 31 March 2014	**44**	**402**	**631**	**1,077**
Carrying amount at 31 March 2015	**528**	**291**	**1,687**	**2,506**

8 Intangible assets continued...

Intangible assets comprise software licences and software developed in-house.

2013-2014 **Total TPR**

	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2013	–	1,363	1,145	**2,508**
Additions	44	258	567	**869**
Transfers between asset categories	–	–	–	**–**
Disposals	–	–	(121)	**(121)**
At 31 March 2014	**44**	**1,621**	**1,591**	**3,256**
Amortisation				
At 1 April 2013	–	1,108	945	**2,053**
Charged in year	–	111	136	247
Disposals	–	–	(121)	(121)
At 31 March 2014	**–**	**1,219**	**960**	**2,179**
Carrying amount at 31 March 2013	**–**	**255**	**200**	**455**
Carrying amount at 31 March 2014	**44**	**402**	**631**	**1,077**

9 Financial instruments

As the cash requirements of the regulator are met through Grant-in-Aid provided by the DWP, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the regulator's expected purchase and usage requirements and the regulator is therefore exposed to little credit, liquidity or market risk.

The fair values of the regulator's financial assets and liabilities for both the current and comparative year do not differ materially from their carrying values.

10 Trade receivables and other current assets

2014-2015	AE £'000	Levy £'000	Total TPR £'000
Amounts falling due within the year			
Trade receivables	–	–	–
Other receivables	24	43	67
Prepayments	122	804	926
	146	**847**	**993**

Intra-government balances

At the end of the current and prior year, there are no central government, local government, NHS or public corporation receivables.

All receivables in the current and prior year were due within one year.

2013-2014	AE £'000	Levy £'000	Total TPR £'000
Amounts falling due within the year			
Trade receivables	–	–	–
Other receivables	18	96	114
Prepayments	115	562	677
	133	**658**	**791**

11 Cash and cash equivalents

	AE £'000	Levy £'000	Total £'000
Balance at 1 April 2014	556	719	1,275
Net change in cash and cash equivalent balances	(459)	(352)	(811)
Balance at 31 March 2015	**97**	**367**	**464**
At 31 March 2015, the following balances were held:			
Commercial banks and cash in hand	97	367	464
At 31 March 2014, the following balances were held:			
Commercial banks and cash in hand	556	719	1,275

Cash at bank and short-term investments represents the only funds held.
All funds are held at HSBC.

12 Trade payables and other current liabilities

2014-2015	AE £'000	Levy £'000	Total TPR £'000
Amounts falling due within one year			
Other taxation and social security	174	518	692
Trade payables	68	368	436
Accruals and deferred income	6,370	3,249	9,619
	6,612	**4,135**	**10,747**

There are no trade payables and other liabilities falling due after more than one year.

Accruals and deferred income due in less than one year includes accruals relating to outsourced services £4,789k (2013-2014: £3,004k).

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.

Intra-government balances

At the end of the current year £49k is payable to The Department for Work and Pensions. At the end of the prior year £11k was payable to the Government Actuary's Department (2013-2014: £11k).

Other than already disclosed the regulator has no further balances owed to central government, local government, the NHS or public corporations.

2013-2014	AE £'000	Levy £'000	Total TPR £'000
Amounts falling due within one year			
Other taxation and social security	144	581	725
Trade payables	996	322	1,318
Accruals and deferred income	3,711	3,549	7,260
	4,851	**4,452**	**9,303**
Amounts falling due after more than one year			
Other payables, accruals and deferred income	–	–	–
	–	**–**	**–**

13 Provisions for liabilities and charges

2014-2015	Early retirement £'000	Severance £'000	Dilapidations £'000	Year end total £'000
Balance at 1 April 2014	**10**	**–**	**715**	**725**
Provided in the year	–	760	39	799
Provision not required written back	(5)	–	–	(5)
Provisions utilised in the year	(4)	(760)	(125)	(889)
Balance at 31 March 2015	**1**	**–**	**629**	**630**
Analysis of expected timing of discounted flows				
Not later than one year	1	–	–	1
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	629	629
Balance at 31 March 2015	**1**	**–**	**629**	**630**

