The Pensions Regulator
Making workplace pensions work

Annual Report and Accounts

2018-2019

HC 2176

The Pensions Regulator's Annual Report and Accounts
2018-2019

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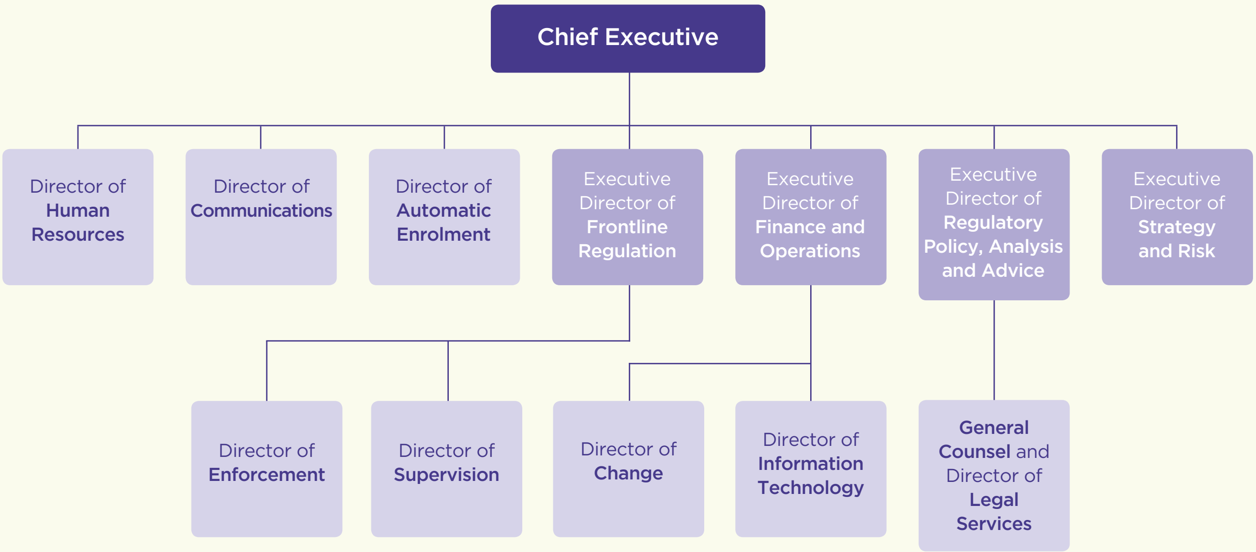
Introduction

The Pensions Regulator (TPR) is the public body that protects workplace pensions in the UK. We work with employers and those running pensions so that people can save safely for their retirement. You can read more (www.tpr.gov.uk/about-us) about the objectives that government has given us, our approach to regulation and the values we hold that enable us to realise our vision of being a strong, agile, fair and efficient regulator.

Our organisational structure (illustrated to Director level only)



Performance report

Overview

In this section, our Chairman Mark Boyle and our new Chief Executive Charles Counsell give an overview of the 2018-2019 business year.

We then provide a detailed analysis of our performance against our corporate priorities, including the results of our Key Performance Indicators (KPIs) which concludes with a summary of our financial and sustainability performance.

'AE is now thoroughly in the business as usual camp for UK businesses'

A year characterised by growth and change in equal measure has seen us continue to evolve our approach.

In our 'Making workplace pensions work' publication, we described changes that would make us clearer with those we regulate, quicker to act where our expectations are not being met, and tougher on those that do not act in the best interest of members. This 'clearer, quicker, tougher' focus has become reality and is now a central tenet of our interventions in all aspects of our regulation.

A new brand, an upgraded website, increased external communications and public speeches and our annual stakeholder conference are just some of the channels that have showcased our new ways of working. There has been no better recent example of our 'clearer' approach than our Annual Funding Statement for defined benefit (DB) schemes, which was well received across a broad spectrum of UK pensions audiences. And we are tougher in identifying and prosecuting those who do wrong – as seen in a recent case where we prosecuted an accountant for using the pension scheme he looked after as his own personal bank account.

Internally, and not necessarily visible to those we regulate, there have been some structural and cultural changes in our organisation. 'TPR Future' is becoming rooted in the way we work, providing thematic splits in our approaches to administration, governance, DB funding, automatic enrolment (AE), and savers' decisions.

One critical new channel is one-to-one supervision, which now sees us undertaking twice as many proactive interventions, with plans to increase further next year. This is the most visible example of new regulatory initiatives, with more to come that will further influence our policy work and make way for any proposed changes to our powers, along with the possibility of consolidation of schemes and the emergence of collective defined contribution (CDC) schemes.

Master trust authorisation is now in place to better protect savers. We have assisted master trusts through that process, providing readiness reviews, online tools and guidance, and engaging with the schemes to help them meet and understand the required standards. This support has made this major regulatory transition a smooth one so far.

AE is now accepted as a business norm by UK businesses. With 10 million savers in AE schemes and contribution levels increasing without significant opt-outs, it is viewed by virtually all commentators as a tremendous success. Lying behind this success are many new ways of working, including introducing High Court enforcement officers, high-profile advertising campaigns, improvements to our data and intelligence and spot checks – random and targeted – on employers. I remain extremely proud of the leading role that we have played in getting people in the UK to save more for retirement.

Scheme standards continues to be an area of focus for us. Our campaign work around trusteeship continues and we provided input into the professional trustee standards working group who published new standards for professional trustees earlier this year. We are shortly publishing a consultation setting out our aim to improve standards for all trustees and encourage trustees of underperforming DC schemes to consider whether their members would be better provided for in a well-run scheme such as an authorised master trust.

Our links to other regulators and industry or government bodies are very important to us. We simply could not achieve the outcomes we want to achieve without these links.

Our joint strategy with the Financial Conduct Authority (FCA) reflected a step change in our relationship and set out our respective roles and how we will work more closely together to tackle the key risks we see facing the pensions sector over the next five to ten years. We have also been working with the FCA and the Money and Pensions Service on the outcome of the review of member communications following the British Steel pension transfer exercise. We will continue to build our partnerships to ensure an effective and robust UK pensions framework for savers.

I would like to take a moment to reflect on the successes of our former chief executive Lesley Titcomb, and to welcome our new chief executive Charles Counsell. Lesley made some big changes during her time here laying the foundation for the transformation in the way we regulate and in her last year oversaw major successes including Southern Water agreeing to pay £50 million into its pension scheme under a shortened recovery plan and the first prosecution and fine of a third party working on behalf of an employer. Lesley set a clear path for our future development and Charles is exactly the right person to build on the foundations we now have in place.

During the year, we also welcomed two new executive directors - David Fairs and Jo Hill. David is responsible for our policy work, including developing material to support the implementation of legislation, Brexit, trusteeship, responding to other key developments across the landscape and providing thought leadership and direction on new challenges such as the pensions dashboard, collective DC and DB superfunds. Jo's focus is on ensuring that we have a robust framework for strategic decision-making, that we are co-ordinated in our response to the risks we face and that we align what we need to do with the resources we have to the best effect.

It really is a team effort here at TPR. I would like to acknowledge the hard work that happens every day across the whole organisation, and how committed our staff are to doing the best job they can to protect savers and ensure schemes are well-run. We have changed a lot over the last few years as an organisation but have much still to do. We will maintain these efforts to be clearer, quicker and tougher to make pensions work for the country's 45 million memberships of workplace pension savers.

Mark Boyle

Mark Boyle
Chairman, The Pensions Regulator

'We are increasingly using our powers, including some for the first time'

I am very glad to be back at TPR. Much is familiar, but a lot has changed since I was previously here as Executive Director of AE.

In our last Annual Report and Accounts, we talked about our 'TPR Future' programme and how the result of this work is designed to deliver a sustainable approach to regulation across DB, DC, public service schemes and our AE responsibilities. Our new operating model is now in place, allowing us to have a greater impact on the behaviour of schemes and employers by proactively interacting with a larger volume on a wider range of risks.

Our model promotes better oversight of those we regulate, proactive identification of risks, and alignment of the action we take to those risks and what we want to achieve. This includes horizon-scanning at a high level, better data and improved governance structures.

Some structural change has been necessary to allow for this increased oversight. Principally, this has been through the introduction of new supervision and enforcement teams that allow an increased level of regular contact with schemes. One-to-one supervision means we will have a cycle of interactions with certain schemes throughout the year, including face-to-face meetings and further actions dealing with any issues that arise.

We are increasingly using our powers, including some for the first time and to better effect. Over the past year, we have used our new enforcement approaches to disrupt, deter and punish dishonest activity, which – among other things – led to our first prosecution for fraud, our first custodial sentence, and the courts handing down the largest ever fine that followed a TPR prosecution. We also issued the largest ever fine to trustees of a master trust for multiple breaches of the law, the standards of which fell well below our expectations.

AE is operating at scale and seeing small and micro employers through staging, driving high levels of compliance with basic duties. Our Customer Support and Regulatory Transactions teams now run very differently due to this scale and the changing nature of the queries we receive. This enables better risk identification, as we can see from the significant increase in whistleblowing reports that we now receive.

Less visibly, we have introduced a new grade and pay structure into the organisation which is a significant change for our staff. It will take time to embed as we develop a culture of performance recognition, and a greater level of fairness and equality of reward.

Alongside the changes we have implemented in our organisation, we also continue to see changes across the pensions landscape. There are now many more savers, and a changing demographic of savers. A higher number of younger and lower-paid people are now saving, many for the first time.

The landscape is also changing in terms of the schemes available. There are now 14 million savers in master trusts, and our new authorisation process establishes and then monitors their ongoing fitness to operate. Our supervision of master trusts is vital to ensure the new standards imposed in this market are not only demonstrated to us as part of the authorisation application process but also continue to be met in the future. In doing so we can proactively tighten our regulatory grip on this sector. We have already authorised the first master trusts that meet the standards required and will complete authorisation for the remainder that have applied and that meet the requirements.

Our performance analysis outlines how we have performed against the priorities and key performance indicators we set for 2018-2019. We met most of our KPIs, with 18 of our 22 KPIs achieved. Of the four targets we missed, we took active decisions on some to focus our resources to new areas of work and away from original intentions at the start of the year, aware of the impact upon our KPIs. However, our staff engagement and learning and people development results are below target and are reflective of an organisation going through significant change. They demonstrate that we need to balance the pace of change without overstretching the commitment of our staff.

I would like to thank my predecessor Lesley Titcomb for her hard work, to our Chairman, Mark Boyle, the Board, the executive team and the rest of the organisation for their continued dedication to make things better. I'm excited by the challenges that lie ahead.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
21 June 2019

Performance summary

Our approach to regulation continues to shift as the pensions landscape creates new opportunities and risks for savers. New responsibilities have driven our recent internal growth and an expansion of our engagement with pension schemes, employers, stakeholders and partners.

2018-2019 saw some major regulatory developments, including the implementation of an authorisation and supervision regime for master trusts. In parallel, we ensured the largest ever number of small employers met their AE duties. Our staff have risen to these and many other challenges outlined in this Annual Report and Accounts.

Continuing to regulate effectively in the face of significant change requires a delicate balancing of resources against priorities and sensitivity to our staff's capacity to absorb change while delivering quality regulation. Given the scale of our changes and the high standards we set ourselves this process has not been without its challenges. Nonetheless, we achieved 18 of our 22 KPIs in 2018-2019. This is a good performance and demonstrates the hard work, dedication and professionalism of our staff. It has also highlighted the areas where some improvements need to be made and plans are in place to address areas where targets were not met.

Our performance report highlights a solid year of delivery against our statutory objectives. The ambitions we outlined in our 2018-2021 Corporate Plan (www.tpr.gov.uk/plan) have largely been achieved or are well underway. We welcome the conclusions of the Department for Work and Pensions (DWP) Tailored Review (www.gov.uk/government/publications/the-pensions-regulator-tailored-review) in recognising our achievements and the importance of the role we continue to effectively play.

The 2019-2020 budget has been approved by the DWP and we have therefore considered it appropriate to adopt a going concern basis for the preparation of the 2018-2019 financial statements.

Our performance in 2018-2019

32%
increase in use of Frontline (non-AE) powers

49,032
AE fines were issued for non-compliance
Increased by 37% since 2017-2018 (35,873)

154
Number of times our information-gathering powers were exercised

Increased by 27% since 2017-2018 (>1.1m)
>1.4m
employers have now completed their declaration of compliance
>116k
employers have completed their re-declaration of compliance
Increased by 283% since 2017-2018 (>41k)

8
regulatory intervention reports published

593
Number of times our trustee appointment powers were exercised
Increased by 11% since 2017-2018 (534)

Increased by 5% since 2017-2018 (>9.5m)
>10m
eligible jobholders have automatically enrolled into an AE pension scheme to date

164,437
cases in 2018-2019
Increased by 24% since 2017-2018 (132,653)

59
financial penalties issued to schemes for not completing their scheme return when required

14.7%
of schemes were subject to a risk-targeted regulatory intervention by TPR
Increased every year since 2015-2016

286
Number of mandatory penalty notices issued where no chair's statement has been prepared or where it does not comply with our requirements

38
master trusts have applied for authorisation

TPR was mentioned in **2,720** pieces of national, local and trade media coverage - a reach of

21.67m

people with a news value of

£16.35m

9,185
followers on LinkedIn

13,160
followers on Twitter

19
new videos posted on our YouTube channel with total views of
37.6k

15,793
Facebook followers

>2m people made **>3m** visits to our website and looked at

>15m pages

including **21,645** views of our blogs

89%
customer satisfaction following contact with our customer service centres in Brighton and Birmingham

11.1%
average payroll FTE staffing level increase

228
speeches were delivered by TPR staff

120
learning events were run in-house last year

Performance analysis

Here, we provide a more detailed analysis and explanation of the development and performance of our organisation over the last year, in line with the risks and priorities we determined in our Corporate Plan 2018-2021 (www.tpr.gov.uk/plan) and in pursuit of the statutory objectives given to us by Parliament.

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

How we measure our performance

We measure our regulatory performance against our statutory objectives and priorities through annual KPIs. The measures in this section are linked to our priorities, which were set out in our 2018-2021 Corporate Plan.

Our regulatory performance cannot be wholly judged by a set of metrics, which is why we outline our broader achievements against our corporate priorities as well as outlining key activities, volumes and achievements throughout the report.

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

In addition to KPIs, this year we adopted a revised set of outcomes we intend to measure ourselves against in future, outlined in our 'Making workplace pensions work' publication (www.tpr.gov.uk/about-us/making-workplace-pensions-work). These are:

Participation
We want to increase participation in workplace pensions.

Protection
We want to protect members and the Pension Protection Fund (PPF).

Accountability
We want to hold those we regulate to account.

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

In our recent Corporate Plan for 2019-2022, we have now set out a revised set of key outcome indicators (KOIs) which we will evaluate over the course of the next financial year as a means of highlighting and tracking our wider role in the context of providing good retirement outcomes. These KOIs will demonstrate trends over a longer period and indicate whether our involvement in the wider pensions framework is delivering better outcomes. We will outline the emerging trends and our influence on them in our next Annual Report and Accounts.

Analysis of performance

Corporate priorities and KPIs outline

The eight corporate priorities we set for 2018-2019 and beyond were:

1. Enhancing and executing effective regulatory approaches across all schemes
2. Promoting good trusteeship through improving governance and administration
3. Effective regulation of DB schemes
4. Effective regulation of master trusts
5. Ensuring employers meet their ongoing automatic enrolment duties
6. Preparing for the impact of Brexit
7. Equipping our people to meet the challenges we face
8. Delivering The Pensions Regulator of the future

We set KPIs relevant to one or more of our corporate priorities to measure how we performed against our plans for delivery in year. These KPIs were updated to be consistent with our intention to be clearer, quicker and tougher so we could further develop and demonstrate our effectiveness through other appropriate measures of our performance.

We achieved 18 of our 22 KPIs in year 2018-2019.

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

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

Corporate priorities and KPI analysis 2018-2019

The analysis below is provided under the corporate priorities we set in our 2018-2021 Corporate Plan and the associated measures we outlined under the priorities.

1. Enhancing and executing effective regulatory approaches across all schemes
Intervening effectively and efficiently where appropriate

We have been changing the way we work and the way we interact with those we regulate. This is partly due to our new powers and remit to authorise and supervise master trusts, which reflects the changing pensions landscape as a whole. With these changes, the risks are shifting, and we are adapting the way we address them.

As a regulator, we recognise we need to change to be clearer, quicker and tougher where necessary with those that we regulate. Some of our existing approaches remain, but we have also developed new ones. Our stakeholders have recognised that we have changed, and we continue to develop our approaches to meet our aim.

We have established a new supervision approach across all schemes and we are creating one-to-one relationships with the schemes that, due to their size, benefit from continued interaction with us, or a more flexible approach where we interact closely at certain points to ensure our expectations are clear and the right conclusions are made.

We have also been testing and learning from our high intensity regulatory approaches to governance and administration risks in public service schemes, identifying risks and applying our resources appropriately to mitigate these risks based on the potential impact we see.

