The Pensions Regulator

Annual Report and Accounts

2020-2021

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The Pensions Regulator's Annual Report and Accounts
2020-2021

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Contents

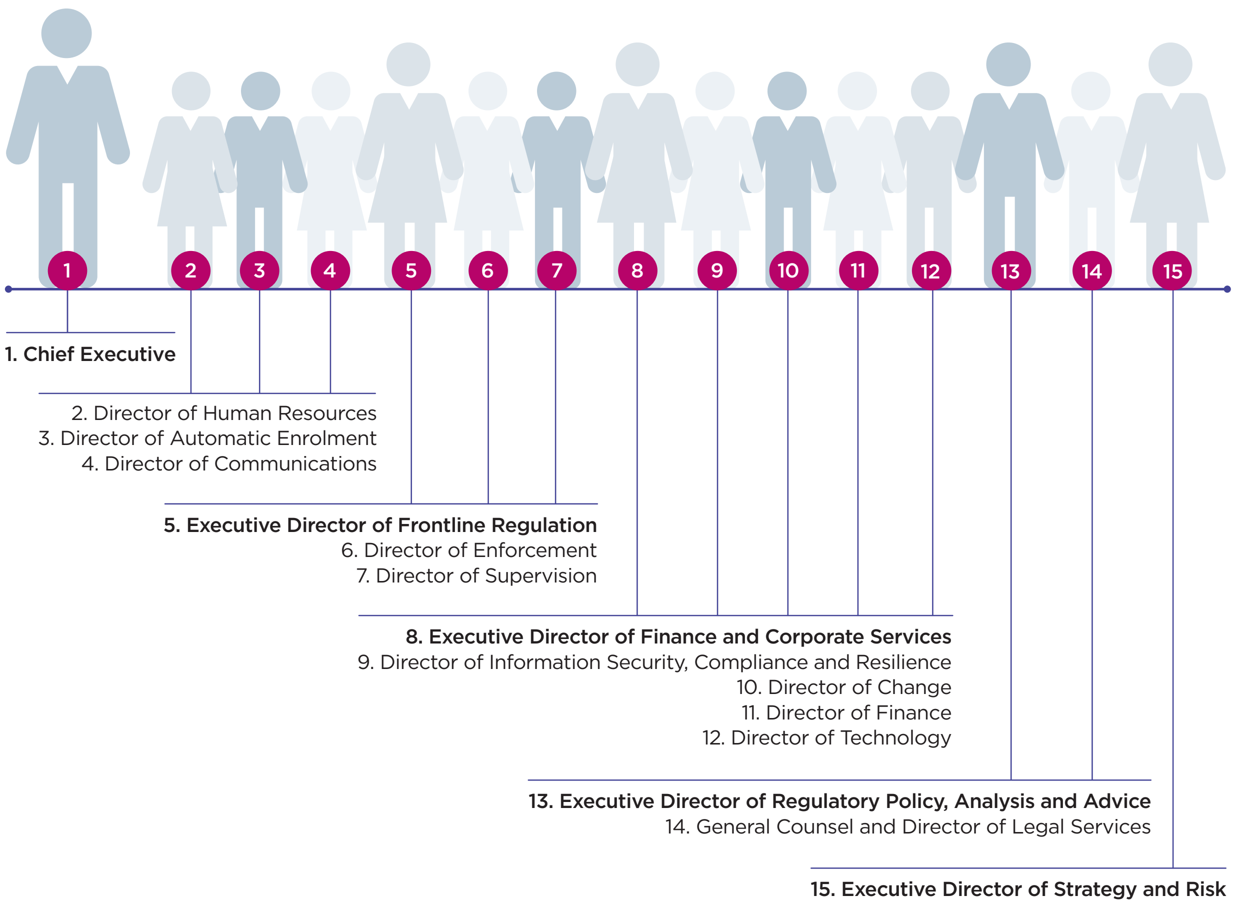
Introduction

The Pensions Regulator (TPR) is the public body that protects workplace pensions in the UK. Our statutory objectives are:

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

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

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



Performance report

Overview

In this section, our Chair and Chief Executive give an overview of the 2020-2021 business year. We then give a detailed analysis of our performance against our corporate priorities, including the results of our Key Performance Indicators (KPIs) which concludes with a summary of our financial and sustainability performance.

Chair's foreword

I am delighted to be introducing this year's Annual Report and Accounts in my new capacity as TPR Chair. I have served on the TPR Board for the past five years and, during that time, I've seen the organisation undergo many changes during its development as a clear, quick and tough regulator.