13 Provisions for liabilities and charges continued...

2013-2014	Early retirement £'000	Severance £'000	Dilapidations £'000	Year end Total £'000
Balance at 1 April 2013	**29**	**–**	**996**	**1,025**
Provided in the year	–	70	–	70
Provision not required written back	–	–	(281)	(281)
Provisions utilised in the year	(19)	(70)	–	(89)
Balance at 31 March 2014	**10**	**–**	**715**	**725**
Analysis of expected timing of discounted flows				
Not later than one year	10	–	124	134
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	591	591
Balance at 31 March 2014	**10**	**–**	**715**	**725**

Liabilities and provisions

All provisions in the current and prior year relate to levy activities.

Early retirement is related to individuals on early retirement for which the regulator is liable, severance covers the cost of restructuring and dilapidations cover the cost of restoring Napier House at the end of the lease.

The dilapidations provision reflects the expected liability at the end of the current lease's expiry in 2023 (following a survey by Carter Jonas LLP). A provision for the outstanding requirements stipulated by the previous lease has been utilised following the completion of that work.

14 Commitments under leases

	AE 2014-2015 £'000	Levy 2014-2015 £'000	Total 2014-2015 £'000	Total 2013-2014 £'000
Obligations under operating leases for the following periods comprise:				
Buildings:				
Not later than one year	–	857	**857**	786
Later than one year and not later than five years	–	1,929	**1,929**	2,554
Later than five years	–	–	**–**	–
	–	2,786	**2,786**	3,340
Other:				
Not later than one year	–	18	**18**	42
Later than one year and not later than five years	–	27	**27**	44
Later than five years	–	–	**–**	–
	–	45	**45**	86

The existing lease for the regulator's office in Brighton expires in July 2023 with a break clause in July 2018.

The regulator has no obligations under finance leases.

15 Capital commitments

Contracted capital commitments at 31 March 2015 not otherwise included in these financial statements:

	AE 2014-2015 £'000	Levy 2014-2015 £'000	Total 2014-2015 £'000	Total 2013-2014 £'000
Intangible assets	264	–	**264**	1,948
	264	–	**264**	1,948

There were no amounts authorised by the Board not contracted for in the current or prior year.

16 Contingent liabilities

The regulator 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.

Disputes and claims arise from time to time in respect of employment rights. The regulator is currently pursuing cases but is not yet in a position to determine the likelihood of success nor estimate the costs with certainty that we might incur in respect of them. Therefore no accrual or provision has been made in these accounts in respect of these cases as at 31 March 2015 (2013-2014: £nil). The possible costs and awards in respect of these cases has not been disclosed in these accounts so as not to prejudice the regulator's position.

17 Losses and special payments

There were no losses or special payments during the current or prior year.

18 Related party transaction

The Pensions Regulator is a Non-Departmental Public Body (NDPB) accountable to the Secretary of State for Work and Pensions. The DWP, The Pensions Advisory Service (TPAS) and the Pension Protection Fund (PPF) are regarded as related parties. All transactions with related parties have been completed at arms length. During the period, the regulator's transactions with the Department included payments for the outsourcing of the internal audit function. In total the transactions with the DWP not related to the provision of Grant-in-Aid totalled £91k (2013-2014: £117k). There were no receipts relating to staff seconded to the DWP in the current year (2013-2014: £53k).

During the current and prior year the regulator had no transactions with the PPF or TPAS.

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

19 Subsequent events

There have been no other subsequent events which require disclosure in these accounts.

Sustainability Report

Sustainability Report

By including this Sustainability Report, we are conforming to the public sector requirements laid down in the Government Financial Reporting Manual. We contribute data to the DWP which produces an annual online report on sustainability.