We conducted two thematic reviews this year to establish the state of play on areas that are key to delivering good outcomes for members – value for members and maintaining timely and accurate contributions. We have published the findings (www.tpr.gov.uk/about-us/how-we-regulate-and-enforce/thematic-reviews) and followed up on the issues we found.

We have used some of our powers for the first time and in new ways, testing how we can use them to good effect and to drive the right outcomes in the most efficient way. We have been quick to publicise their effect and the circumstances that led us to take action, to demonstrate that certain behaviours will not be tolerated, and we are prepared to act in cases where behaviours are detrimental to the scheme and its members.

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1. Enhancing and executing effective regulatory approaches across all schemes continued...

Examples

- **Prosecutions under the Computer Misuse Act 1990**
  In AE, we have developed and refined our ongoing compliance validation spot checks using data feeds and analysis to identify likely breaches and non-compliance. This has better informed our use of resources and more accurately targeted our interventions, allowing for a risk-based approach on a case by case basis, balancing desk-based checks against the need, where appropriate, for face-to-face inspections at companies.

- **Orphan schemes pilot**
  We have engaged with a range of providers holding large books of 'orphan schemes' (schemes where there is no longer a trustee in place). We worked with providers and HMRC to develop a process which enables the providers to assign the scheme benefits to individual members, without the need for a trustee to be appointed. The pilot exercise which tests this process has been running throughout the year, with one provider having completed it so far.

In addition to the KPIs below, which provide indication of our performance under each priority, the KPIs for developing master trust authorisation (priority 4) and our development activity for governance and administration (priority 2) additionally demonstrate our performance in introducing and enhancing new ways of working.

KPI: We will proactively engage with the highest risk cohort of public service schemes to improve standards of governance and administration.	
Target	**100%**
Result ✓	**Green:** We engaged with the entire Local Government Pension Scheme population (England, Wales, Scotland and Northern Ireland) in a variety of ways, including news by email, pension board attendance, speaking at conferences and undertaking proactive case management engagement. As a result, we have engaged with all 99 Local Government schemes to fully achieve this KPI.
KPI: We will subject a proportion of the high-risk cohort to high intensity regulatory oversight in the first year of adopting this new regulatory approach.	
Target	**10%**
Result ✓	**Green:** We have developed our new high intensity regulatory oversight approach and applied it to a targeted proportion of the highest risk schemes to test and learn its effect and drive the right outcomes in the scheme circumstances. We proactively engaged with 10 Local Government schemes based in England, Wales, Scotland and Northern Ireland. We assessed them against key governance and administration risks and subsequently sent them feedback setting out our observations and our expectations of future actions required. Scheme membership covered by this work was approximately 857,000.
KPI: For the cohort of schemes where we have intervened, we have either concluded that no further action needs to be taken or opened a formal investigation with a view to using our powers within 12 months.	
Target	**90%**
Result ✓	**Green:** We did not identify any Local Government schemes which, as a result of our work, required a formal investigation to be opened over this period.

2. Promoting good trusteeship through improving governance and administration
Improving standards of governance, record-keeping and data in schemes

We have demonstrated that there are varying standards of trusteeship across different types and sizes of schemes. However, we expect standards to be high and consistent with our expectations and, as part of our new regulatory approach, we have been clarifying these standards and running communication campaigns to promote awareness and understanding of them.

We have placed a focus on value for members this year, undertaking a thematic review, updating our costs and charges guidance and addressing sub-standard governance of small schemes, as well as publicising the evidence relating to this segment of the pensions landscape. Where standards are not and cannot be met, we encourage consolidation and have updated our DC winding up guidance and produced new bulk transfer guidance accordingly.

We have continued to drive compliance on the basic duties required of trustees, such as reporting statutory information to us and completing chair's statements to the required standard. We have also collected information on record-keeping across all scheme types and will be using it to further inform our risk assessment and engagement approaches with them. We continue to work with industry and the DWP to create the data standards required to deliver a successful pensions dashboard.

At the other end of the spectrum, we have been running scams awareness campaigns and targeting and disrupting scammers with our multi-agency approach. We have had some high-profile successes and we want to be clear that we will not tolerate fraudulent activity which abuses the trust that savers place in others. Those that undertake such activity can expect to face the full force of the law.

Examples

- **Thematic review on value for members solidified our position on DC consolidation**
  In September we published the results of our thematic review (www.tpr.gov.uk/about-us/how-we-regulate-and-enforce/thematic-reviews) looking at how the trustees of small DC schemes were assessing the value their scheme members get for the charges they pay, prompted by the results of our DC survey (www.tpr.gov.uk/-/media/thepensionsregulator/files/import/pdf/dc-research-summary-report-2018) which indicated weaknesses in this area.

  The review showed that many savers in this group of schemes are not benefitting from robust value for money assessments, and trustees are not demonstrating full awareness of what they need to do to ensure they achieve value for their members. Our future of trusteeship consultation, which we are intending to publish this year, will look to set out our proposals and seek views on how to ensure more savers benefit from high standards of governance and good value from their pension scheme.

- **21st century trusteeship campaign**
  We used targeted communications and education to help trustees understand the basics of good governance, over a 12-month period. This included a dedicated web page and issued monthly targeted emails to trustees, scheme managers and advisers of both DB and DC schemes, linking to monthly themes underpinning good governance.

  These emails served to exemplify behaviours linked to good governance and included case studies on how schemes delivered better value and outcomes for savers through better governance. We also directed trustees to additional learning material and assessment tools on our online Trustee toolkit (https://trusteetoolkit.thepensionsregulator.gov.uk), such as a skills assessment matrix and board evaluation templates.

- **Involvement in the simplified annual benefit statements industry initiative and winner at the DC Pensions Insight awards**
  We have supported an industry-led initiative to produce a simplified, standard annual benefit statement template.

  The simplified statement ensures savers can find all the information they need to really get to grips with their savings, and trustees can be confident that it meets all the legal requirements. It is also clear about what people might want to do next as a result of receiving the statement – helping them to feel that their pension is in their control.

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2. Promoting good trusteeship through improving governance and administration continued...

KPI: Trustees and employers are provided with our clear expectations of them through our ongoing campaign work, publication of the outcome of our thematic reviews, revised guidance and new guidance on bulk transfers and publication of our new master trust code of practice and initial guidance.	
Target	**Key activity delivered**
Result ✓	**Green:** All our prioritised activity in plan was delivered in year and engagement with our 21st century trusteeship campaign and associated tools and guidance has increased.
KPI: A high proportion of scheme members will be in schemes that have provided their scheme returns to us in line with the requirements.	
Target	**99.5%**
Result ✓	**Green:** 99.9% of members are in schemes that have provided statutory information to us in line with the requirements.
KPI: A high proportion of members are in schemes that have completed a scheme funding valuation or are compliant with the requirements to notify us of the breach.	
Target	**97%**
Result ✓	**Green:** 100% of schemes required to submit a valuation to us this year have either done so or have filed a breach of law report for follow up with corrective action.
KPI: The number of Trustee toolkit module passes.	
Target	**14,000 module passes**
Result –	**Amber:** 13,661 module passes on our toolkit were completed in the period. We took a decision to prioritise other campaigns over driving toolkit take-up in year. Despite this, engagement with the toolkit has been high, and we maintain that trustee knowledge and understanding remains a key component in driving good governance and administration.

3. Effective regulation of DB schemes

Overseeing and intervening where necessary, to maintain the right level of funding and sponsor support of DB schemes so they can pay benefits as they fall due

We published our revised DB Annual Funding Statement (https://www.tpr.gov.uk/en/document-library/statements) this year to clearly set our expectations of striking the right balance in employer support and appropriate funding of DB schemes.

We have also followed up proactively with schemes and employers that are not striking the right balance of issuing dividends to shareholders against funding their pension scheme, making our expectations clear for future valuations and ensuring they are met when presented to us.

We have been working with the DWP on the DB white paper and subsequent intended legislation. We welcome the proposal of new powers, which will further enable us to protect members' benefits and reduce calls on the PPF. Work has started on revising our DB funding code in line with these proposed changes and our 'clearer, quicker, tougher' approach.

We have had some high-profile successes this year, some of which are demonstrated below. This has ensured appropriate and ongoing employer support for pension schemes and has publicised our considerations in exercising our powers, to clarify our position in these circumstances to the market.

We continue to work with government and industry on a new DB consolidation regime which seeks to ensure adequate protection remains for members and reduces the risk of calls on the PPF, irrespective of the DB scheme members are in.

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3. Effective regulation of DB schemes continued...

Examples

- **Intervening on smaller schemes**
  We identified a significant covenant risk for a scheme that had a low level of agreed deficit repair contributions (DRCs) over a lengthy proposed recovery plan of 13 years. The employer had been transferring funds to another company within the employer group for years, following the advice from an in-house finance expert who had incorrectly rated the covenant as strong. The sales and profitability of the company were deteriorating, and acute governance risks were apparent within the scheme.

  Our intervention and challenges led to a suite of improvements for the scheme. The scheme went from having a conflicted trustee board to having a professional chair of trustees in place, a revised covenant rating, an increased technical provisions deficit, a recovery plan of almost half the original length, and received an upfront payment of £10 million, with £3.7 million per annum (up from £2 million per annum) in DRCs thereafter. The employer also provided the scheme with first ranking security over its properties and a PPF-compliant evergreen s75 guarantee of £18 million. In addition, a negative pledge relating to dividends was provided.

- **S.72 failure – prosecution upheld on appeal**
  During an investigation into the position of the DB schemes of Samuel Smith Old Brewery (Tadcaster), a request was made for further information regarding the company's financial situation. Whilst the company failed to provide the information on a voluntary basis, a statutory request was issued under Section 72 of the Pensions Act 2004 to allow for a full assessment of the schemes. The request was not complied with, leading to us pursuing a criminal conviction for failing to comply with a section 72 notice. The company and its chairman Humphrey Smith pleaded guilty to neglecting or refusing to provide information and documents without a reasonable excuse, resulting in total fines of £28,000.

- **Appropriate scheme funding for Southern Water**
  We took action over what we felt was an imbalance between the funds contributed to the Southern Water Pension Scheme and the level of dividends paid to shareholders in 2016 and 2017. We began regulatory proceedings and issued a Warning Notice to the trustee and company to say we were seeking to exercise our section 231 funding power over our concerns about the level of payments to the scheme. We later opened an anti-avoidance investigation following the dividend payments by the company.

  In December 2018 a settlement was made which will see Southern Water pay £50 million more into the scheme over a shorter recovery plan period. Initial payments will be up to twice as much as before, with every subsequent payment also higher. A dividend sharing mechanism will ensure future dividend payments do not lead to unfair treatment of the scheme.

KPI: The proportion of assessed DB scheme risk we have engaged with during the last three years.	
Target	70%
Result ✓	**Green:** Over the last three years we have engaged with schemes covering 75% of DB risk. We determine DB scheme risk as the funding and investment risk that may not be supportable by the scheme's sponsoring covenant, by assessing: • the level of underfunding in the scheme, considering the strength of the employer covenant and scheme maturity compared to the current cash contributions being paid • the additional deficit that could arise from the investment strategy in the future, which may not be supportable by the covenant.
KPI: Percentage of scheme funding valuations where we opened an investigation and, within nine months of the valuation submission date, we have either determined that no further action is required, or we have formalised our view on the use of our powers.	
Target	80%
Result ✓	**Green:** 84% of scheme valuations we investigated over this period we satisfied ourselves that no further action was required or escalated into formal use of power within nine months – demonstrating that we are consistently quicker in our approach and practice.
KPI: Where recovery plans are not received in line with requirements, we have concluded that no further action is required or opened a formal investigation with a view to using our powers within 12 months.	
Target	95%
Result ✓	**Green:** 98% of recovery plans under investigation this year we either satisfied ourselves that no further action was required or escalated to formal use of powers within 12 months.

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3. Effective regulation of DB schemes continued...

KPI: We will maintain the significantly increased level of proactive casework ahead of formal valuation that we achieved in 2017-2018.	
Target	**100% of 2017-2018**
Result ✗	**Red:** We achieved 88% of the proactive casework we undertook in the previous year. This was due to the introduction and re-allocation of resources in year to our new supervision approach, particularly the successful introduction of one-to-one supervision. Our new approach covered more schemes, is more targeted and directive, and is starting to demonstrate greater effect with efficient use of our resources.
KPI: In DB enforcement cases, we will achieve the same number of the following outcomes during 2018-2019 as we did in 2017-2018: warning notices; judgments at the Determinations Panel; Upper Tribunal or other courts, and settlements.	
Target	**100% of 2017-2018**
Result ✓	**Green:** We maintained the same level of enforcement cases in 2018-2019 despite the implementation of changes to our frontline operating model and the introduction of new ways of working.

4. Effective regulation of master trusts
Deliver the new authorisation and supervision regime

We established the master trust authorisation and supervision framework this year. With the introduction of new regulations, we produced a new code of practice and supporting guidance materials, as well as defining our authorisation criteria and publishing our supervision and enforcement policy.

We established our in-house master trust authorisation and supervision team and produced an online portal for master trusts to engage with the new regime, as well as offering review and feedback to all master trusts to assess their readiness, and to enable their preparation for successful authorisation or an orderly exit from the market.

We have started to authorise those master trusts that have submitted applications to us, in line with our statutory duties, and we are working with those that will be exiting the market to ensure a seamless transition for their membership to an alternative master trust scheme or appropriate vehicle that meets the standards we expect.

continued over...

4. Effective regulation of master trusts continued...

Example

The effectiveness of our online portal and readiness review:

- We built and delivered an online portal to accommodate the significant volume of sensitive documents required for master trust authorisation. This was delivered within the timeframe and in line with the scope given, with only some minor glitches that were resolved quickly. We received positive feedback from applicants that the portal was simple and easy to use.
- Readiness reviews were created as an innovative way for us and schemes to better prepare for authorisation. Through this we were able to be clearer on our expectations and discuss any key issues we identified. As a result, the quality of applications has significantly increased and we are now much more familiar with the content of the applications (which better reflect our expectations) putting us in a much stronger place to manage this process within the statutory deadlines.

KPI: The proportion of draft applications received that will receive feedback on the information submitted within the master trust readiness review application window.	
Target	**100%**
Result ✓	**Green:** 100% of schemes who sent us a draft application received feedback in the time we stated.
KPI: The proportion of master trust authorisation applications that will be referred to the Determinations Panel within 20 weeks of a full and complete application having been received.	
Target	**90%**
Result ✓	**Green:** 100% of schemes that submitted a completed application in year have been processed within the statutory timescales.
KPI: Establish which master trusts intend to exit the market and engage with all of them so they ensure their exit takes place in a controlled way.	
Target	**100%**
Result ✓	**Green:** We have now established which master trusts will be exiting the market. All which have exited the market to date have done so in a controlled and orderly way. We will continue to work with the remaining schemes over the transition period.

5. Ensuring employers meet their ongoing automatic enrolment duties

A focus on new employers' compliance, contribution increases, and the re-enrolment and ongoing duties of employers

As all existing employers have staged through setting up a qualifying workplace pension for their eligible staff, with the smallest employers completing this journey this year, AE has become business as usual for employers and workers in the UK.

We have been adapting our approach this year to focus on new employers' awareness and compliance with their AE duties, as well as the re-enrolment of workers by existing employers. We have also been gearing up to the final phase of government-driven contribution rate increases and placing a focus on maintaining prompt and accurate contributions into schemes by employers, on their workers' behalf.

Our AE advertising campaign we shared with the DWP was very successful in raising awareness, engagement, and driving people to our website for more information.

We have further scaled up our activity for the volume of smaller employers automatically enrolling their staff this year. Where employers and their advisers wilfully disregard their responsibilities, we have been quick to identify and if necessary prosecute these offenders. Using improvements we have made in our data and sharing it, as appropriate, with other government agencies, we have been targeting potential offenders with inspections and spot checks. We have also introduced a High Court enforcement officer's approach to bring people to justice as necessary and we are quick to publicise the consequences for those who deny savers the right to build provision for their retirement.

We are now designing the longer-term model to maintain ongoing employer compliance with their duties, using our resources in the most efficient way.

continued over...

5. Ensuring employers meet their ongoing automatic enrolment duties continued...

Examples

- **Highest ever fine and first custodial sentences**
  Prosecutions under the Computer Misuse Act 1990. Workchain, a national recruitment agency, its directors and senior staff were ordered to pay more than £280,000 for plotting to illegally opt workers out of their pension scheme which, at the time, was the largest fine and first custodial sentences for a case brought by TPR.

  Workchain's owners and directors encouraged five senior staff at the company to persuade workers to opt out of the scheme so the company could avoid making pension payments on their behalf. Staff worked together to opt workers out of the NEST pension scheme by phoning NEST posing as their temporary workers to get the employees' account ID numbers. They then logged onto NEST's online system and opted the temporary workers out of their pension scheme. We prosecuted the company, the directors and the five senior staff for offences under the Computer Misuse Act 1990.