This has in no small part been thanks to the oversight of Mark Boyle, who stepped down as Chair in March of this year, and to Charles Counsell, both of whom have guided TPR so well over the past few years. I would like to take this opportunity to record the thanks of the Board, and TPR as a whole, to Mark for seven years of dedicated service in helping TPR to grow into the organisation that it is today.

While Charles will be giving more details about how TPR has adapted to the global pandemic, I would like to acknowledge how well colleagues across the organisation have adapted to challenging new working conditions and continued to provide pragmatic and useful guidance to trustees, employers and the wider regulated community. I don't underestimate the efforts that have gone into keeping the regulatory machine running smoothly, and while many are not visible to an external audience, the fact that TPR has continued to operate in difficult working conditions pays testament to the efficiency and resilience of the whole team.

Resilience is a core theme of our new Corporate Strategy, which was published for consultation in October and formally launched in March of this year. A considerable amount of consultation and engagement with our key stakeholders went into developing the Strategy – Pensions of the Future – which sets out our key priorities and how we will protect savers in an ever-evolving landscape. This is not the place to go into the details of our future plans, but I am very pleased with the way it sets out a roadmap for how we will turn our aims and objectives into a clear plan to which we will rightly be held to account.

New powers, new responsibilities

Earlier this year we welcomed the arrival of the Pension Schemes Act 2021, which provides a strong package of measures to further protect UK savers. TPR has worked closely with the Department for Work and Pensions (DWP) to develop effective proposals that will drive better standards across the pension schemes we regulate and ensure savers are treated fairly by employers.

We have been given new powers and responsibilities to help us be even more effective in deterring behaviour that risks savers' benefits and ensuring that those we regulate are aware of their duties and our expectations of how they should be met.

These new powers have not come without controversy, and it is right that they should be scrutinised by those who have an interest in how we will interpret the new rules and put the principles into practice. We value our strong and healthy connections with our stakeholders and parliamentarians who know we will consider all views and be robust in defending what we believe is right. These relationships and conversations are particularly important at a time when the pandemic is affecting employers' abilities to provide pensions and even to survive, and we are expecting applications for clearance to rise as a result.

During my time as a Non-executive Director, I have been struck by the way TPR staff develop strong external connections, from having a presence on industry bodies and networks to maintaining mutual and productive relationships with other regulators and government departments. The fact that our people are invited to speak at many more events than we have capacity to attend pays testament to our authority and influence, and our profile in the media is arguably higher than ever.

Against the backdrop of stakeholder scrutiny, we have continued to focus our efforts where our regulatory activity can have the most impact on improving outcomes for savers. In addition to the Corporate and Climate Change Strategies, we have also launched an industry-wide scams campaign, set out an interim regime for regulating superfunds and consulted on a new code of practice for funding defined benefits (and published an interim response). We are particularly pleased to have been able to maintain this volume of activity in the context of responding to the global crisis.

Using our resources efficiently

It's very important to use our resources efficiently and proportionately, and this was highlighted by the publication of the settlement policy in March of this year. It sets out our approach to agreeing to end our enforcement action more quickly than we otherwise could have if the targets of our action come up with an acceptable proposal, and helps scheme members achieve a good outcome without the need for costly and lengthy legal proceedings.

As with most organisations, whether in the public or private sector, we are experiencing the consequences of a difficult year, which has led us to consider carefully how we prioritise the work that we do. This will continue into the next financial year, with a flat budget year-on-year, in spite of the increased workload resulting from the new Pensions Act and other new tasks required of us. We have always had to target our resources towards the areas of highest risk, but in the current climate it is even more important to demonstrate how we provide government and industry with value for money and show a clear link between our regulatory activity and improved outcomes for savers.

We have to work smartly and efficiently as our remit expands even further, to include the Pension Schemes Act 2021, superfunds, the Dashboard Programme, collective defined contribution schemes (CDC) and climate change regulation. There is a balancing act to achieve between taking the time to build a robust, long-term system in which savers can have confidence and responding to immediate concerns that threaten their financial security, and I'm looking forward to working on the Corporate Strategy with my TPR colleagues in ensuring this balance is appropriately achieved.

I'd like to finish by extending my thanks to the Board and the whole team at TPR for their efforts in what has been an extraordinarily challenging year. It has not been without difficulty, but their commitment to protecting savers is evident in everything they do, and I feel privileged as the new Chair to be introducing this review of their achievements.

Sarah Smart
Chair
14 July 2021

Chief Executive's report

I can honestly say that this has been a year like no other, both for TPR and the world around us. The publication of this Annual Report and Accounts is our second while under the shadow of COVID-19 and marks the first full year where our activities (and those of our regulated community) have been affected by the pandemic.