This report 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 Sharepoint website.

Overview of performance

This year we achieved the targets of the Greening Government Commitment to reduce carbon emissions by 25% baselined against 2009-2010 by 2014-2015. Our targets and achievements relate to our sole occupancy in Brighton.

In line with the Greening Government Commitment, we committed to reduce carbon emissions by 25% baselined against 2009-2010 by the target date of 2014-2015[2]. The total carbon emissions normalised per FTE have achieved this reduction.

2 www.gov.uk/government/publications/greening-government-commitments-2013-to-2014-annual-report

Summary of performance against Greening Government targets

Area	2009-2010 baseline	2014-2015 performance
Average annual full-time equivalent (FTE) staffing figure:	337	481
Energy and emissions	**CO^2e tonnes**	**CO^2e tonnes**
Electricity	677.7	532.6
Gas	43.3	30.1
Total energy	**721.0**	**562.7**
Travel and related emissions	**CO^2e tonnes**	**CO^2e tonnes**
Fleet	Not available	7.3
Domestic air	Not available	28.5
Rail national/average	Not available	59.9
Taxi regular	Not available	2.2
Bus	Not available	0.0
Total travel	**48**[3]	**97.9**
Total emissions	**CO^2e tonnes**	**CO^2e tonnes**
Total CO^2	**769**	**660.7**
By FTE	**2.28**	**1.37**
By M^3	**0.23**	**0.20**
Waste	**Tonnes**	**Tonnes**
Waste – whole estate	14.4	19.6
Water	**M^3**	**M^3**
Water – whole estate	7,540	7,279

3
We have calculated the total travel emissions for 2009-2010 but this information is not available broken down into specific categories.

Greenhouse gas (GHG) emissions

		2012-2013	2013-2014	2014-2015
Non-financial indicators (tCO2e)	**Scope 1 emissions**			
	Gas	47.5	44.7	30.1
	Scope 2 emissions			
	Electricity	532.7	593.1	532.6
	Scope 3 emissions			
	Fleet*	2.5	4.5	7.3
	Taxis*	1.0	1.7	2.2
	Domestic air*	14.7	23.6	28.5
	Rail*	19.1	36.1	59.9
	Total Scope 3	**37.3**	**65.9**	**97.9**
	TOTAL EMISSIONS	**617.5**	**703.7**	**660.7**
Normalised (tCO2e)	**By FTE**	**1.63**	**1.50**	**1.37**
	By M^2 (3,360)	**0.18**	**0.21**	**0.20**
Energy (KWh)	**Scope 1**			
	Gas	256,491	243,732	163,968
	Scope 2			
	Electricity	1,021,666	1,093,151	981,598
Financial indicators (£)	**Scope 1 and 2**			
	Gas	£10,094	£7,706	£6,465
	Electricity	£117,256	£141,309	£131,943
	Water	£9,016	£14,629	£25,374
	Scope 3			
	Fleet*	£4,960	£5,456	£8,905
	Taxis*	£7,900	£14,641	£18,266
	Domestic air/rail*	£137,387	£244,635	£259,082

* 2013-2014 figures for fleet, taxis, domestic air and rail were restated to include automatic enrolment costs.

GHG performance commentary

In 2014, we installed solar panels in Napier House and we have achieved some efficiencies. The overall electricity consumption has reduced and we will aim to continue to improve our building efficiency where possible.

There has been an increase in staffing levels over the last year with an average annual FTE increase from 469 in 2013-2014 to 481 in 2014-2015.

This has not however had a significant impact on our total CO2e emissions, which have decreased by 6.1% relative to 2013-2014 and CO2e emissions per FTE have decreased by 8.7%: from 1.50 tonnes per FTE in 2013-2014 to 1.37 in 2014-2015.

Waste performance commentary

We promote the recycling of all paper, card, tins, plastic and glass. In 2014-2015, we continued to work with our main supplier and raise awareness and understanding of the importance of recycling amongst our employees through our internal sustainability programme called PLANET.