- **Recruitment company directors' prosecution for illegal opt-out of workers**
  A recruitment firm automatically enrolled its eligible staff into a master trust pension scheme in 2013. The scheme was 'self certified' by the employer. In 2016, the company assessed the workforce and realised that the circumstances had changed, and the contributions should have been calculated another way. The company failed to amend its payroll or update the pension scheme rules, meaning that the pension contributions paid fell below the minimum required by law.

  The company got in touch with us in 2017 but we were not satisfied with their explanation or proposed rectification plan and, in April 2018, issued the company with a notice requiring them to pay the shortfall of both employer and employee contributions, adding up to a total of over £700,000. They confirmed that they had paid the outstanding amount in July 2018 and are now compliant with their AE responsibilities.

KPI: A high proportion of the employer population has a qualifying scheme ultimately in place.	
Target	**90%**
Result ✓	**Green:** Ultimate compliance with setting up a workplace pension for staff by their employer remains above the target at 94%. This includes the large volumes of small and micro employers who have complied with their duties.
KPI: A high proportion of the jobholder population has been ultimately put in a qualifying scheme.	
Target	**94%**
Result ✓	**Green:** 99% of the jobholder population have been ultimately put into schemes by their employer – now covering all the existing employers and new employers where their duties have come into effect. This demonstrates the success of this government policy in establishing widespread workplace pension saving in the UK.
KPI: A high proportion of employers make contributions to their respective scheme before they become materially late.	
Target	**94%**
Result ✓	**Green:** This remains high and above target at 95% even as increasing numbers of new employers have responsibility for maintaining their pension scheme contributions.

6. Preparing for the impact of Brexit

Building understanding and resilience with an appropriate regulatory response to the Brexit outcome

We have continued to support DWP in responding to the likely impact of Brexit on pensions schemes, regulation and UK legislation. We are also supporting our regulated community by scenario planning and advising schemes and employers on our expectations as negotiations continue.

In the meantime, our engagement with the European Insurance and Occupational Pensions Authority (EIOPA) and international supervisors remains uninterrupted and we have signed two Memoranda of Understanding - one with EIOPA and another with other EEA regulators, each of which would come into effect in the event of a 'no-deal' Brexit.

Equally, the implementation of the IORP II Directive into UK law is unaffected and presently maintains a consistency of pension governance standards across Europe. We continue to work on the implications of Brexit for cross-border schemes.

Please note: No KPIs were set in relation to this priority as our primary intention was to support developments, and respond to events and our stakeholder needs through the year.

7. Equipping our people to meet the challenges we face

Being flexible within a changing landscape and remit

As an organisation, we have grown in size and remit, and also in the scale of risk we cover in the developing pensions landscape and how we address and mitigate risks to our statutory objectives.

Our people are our biggest asset, and as our organisation grows we are adapting to these changes to meet the challenges we faced in the last year and in the future.

Our executive team has been strengthened by the appointment of David Fairs as Executive Director of Regulatory Policy, Analysis and Advice, and Jo Hill as Executive Director of Strategy and Risk. We appointed our new Chief Executive Charles Counsell this year.

We have also established new Directors of Supervision and Enforcement and new Directors of IT and Change. With this newly established senior team we have created a firm basis to move forward through this unprecedented period of change.

We have been developing our operating model through our TPR Future programme and our future AE design, and the systems that will support us in the future.

We have been developing our staff extensively by creating new areas of work to fit our talented and knowledgeable staff. Our secondments, internships and apprenticeship programme have been a key part of our staff development. We have also continued to train our staff, making effective use of our online ‘learning hub’, civil service learning tools and in-house training where necessary.

Equipping our staff to work effectively in a changing and challenging environment has been high on our agenda. We have created ‘Time to Change’ champions, staff diversity networks, and developed our internal communications considerably.

We value and promote a diverse and inclusive working environment. Key achievements against our equality objectives include being recognised as a Disability Confident Employer (level 2 status). We have also implemented a trans and gender identity policy, carried out a review of flexible working and embedded Public Sector Equality Duty (PSED) considerations into our regulatory policy and decision-making processes.

We welcome staff involvement and consultation with our trade union, PCS, with whom we have a Partnership Agreement on negotiating terms and conditions of employment. We also inform and consult staff through our Employee Forum, which is a consultative forum made up of representatives of colleagues across TPR (and includes a member from the union and our staff diversity networks), which meets regularly with senior management and members of the Board.

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7. Equipping our people to meet the challenges we face continued...

With a physically growing organisation we are conscious of our commitment to offer value for money to the levy and taxpayer, and work as effectively and efficiently as we can. We are now operating 7:10 desk ratios and continue to maintain a single location in Brighton. We have adopted cloud-based services and equipped our staff with laptops beginning upgrades to Windows 10/Office 365 platforms, and with remote working, policies and practices in place.

We have introduced a new grade and pay structure, performance recognition and reward, and job evaluation system that will allow us to be more consistent with how we recognise and reward knowledge and skills, accountability and problem solving in roles. We will continue to embed our approach and create a culture of recognition and reward that motivates staff to be clearer, quicker and tougher.

Examples

- **New governance structures: Project Oversight board, creation of the Gateway, decision-making framework**
  Through the TPR Future programme, we have introduced a decision-making framework which supports staff in quicker and more consistent decision-making. We have implemented a new internal governance structure to prioritise our regulatory initiatives and a Tasking and Co-ordination Group, which manages the development and delivery of those initiatives, as well as responding to other risks that arise. In addition, to help steer us through a time of significant change, we have also introduced a Portfolio Oversight Board responsible for the strategic alignment and performance management of our portfolio of programmes and projects.
- **Staff retention rates, internal appointments, low sickness absence**
  Our attrition is 7%, which is significantly less than the national average of 15%. Our internal appointments continue to run at a high level, demonstrating strong internal career development opportunities at 50%. The sickness absence has held steady for a number of years and is now at 2.15% which compares favourably against the public sector average of 2.8%.
- **Gender pay gap and equality of gender across leadership, management and staff**
  Our second gender pay report showed that our gender pay gap reduced by 3.7%, to 7.1%, which compares favourably against the UK gender pay gap of 18%. We maintain a strong overall gender balance with proportionally more females (51%) to males (49%). We also have a strong gender balance at leadership level with 75% of our Executive Committee and 55% of our Senior Leadership Team being female.

KPI: Our employee engagement score as per our independent survey.	
Target	75%
Result ✗	**Red:** 58%. We conduct a survey with our staff every year as it is important to make sure we have an engaged workforce who feel supported and motivated to do the best job they can. Year-on-year we have had very high engagement but this year there is a significant drop. We had expected this to some extent as we are in the middle of a substantial change programme which is changing the way we structure, organise and undertake our work, and this is currently impacting upon our staff. We are immensely proud of the commitment of our people, we take their views seriously and will be working with them over the coming weeks and months to understand and address issues raised in the staff survey this year.

KPI: Proportion of roles are filled within three months.	
Target	70%
Result ✓	**Green:** 85% of roles were filled within three months. Recruitment activity has been high as we have been flexibly resourcing change programmes, new areas of work, and peaks in demand, as well as expanding our frontline regulation department and introducing new ways of working into the organisation. Despite this and the recruitment of several new senior roles, our time to fill job appointments upon advertisement is generally within three months.

KPI: Staff agree that their performance has improved as a result of skills, knowledge or behaviours developed over the last year.	
Target	70%
Result –	**Amber:** 66%. While we fell short of our intended target this year, this result still provides evidence of the high level of skills development within TPR and the support and opportunities provided for staff at all levels to achieve their potential.

8. Delivering The Pensions Regulator of the future

Developing an approach to regulation that focuses on more proactive and targeted work and uses a wider range of regulatory interventions

This year we started to implement our programme of change by adopting agile delivery methodology and testing, learning and applying new regulatory initiatives. We have established our new frontline operating model and are embedding this new way of working.

We have also established a new strategy and risk directorate and developed a regulatory strategy to address core regulatory risks with new ways of working that make a strong impact with an efficient use of our resources. We have identified the most important areas of focus for us to prioritise in the medium-term while we develop our longer-term strategy. We are leading this year with the introduction of our new supervision approach.

Our new governance structure is designed to enable us to balance our resources according to the risks we see and scale up our activity as necessary.

We outlined our intentions this year through our 'Making workplace pensions work' publication and engaged extensively with our stakeholders in designing and delivering this view. We also published our joint strategy with the FCA and identified initiatives we will take forward together so we are acting consistently across all relevant pension schemes.

Alongside this, we launched our new brand and website, which will allow us to target audiences more effectively, tailor information and pathways for them and communicate more proactively.

We have been developing the way we collect and use data to improve the information we have, identify new and better sources of information, and to make better informed decisions on where to apply our resources. We have been developing our data architecture, the governance in managing our data, and cleaning and automation processes.

The outcomes we have defined through this programme and the KOIs we have developed this year will guide the focus of the work we do and seek to ensure that all regulatory activity across the organisation clearly links back and works towards achieving our overall statutory objectives in the future.

Examples

- **Joint strategy with the FCA and joint conferences with industry**
  In October 2018, we published a joint pensions strategy with the FCA – the first of its kind between the two regulators. This sets out a vision for the pensions sector over the next five to ten years and makes clear our priorities, supported by a number of commitments for joint initiatives and improved ways of working.

  In line with what we say in the strategy, our initial focus has been on a joint review of the consumer pensions journey, value for money, strengthening our collaboration on pension scams, and our work on improving savers' outcomes in relation to DB transfers. This work amounts to a clearer and more integrated approach to regulation, representing a step change in our relationship and enabling us to have a greater impact by working more effectively together.

- **Stakeholder conference with the industry on pensions risk landscape**
  In September 2018, we held a stakeholder conference for around 100 people, where we outlined our new approach to regulation in response to major changes in the political, economic and pensions risk landscape.

  We will work proactively with more pension schemes through a new range of interventions, including notably the introduction of a supervision regime, address risks sooner, clearly set out our expectations and take action where necessary. We also used the conference as an opportunity to promote discussion and invite stakeholder views on a range of relevant topics including emerging horizon risks, sector developments including consolidation and how we can ensure our new approach is most effective.

- **Joint Techsprint with the FCA to explore innovative tech solutions to challenges facing the pensions industry and pensions savers**
  A joint FCA/TPR Techsprint took place in Edinburgh in November 2018. It brought together mixed teams of data, technology and subject matter experts from different organisations to work quickly to prototype new solutions to tricky problems relating to how people access their pension savings and how schemes can support them in doing this.

  It was a fast-paced event aimed at inspiring and fostering innovation. Eight early prototypes were presented at the event, offering solutions ranging from improved DB to DC transfer journeys, to member profiling tools and pensions engagement apps. We, along with the FCA, continue to work with a number of the teams to further develop and test their ideas.

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8. Delivering The Pensions Regulator of the future continued...

KPI: The TPR Future programme will deliver its milestones.	
Target	1. Regulatory strategy defined. 2. Regulatory oversight and enforcement tools implemented. 3. Horizon-scanning cycle complete.
Result ✓	We have delivered on the key milestones identified in our transformation roadmap for the year.

Key outcomes

Our outcomes act as a bridge between our statutory objectives and our regulatory activity, enabling us to explain our remit and what we are seeking to achieve. Below are the outcomes we set out in our 2018-2021 Corporate Plan.

1
Assured participation in workplace pensions savings. Workers are automatically enrolled, and contributions are paid.

2
Protected members and the PPF. Members receive their entitlements from a well-run scheme.

3
Capable regulated entities held to account. Entities understand what they must do, are able to do it and know the consequences of not doing so.

4
Confidence in the security and quality of workplace pension savings. Members can reasonably expect their savings to be in safe hands.

We have been developing our key outcome indicators during the year and recently published the indicators we will use going forward in our 2019-2022 Corporate Plan (www.tpr.gov.uk/plan) to track the trend towards achieving these outcomes and explain our part in influencing them.

Financial summary

We formally agree our annual budget with the DWP each year, and the table below sets out how we have performed against our budget over the previous two years. The actual expenditure in 2018-2019 was £85.4m – £2.6m lower than budget. This was mainly due to a reduction in costs incurred in our enforcement cases with fewer high cost cases. We also did not call upon certain AE reserves set aside at the beginning of the year.

Further information on our 2018-2019 expenditure and a report on our duties in respect of the collection of a variety of pension levies and penalty notices can be found in the financial review on pages 101 to 106.

Actual expenditure vs budget

£m	2018-2019			2017-2018		
	Actual	Budget	Variance	Actual	Budget	Variance
Total TPR*	85.4	88.0	2.6	83.5	83.4	(0.1)

Going concern

The statement of financial position at 31 March 2019 shows net liabilities of £6.8m. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from other sources of income, may only be met by future grants or Grant-in-aid from the DWP, as our sponsoring department. The 2019-2020 budget has been approved by the DWP and we have therefore considered it appropriate to adopt a going concern basis for the preparation of these financial statements.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
21 June 2019

Sustainability

'Sustainability continues to be an important part of our procurement process'

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

Overview of performance

In line with the Greening Government Commitment, we remain committed to sustaining a carbon emissions reduction of at least 25% against our baseline in 2009-2010. This was achieved by the target date of 2014-2015 when judged on emissions per FTE. Our targets and achievements relate to our sole occupancy in Brighton. Further sustainability data can be found at: www.tpr.gov.uk/sustainability

Greenhouse gas performance commentary

There has been an increase in staffing levels over the last year with an average annual FTE increase from 609 in 2017-2018 to 675 in 2018-2019.

This has not, however, had a significant impact on our total CO2e emissions, which have decreased by 21%* relative to 2017-2018. CO2e emissions per FTE have decreased by 28%*: from 0.82* tonnes in 2017-2018 to 0.59 tonnes per FTE in 2018-2019.

Water consumption has reduced by 7% relative to 2017-2018.

*Figures restated owing to revised information since previous publication

Waste performance commentary

Total waste arising from TPR's estate for 2018-2019 was 33.5 tonnes, of which 12.5 tonnes was sent to landfill and 21 tonnes was recycled. Zero waste was sent to incineration. Total costs equated to £13,211.18 inclusive of VAT on all waste contracts during 2018-2019. Overall, the total waste generated has decreased by 16%.

We promote the recycling of all paper, card, tins, plastic and glass, and continue to raise awareness and understanding of the importance of recycling. Single use plastic cups have been removed from all staff tea points and the use of 'keep cups' to replace single use coffee cups is promoted through the staff forum and intranet.

Sustainable development and climate change adaptation

We believe collaboration across corporate reporting (FRC), asset manager disclosure (FCA) and pension trustee knowledge and understanding (TPR) is essential to understand and manage climate change, so we are pleased to be part of the UK Regulators' Climate Forum chaired by the Bank of England.

Our 21st century trustee communications campaign focused on being clear on what good looks like to help trustees raise their standards of governance and risk management. As part of this campaign we clearly communicated to trustees and their advisers what our expectations were to effectively identify, document, evaluate, monitor and manage risks, including climate risk. This work is aligned to our KPI 3.1 – Trustees and employers are provided with our clear expectations of them (2018-2021 Corporate Plan).

This year we also supported the DWP's new investment regulations (The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018) by updating our DB investment guidance to trustees. The regulations should come into effect in October 2019.

Sustainable procurement

Sustainability continues to be an important part of our procurement process, and we undertake a detailed impact assessment of the positive or negative impacts on the sustainability criteria of all projects. 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 with level 3 of the government's flexible procurement framework and aim to achieve level 4 where possible.

Better regulation

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

The specific actions within scope are defined as ‘regulatory provisions’. They are divided into ‘qualifying regulatory provisions’ (QRPs) and ‘non-qualifying regulatory provisions’ (NQRPs). All QRPs must be impact assessed. That assessment must then be verified by the Regulatory Policy Committee (RPC).

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

Non-financial information

We take the risk of fraud seriously and will ensure that all suspected cases of fraud are vigorously and promptly investigated, and that appropriate action is taken. This year we have reviewed our fraud policy, which includes fraud, anti-corruption and bribery. This will be rolled out in 2019-2020.

Publicity

Our Communications directorate is committed to ensuring the successful delivery of communications against our statutory objectives, corporate priorities and major government policy areas. Our joint campaign with the FCA to raise awareness of pension scams was a clear demonstration of this. We communicate using a range of marketing, press and public media relations, website and digital, internal and stakeholder and partnership activities, which are insight-driven and robustly evaluated. We engage in publicity and advertising to draw public attention to important campaigns. For example, in 2018-2019 we ran a number of publicity campaigns called ‘Know your pension’ with the DWP. We also place a great deal of value on strong internal communications to drive staff engagement and TPR values.