Our careful Business Continuity Planning meant that we were able to successfully transfer our operations remotely, and for all our staff to continue to work from the safety of their homes. This has not been without difficulty for many, and I want to pay tribute to everyone who has worked long hours, often around caring and home schooling commitments (backed by flexible HR policies), to stay motivated and support each other. Many teams were involved in this response, in particular HR, Facilities, IT and Internal Communications, and it was truly heartening to see all colleagues extending themselves to make things work in very challenging circumstances, so we could carry on with our important work of protecting savers.

'Valuing our people' is a bit of a cliché, but it's one that we genuinely live out at TPR. Over the past year we've taken time to check in with all staff, making sure that everyone in the team can access support where needed, and recognising individual achievements where people have gone the extra mile. In these strange times, this feels more important than ever. In turn, we endeavour to provide value to those who depend on our work, making sure we use our resources in the most effective way, and prioritise (and reprioritise in-year where necessary) where our work will have the most impact.

We recognised that the pandemic would affect our regulated community in different ways, and therefore applied easements in automatic enrolment (AE) and for pension schemes more broadly, such as pausing our review of chair's statements and giving employers more flexibility with deficit repair contributions (DRCs). We believe that these represented a quick, clear and proportionate response. As we ease towards a 'new normal' from a business perspective, and with the extension of the government furlough scheme, we've reverted to pre-pandemic reporting requirements for providers and trustees on material payment failures and kept our guidance updated as the situation evolves.

Throughout, employers have continued to fulfil their AE duties, ensuring savers are still getting the pensions they are due, and our data shows that only a small proportion of employers have asked to suspend DRCs. However, this may change as the impact is felt when direct government support for businesses tails off.

A new Strategy

In the midst of lockdown, we launched our 15-year Strategy, putting concrete actions behind the overarching theme of 'putting the saver at the heart of everything we do'. We know how much the pensions landscape has changed over the past decade thanks to AE, with DC pensions becoming the mainstay for nearly all these new savers – a diverse group with people of all backgrounds and a range of incomes. Our Strategy sets out how we will allocate our resources to protect savers in DB and DC schemes by delivering on our five strategic priorities, underpinned by regulatory action to improve outcomes for savers.

Superfunds

In October we published new guidance for trustees and sponsoring employers of DB schemes on our expectations and what they need to consider when proposing to transfer to a superfund. Given the current economic climate, we believe that these vehicles could be a good option for trustees if their sponsoring employer is experiencing difficulties, provided they can afford to contribute the necessary capital. Of course, this is a big decision for trustees and employers, which needs to be taken after getting advice and contacting us, but I am pleased that we will soon be in a position to assess and supervise these new vehicles, which should ultimately provide value and security for the scheme members.

Case team successes and partnership working

I'm also delighted to report some really great outcomes and firsts for TPR over the past year. I'm not able to call them all out individually here, but I would like to make special mention of the extradition of an alleged fraudster from Spain as part of a scams case, securing a confiscation order to force Patrick McLarry to pay back over £280,000 to the scheme he stole it from, and the £35 million settlement of our anti-avoidance case against the owners of bed manufacturer Silentnight.

What these cases have in common, other than putting our enforcement work in the spotlight, is our working together with other agencies, whistleblowers and, in the case of settlements, the trustees and employers themselves. We can do a lot on our own, but we can be even more effective, and our influence is amplified, when we join forces.

This collaborative work was evident in the industry scams pledge campaign which we launched last November. It called on trustees, administrators and providers to make a public pledge to combat pension scams and then self-certify that they meet our expectations representing anti-scam best practice. So far, over 240 organisations have taken the pledge to follow the principles in the Pension Standards Industry Group's code of practice, and I'm really pleased at how the industry has come together with the common aim of protecting savers.

Transparent and accountable

The pledge campaign was acknowledged at the Work and Pensions Committee hearing in January, where our Executive Director of Frontline Regulation Nicola Parish gave evidence, and again in March, with the publication of the Work and Pensions Committee's report into pension scams. Our response has set out both what we are already achieving through our membership of Project Bloom, but also how we are incorporating some of the recommendations into our operational planning over the next year. We're pleased that the committee recognised the good work we've already done, particularly the joint FCA/TPR scam awareness campaign, ScamSmart, and the pledge campaign, and will look at how we can continue working closely with our partner agencies to be even more effective going forward.