Sustainable procurement

Sustainability continues to be a functional part of the procurement process, and a detailed impact assessment form is used to record the positive or negative impacts on the sustainability criteria of a given project. We use our individual and aggregated buying power to encourage suppliers to make their products and services sustainable.

We also strive to reduce costs to the organisation over the lifetime of particular products, specifically relating to energy usage and the use of sustainable materials through the lifecycle of such products.

We will continue to comply to level 3 of the government's flexible procurement framework[4] enhancing towards level 4 where possible.

4 www.gov.uk/government/publications/sustainable-procurement-in-government-guidance-to-the-flexible-framework

Appendices

- Appendix 1: Formal exercises of delegated powers
- Appendix 2: Our workforce diversity profile

Appendix 1:
Formal exercises of delegated powers

In the vast majority of interactions that we have with schemes our powers do not need to be formally invoked, but they can be successful in influencing behaviour. Where we do formally exercise our powers, these are either delegated to the executive or to a specified and appropriate role, or reserved to the Determinations Panel (see pages 66 to 68). The following table outlines the delegated powers formally exercised in 2014-2015. It is not subject to audit.

Overall volume of powers exercised

Operational area	Apr 2013-Mar 2014	Apr 2014-Mar 2015
Defined contribution	208	49
Defined benefit	97	49
Fast Flow	522	550
Automatic enrolment	19	2,169
Total	**846**	**2,817**

Overall, the volume of powers exercised increased by 233% on 2013-2014. This can largely be attributed to the increase in automatic enrolment enforcement activity, in line with the increased volumes of employers staging during the period.

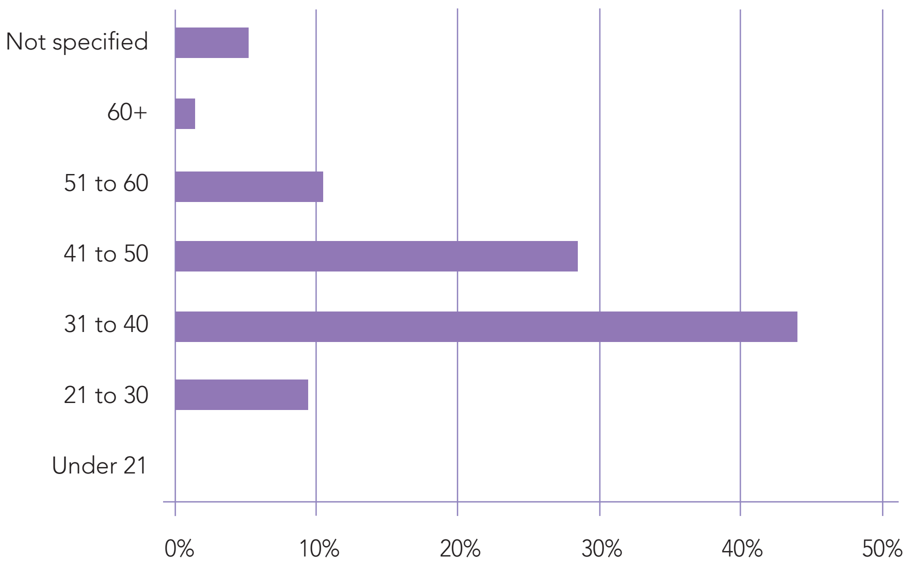
Appendix 2:
Our workforce diversity profile

Gender

We had an overall gender balance of 49% female to 51% male, with a spread of genders across all job groups. Of our managers and senior managers, 46% and 39% respectively were female.