Accountability report

Corporate governance report

Governance statement

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal controls that support the achievement of our statutory objectives and functions, and for reviewing its effectiveness. My review is informed by the work of the internal auditors, other external assurance, for example the International Organization for Standardization (ISO), our in-house enterprise risk management team, our regulatory assurance function and our corporate governance team, who are responsible for monitoring and testing our internal control framework using our assurance framework. I also have visibility of internal reporting on the development and maintenance of assurances and the plans that we have in place to address weaknesses in our internal control framework to ensure continuous improvement. It is also informed by comments made by the external auditors in their annual audit completion report.

During 2018-2019, Lesley Titcomb, Chief Executive, held the Accounting Officer role until 1 March 2019. Helen Aston, Executive Director for Finance and Operations was interim Accounting Officer from 2 March to 31 March 2019. I became Accounting Officer on my appointment as Chief Executive on 1 April 2019 and I have received written assurance from my predecessors in respect of the year under review.

Overview

We are operationally independent of government and overseen by a Board of executive and non-executive members. Our plans, finances and key appointments are subject to the approval of the Secretary of State for Work and Pensions. As Accounting Officer, my responsibilities include ensuring the propriety and regularity of our public finances, keeping proper records, and safeguarding our assets. These are set out in 'Managing public money' published by Her Majesty's Treasury (HMT). I am accountable (through the DWP Principal Accounting Officer) to Parliament.

Having reviewed these assurances and the evidence provided from risk management, the assurance framework and from the internal audit opinion, I am satisfied that TPR maintained a sound system of internal controls during the 2018-2019 financial year. Where control issues arose over the year, they have been, or are in the process of being, mitigated

Board

Board structure

We are subject to legislative requirements regarding 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, six non-executive directors, and four executive directors. The post of Chief Executive was vacant at the end of the reporting period. Lesley Titcomb was Chief Executive and a member of the TPR Board until 1 March 2019. Charles Counsell joined the Board as Chief Executive on 1 April 2019. Cover in the intervening period was provided by the executive Board members.

Board members' appointment dates, terms of office, committee membership and web links to their biographies are set out on pages 72 to 73 along with details of recent changes to Board membership.

Details of the Determinations Panel membership are set out on page 75.

Responsibilities of the Board

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

The Board publishes and regularly reviews these documents, which include the terms of reference of the Board committees and cover the management of conflicts of interest. There is an ongoing system for managing any conflicts of interest that may arise, including a minuted check at the start of each meeting. As we are an arm's length body of the DWP, the Board has taken into account the principles of the Corporate Governance Code for Central Government Departments 2017 as part of its own governance framework, and those of 'Managing public money'. In respect of the provisions of both of these that are applicable to us, there have been no departures.

Board committees

Terms of reference for each of the Board's sub-committees are set out in the Board's standing orders. The duties of the Non-Executive Committee are to review whether our internal financial controls secure the proper conduct of our financial affairs, and to determine the remuneration of the Chief Executive. As provided for under section 8 of the Pensions Act 2004, this committee has two standing sub-committees: an Audit and Risk Assurance Committee (ARAC) and a Remuneration Committee.

A report of the activities of those committees is included in the directors' reports section on page 66 onwards. 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 – see pages 79 to 80 for a report of its activities.

Board meetings from 1 April 2018 to 31 March 2019

In the year from 1 April 2018 to 31 March 2019, there were nine Board meetings, five ARAC meetings, four Remuneration Committee meetings and two Committee of Non-Executive Members meetings. Summaries of the minutes of the Board meetings are published and can be viewed at: www.thepensionsregulator.gov.uk/board-information

At the February 2019 Board meeting, the Determinations Panel chairman discussed the Panel's role and work. In addition, there were two strategy 'away day' discussion meetings, in May and November 2018, at which the Board received briefings on operational and market developments and discussed strategic issues.

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

Board evaluation

An external review of the Board's effectiveness was undertaken during the year by independent audit. The evaluators conducted interviews with all members of the Board and a number of executives as well as representatives of the DWP, the NAO and the internal auditors. They also considered our Board and committee papers and observed a meeting of the ARAC, as well as a Board meeting.

The review used relevant aspects of the UK Corporate Governance Code 2018, using comparators such as listed companies and pension fund trustee boards, as well as public sector bodies.

The report, received by the Board in November 2018, concluded that our Board was making a major contribution to the strengthening focus of TPR. Strengths highlighted included leadership, relationships, diligence, efficiency and strategic input. In addition, the report noted that significant progress has been made in developing a culture where decision-making is clearer, quicker and tougher.

At the December 2018 Board meeting, members considered the suggestions made in the report and agreed an action plan. Aspects of this include:

- Strategic cycle
- Oversight of IT/change projects
- Focus on culture
- Stakeholder engagement
- Succession planning

Progress against the action plan will be covered in the 2019-2020 Annual Report.

Role of the Board Chairman and Chief Executive

The roles of the Chairman and Chief Executive are set out in the joint framework agreement between TPR and the DWP.

In addition to Accounting Officer responsibilities, the Chief Executive has executive responsibility for ensuring that our statutory objectives and functions are exercised efficiently and effectively, for leading partnership 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 Chairman as the line manager for the role. The Chief Executive's objectives are set by the Chairman in conjunction with the Remuneration Committee, which approves them, and their contract includes scope for a bonus. The Remuneration Committee considers any nomination from the Chairman and decides 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.

DWP partnership

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

In November 2018 our overall annual Assurance Assessment by the DWP was confirmed as 'medium'. The moderation panel noted evidence clearly demonstrating that we have been successful in our core function and that we are, through the TPR Future programme, undergoing a period of transformational change. Whilst the panel recognised that the likelihood of any risks being realised was low, the impact on the DWP would be high. It was emphasised that the risk rating was no reflection upon our ability to manage risks appropriately.

The DWP's Tailored Review of TPR during the year recognised our rapid growth and the level of change experienced by the organisation as well as recent intense media and parliamentary scrutiny. Considering this changing and challenging context, the review found us to be a well-run organisation that effectively carries out its statutory objectives. The review commented specifically on our thoroughness as an organisation and on our careful consideration of its need to develop to meet future regulatory commitments. Leadership was deemed to be good with relationships at Board and executive level noted to strike the right balance between challenge and support. The review made a number of recommendations which can viewed here (www.gov.uk/government/publications/the-pensions-regulator-tailored-review).

Executive Committee

The corporate governance systems of the Board and its committees are further supported by the Executive Committee. Operational management and business planning functions are co-ordinated by the Executive Committee to deliver our strategies and objectives as set out in the corporate plan. The Executive Committee has oversight of corporate performance and governance, manages risk, engages with stakeholders and provides a point of escalation for issues arising from our directorates.

The Executive Committee has updated its terms of reference in response to a review of its effectiveness in 2016.

At the end of the year, Executive Committee membership comprised Executive Director of Frontline Regulation, the Executive Director for Finance and Operations, the Executive Director for Regulatory Policy Analysis and Advice, the Executive Director of Strategy and Risk, the General Counsel and Director of Legal Services, the Director of Communications, the Director of Human Resources and the Director for Automatic Enrolment. The Chief Executive also attends and is the Chair of the Committee. The Executive Committee meets weekly with alternating formal (agenda and written submissions) and informal (discussion-based without written submissions) sessions.

Control and assurance framework

We continue to build and embed our assurance framework which informs our internal audit programme, strengthens the evidence for external audit reviews, and augments the work of the Regulatory Assurance function. Although we have made significant progress, we recognise that TPR is evolving, and we need to ensure that the assurance framework continues to provide a high assurance level. Our assurance teams are working closely with the relevant projects to align approaches when key changes are made to our operating model.

Our system of internal controls was in place during the year ended 31 March 2019 and up to the date of approval of this Annual Report and Accounts. It accords with HMT guidance and supports the achievement of our statutory objectives, while safeguarding public funds and departmental assets. It is designed to manage risk to a reasonable level and in line with our risk appetite, 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 our legal obligations, with the requirements on government spending, and to track and monitor service delivery in the most affected areas.

Internal controls

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

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

Throughout the year work is undertaken to monitor and continuously improve our internal controls, which fall under three main areas – regulatory, operational, and financial. The key components of each are as follows:

Regulatory

- Detailed business processes, a consistent standard of documentation, and clear lines of accountability and escalation in respect of regulatory decisions and actions taken.
- A regulatory assurance function which provides objective assurance in relation to the quality of regulatory work and decisions, and therefore to the achievement of our statutory objectives.
- A robust programme management approach to developing the new target operating model defining the people, processes, data and technology required for TPR Future.

Regulatory assurance

The Regulatory Assurance (RA) is an assurance function delivering an objective opinion on the quality of regulatory decisions across TPR. We identify risks to quality decision-making within regulatory casework, communicate lessons learned and make recommendations to mitigate any risks identified. During 2018-2019, RA did not identify any areas posing an imminent, critical risk to our statutory objectives.

The 2018-2019 work programme included reviews within the following areas:

- Master trusts
- Intelligence
- DB case management
- DC case management
- Regulatory Transactions
- Customer Support
- AE and Frontline Regulation departments

The areas were chosen by applying the following selection principles:

- Risks relating directly to the corporate priorities.
- Regulatory decision risks registered on our risk register.
- Regulatory decision risks registered on directorate risk registers.
- Risks identified by RA in previous reviews (or more generally) that could lead to inconsistent or systemic issues for TPR.
- Risks that impact on our operational effectiveness.
- Novel or new areas of exposure.
- Regulatory decisions where there is a wide-ranging impact (internally or externally).

Additionally, a further seven ad-hoc reviews were commissioned by the Chief Executive or the Chairman to consider decision-making specifically relating to a particular case, scheme or employer. Ad-hoc reviews generally explore the wider historic engagement with a scheme and identify whether there are any significant concerns with the quality of casework and decision-making over time.

We deliver biannual thematic reports which provide an overview of the overarching and common risks identified. These largely highlight recurring themes that have been identified by the RA reviews during the period and can be about positive regulatory practice or areas of concern. During 2018-2019 the prominent themes were identified and reported to the Executive Committee and the ARAC. They included the following:

- Opportunities identified to better track and monitor successive and longer-term risks identified (largely taken from historic reviews).
- A need for further controls around the recovery plan review process.
- A need to increase synergies and transparency between Frontline Regulation and AE and between those respective teams and our Regulatory Policy, Analysis and Advice directorate.
- Positive impact of a 'clearer, quicker, tougher' approach.

Where necessary, recommendations have been made that will mitigate risks identified within RA reviews. These recommendations are directed at supporting more effective and consistent decision making in case work. RA monitors the implementation of recommendations and it is evident that significant progress has been made by the operational teams. Some recommendations are dependent on the implementation of new systems and the TPR Future programme. We will continue to monitor any outstanding recommendations and report to ARAC any that begin to fall outside our risk appetite.

Operational

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

We reviewed and updated our whistleblowing policy and will roll out this new policy during 2019-2020. We also reviewed, and implemented changes to, our complaints process. As part of the TPR Future programme, our Senior Leadership Team undertook training on the new decision-making framework.

We continue to embed and enhance our activities required to maintain our compliance with the Data Protection Act 2018 and the General Data Protection Regulation (GDPR). We continue to monitor areas of non-compliance, have detailed action plans in place to address gaps identified and we actively track progress with those activities.

We continue to manage our suppliers in line with our governance structure and we are working on embedding and enhancing our Supplier Relationship Management activities across all contracts. For our largest strategic supplier this includes strategic, operational and programme boards, management committees and service delivery teams who are responsible for working with the supplier to ensure they operate in line with the contractual obligations through an operational control framework.

Financial

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

Risk management

We undertake a risk-based approach to regulation and we consider two fundamental, overarching risks to meeting our statutory objectives: strategic risks in the external pension landscape and risks which are operational in nature and, if left to crystallise, would significantly affect our ability to achieve our statutory objectives.

Details of the risks and challenges we consider most significant can be found in our Corporate Plan. The risk appetite statement is a key element of our governance and reporting framework. It is set by the Board, reviewed annually, and demonstrates how we balance risk and reward in pursuit of our statutory objectives.

In setting our overarching strategic approach, the Board commissions a regular systematic horizon-scanning exercise, examining trends and potential disruptors that may impact on meeting our statutory objectives in the short and longer-term. Furthermore, this exercise is used to inform our understanding of regulatory risks, corporate planning and the application of our approach to regulation.

Our executive risk committee is responsible for weighting risks in terms of threat and control, and for proposing a set of the top risks, with proposed mitigations, to the ARAC for their consideration. Supporting risk committees have been established across our directorates to ensure that effective risk management also operates at a working level.

We use an enterprise risk management (ERM) approach, which we review annually. The scope of the review focuses on where our ERM approach can be considered successful and where further improvements should be made. This year's review (autumn 2018) concluded that the executive risk committee continues to fulfil its stated purpose and remit and our ERM approach continues to improve, building on the work of previous years.

As part of our ERM approach we regularly review how effective our mitigation strategies are against all our risks. While the overall risk profile has remained relatively stable, we have seen changes within our key risks, which reflect the external regulatory and pensions landscapes and how our remit and approach has evolved to respond to these changes.

Whistleblowing

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

We are committed to ensuring that each employee is aware of our policy and how to raise any concerns. Our staff whistleblowing policy is published and accessible to all staff on our intranet. A full review of the policy and its procedures was carried out in the year to ensure that it met best practice guidelines. A number of amendments were made, including clarification of the distinction between a public interest concern and a personal grievance, and the addition of a breach of data protection law as an example of a concern which could be raised through whistleblowing.

During the reporting period, one report of concern was investigated under the whistleblowing procedure. I am satisfied that there is an effective framework in place to deal with staff whistleblowing.

Crystallised risks

While it is considered that no major unforeseen risks have crystallised over the past year, one known risk of notable magnitude, as captured within our suite of risk registers, has crystallised requiring an emergency response:

> **Major failure of a trust-based scheme or provider:** Following the collapse of Carillion in early 2018, we undertook an assessment of contagion risk (through both the supply chain and employers with similar business models) and the likely impact this would have on their pension provision. This assessment did not find systemic risks to DB pensions as a result of the collapse. We continue to engage with the small number of highest risk DB schemes following the conclusion of our assessment and the contagion risk continues to be tracked through the relevant risk committee.

Risk modelling

We use models to enhance the effectiveness and efficiency of our regulatory activities and internal operations (eg our AE volumetric model is designed to provide assumptions on AE caseloads and the resources required to meet that work). In doing so, we acknowledge the risks that come with their use, and the need to identify and manage them in a way that is proportionate to the model's complexity and intended use. Our business-critical modelling activities are governed through our internal model risk framework. We have reviewed and updated it to ensure our models are subject to robust levels of governance and quality assurance, through our implementation of the recommendations of the Macpherson Review and HMT's 'Managing public money' guidance.

Information security

In accordance with our responsibilities under the HMG security policy framework, the Data Protection Act 2018 and GDPR, we have arrangements in place to provide for information security, including provisions for cyber security. We continue to hold ISO 27001:2013 certification over our information and data. We self-reported one data breach to the Information Commissioner's Office (ICO) under the new GDPR reporting requirements. This was in respect of an incident in which emails intended for new employers were sent to the incorrect recipients. The ICO confirmed that they would be taking no further action and that the mitigating actions taken by us were proportionate to the breach.

Internal audit

A programme of internal audits was undertaken by BDO and reported to the ARAC during the period of this statement. This programme covered a number of areas identified by the committee and confirmed the following ratings:

Completed audit	Rating
Scheme return and information capture	Amber
IT service management	Green
Data governance and controls	Green-amber
Web project and web publishing controls	Green-amber
Business continuity and disaster recovery	Amber
Windows 10 and Office 365 project	Amber
Intelligence-gathering	Green-amber
Core financial controls – payroll	Amber
Core HR controls – recruitment	Green-amber

Opinion/conclusion	
Green	Overall, there is a sound control framework in place to achieve system objectives and the controls to manage the risks audited are being consistently applied. There may be some weaknesses, but these are relatively small or relate to attaining higher or best practice standards.
Green/Amber	Generally, a good control framework is in place. However, some minor weaknesses have been identified in the control framework or areas of non-compliance which may put achievement of system or business objectives at risk.
Amber	Weaknesses have been identified in the control framework or non-compliance which put achievement of system objectives at risk. Some remedial action will be required.
Amber/Red	Significant weaknesses have been identified in the control framework or non-compliance with controls which put achievement of system objectives at risk. Remedial action should be taken promptly.
Red	Fundamental weaknesses have been identified in the control framework or non-compliance with controls leaving the systems open to error or abuse. Remedial action is required as a priority.

The Head of Internal Audit's annual opinion reflects a reduced assurance rating from last year stating that 'There is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and/or effectiveness of governance, risk management and internal controls.'

The audit opinion reflects the assurance ratings and recommendations of individual internal audit assignments conducted in 2018-2019, TPR's regulatory assurance work and other assurance activities, including formal reports of progress made with embedding TPR's new internal controls, governance and risk management through a period of significant change. The rating also reflects that the areas selected for internal audit, by the Executive Committee and the ARAC were areas that we believed had control weaknesses, rather than areas where processes are fully embedded and stable.