Our senior team has kept TPR in public consciousness through their appearances on various parliamentary select committees during the year. Last May, David Fairs (Executive Director of Regulatory Policy, Analysis and Advice) Liz Hickey (Director of Communications) and I very clearly set out our immediate response to COVID at the Work and Pensions Select Committee, focusing in particular on AE contributions, the effect of the pandemic on DB scheme funding and the increased likelihood of scam activity. In November, Tony Raymond (Director of Legal Services) gave evidence to the Treasury Select Committee on green finance and its application to pensions. With an increased profile comes responsibility, and I am delighted to see the whole TPR team rising to the challenge of ensuring the organisation stands up to the scrutiny is rightly receives.

Delivering bold and effective regulation

The performance section of this report sets out our achievements in greater detail, along with commentary on our performance against our targets, but I'd like to acknowledge how well the team has adapted to very difficult conditions.

Despite the challenge of home working we continued to provide a regulatory response across our frontline teams and managed to achieve many of our targets in spite of reduced resource. Our external communications and work with key stakeholders enabled us to reach our core audience quickly, and our guidance was well received by the industry and commentators. Other successes that were less publicly visible, but equally essential to our efficient and smooth running, included the creation of a new governance forum and new master trust analysis tools. We also managed to stand up a core team at Napier House very quickly, developing processes for a limited number of staff to work from the office where necessary when lockdown rules permitted.

Innovating for the future

Although certain projects have had to be paused, the need for our systems to be robust and future-proofed can't be put on hold or reprioritised and our internal and external-facing IT upgrade projects continued. We've also been updating our Operational Strategy to bring in-house a range of AE services that were previously outsourced to Capita, including bulk enforcement and employer-facing communications.

Say hello, wave goodbye

Despite the pandemic, we have managed to increase our regulatory capability in line with our expectations and welcomed 75 new people to the TPR team. I can only imagine how strange it must be joining a new organisation 'virtually', but despite the challenges our HR team has managed to get some fantastic people into the right roles.

In November, we welcomed former Financial Regulators Complaints Commissioner Antony Townsend as the new Chair of the Determinations Panel. He succeeds Andrew Long, who has chaired the panel with great success for the last eight years, and I am very grateful to him for his oversight of some of our highest profile and most challenging cases. The Panel is now 10 members-strong, and we welcomed four new faces at the beginning of the year: Shrinivas Honap, Anne Fletcher, Megan Forbes and Stephen Mount.

I want to pass on my heartfelt thanks to Mark Boyle, TPR's Chair for the last seven years, who has contributed so much to our evolution as a quicker, clearer tougher regulator. I will miss his considered and collegiate involvement with our work, and how he has supported us through the challenging times and cheered us through the successes. His experience and expertise provided us with a unique perspective that has enhanced our operational work and reputation, and I would like to thank him personally for his support and friendship. I am delighted that Sarah Smart has been appointed as our new Chair, and I very much look forward to working with her over the coming years.

I hope that this is the one and only 'Annual Report and Accounts – Lockdown Edition' and that we can start welcoming back some of the team to Napier House later this year, when it's safe to do so. I feel very proud to work with such dedicated colleagues who, despite the many challenges of the last year, continue to provide bold and effective regulation and who genuinely put the saver at the heart of all they do.

Charles Counsell OBE
Chief Executive
14 July 2021

Performance summary

COVID-19 dominated our capacity and productivity over the last year, leading to continuous re-planning and prioritisation to ensure we maximised the effectiveness of our delivery.

Our Corporate Services teams led our internal response to the pandemic to enable the business to keep running, providing IT and procurement support to enable home working while managing the evolving rules to allow those who needed it safe access to the office. This allowed us to keep providing an external response to support those schemes and employers affected throughout the year.

As our capacity levels fluctuated we stopped non-essential work and supported our staff's wellbeing against a changing and challenging backdrop of lockdown, home working and home schooling. As a result, we were not able to deliver the full programme of activity we expected at the start of the year and have had to manage risks to delivery of our statutory objectives alongside capacity constraints in our IT, Policy and Enforcement teams and responded by adjusting activity to our capacity levels.

Our new Gateway and Operations and Portfolio Oversight (OPO) committees gave us the governance to prioritise, document and learn from these challenges. Through managing these risks and focusing on our priorities we have been able to celebrate plenty of successes across the organisation. Our extensive risk management framework and response to crystallising risks can be seen in the accountability report on pages 83-85.

In AE and Frontline Regulation, we eased the burden on schemes, employers and providers and increased engagement to provide support. We met our targets, maintained employer compliance (communicating directly with over 750,000 employers) and continued enforcement, resulting in several settlements with positive Determinations Panel outcomes. We also had our first European arrest warrant.