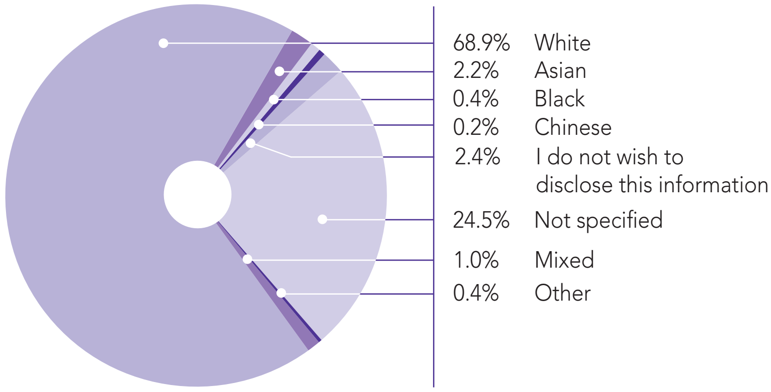
Age

The highest proportion (66%) of staff was aged between 31 and 50, with an overall average age of 40.



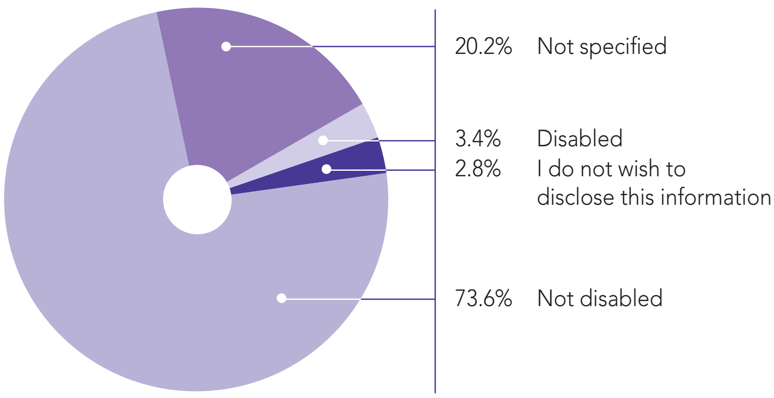
Ethnicity

The proportion of staff that declared being from ethnic minority groups was 4.2% of the total workforce with 68.9% declaring themselves to be of white origin.



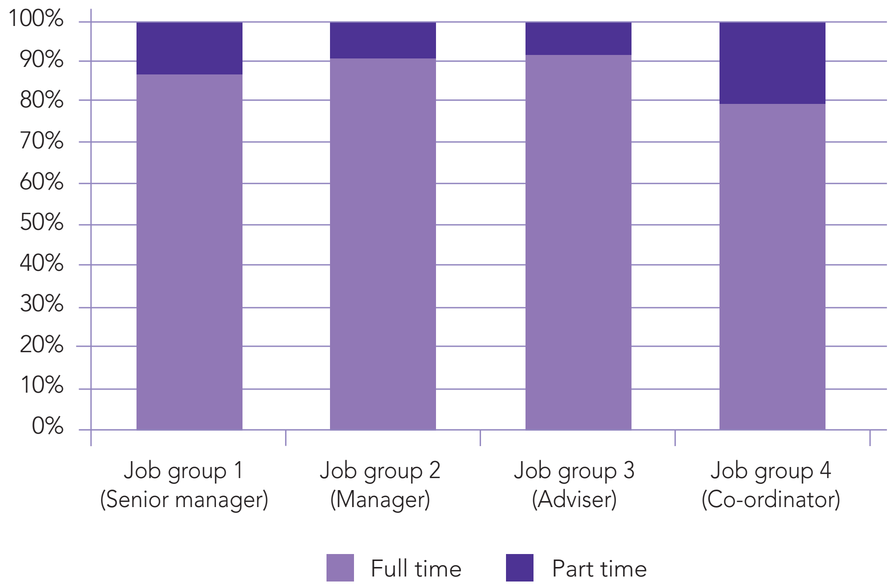
Disability

The proportion of staff that declared a disability was 3.4%.



Working pattern

There was a spread of both male and female part-time staff across each job group, accounting for 9% of the total workforce.



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