Health and safety

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

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

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

Conclusion

Having reviewed the evidence and internal audit opinion, I am satisfied that we maintained a sound system of internal controls during the 2018-2019 financial year. Control issues that arose over the year have been, or are in the process of being, addressed, and there were no significant control failures or significant data losses.

I can confirm that we received no ministerial direction under the Ministerial Code 2018 during the financial year 2018-2019.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
21 June 2019

Statement of Accounting Officer's responsibilities

Under paragraph 27 of schedule 1 to the Pensions Act 2004, TPR 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 TPR's state of affairs at the period end and of its income, expenditure, Statement of Financial Position and cash flows for the financial period. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, and in particular to:

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

The Permanent Secretary in his role as Principal Accounting Officer (PAO) of the DWP has appointed the Chief Executive as Accounting Officer of TPR. His 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'.

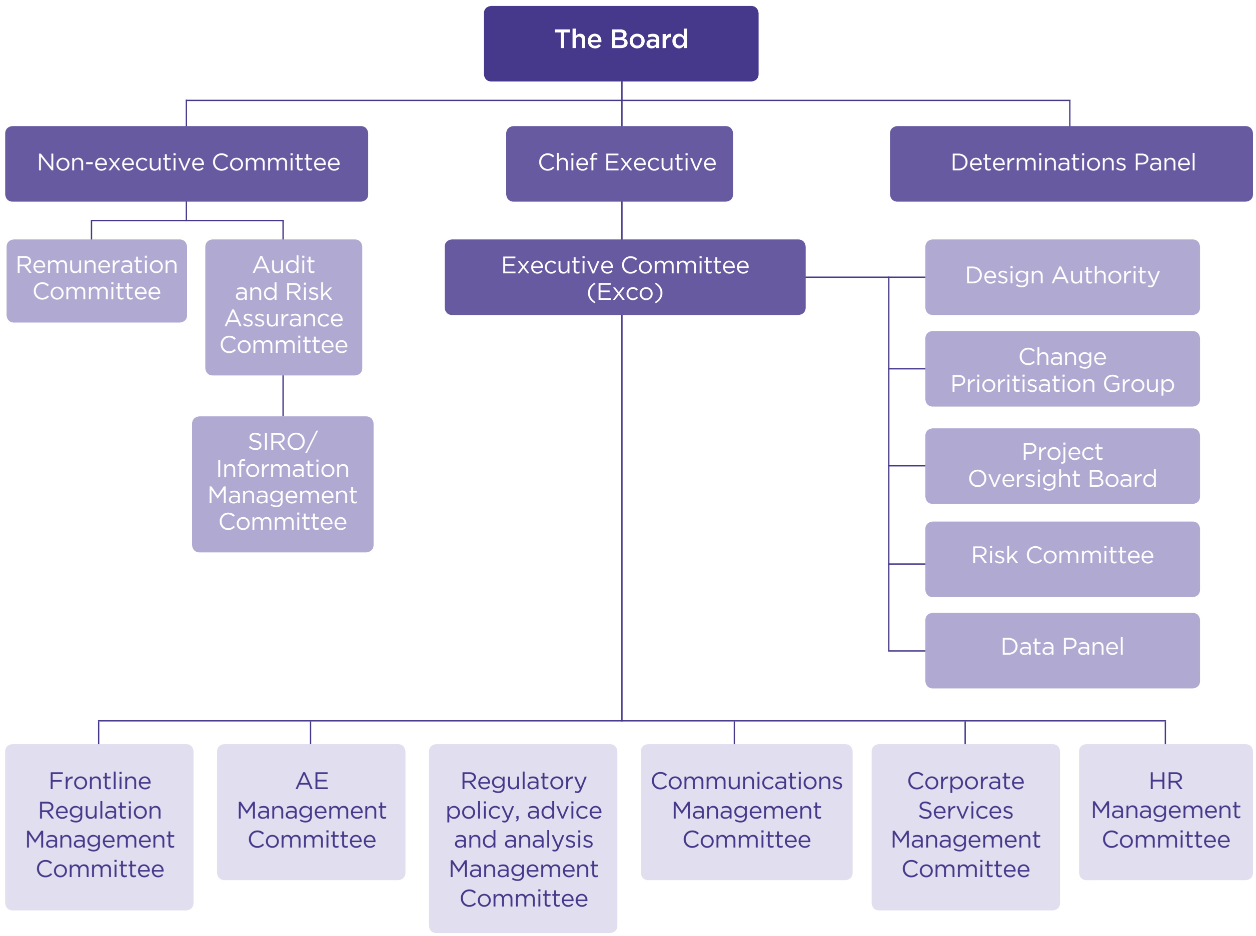
The Accounting Officer confirms:

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

Charles Counsell OBE
Chief Executive, The Pensions Regulator
21 June 2019

Directors' reports

Main committee structure as at March 2019



A Strategy and Risk Management Committee is to be established in 2019-2020.

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

Membership of the Committee of Non-Executive Members consists of TPR's non-executive Chair, Mark Boyle, and TPR's non-executive directors – all of whom are appointed by the Secretary of State. Mark Boyle and the six non-executive directors (Kirstin Baker CBE, Robert Herga, David Martin, Tilly Ross, Sarah Smart and Margaret Snowdon OBE) were in post throughout.

Reports below follow from the standing sub-committees of the Committee of Non-Executive Members: the ARAC and the Remuneration Committee.

Attendance is shown in the Board membership and attendance tables on pages 72 to 73.

The Committee of Non-Executive Members met twice formally during the period of this report, in May and November 2018. Members also met in February 2019 for a senior management succession planning discussion with the departing Chief Executive.

The Committee's discussions covered the process to appoint a new Chief Executive, and other staff matters, including senior management moves and recruitment. The Committee discussed the Board effectiveness review and Board agenda planning along with Board meeting attendance and the length of meetings. It also covered non-executive directors' involvement in policy development and their informal interactions with TPR staff.

Committee members were also involved in ad hoc activities outside of their attendance at Board and Committee meetings, including on a limited number of specific cases, investment business cases and policy development. They also attended a programme of briefing and discussion sessions for non-executives with TPR teams.

Report of the activities of the Audit and Risk Assurance Committee

The ARAC's activities are designed to give the Board assurance that TPR is operating within the Board's risk appetite and to oversee audit and assurance processes (both internal and external).

The ARAC had five meetings in 2018-2019 and provided feedback to the Board verbally and in writing after each meeting. The ARAC reported in detail on its work to the Board in December 2018.

The ARAC also held two informal meetings with regular attendees to look for improvements in how the ARAC undertakes its work and what reporting is available.

ARAC members attended an internal training event on how to challenge change projects and an additional ARAC meeting was held to focus specifically on IT and project assurance. Further relevant training will be provided to ARAC members in future.

Risk management

The ARAC reviewed TPR's risk management strategy and the effectiveness of the Enterprise Risk Management approach. The risk appetite assessment was also reviewed and recommended to the Board.

The ARAC reviewed TPR's register of top risks, based on management processes and inputs, to identify, prioritise, monitor, manage and mitigate operational and strategic risks throughout the organisation. This year the ARAC took a more robust approach when questioning management about the ratings given to risks, and when considering the effectiveness of mitigations and the changes and trends in risks. Directors attended meetings to give in depth updates on their areas, providing further opportunity for members to challenge risk management thinking.

The ARAC endorsed management's assessment of key risks through the identification, prioritisation, monitoring and reporting systems. It 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.

The ARAC notes that the internal control system is designed to manage rather than eliminate risk and so provides reasonable rather than absolute assurance of effectiveness.

Assurance

The ARAC has focused on assurance reporting this year, closely monitoring the development of the assurance mapping process to bring together reporting from all sources of assurance. While still in development, significant progress has been made in ensuring a more comprehensive view of internal and external assurance is provided to the ARAC. Sources of assurance include:

- Internal review – peer and management review
- Regulatory assurance work plan and subsequent reports
- Internal audit
- ISO reviews
- Specialist reviews or audits

As well as the process, the ARAC has reviewed the assurance dashboard and assurance reports, including the annual assurance return.

As a result of its work, the ARAC was satisfied that good progress was being made in implementing agreed recommendations from all assurance activities and concluded that the monitoring and reporting systems in place gave senior management an appropriate level of control over processes, that management of processes within the organisation was broadly effective, and that where gaps were identified, appropriate action was being taken.

Internal audit services

Internal audit services were provided by auditors who were appointed following a competition under the Government Internal Audit Agency (GIAA) framework in early 2017. Internal audit services are just one of the assurance sources used by the ARAC.

The ARAC reviewed and approved the internal audit management report for 2017-2018 and agreed the internal audit plan for 2018-2020.

The plan contained the programme of internal audits for the year, covering major areas assessed as priority topics for review, investigation and audit.

The ARAC kept progress of the internal audit plan under review during the year and reviewed each of the internal audit reports before its June 2019 review of the Annual Report and Accounts, including the Governance Statement, and their subsequent recommendation to the Board for approval.

The ARAC monitored the progress of the implementation of previous audit recommendations each quarter.

The ARAC noted the Head of Internal Audit's annual opinion which can be seen on page 63.

External audit

During the year, the ARAC reviewed the annual accounts for the period 2017-2018, considering the external auditor's opinion and recommended their approval to the Board. It also reviewed the draft Governance Statement for 2018-2019 and the external audit strategy and plan for 2018-2019.

Other ARAC activities

The ARAC reviewed the Board and Determinations Panel members' expenses and hospitality information for quarterly publication on the website and was satisfied that the expenses claimed were appropriate.

ARAC's actions in response to the 2018 Board Effectiveness Review included:

- An increased focus on programme and project management assurance to ensure there is sufficient assurance over implementation of IT and change projects.
- The planning of a review of internal audit effectiveness.
- All directors are now invited to attend ARAC for an in-depth discussion on risks and mitigations in their area.

Other areas dealt with by the ARAC included the system of authorities delegated by the Board.

The ARAC also met in June 2019 to review and finalise the remaining internal audit reports for 2018-2019 and the Annual Report and Accounts for 2018-2019, together with the internal and external auditors' reports for 2018-2019.

Chair's meetings

During the year, the Chair had a range of further meetings to support ARAC's work. These included discussions with the DWP's partnership team and with the internal auditors and colleagues on internal audit progress, with the National Audit Office on the work of the ARAC and on audit themes within the public and regulatory sector, and with members of the executive team. The Chair also presented to the Executive Committee about the objectives of the assurance work undertaken.

Membership and attendance

Membership of the ARAC throughout the year was Sarah Smart (Chair), Kirstin Baker CBE, Tilly Ross (until 31 January 2019), and David Martin (from 1 February 2019). Other Board members including the Chief Executive also regularly attend committee meetings as contributors or observers.

Report of the activities of the Remuneration Committee

The Remuneration Committee met on four occasions in 2018-2019. Its terms of reference enable the committee:

- on appointment and any contract extension: 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 their contract, and in relation to pay levels for relevant comparable public and private sector roles
- annually: within the terms of TPR pay remit agreed with the Secretary of State, and in consultation with the Chairman, to review the pay and performance of the Chief Executive and executive directors including approval of any pay award or annual bonuses to be awarded to them
- to keep under review TPR's reward strategy, tracking and monitoring the implementation progress of the Job Evaluation and Reward project as well as specifically the award, amendment and removal of market premia
- to keep under review TPR's people 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.

The committee continued to focus on reward-related issues and on the objectives of senior staff. It:

- agreed the Chief Executive's objectives and reviewed directors' objectives for 2018-2019
- approved bonus nominations for the Chief Executive, executive and other directors, and the bonus nomination process for other staff, relating to their previous year's performance
- received an update on the pay remit
- considered an update on implementation of TPR's people strategy, including work in hand to take forward the job evaluation and reward project.

Two of the committee's meetings during the year were held specifically to discuss the Job Evaluation and Reward project. This project introduced a new job evaluation methodology and pay and grading structure. The committee's terms of reference were amended during the year to reflect its role in relation to this project and its ongoing role overseeing the award, amendment and removal of market premia.

Decisions on remuneration were taken in accordance with the current rules on public sector pay, as in previous years.

The committee also reviewed how work resulting from the annual staff engagement survey was progressing. It discussed talent management and succession planning and received updates on employment law developments and on progress with TPR's organisational diversity and inclusion objectives.

Throughout the year, Margaret Snowdon chaired the Remuneration Committee and Robert Herga remained a member. David Martin's term as a committee member ended on 31 January 2019. Tilly Ross joined the committee on 1 February 2019.

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

Details of Board membership

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

Board members' biographies can be viewed at: www.tpr.gov.uk/board

Name	Date appointed	Date term expires/expired	Committee membership
Mark Boyle	1 April 2014	31 March 2021	Non-executive (Chairman)
Non-executive members			
David Martin	1 February 2013	31 May 2021	Remuneration (until 31 January 2019) Audit and Risk Assurance (from 1 February 2019), Non-executive
Robert Herga	1 July 2017	30 June 2021	Remuneration, Non-executive
Sarah Smart	1 February 2016	31 January 2020	Audit and Risk Assurance (Chair), Senior Independent Director (SID), Non-executive
Tilly Ross	1 February 2016	31 January 2020	Audit and Risk Assurance (until 31 January 2019), Remuneration (from 1 February 2019), Non-executive
Margaret Snowdon OBE	9 May 2016	8 May 2020	Remuneration (Chair), Non-executive
Kirstin Baker CBE	1 February 2017	31 May 2021	Audit and Risk Assurance, Non-executive
Executive members			
Helen Aston	1 December 2015	30 November 2019	
Nicola Parish	1 August 2016	31 July 2020	
David Fairs	2 July 2018	1 July 2022	
Jo Hill	12 November 2018	11 November 2022	
Former members			
Lesley Titcomb	2 March 2015	1 March 2019	

Charles Counsell started his appointment as CEO on 1 April 2019.

Details of Board attendance

Member	Number of meetings			
	Board	ARAC	Remuneration Committee	Committee of Non-Executive Members
Mark Boyle	9/9	N/A	N/A	2/2
Sarah Smart	9/9	5/5	N/A	2/2
Margaret Snowdon OBE	9/9	N/A	4/4	2/2
David Martin	8/9	2/2	2/2	2/2
Tilly Ross	8/9	3/3	N/A	2/2
Robert Herga	9/9	N/A	4/4	1/2
Kirstin Baker CBE	8/9	5/5	N/A	2/2
Nicola Parish	9/9	N/A	N/A	N/A
Helen Aston	9/9	N/A	N/A	N/A
David Fairs	7/7	N/A	N/A	N/A
Jo Hill	3/3	N/A	N/A	N/A
Former member	**Number of meetings**			
	Board	ARAC	Remuneration Committee	Committee of Non-Executive Members
Lesley Titcomb	8/8	N/A	N/A	N/A

Lesley Titcomb left TPR at the end of her contract on 1 March 2019.

In addition to ARAC members, other Board members also attend the meetings either regularly or infrequently by invitation. The Chief Executive regularly attends the Remuneration Committee. The Chairman attends both the ARAC and the Remuneration Committee on an occasional basis.

Report on the activities of the Determinations Panel

Legislative framework

We are required by Section 9 of the Pensions Act 2004 to establish and maintain the Determinations Panel, whose purpose is to exercise certain regulatory functions which are primarily 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 we undertake serious regulatory action in a transparent way, allowing those affected to understand the reasons for it and the evidence upon which it is based.

Although the Determinations Panel is a committee of TPR, it has a separately appointed membership and legal support. This enables it to make its decisions independently from the case team, considering all the evidence before it and providing each party with reasonable opportunity to present their case. Members of the Determinations Panel are not involved in the investigative process.

Membership

Name	Date appointed	Date term expires/expired
Andrew Long (Panel Chairman)	6 April 2013	5 April 2021 (2nd term)
Alasdair Smith	14 July 2011	14 November 2019 (2nd term)
Elizabeth Neville	14 July 2011	14 November 2019 (2nd term)
Peter Hinchliffe	14 July 2011	14 November 2019 (2nd term)
Catharine Seddon	13 March 2013	12 March 2021 (2nd term)
David Latham	1 April 2014	30 September 2022 (2nd term)
Tony Foster	31 March 2014	30 September 2022 (2nd term)
John Swift	13 March 2017	12 March 2021
Pauline Wallace	13 March 2017	12 March 2021
Sarah Chambers	1 September 2018	31 August 2022
Antony Townsend	1 September 2018	31 August 2022
Mike Urmston	1 September 2018	31 August 2022

We appoint a Chairman to the Panel. The Chairman then nominates at least six other members. The Panel temporarily increased its membership this year from nine to 12 members (including the Chairman) in order to consider master trust authorisation applications. Three new Panel members were appointed: Sarah Chambers; Antony Townsend and Mike Urmston. Two existing Panel members, David Latham and Tony Foster, were reappointed for a second term of office. A further three members had their terms of office extended until November 2019, after which they will end their second terms of office: Peter Hinchliffe; Elizabeth Neville and Alasdair Smith.