The Policy team delivered the Annual Funding Statement, the new Code of Practice consultation and work resulting from the Pension Schemes Act and kept pace with a changing risk profile to produce guidance for distressed employers. Our Strategy and Risk team led the analysis to ensure our profile of our regulated community informed prioritisation decisions and set the strategic priorities for our 2021-2022 planning cycle against a reduced budget. All of these initiatives and publications were supported in their development and then promoted by the Communications team, who made sure the right messages landed with the right audiences in a targeted and accessible way.

Our Change, IT and Data teams had a busy delivery year, with key progress made in our Systems to Support Regulatory Activity (SSRA) programme, the delivery of our Strategic Cloud Migration project, upgrades to our P2P system, and Reward projects. We also made progress with the changes needed as a result of the Capita AE contract ending and the completion of the Capita IT Transformation project.

We met most of our KPI targets with six green, and three amber, two of which just missed their targets. Two KPIs are red, which are due to the impact of the pandemic and deprioritisation within the Policy team (Administration Strategy), and challenges in meeting Government Service Standards in time for planned delivery phases (SSRA).

The change in approach for delivery of AE has meant that we've finished the year with 790 FTE against a budget of 837. Excluding a capital expenditure adjustment, we are £1.7m below the full year budget.

Our latest wellbeing result from the TPR annual survey in March showed our highest wellbeing score of the year, with 79% reporting feeling good/better compared with 57% at the start of the pandemic, providing strong evidence of the teams' resilience to adapt and thrive in challenging working conditions. We saw changes in how we worked, took leave, changed our habits and supported colleagues who had to take time out for illness or family reasons. Our care for colleagues shows in our engagement scores which are 10ppts up on last year, at 72% against a target of 75%.

We have begun the new financial year by prioritising the wellbeing and resilience of our people, investing in our regulatory tools through SSRA and MS Teams, delivering the AE transformation project, assessing potential superfunds, delivering the changes needed from the new Pensions Act and working with our partners on the Pensions Dashboard Programme.

Our performance in 2020-2021

Automatic enrolment

AE

10.5m
eligible jobholders automatically enrolled into an AE pension scheme to date (2019-2020: 10.2m)

85,069
AE cases in 2020-2021 (2019-2020: 120,257)

172 (AE only)
Information-gathering powers used (2019-2020: 83)

Master trusts

18.8m people saved

£52.7bn
in assets in master trusts (2019-2020: 16m saved £38.5bn)

36
master trusts have been authorised (2019-2020: 38)

Declaration and re-declaration of compliance

1.8m
employers completed their declaration of compliance (2019-2020: 1.6m)

942k
employers completed their re-declaration of compliance (2019-2020: 455k)

Enforcement

28,220
AE fines issued for non-compliance (2019-2020: 48,267)

2/3 or **68%** of scheme memberships are covered by relationship supervision (2019-2020: 2/3)

56% above target: 156 event supervision cases vs target of 100 (2019-2020: N/A)

12.4% of schemes targeted for intervention (2019-2020: 33.2%)

78 times information-gathering powers were used (2019-2020: 83)

62 mandatory penalty notices issued (2019-2020: 150)

1 financial penalty issued to scheme for not completing its Scheme Return when required (2019-2020: 40)

Press and media

1.1m people made **2.2m** website visits to **6m** pages and we posted **17** blogs receiving **58k** views

1,240 updates were made to website content

TPR was mentioned **2,163** times in our core media titles with a reach of **72.9m**, publicity value of **£7.5m**, and **58%** share of voice of all coverage which mentioned TPR.

17,341 (+10.4% YOY) Facebook followers (2019-2020: 15,706)

14,264 (+3% YOY) followers on Twitter (2019-2020: 13,849)

15,922 (+28.4% YOY) followers on LinkedIn (2019-2020: 12,393)

3 new videos published on our YouTube channel, with views totalling **29k**

146 speaking events, **4** round table events and **4** webinars were delivered

86% customer satisfaction following contact with our customer service centres in Brighton and Birmingham

Scams

13,179 unique page views of the TPR scams page

218 pledges to follow the principles of the PSIG code

71 schemes and organisations self-certifying

A combined total of **241** schemes and organisations have pledged and/or self-certified to meet the principles (including **21** members of PSIF and **8** master trusts)

Over **222,000** users visited the ScamSmart website during the campaign period – a **28%** increase from 2018.

68,000 unique page views of the TPR scams page.

Performance analysis

Overview

Here, we provide a more detailed analysis and explanation of the development and performance of our organisation over the last year. This in line with the risks and priorities we determined in our Corporate Plan 2020-2021 and the statutory objectives given to us by Parliament.

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

This section of the report is broken down into how we measure performance against defined corporate priorities and outcomes through key performance indicators and outcome indicators. We list our priorities and outcomes for the year and then break down the measures we have set against each to analyse the results and rationale.