Procedures

The Panel's procedures, published on our website, ensure that every regulatory decision it makes is reached after a full and impartial consideration. The procedures require 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 our regulatory case teams.

Standard procedure

In standard procedure cases, a Warning Notice is sent to all parties who are considered to be directly affected by the action 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, supporting exhibits and any representations, are then submitted to the Panel. Each case has its own sub-committee of Panel members, supported by a legal clerk as appropriate, and the Panel's administrative support staff.

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

Special procedure

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

The Pension Schemes Act 2017 provides us with new powers to authorise master trust schemes. From 1 October 2018, existing master trust schemes had six months to apply for authorisation from TPR in order to continue to operate. The Panel is responsible for deciding whether or not to grant authorisation to those master trusts submitting an application for authorisation. For all applications received, TPR's Authorisation Team will carry out an assessment and make a preliminary recommendation to the Panel as to whether or not authorisation should be granted. The Panel's function is to assess the application against a range of legislative criteria taking into account the preliminary recommendation and any further information provided by or requested from the master trust or the Authorisation Team and to either grant or refuse authorisation.

Casework in 2018-2019

During the year, the Panel made 71 determinations and exercised 107 powers[1], an increase on last year when it made 55 determinations and exercised 93 powers. The majority of the cases have been brought under the standard procedure; however, eight special procedure requests were heard resulting in seven determinations and those seven determinations were followed by a statutory compulsory review hearing[2]. This has been a significant increase on previous years where the Panel could expect one or two cases per year under the special procedure.

The Panel received a number of fining cases this year (in addition to those relating to scheme return breaches). These include two cases in relation to trustees' failure to obtain actuarial valuations (under section 224 of the Pensions Act 2004) for successive periods and one case where the Panel imposed a fine for a total of 12 breaches of three different legal requirements (failure to obtain audited accounts, to provide Statutory Money Purchase Illustrations (SMPIs) and to report breaches of law). TPR's approach to fining and application of the Monetary Penalties Policy continues to develop as more cases are being brought to the Panel.

Master trust authorisation

In February 2019 the Panel made its first decision to authorise a master trust scheme. It authorised a further two master trust schemes within this financial year and is expecting to make decisions on an anticipated further 35 applications by the end of autumn 2019.

Upper Tribunal references of Panel determinations

Any determination made by the Panel can be referred to the Upper Tribunal. This is called a reference. The Upper Tribunal is the independent judicial body given power to reconsider the original determination. The Upper Tribunal may decide to confirm, vary, revoke or substitute a determination made by the Panel. In recent years there have been few references resulting in substantive Upper Tribunal hearings. There are currently two cases with the Upper Tribunal for decision; both of which relate to Panel determinations from previous financial years.

1 Further details of the powers exercised are in the table on pages 79-80.
2 The Panel exercised a total of 12 powers for cases which were brought under special procedure and followed by compulsory review.

Meetings and Panel training

In February 2019, the Panel Chair attended TPR's Board meeting, where he updated the Board on the Panels' work, 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 aspects of our work. Regular updates are received at these meetings by TPR's Board, Chief Executive and Senior Leadership team on developing key internal work such as the TPR Future Project.

The main training focus for the Panel this year has continued to be in relation to master trust authorisation. The Panel held training days in September and December 2018 to ensure that all members were fully informed on the authorisation criteria and approach to authorisation.

Conclusion

The Panel has continued to evolve to manage the increased cases that come from a clearer, quicker, tougher regulator. Alongside that, the Panel has embraced a new type of work, the master trust authorisation regime, and the challenges that brings. The Panel continues successfully to carry out the important functions conferred on it by statute, combining a transparent and procedurally fair process in support of TPR's statutory objectives.

Type of determination requested	No. of powers exercised	Outcome
Authorisation of master trust pension scheme	3	Three master trust schemes have been authorised under s5(4) of the Pensions Act 2017.
Scheme funder exemptions (master trust authorisation)	3	Three schemes have also been granted scheme funder exemption under s10(4) of the Pensions Act 2017
Appointment of independent trustee	6	• Seven independent trustees were appointed to 15 separate schemes. • One case was heard by standard procedure. • Six of the cases were heard by special procedure. • Five appointments were upheld at compulsory review and a further compulsory review is due to take place in spring 2019. • Cases were brought under either s7(3)(a), (b), (c) or (d) of the Pensions Act 1995.
Vesting order	7	This power was exercised at the same time as the appointment of the seven independent trustees above and was brought under s9 of the Pensions Act 1995.
Suspension of trustees	13	This power was exercised at the same time as the appointment of six independent trustees above, under a special procedure. These cases suspended a total of 12 trustees under s4(1)(a) or 4(1)(aa) of the Pensions Act 1995. The Panel heard a further standard procedure request and suspended an additional one trustee under s4(2) of the Pensions Act 1995.
Prohibition of trustees	4	The Panel prohibited a total of four trustees, each of these were brought under s3 of the Pensions Act 1995
Varying orders	1	The Panel determined to vary the orders for six schemes in accordance with section 101 of the Pensions Act 2004.
Wind up schemes	1	The Panel determined the wind up of one scheme which was brought under s11(1)(c) of the Pensions Act 1995.
Fines for non-compliance with scheme return	45	A total of 45 trustees were fined under s10 of the Pensions Act 1995.
Fines for failure to obtain Part 3 scheme funding valuation by statutory deadline	4	A total of four trustees were fined under s10 of the Pensions Act 1995.

Type of determination requested	No. of powers exercised	Outcome
Fines for non-compliance with reporting material payment failures to members within a reasonable period	1	This case fined one trustee and was brought under s10 of the Pensions Act 1995.
Fines for failure to obtain audited accounts	1	This case fined one trustee and was brought under s10 of the Pensions Act 1995. This power was executed at the same time as the below two fines.
Fines for failure to provide Statutory Money Purchase Illustrations (SMPIs)	1	This case fined one trustee and was brought under s10 of the Pensions Act 1995. This power was executed at the same time as the above fine.
Fine for failure to report breaches of law	1	This case fined one trustee and was brought under s10 of the Pensions Act 1995. This power was executed at the same time as the above fine.

Andrew Long
Chairman, Determinations Panel
April 2019

Remuneration and staff report

Remuneration report

The Remuneration Committee

Details of the activities of the Remuneration Committee during the period ended 31 March 2019 are set out on page 70.

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. The length of service contracts for other executive members of the Board and for members of the Determinations Panel is determined by TPR and approved by the Secretary of State for Work and Pensions.

Details of service contracts are shown on page 82.

The notice periods of the Board members' contracts and the amounts payable for early termination of Board members' contracts are set out in the table on page 82.

Board member	Notice period	Early termination payable to employee (Net pay plus accrued bonus if applicable)
Mark Boyle (Chairman)	3 months	3 months
Non-executive members		
David Martin	3 months	3 months
Tilly Ross	3 months	3 months
Sarah Smart	3 months	3 months
Margaret Snowdon OBE	3 months	3 months
Kirstin Baker CBE	3 months	3 months
Robert Herga	3 months	3 months
Executive members		
Lesley Titcomb (Chief Executive)[3]	3 months	6 months
Charles Counsell OBE (Chief Executive)[4]	6 months	6 months
Helen Aston	3 months	6 months
Nicola Parish	3 months	3 months
David Fairs[5]	3 months	3 months
Jo Hill[6]	3 months	3 months

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

3 Lesley Titcomb resigned and stepped down on 1 March 2019.
4 Charles Counsell was appointed by the DWP from 1 April 2019.
5 David Fairs was appointed by the DWP from 2 July 2018.
6 Jo Hill was appointed by the DWP from 12 November 2018.

Remuneration policy

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

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

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

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

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

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

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

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

Executive members											
Officials	**Salary** (£'000)		**Bonus payments** (£'000)[7]		**Benefits-in-kind** (to nearest £100)		**Pension benefits** (to nearest £1,000)[8]		**Total** (£'000)	
	2018-2019	2017-2018	**2018-2019**	2017-2018	**2018-2019**	2017-2018	**2018-2019**	2017-2018	**2018-2019**	2017-2018
L Titcomb[9] (Chief Executive)	185-190	205-210	15-20	15-20	–	–	–	–	205-210	220-225
H Aston (Executive Director, Finance and Operations)	130-135	130-135	10-15	5-10	–	–	52,000	52,000	195-200	190-195
N Parish (Executive Director, Frontline Regulation)	145-150	140-145	10-15	10-15	–	–	57,000	56,000	210-215	210-215
D Fairs[10] (Executive Director, Regulatory Policy, Analysis and Advice)	105-110	–	–	–	–	–	–	–	105-110	–
J Hill[11] (Executive Director, Strategy and Risk)	55-60	–	–	–	–	–	22,000	–	75-80	–

7 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.

8 Bonuses relating to 2017-2018 performance but paid in 2018-2019.

9 L Titcomb resigned and stepped down on 1 March 2019: full year equivalent salary is £205-210k. Total full year equivalent including bonus is £220-225k. She chose not to be covered by the Civil Service pension arrangement during the year.

10 D Fairs was appointed on 2 July 2018: full year equivalent salary is £140-145k. He chose not to be covered by the Civil Service pension arrangement during the year.

11 J Hill was appointed on 12 November 2018: full year equivalent salary is £140-145k.

Salary

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

Benefits-in-kind

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

Bonuses

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

Pay multiples (subject to audit)

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

The banded remuneration of the highest-paid director in the organisation in the financial year 2018-2019 was £220-225k[12] (2017-2018: £220-225k). This was 4.7 times (2017-2018: 4.7) the median remuneration of the workforce, which was £48k (2017-2018: £47k). There has been no change in the ratio between the highest paid and median employee.

In 2018-2019 no employees (2017-2018: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £12k to £220-225k (2017-2018: £12k to £220-225k).

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.

12 This is the full year equivalent salary including bonus for the highest paid director, L Titcomb.

Remuneration for Board members (subject to audit)

Non-executive members

The following sections provides details of the remuneration and pension interests of TPR's Board and the members of the Determinations Panel.

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

	2018-2019			2017-2018		
	Salary (£'000)	**Total benefits-in-kind** (to nearest £100)	**Total** (£'000)	**Salary** (£'000)	**Total benefits-in-kind** (to nearest £100)*	**Total** (£'000)
M Boyle[13] (Chairman)	90-95	£1,700	90-95	70-75	£1,500	70-75
D Martin	15-20	£200	15-20	15-20	£300	15-20
A Berresford[14]	–	–	–	0-5	£200	0-5
T Ross	15-20	£100	15-20	15-20	£200	15-20
S Smart (Chair of Audit Committee)	20-25	£300	20-25	20-25	£400	20-25
M Snowdon OBE	15-20	£200	15-20	15-20	£200	15-20
K Baker CBE	15-20	–	15-20	15-20	–	15-20
R Herga[15]	15-20	–	15-20	10-15	–	10-15

*The 2017-2018 benefits in kind had been adjusted to include expenses that have been incurred in 2017-2018 but were claimed in 2018-2019.

None of the non-executive members received pensions benefits in the current or previous year.

The total amount paid to non-executive directors (including the Chairman) during the 2018-2019 period was £206-210k. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits shown above represent the payment of expenses for travel and subsistence. The remuneration of the Chairman and non-executive members is non-pensionable.

13 M Boyle's (Chairman) salary movement reflects an increase in the days worked and the daily rate, both of which were agreed with the DWP.

14 A Berresford's term of office ended on 30 June 2017. Full time equivalent 2017-2018 £15-20k.

15 R Herga was appointed by the DWP from 1 July 2017. Full time equivalent 2017-2018 £15-20k.

Executive members' pension benefits (subject to audit)

Executive members	**Accrued pension at pensions age as at 31/3/2019 and related lump sum** (£'000)	**Real increase in pension and related lump sum at pension age** (£'000)	**CETV at 31/3/2018** (£'000)[16]	**CETV at 31/3/2019** (£'000)	**Real increase in CETV** (£'000)
H Aston (Executive Director, Finance and Operations)	25-30 plus lump sum of 0	2.5-5 plus lump sum of 0	219	288	19
N Parish (Executive Director, Frontline Regulation)	25-30 plus lump sum of 0	2.5-5 plus lump sum of 0	281	359	30
J Hill (Executive Director, Strategy and Risk)	0-5 plus lump sum of 0	0-2.5 plus lump sum of 0	-	12	8

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

16 L Titcomb and D Fairs chose not to be covered by the Civil Service pension arrangement during the year.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Before that date, civil servants were members of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60, and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015.

Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate DB arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002, calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership.

At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Determinations Panel

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

Salary (2018-2019)	**Members**
£45-50k	A P Long (Chairman)
£25-30k	T Foster
£20-25k	D Latham
£15-20k	C Seddon, P Wallace
£10-15k	E L Neville, P Hinchliffe
£5-10k	A Townsend, J Swift and M Smith
£0-5k	M Urmston, S Chambers

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

Staff report

Staff numbers and related costs (subject to audit)

2018-2019	AE £'000	Levy £'000	Total TPR £'000
Salaries and wages*	11,137	25,382	36,519
Social security costs	1,301	2,964	4,265
Other pension costs	2,281	5,199	7,480
	14,719	**33,545**	**48,264**
Temporary staff	422	1,488	1,910
Less recoveries in respect of outward secondments	-	-	-
Total costs	**15,141**	**35,033**	**50,174**

2017-2018	AE £'000	Levy £'000	Total TPR £'000
Salaries and wages	10,560	21,533	32,093
Social security costs	1,232	2,511	3,743
Other pension costs	2,137	4,356	6,493
	13,929	**28,400**	**42,329**
Temporary staff	419	1,563	1,982
Less recoveries in respect of outward secondments	-	-	-
Total costs	**14,348**	**29,963**	**44,311**

A summary of the above costs is included in note 3 to the financial statements. In addition to the above staff costs, TPR incurred consultancy costs of £3.2m (2017-2018: £2.7m). The increase from the previous year is due to the increased consultancy to support the change portfolio, particularly TPR Future.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as 'alpha' – are unfunded multi-employer defined benefit schemes. However, it's not possible to identify our share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office (www.civilservicepensionscheme.org.uk).

*Salaries and wages for 2018-2019 includes staff holiday accrual £692k (2017-2018: £575k) for Levy and £299k for AE (2017-2018: £288k).

For 2018-2019, employers' contributions of £7,349k were payable to the Civil Service Pension Schemes (2017-2018 £6,337k) at one of four rates in the range 20.0% to 24.5% (2017-2018: 20.0% to 24.5%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2015-2016 and will remain unchanged until 2019-2020. The contribution rates reflect benefits as they are accrued, not when the costs are incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £128k (2017-2018: £153k) were paid to one or more of a panel of appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay from 1 October 2015. Employers also match employee contributions up to 3% of pensionable pay. In addition, from 1 October, employer contributions of £4k, 0.5% 2015 (2017-2018: £4k, 0.5%) of pensionable pay, were payable to the Civil Service Pension Schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

No individuals retired early on ill-health grounds in the current or prior year: the outstanding pensions contributions as at 31 March 2019 equates to £854k (31 March 2018: £749k) are included within current liabilities in Note 10.

Average number of persons employed (subject to audit)

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

2018-2019	AE	Levy	Total TPR
Employees	223	437	660
Temporary staff	1	14	15
Staff engaged on capital projects	-	-	-
Total	**224**	**451**	**675**

2017-2018*	AE	Levy	Total TPR
Employees	219	373	592
Temporary staff	1	16	17
Staff engaged on capital projects	-	-	-
Total	**220**	**389**	**609**

*The split of staff numbers between Levy and AE has been restated for 2018-2019. Previously only staff that worked 100% of their time on AE were classified as AE. The restated split is based on the percentage of time allocated to each area, in line with the treatment for staff costs.

Off-payroll engagements

For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than six months:

Number of existing engagements as at 31 March 2019	**5**
of which, the number that have existed for:	
less than one year at time of reporting	5
between one and two years at time of reporting	0
between two and three years at time of reporting	0
between three and four years at time of reporting	0
four or more years at time of reporting	0

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 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 2017 and 31 March 2018	**11**
Number of these engagements which were assessed as caught by IR35	11
Number of these engagements which were assessed as not caught by IR35	0
Number that were engaged directly (via PSC contracted to department) and are on the departmental payroll	0
Number that were reassessed for consistency/assurance purposes during the year whom assurance has been requested but not received	0
Number that saw a change to IR35 status following the consistency review	0

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019:

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

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

Exit package cost band	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	- (2)	- (2)
£10,000-£25,000	4 (4)	4 (4)
£25,000-£50,000	7 (3)	7 (3)
£50,000-£100,000	1 (–)	1 (–)
£100,000-£150,000	– (–)	– (–)
£150,000-£200,000	– (–)	– (–)
Total number of exit packages by type	**12 (9)**	**12 (9)**
Total resource cost/£'000	353 (189)	353 (189)

There were no compulsory redundancies in the year.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where TPR has agreed early retirements, the additional costs are met by the department 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.