How we measure our performance

We measure our regulatory performance against our statutory objectives and priorities through annual KPIs. The measures in this section are linked to our priorities, which were set out in our 2020-2021 Corporate Plan (as amended last year in light of the pandemic).

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

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

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

Analysis of performance

Corporate priorities, KPI and KOI outline

The six corporate priorities we set for 2020-2021 and beyond were:

1. Support workplace pensions schemes to deliver benefits through significant change driven by the global pandemic.
2. Protect pension savers across all scheme types through proactive and targeted regulatory interventions.
3. Provide clarity to, and promote the high standards of trusteeship, governance and administration we expect.
4. Intervene where appropriate so that DB schemes achieve their long-term funding strategy and deliver on pension promises.
5. Ensure jobholders have an opportunity to save into a qualifying workplace pension through automatic enrolment.
6. Continue to build a regulator capable of meeting the future challenges we face.

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 six of our 11 KPI targets in year 2020-2021, with three amber and two red results.

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, KPI and KOI analysis 2020-2021

The following analysis is provided under the corporate priorities we set in our 2020-2023 Corporate Plan and the associated measures we outlined under the priorities.

1 Support workplace pensions schemes to deliver benefits through significant change driven by the global pandemic

Our multi-strand response to the pandemic involved providing guidance to our regulated community about how they should react to protect savers. This included:

- Guidance for trustees of DB schemes on how to respond to warning signs of employer distress or insolvency.
- Guidance for employers on how they could continue to meet their AE duties.
- Guidance for trustees about their sponsoring employer suspending DRCs.
- A joint statement with the Money and Pensions Service and the FCA to warn savers about pension scams.
- Regulatory easements, including extensions to reporting deadlines on missed DC contributions, and the suspension of automatic penalties for late chair statement fines.
- New guidance to trustees that requires them to send savers looking to transfer from a DB pension scheme a warning letter that it's unlikely to be in their best long-term interests, and that they should consider the decision carefully.

The easements received broad support from our stakeholders, and our Perceptions Tracker research found that around 90% of respondents found our guidance useful, and while only a small proportion of these used an easement, those who did found it helpful.

In our Stakeholder Perceptions Survey, the vast majority praised the decisiveness, fairness and timeliness of our COVID-19-related activity. Most believed we had taken a pragmatic and proactive approach to managing COVID-19, and that we effectively communicated our approach to stakeholders. A government stakeholder noted that we had been clear and quick in our response, and as a result our reputation is "increasing rather than decreasing". To resource this work, we needed to reorganise teams where their expertise could be best used. This involved pausing our Regulatory Initiatives and deploying the teams to our Event Supervision and Rapid Response units, as we knew that increasing numbers of employers would need our support.

1. Support workplace pensions schemes to deliver benefits through significant change driven by the global pandemic continued...

A gradual return to BAU

The regulatory easements we put in place had all wound down by the end of the year, and we communicated these changes to all those affected, including directly to trustees, business advisers and providers.

We were able to maintain compliance with AE duties above our KPI targets, despite the impacts of COVID and our regulatory easements. This was achieved via a targeted online campaign and flexing the use of our regulatory interventions, although the most recent C&E bulletin demonstrates that these interventions are now returning to pre-pandemic levels.

We also plan to resume Regulatory Initiatives in the coming year, starting with the theme of employer distress, and aim to deliver this by the end of April 2022.

1 ✓

KPI

We will complete our initial COVID-19 response workstreams, and undertake further interventions as necessary in response to the impact of the pandemic.

Commentary

This year we focused on quickly assessing the impact of the pandemic on the external landscape and the subsequent risks to our regulated community. As a result, we reprioritised our regulatory focus around six short-term themes, subsequently adding two more.

These sought to mitigate immediate risks created by the pandemic and included communicating guidance and setting expectations to employers and the marketplace, including easements, protecting savers from making poor decisions or falling victim to scams, and targeted engagement with administrators.

2 Protect pension savers across all scheme types through proactive and targeted regulatory interventions

Our supervisory model demonstrated its ability to flex according to the circumstances as we reviewed our Relationship Supervision portfolio and delivered a low, medium or high level of engagement according to our assessment of its level of risk. The rapid response process was crucial in our proactive approach, which took early indications of risk from our Customer Support and Intelligence teams through an assessment process which resulted in proactive engagements by our Events and Regulatory Transactions teams.

We also exceeded our target of 30 million savers in supervised schemes, reaching 34.7 million by the end of the year. This includes master trust schemes, which comprise a large proportion of scheme memberships. We have strengthened our oversight of these large schemes by creating a master trust dashboard and modelling tool that will help us model and stress test the financial sustainability of the industry, and we established a master trust expert risk panel.