Diversity and inclusion

We are committed to valuing diversity, promoting equality of opportunity and creating inclusion both as an employer and as a regulator. To achieve this aim, we work towards equality objectives which help us fulfil our responsibilities under the Public Sector Equality Duty and the Equality Act 2010.

Our employee-focused objectives were:

- Disability: ensuring a supportive workplace for staff with physical disabilities
- Lesbian, gay, bisexual, transgender (LGBT+): promoting TPR as an LGBT+ inclusive employer
- Flexible working: review the effective application of flexible working

Our organisational policies and services focused objective was:

- To ensure our regulatory activities take into account equality and diversity issues in a systematic way

Key highlights against our employee-focused objectives are:

- being recognised as a level 2 Disability Confident Employer to demonstrate our commitment to recruiting and retaining disabled talent. We also set up a Disability Confident Working group made up of staff volunteers, to help us raise awareness of disability issues and the support and tools available, and to contribute to corporate activities to build disability confidence.
- implementing a trans and gender identity policy to provide a framework for how TPR will support its people whose gender identity is not the same as, or doesn't sit comfortably with the sex they were assigned at birth
- carrying out a review of the effective application of flexible and agile working arrangements.

86% of staff who completed our annual staff engagement survey believe that TPR is an inclusive and equal opportunity employer.

Key highlights against our organisational policies and services-focused objective are:

- Our Regulatory Policy, Analysis and Advice team continue to embed Public Sector Equality Duty (PSED) considerations into the policy-making process. We expanded and codified our policy workflow practices to detail the considerations and actions that our policy staff should take when developing a piece of regulatory policy. This includes the extent to which we are taking account of the PSED in both the development and execution of our regulatory policy. Having trialled this approach, the steps in this policy workflow will become mandatory for all policy staff during 2019-2020. We will also develop a monitoring and reporting mechanism to establish internal compliance with this approach.
- Board and Exec reporting templates have been adapted to ensure that authors state that they have considered PSED in the development of the paper. Staff have been reminded of their responsibilities, and the RPAA management committee now asks that those submitting items for discussion ensure that the PSED has been considered in any potential policy change being proposed.

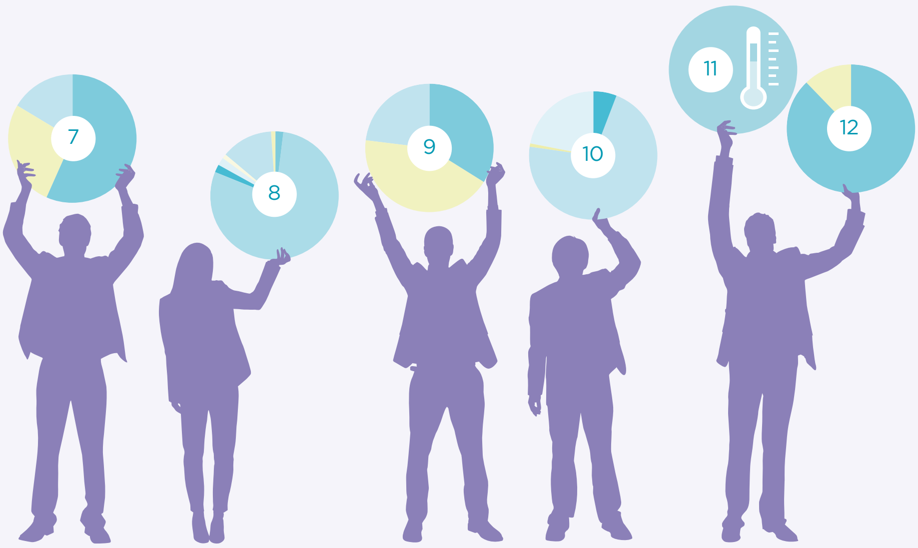
We also worked towards our gender pay action plan by:

- reviewing our recruitment practices to ensure they are fair and transparent
- introducing an annual process to recruit interns from two local universities and exploring apprenticeship options in STEM (Science, Technology, Engineering and Mathematics) subjects to encourage internships and apprenticeships in areas with a larger pay gap, and
- continuing to provide education and awareness around unconscious bias and principle of diversity and inclusion .

Our gender pay gap reduced by 3.7%, to 7.1%. Further details on our equality objectives and gender pay gap can be found on our website: www.tpr.gov.uk/en/document-library/corporate-information/diversity-and-inclusion

Staff information

1. Age The majority of our workforce (85%) is aged between 31 and 50, with the average age being 41
2. Disability 4% of our workforce declared themselves disabled
3. Gender We maintain a strong overall gender balance with 51% females to 49% males
4. Gender At leadership level, 75% of our Executive Committee are female
5. Gender 55% of our Senior Leadership Team are female
6. Marriage and partnership 44% of the workforce declared themselves as married or in a civil partnership



7. New parents 21 women went on maternity leave, 10 people took paternity leave and uptake of shared parental leave increased to 6
8. Ethnicity 7% of our workforce declared they were from a black, Asian or ethnic minority background and 80% declared they were of white origin
9. Religion or belief 34% of our workforce declared a religion, 83% of which declared they were Christian, 43% declared they have no religion
10. Sexual orientation 6% of our workforce declared themselves gay, lesbian or bisexual
11. Sickness Sickness has reduced from 2.3% to 2.15% (CIPD 2016 all organisations average of 2.8% and public sector average of 3.7%)
12. Working pattern 12% of our workforce work part-time

Parliamentary accountability and audit report

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

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

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

Losses and special payments (subject to audit)

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

Remote contingent liabilities (subject to audit)

There are no remote contingent liabilities to disclose.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
21 June 2019

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

Opinion on financial statements

I certify that I have audited the financial statements of The Pensions Regulator for the year ended 31 March 2019 under 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of The Pensions Regulator's affairs as at 31 March 2019 and of comprehensive 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 directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of The Pensions Regulator in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Pensions Regulator's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion.

My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Board and Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

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

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

As part of an audit in accordance with ISAs (UK), I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Pensions Regulator's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Pensions Act 2004;
- in the light of the knowledge and understanding of The Pensions Regulator and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General,
National Audit Office, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP
3 July 2019

Financial review

The funding of regulation is derived from two main sources: a grant-in-aid from the DWP which is recoverable from a levy on pension schemes and covers activities relating to the Pensions Act 2004 and the Pensions Act 2008, and a separate grant-in-aid from general taxation which funds AE. Expenditure on activities is accounted for separately to prevent cross subsidy.

The accounting policies under which income and expenditure are recognised are set out in note 1 to the accounts.

Expenditure for year ended 31 March 2019

In the year ended 31 March 2019, TPR had net expenditure of £85.4m, of which £50.5m related to levy funded activities and £34.9m was attributable to AE. Our net expenditure has been transferred to our general reserve and is offset by contributions from the DWP of £49.8m for our levy activities and £33.8m from the DWP for AE activities.

Payroll staff costs have increased by £5.9m to £48.2m this year compared to last year due to increasing staff levels (increase in average staff numbers from 592 to 660) during the year. Temporary staff costs reduced by £0.1m.

Other expenditure has reduced by £4.0m compared to the previous year, a £6.2m reduction for AE offset by a £2.2m increase for levy. The reduction in AE is mainly due to £5.8m lower costs for business outsourced services relating to the roll out of AE whilst the increase in levy costs is mainly due to £0.9m of additional costs relating to the development and maintenance of our computer systems, £0.4m higher general expenses including accommodation, £0.4m increase in training and recruitment costs and a £0.3m increase in consultancy and professional service costs.

There have been no significant events occurring since the 2018-2019 year end.

Further information on our performance against budget can be found in the financial summary on page 45.

Property, plant and equipment and intangible assets

Capital expenditure of £0.8m was incurred during the year all of which related to property, plant and equipment (PPE).

Payments to suppliers

We are committed to the prompt payment of invoices for goods and services received. Payments are normally made as specified in individual contracts. If there is no contractual provision or understanding, invoices are deemed due within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. During the year ended 31 March 2019 we paid 91% of invoices in line with this policy.

Long term expenditure trends

Over the previous five years, total expenditure has increased each year and is planned to increase further over the next two years. The increases to date have been predominantly due to the costs of the phased implementation of AE, the introduction of new powers within levy regulation and associated increased workload and the ongoing transformation of TPR.

The AE costs fluctuate over the next two years, reflecting the re-enrolment profile of employers' and expected new company start-up patterns. Additional levy funding has also been agreed to implement our new approach to regulation (TPR Future) and the associated ongoing increase in our resourcing and investment in new technology

Long term financial analysis

(£m)	Actual 2014-2015	Actual 2015-2016	Actual 2016-2017	Actual 2017-2018	Actual 2018-2019	Budget 2019-2020	Projection 2020-2021
Total TPR*	60.1	62.8	74.8	83.5	85.4	98.4	110.2

*All figures exclude capital expenditure

Value for money

As a public sector body, we recognise that we need to secure value for money (VFM) in the administration of TPR. Our commitment to this was recognised and highlighted in the recently published Tailored Review that was undertaken by the DWP. We have highlighted a few examples below to provide a flavour of the types of decisions and ways of working over the last year which demonstrate how we have achieved VFM.

- Our Data exploration team has introduced a number of new products this year with varying application and complexity from full machine learning models and visualisation of their output to more straightforward dashboarding and data cleansing, enabling us to be more efficient and effective in what we do.
- We are reliant on data to manage our operations in a cost-effective way, particularly when it comes to ensuring employers are compliant with their AE duties. To this end we recently worked with another government department to increase the scope of the data they share with us. This additional data increases our ability to tailor our compliance and enforcement activity and to communicate with employers more effectively, resulting in improved operational outcomes and decreasing administrative burden on employers. By making enhancements to our existing data feeds and challenging the need to create new ones, we were able to secure this additional data quickly and at low cost.
- We have increased our use of technology in our investigations. In one case we used outsourced document reviews and saved seven months on the case, enabling us to use that efficiency on other investigations. On another case we are using AI and machine learning in large scale document reviews which we expect to save 70% on the associated time and costs.
- We have moved work in five workstreams from our case teams to Regulatory Transactions team, focussing on lower intensity regulatory interventions. These transitions are estimated to have saved TPR thousands of pounds and have freed up hundreds of hours of our specialist case management skills to focus on investigating and resolving more complex issues.
- TPR currently occupies a Net Internal Area (NIA) of 3,366m^2. Our current ratio of m^2 per FTE is 5.0 – well under the current government benchmark ratio of 8m^2 per FTE. This clearly demonstrates that we use our space efficiently, whilst keeping our accommodation costs under 3% of TPR's total operational expenditure.
- Through the TPR Future programme, we are set to deliver improved alignment of regulated activity to risk, more proactive identification of risks, and more effective oversight of regulated entities. We are already seeing the benefits of this programme and will be tracking the realisation of these benefits over the next period as we scale up our activities.

Other activities

Levies account

The Pensions Act 2004 does not require us to prepare a levies account. However, we provide a summary below.

During the year ended 31 March 2019, we invoiced and collected levies on behalf of the DWP (the general levy and PPF administration levy) and the PPF (the fraud compensation levy) which will be reported in the audited financial statements of that organisation.

The following results do not feature in our audited accounts:

1. During the year we invoiced £69.3m, of which £43.5m related to the general levy, £21.0m to the PPF administration levy and £4.8m to the PPF Fraud Compensation levy.
2. The opening debt position as at 1 April 2018 was a balance of £0.5m, the closing debt position as at 31 March 2019 was £0.6m.
3. We collected £69.2m and transferred £68.7m during the year. Of the £68.7m transferred £63.9m relates to DWP and £4.8m to the PPF. Cash held at bank at 31 March 2019 was £0.9m, of which £0.6m is to be transferred to the DWP/PPF and £0.3m unallocated cash which we are in the process of allocating or returning.

Levies account summary 2018-2019

Category	Totals (m)
Opening debt at 1 April 2018	£0.5m
General levy invoices	£43.5m
PPF administration invoices	£21.0m
PPF fraud compensation invoices	£4.8m
General levy receipts	(£43.4m)
PPF administration receipts	(£21.0m)
PPF fraud compensation receipts	(£4.8m)
Closing debt at 31 March 2019	**£0.6m**

Automatic enrolment penalty notices

During the year we issued penalty notices under sections 40 and 41 of the Pensions Act 2008. The following results summarise key facts and figures in respect of AE penalty activity undertaken during the period. These figures do not feature in our audited accounts. We collect and hold penalties on behalf of HM Treasury (HMT) and transfer them over to the consolidated fund via the DWP periodically.

The opening debt balance as at 1 April 2018 was £23.5m and during the year we issued Fixed Penalty Notices (FPNs) and Escalating Penalty Notices (EPNs) totalling £68.6m, of which £8.9m has been collected, write-offs and remissions totalled £9.2m and discharged debt totalled £30.4m. The closing debt position as at 31 March 2019 at £42.9m.

AE penalty notices summary 2018-2019

Category	Totals (m)
Opening balance	£23.5m
Penalties issued	£68.6m
Collected	(£8.9m)
Write-offs and remissions[17]	(£9.2m)
Discharged debt[18]	(£30.4m)
Credit notes/refunds	(£0.7m)
Closing balance	**£42.9m**

£5.9m was transferred to HMT's consolidated fund via the DWP during the year. £3.3m was received and not yet transferred at year end.

We proactively sought payment of any outstanding penalties and this work will continue with a view of seeking prompt payment of any penalties due. The closing balance of £42.9m reflects the significant increase in the number of penalty notices issued in 2018-2019 and is in line with the large number of employers hitting their AE staging date during this period.

Much of the closing debt has yet to progress fully through our debt recovery process.

17 Write-offs are debts that are considered to be irrecoverable because there is no practical means for pursuing the liability.

Debt 'remission' is where we decide not to pursue a debt primarily on the grounds of value for money - the cost of pursuing it would be greater than the benefit or is not the most efficient use of limited resources.

18 Discharged debt is where we amend or cancel a debt as further information is received which reduces the liability or confirms that it is not legally due, where an employer has changed address. Some discharged debt will result in new penalty notices which are included in the penalties issued category above.

Section 10 and chair's statement penalty notices

During the year ended 31 March 2019, we issued penalty notices under: (a) Section 10 of the Pension Act 1995 for failures to provide a scheme return: and (b) Regulation 28 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 for failures to prepare a chair's statement. These figures do not feature in our audited accounts. We collect penalties on behalf of HMT and transfer them over to the consolidated fund via the DWP.

211 penalties for breaches in providing a chair's statement (totalling £126k) were issued (17 were subsequently revoked). One penalty was issued for breaches in governance standards totalling £30k and 61 penalties were issued for failing to provide a scheme return totalling £66k (one was revoked).

Receipts for the year totalled £180k, of which, £96k related to chair's statement penalties, £30k for governance standards and £54k for scheme return penalties. The closing debt balance (£51k) related to 81 penalties and are progressing through TPR's debt recovery process.

From the £180k received, £176k was transferred to HMT's consolidated fund via the DWP. There was £4k received and not transferred at year end.

Section 10 and chair's statement penalty notices summary 2018-2019

Category	Totals (k)
Opening debt at 1 April 2018	£24k
Fines issued	£222k
Penalties written off	(£15k)
Receipts	(£180k)
Closing debt at 31 March 2019	**£51k**

Master trust authorisation fees

During the year ended 31 March 2019 TPR received 31 master trust authorisation fees totalling £1,271k. These figures do not feature in our audited accounts. £1,230k was transferred to HMT's consolidated fund via the DWP. The DWP then provides the funds required to deliver the master trust authorisation programme as part of the overall grant-in-aid. There was £41k received and not transferred at year end which forms part of the TPR cash balance (note 9)

Charles Counsell OBE
Chief Executive, The Pensions Regulator
21 June 2019

Financial statements and Notes to the accounts

Statement of comprehensive net expenditure for the year ended 31 March 2019

	Note	2018-2019 £'000	2017-2018 £'000
Expenditure			
Staff costs	3	**50,174**	44,311
Depreciation, amortisation and impairment charges	4	**893**	1,287
Other operating expenditure	4	**34,367**	37,931
Total operating expenditure		**85,434**	83,529
Finance income		**(82)**	(22)
Net expenditure after interest, before taxation		**85,352**	83,507
Taxation		**15**	5
Comprehensive net expenditure for the year		**85,367**	83,512

All income and expenditure is derived from continuing operations.
The accounting policies and notes on pages 112 to 129 form part of these accounts.