Putting the saver at the heart of what we do

We launched our 15-year Corporate Strategy in March, which aims to put the saver at the heart of everything we do and tailor our regulatory activity to maximise the protection savers receive. For more on this, see Priority 6 on page 31.

The scams pledge campaign we launched in September is a strong example of how we use our influence over those we regulate to directly benefit the saver. We issued a call to the pensions industry to publicly pledge to combat pension scams, and promoted this via partnership communications, social media, paid digital advertising, a webinar and media activity. This was supplemented with a new Trustee Toolkit module to educate our core trustee audience. The investment paid dividends, with the campaign over-achieving against its targets and over 240 organisations pledging to combat scams and follow the principles of the Pension Standards Industry Group code.

2 ✓ **34.7m savers** (uplift of 115%)

KPI

We will extend our Supervision approach across more pension savers.

Commentary

As part of our COVID-19 response we reprioritised our activity based on risk, priority and capacity to maximise our effect with the resources we had. This led to an uplift in savers covered by Supervision totalling **34.7 million** at year end, exceeding the **30.1 million** target.

3 Provide clarity to, and promote the high standards of trusteeship, governance and administration we expect

The launch of the draft code of practice consultation in March marked a milestone in the creation of a single, clear, up-to-date and consistent source of information on scheme governance, while meeting different legal obligations for different schemes.

It is significantly shorter than the 10 codes it will replace and will make it easier for governing bodies, and those providing them with professional services, to distinguish between the legal duties they must meet and what we expect them to do to comply with their responsibilities.

Unfortunately, due to pandemic-related resource constraints, we weren't able to prioritise our Administration Strategy, leading to a missed KPI. We have, however, begun recruiting for roles to support this important work in our Policy and Communications directorates, and expect to make considerable progress with this as a result.

Although its development was affected by the COVID workstreams, we made progress on our Equality, Diversity and Inclusion (ED&I) Strategy and action plan development for promoting and enhancing ED&I within TPR, our regulated community and our local community. We set up an ED&I Committee to oversee the development of the Strategy, co-chaired by David Fairs, and launched it after year end.

Another important piece of work that we had to pause, but which has since regained momentum, is our guidance for trustees of certain schemes on how to comply with the new climate change duties and how they can build climate-related risks and opportunities into their systems of governance. We are planning on publishing guidance later this year after we've engaged with industry stakeholders, and will be leveraging our Relationship Supervision approach to encourage trustees to pay more attention to climate change when selecting investments, discussing covenant and engaging with their advisers.

Setting clear expectations

In January we published our interim response to the DB funding code consultation, which had drawn very high levels of engagement (127 formal responses and over 6,000 comments from a broad range of stakeholders). Our second funding code consultation will include a full summary of the responses to the first consultation and the approach we have taken to:

- reviewing and updating Fast Track guidelines
- assessing valuations
- engagement with DB schemes
- enforcement.

3 ✗

KPI

We will adapt and roll-out our Administration Strategy in light of the risks presented by COVID-19.

Commentary

Resource constraints have meant the work on the Administration Strategy is currently on hold as our teams were impacted both by COVID-19 leave and reprioritising our activity to respond to the highest risks. On balance against enforcement activity, we agreed this work could be delayed. Recruitment has, however, been prioritised to restart this key activity in 2021-2022 to support our programme of recovery.

3 –

KPI

We will complete our first phase of consultation on principles for a revised DB code and begin the next phase of consultation, with a view to finalising the code later in 2021.

Commentary

As well as our internal teams impacted both by COVID-19 leave and reprioritising our activity to respond to the highest risks, our partners and stakeholders were also dealing with a change in delivery and scope to manage the pandemic. The DB code was affected, and resulted in a delay to our planned schedule. However, we have undertaken re-planning exercises in discussion with the DWP (depending on their consultation on the funding regulations) and agreed that we would aim to publish our second consultation in December 2021.

4 Intervene where appropriate so that DB schemes achieve their long-term funding strategy and deliver on pension promises

Thanks to our tactical movement of staff from Regulatory Initiatives to support the Events Supervision and Rapid Response teams, we were able to easily exceed our intervention KPI. We also set clear expectations for trustees who were due to prepare their triennial valuations via the Annual Funding Statement. This received a positive response from the industry, where it was referred to as 'pragmatic'.

Our commitment to DB schemes encompasses all sizes – from the smallest to the very largest. The latter were the subject of media and stakeholder attention in September as a result of the launch of our interim regime for superfunds, which was broadly welcomed by the industry. Our first activity under the Pension Schemes Act has been the consultation on guidance on our new criminal powers in March, and we will be updating and consulting on other guidance affected by the new legislation over the next year.