Statement of financial position as at 31 March 2019

	Note	At 31 March 2019 £'000	At 31 March 2018 £'000
Non-current assets			
Property, plant and equipment	5a	**1,984**	1,818
Intangible assets	6a	**937**	1,618
Trade and other receivables	8	**242**	–
Total non-current assets		**3,163**	3,436
Current assets			
Trade and other receivables	8	**1,105**	1,090
Cash and cash equivalents	9	**963**	1,714
Total current assets		**2,068**	2,804
Total assets		**5,231**	6,240
Current liabilities			
Trade and other payables	10	**(11,395)**	(10,613)
Provisions	11	**–**	–
Total current liabilities		**(11,395)**	(10,613)
Total assets less current liabilities		**(6,164)**	(4,373)
Non-current liabilities			
Provisions	11	**(679)**	(691)
Total non-current liabilities		**(679)**	(691)
Assets less liabilities		**(6,843)**	(5,064)
Taxpayers' equity			
General fund		**(6,843)**	(5,064)
Total equity		**(6,843)**	(5,064)

Charles Counsell OBE
Chief Executive, The Pensions Regulator
21 June 2019

The accounting policies and notes on pages 112 to 129 form part of these accounts.

Statement of cash flows for the year ended 31 March 2019

	Note	2018-2019 £'000	2017-2018 £'000
Cash flows from operating activities			
Net expenditure after interest		**(85,352)**	(83,507)
Adjustments for non-cash transactions	4	**990**	1,393
(Increase)/decrease in trade and other receivables	8	**(257)**	166
Increase/(decrease) in trade and other payables	10	**504**	(342)
(Decrease)/increase in provisions	11	**(12)**	4
Cash outflow due to taxation		**(4)**	(3)
Net cash outflow from operating activities		**(84,131)**	(82,289)
Cash flows from investing activities			
Purchase of property, plant and equipment	5b	**(509)**	(326)
Purchase of intangible assets	6b	**(33)**	(694)
Disposal of intangible fixed assets		**334**	-
Net cash outflow from investing activities		**(208)**	(1,020)
Cash flows from financing activities			
Grant-in-aid to cover ongoing operations of levy		**49,800**	43,962
Grant-in-aid to cover ongoing operations of AE		**33,788**	40,127
Net financing		**83,588**	84,089
Net increase in cash and cash equivalents in the period	9	**(751)**	780
Cash and cash equivalents at the beginning of the period		**1,714**	934
Cash and cash equivalents at the end of the period	9	**963**	1,714

The accounting policies and notes on pages 112 to 129 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2019

	Total Reserves £'000
Balance at 1 April 2017	**(5,641)**
Changes in taxpayers' equity 2017-2018	
Grants from the DWP	84,089
Comprehensive net expenditure for the year	(83,512)
Balance at 31 March 2018	**(5,064)**
Changes in taxpayers' equity 2018-2019	
Grants from the DWP	83,588
Comprehensive net expenditure for the year	(85,367)
Balance at 31 March 2019	**(6,843)**

As the historical cost basis for property, plant and equipment and intangible assets are valued at depreciated historical cost as a proxy for fair value, therefore there is no revaluation reserve.

The accounting policies and notes on pages 112 to 129 form part of these accounts.

Notes to the accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2018-2019 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 TPR for the purpose of giving a true and fair view has been selected. The particular policies adopted by TPR are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting standards, interpretations and amendments

We have adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2019.

- IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers were effective for annual reporting periods beginning on or after 1 January 2018 and were implemented in TPR's financial statements this year. TPR hold only basic financial instruments and does no hedge accounting so the impact of IFRS 9 is immaterial. TPR's revenue relates to interest and is immaterial so the impact on IFRS 15 is not material.

- IFRS 16 Leases. This is effective from 1 January 2019 for the private sector but will be introduced in the 2020-2021 FReM to replace IAS 17 so will be effective for TPR from 1 April 2020. The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off balance sheet) and a finance lease (on balance sheet).

  The new standard requires recognition of all qualifying leases on balance sheet. The result will be recognition of a right to use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right to use asset and an associated finance cost being recognised. The operating lease on TPR's main headquarters meets the definition of a lease under IFRS 16, which will result in recognition from 1 April 2020 of a material asset, along with a lease liability of the same amount.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention.

a) Property, plant and equipment

Property, plant and equipment are stated at fair value. As permitted by the FReM, we use a depreciated historical cost basis as a proxy for fair value as non-property assets have a short useful life or are of relatively low value. Any permanent impairment in the value of property, plant and equipment on revaluation is charged to the Statement of Comprehensive Net Expenditure when it occurs. TPR is required to remit the proceeds of disposal of property, plant and equipment to the Secretary of State.

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	–	3 to 7 years
Internally generated software	–	3 to 7 years
Software acquired	–	5 to 7 years

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.

As permitted by the FReM, intangible assets are carried at depreciated historic cost, which is a proxy for fair value as they are considered to have short useful lives or low value.

The threshold for treating expenditure on single items or pooled 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.

e) Other income and expenditure

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

f) Value added tax

TPR'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 an estimate of the total leave owed to staff.

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 in hand and demand deposits.

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 and are credited to the General Reserve because they are regarded as contributions from a controlling party. All grant-in-aid is reported on a cash basis in the period in which it is received.

k) Early retirement and severance costs

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

l) Provision for liabilities

Provision is made for early retirement and redundancy costs when a constructive obligation is created. Similarly, provision for leasehold dilapidations is made as the dilapidations arise over the life of the lease.

m) Reserves

General Reserve

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

n) Going concern

These accounts are prepared on a going concern basis. The negative cumulative balance on the General Reserve is due to timing differences between consumption and payment since TPR only draws grant-in-aid from the DWP, reflected in the Statement of changes in taxpayers' equity, to cover its current cashflow requirements.

o) Segmental analysis

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

p) Critical accounting judgements 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 6.

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

1.3 Pensions

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and Civil Service and Other Pension Schemes (CSOPS) which are DB schemes and are unfunded and contributory, except in respect of dependents' benefits. TPR recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' service by payment to the Civil Service Pension Schemes of amounts calculated on an accruing basis. Liability for the payment of future benefits is a charge on the Civil Service Pension Schemes. As described more fully in the Staff report, certain employees can opt for a stakeholder pension.

2 Statement of operating costs by operating segment

	AE £'000	Levy £'000	Total TPR £'000
2018-2019			
Gross expenditure (before tax)	34,879	50,555	85,434
Taxation	7	8	15
Income	(37)	(45)	(82)
Net expenditure	**34,849**	**50,518**	**85,367**
2017-2018			
Gross expenditure (before tax)	40,215	43,314	83,529
Taxation	2	3	5
Income	(9)	(13)	(22)
Net expenditure	**40,208**	**43,304**	**83,512**

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

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

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. Corporate overheads are split between AE and levy based on headcount.

Regular reporting of the assets of each segment is not provided to the Executive Committee and this information is therefore excluded from the Financial statements.

3 Staff numbers and related costs

	AE £'000	Levy £'000	Total TPR £'000
2018-2019			
Salaries and wages*	11,137	25,382	36,519
Social security costs	1,301	2,964	4,265
Other pension costs	2,281	5,199	7,480
	14,719	**33,545**	**48,264**
Temporary staff	422	1,488	1,910
Less recoveries in respect of outward secondments	-	-	-
Total costs	**15,141**	**35,033**	**50,174**
2017-2018			
Salaries and wages	10,560	21,533	32,093
Social security costs	1,232	2,511	3,743
Other pension costs	2,137	4,356	6,493
	13,929	**28,400**	**42,329**
Temporary staff	419	1,563	1,982
Less recoveries in respect of outward secondments	-	-	-
Total costs	**14,348**	**29,963**	**44,311**

*Detailed disclosure of the total staff costs for the year and previous year is included within the Staff report section of the Accountability report (see page 91), which forms part of this Annual Report.

4 Other operating expenditure

	AE £'000	Levy £'000	Total TPR £'000
2018-2019			
Running costs			
Chairman and part-time Board members' fees and expenses*	78	155	233
Consultancy, contracted-out and other professional services	2,031	8,011	10,042
Business process outsourced services	14,178	-	14,178
Training and recruitment costs	389	1,073	1,462
Staff travel and expenses	289	322	611
General expenses including accommodation expenses	536	2,052	2,588
Rentals under operating leases	306	623	929
Dilapidations costs	-	(12)	(12)
Computer systems development and maintenance	1,774	2,428	4,202
Auditor's remuneration	-	37	37
Loss on disposal of fixed assets	-	97	97
	19,581	**14,786**	**34,367**
Depreciation and impairment charges			
Depreciation	2	616	618
Amortisation	154	121	275
Impairment of fixed assets	-	-	-
	156	**737**	**893**
Total	**19,737**	**15,523**	**35,260**

*Includes fees of £203k (2017-2018: £181k), social security costs of £20k (2017-2018: £16k) and expenses of £10k (2017-2018: £8k). Details of the remuneration and pension benefits of the Chair and all other members of the board are given in the remuneration report in the Accountability report (see page 86). There is tax due to HMRC on expenses as part of the PAYE Settlement Agreement (payable in August 2019).

4 Other operating expenditure continued...

	AE £'000	Levy £'000	Total TPR £'000
2017-2018			
Running costs			
Chairman and part-time Board members' fees and expenses*	66	139	205
Consultancy, contracted-out and other professional services	2,250	7,696	9,946
Business process outsourced services	20,026	-	20,026
Training and recruitment costs	425	694	1,119
Staff travel and expenses	315	297	612
General expenses including accommodation expenses	513	1,647	2,160
Rentals under operating leases	316	497	813
Dilapidations costs	-	4	4
Computer systems development and maintenance	1,347	1,560	2,907
Auditor's remuneration	-	33	33
Loss on disposal of fixed assets	-	106	106
	25,258	**12,673**	**37,931**
Depreciation and impairment charges			
Depreciation	6	546	552
Amortisation	603	132	735
Impairment of fixed assets	-	-	-
	609	**678**	**1,287**
Total	**25,867**	**13,351**	**39,218**

*Includes fees of £203k (2017-2018: £181k), social security costs of £20k (2017-2018: £16k) and expenses of £10k (2017-2018: £8k). Details of the remuneration and pension benefits of the Chair and all other members of the board are given in the remuneration report in the Accountability report (see page 86). There is tax due to HMRC on expenses as part of the PAYE Settlement Agreement (payable in August 2019).

5a Property, plant and equipment

2018-2019	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Total £'000
Cost or valuation				
At 1 April 2018	1,780	1,138	1,901	4,819
Additions	10	202	597	809
Disposals	(3)	(47)	(36)	(86)
At 31 March 2019	**1,787**	**1,293**	**2,462**	**5,542**
Depreciation				
At 1 April 2018	1,109	636	1,256	3,001
Charged in year	130	116	372	618
Disposals	(1)	(27)	(33)	(61)
At 31 March 2019	**1,238**	**725**	**1,595**	**3,558**
Carrying amount at 31 March 2018	**671**	**502**	**645**	**1,818**
Carrying amount at 31 March 2019	**549**	**568**	**867**	**1,984**

TPR does not hold any assets under finance leases.

5a Property, plant and equipment continued...

2017-2018	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Total £'000
Cost or valuation				
At 1 April 2017	1,750	1,093	2,907	5,750
Additions	30	49	192	271
Disposals	-	(4)	(1,198)	(1,202)
At 31 March 2018	**1,780**	**1,138**	**1,901**	**4,819**
Depreciation				
At 1 April 2017	982	541	2,049	3,572
Charged in year	127	97	328	552
Disposals	-	(2)	(1,121)	(1,123)
At 31 March 2018	**1,109**	**636**	**1,256**	**3,001**
Carrying amount at 31 March 2017	**768**	**552**	**858**	**2,178**
Carrying amount at 31 March 2018	**671**	**502**	**645**	**1,818**

TPR does not hold any assets under finance leases.

5b Cashflow reconciliation

	2018-2019 £'000	2017-2018 £'000
Capital payables and accruals at 1 April	-	55
Capital additions	809	271
Less Capital payables and accruals at 31 March	(300)	-
Purchase of property, plant and equipment as per Statement of cash flows	**509**	326

6a Intangible assets

2018-2019	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2018	400	1,621	4,100	6,121
Additions	-	-	-	-
Disposals*	(400)	-	(27)	(427)
At 31 March 2019	**-**	**1,621**	**4,073**	**5,694**
Amortisation				
At 1 April 2018	-	1,529	2,974	4,503
Charged in year	-	55	220	275
Disposals	-	-	(21)	(21)
At 31 March 2019	**-**	**1,584**	**3,173**	**4,757**
Carrying amount at 31 March 2018	**400**	**92**	**1,126**	**1,618**
Carrying amount at 31 March 2019	**-**	**37**	**900**	**937**

*£334k was included in assets under construction for licenses bought in 2017-2018. TPR switched from a perpetual model to a subscription model for this service in the year and the license cost has been pre-paid against future subscription costs. The balance of £66k of software development was written off in year.

6a Intangible assets continued...

2017-2018	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2017	453	1,621	3,965	6,039
Additions	400	-	135	535
Reclassifications	(453)	-	453	-
Disposals	-	-	(453)	(453)
At 31 March 2018	**400**	**1,621**	**4,100**	**6,121**
Amortisation				
At 1 April 2017	-	1,474	2,721	4,195
Charged in year	-	55	680	735
Disposals	-	-	(427)	(427)
At 31 March 2018	**-**	**1,529**	**2,974**	**4,503**
Carrying amount at 31 March 2017	**453**	**147**	**1,244**	**1,844**
Carrying amount at 31 March 2018	**400**	**92**	**1,126**	**1,618**

6b Cashflow reconciliation

	2018-2019 £'000	2017-2018 £'000
Capital payables and accruals at 1 April	33	192
Capital additions	-	535
Less Capital payables and accruals at 31 March	-	(33)
Purchase of intangible assets as per Statement of cash flows	**33**	**694**

7 Financial instruments

As the cash requirements of TPR 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 TPR's expected purchase and usage requirements and TPR is therefore exposed to little credit, liquidity or market risk.

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

8 Trade receivables and other current assets

	2018-2019 £'000	2017-2018 £'000
Amounts falling due within the year		
Trade receivables	-	-
Other receivables	156	150
Prepayments	949	940
	1,105	**1,090**
Amounts falling due after more than one year		
Trade receivables	-	-
Other receivables	242	-
Prepayments	**242**	**-**

9 Cash and cash equivalents

	2018-2019 £'000	2017-2018 £'000
Balances at 1 April	1,714	934
Net change in cash and cash equivalent balances	(751)	780
Balance at 31 March	**963**	**1,714**
At 31 March, the following balances were held:		
Commercial banks and cash in hand	**963**	**1,714**

Cash at bank and demand deposits represents the only funds held.
All funds are held at HSBC.

10 Trade payables and other current liabilities

	2018-2019 £'000	2017-2018 £'000
Amounts falling due within one year		
Other taxation and social security	1,234	1,016
Trade payables	139	413
Capital accruals	300	33
Other creditors	41	-
Accruals and deferred income	9,681	9,151
	11,395	**10,613**

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.

11 Provisions for liabilities and charges

2018-2019	Year end total £'000
Balance at 1 April 2018	691
Provided in the year	(12)
Provision not required written back	-
Provisions utilised in the year	-
Balance at 31 March 2019	**679**
Analysis of expected timing of discounted flows	
Not later than one year	-
Later than one year and not later than five years	679
Later than five years	-
Balance at 31 March 2019	**679**
Balance at 1 April 2017	
Provided in the year	687
Provision not required written back	214
Provisions utilised in the year	(210)
Balance at 31 March 2018	**691**
Analysis of expected timing of discounted flows	
Not later than one year	-
Later than one year and not later than five years	-
Later than five years	691
Balance at 31 March 2018	**691**

Liabilities and provisions

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

12 Commitments under leases

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

	2018-2019 £'000	2017-2018 £'000
Obligations under operating leases for the following periods comprise:		
Buildings:		
Not later than one year	1,029	857
Later than one year and not later than five years	3,343	3,429
Later than five years	-	214
	4,372	4,500
Other:		
Not later than one year	18	22
Later than one year and not later than five years	29	-
Later than five years	-	-
	47	22

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

13 Capital commitments

Contracted capital commitments at 31 March 2019 not otherwise included in these Financial statements:

	2018-2019 £'000	2017-2018 £'000
Intangible assets	**-**	237
	-	**237**

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

14 Contingent liabilities disclosed under IAS 37

TPR has not entered into any unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. From time to time, we will be subject to legal challenge and judicial review of decisions made in the normal course of our business as regulator of workplace pensions. Legal judgments 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.

Compensation payments may also become due as a result of claims against us by staff relating to employment tribunal. There is significant uncertainty around the estimated liability and the timing of payments for these cases.

15 Losses and special payments

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

16 Related party transaction

TPR is a Non-Departmental Public Body (NDPB) accountable to the Secretary of State for Work and Pensions. The DWP and the PPF are regarded as related parties and a small number of transactions were completed with these bodies this year. All transactions with related parties have been completed at arms length. During the current and prior year, no other related parties, including TPR's board members and key management staff, had undertaken any material transactions with TPR.

17 Events after the reporting period

There were no reportable events after the reporting period.

IAS 10 requires TPR to disclose the date on which the accounts are authorised for issue by the Accounting Officer. The Annual Report and Accounts were authorised by the accounting officer for issue on the date of the Comptroller and Auditor General's audit certificate.

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