Tough interventions where necessary

Our interventions with DB schemes can involve the use of our powers, or the threat of using them, resulting in a settlement (such as the Silentnight case).

Our Enforcement team has continued to be tough on those who deliberately flout the law, and this was demonstrated in the first extradition (working with the Metropolitan police) of a suspected fraudster from Spain and in March of this year, using the Proceeds of Crime Act to secure confiscation orders against Patrick McLarry and Roger Bessent. We also worked very closely with the Determinations Panel on a number of cases, including banning a corporate trustee for lack of competence and appointing independent trustees to two separate schemes where there were clear governance failings.

4 ✓ **156 new interventions**

KPI

We will expand our DB Rapid Response and Events engagements to include interventions associated with the impacts of COVID-19.

Commentary

We consciously diverted resources to Rapid Response as part of our COVID-19 interventions. As a result, we exceeded this target: 156 new interventions were opened since 1 April that meet the criteria. While this is a positive result, it has come at the detriment of other activity we actively deprioritised to focus on this work.

5 Ensure jobholders have an opportunity to save into a qualifying workplace pension through automatic enrolment

Over the year we have continued to enable employer compliance with declaration and re-declaration, in spite of the easements we introduced. Due to lockdown restrictions we had to pause our physical inspections of premises but have been able to use alternative interventions to progress the most serious cases.

Compliance was boosted by our communications campaign, which made employers aware that their AE duties still applied as normal during the pandemic, along with our guidance which signposted them to relevant government support. We issued over 9,000 Unpaid Contribution Notices over the year and around £105 million in reported late contributions was paid, reflecting the success of our engagement with DC trustees and scheme managers.

Our commitment to supporting employers during this time meant that over 188,000 employees were put into a pension during the financial year, in spite of the challenging circumstances. We also worked closely with providers, partner organisations and employer/professional bodies throughout, which helped our message reach a large number of employers at no extra cost, providing both increased audience coverage and value for money.

We upgraded a range of Capita systems and migrated to the cloud as part of the IT transformation project and successfully carried out a full Disaster Recovery test. Both of these important projects have lowered the level of risk in transferring IT services to TPR under the AE transformation programme (for more, see Priority 6 on page 31) and should ensure continued effective monitoring of employer compliance levels.

Although the KPI of employers making accurate and timely contributions was not met, this was due to using a now outdated cumulative measure of the proportion of employers ever reported for a late payment. Since 1 April, we have introduced an improved annual measure which will better reflect the trend in on-time payments and which is expected to remain consistently above the 94% target.

5. Ensure jobholders have an opportunity to save into a qualifying workplace pension through automatic enrolment continued...

5 ✓ 94.9%

KPI

Employers are continuing to re-declare and new employers are making their declarations for the first time in line with their duties for automatic enrolment.

Commentary

98.36% for re-declarations, **89.59%** for new employers.

The on-time declaration rate for new employers is lower than for staged employers. The proportion of new employers appearing late in our data feed from HMRC is partly driving the lower on-time rate. New employers are mostly on a compressed compliance journey which may mean that a higher proportion are still not compliant after their enforcement journey has been completed, compared to staged employers.

5 ✓ Above target at 99%

KPI

Jobholders have been put into a qualifying scheme.

Commentary

We continued to support employers through the pandemic to manage compliance and have maintained engagement as represented through this KPI which remains above target at 99.12%. Split by size, this KPI has performed as follows:

Into a large scheme: **99.03%**
Into a small scheme: **99.46%**
Into a medium scheme: **99.68%**
Into a micro scheme: **96.49%**

5 – 93.3%

KPI

Employers make accurate and timely contributions to their schemes on behalf of their workforce.

Commentary

At the end of Q4, this indicator was below target. This is not believed to be linked to the current economic situation but is simply a continuation of a downward trend which reflects the calculation methodology for this KPI. As the stock of active employers who have declared remains relatively stable, the cumulative proportion of those employers reported for late payments increases. This indicator is measured on a cumulative basis from the beginning of AE and was always going to decrease, which is why we have been using a more accurate and representative measure since 1 April 2021.

6 Continue to build a regulator capable of meeting the future challenges we face

To be able to continue regulating effectively, we need to make sure we have a workforce and structure that are flexible yet robust. This year we've demonstrated our commitment to this by investing in our people, our infrastructure and the future of our office space. This is reflected in our KPIs and responses to internal surveys, where our internal engagement score increased by 10% year-on-year. So while our formal People Strategy has had to be paused this year, we've made progress in terms of our staff feeling supported at a time of significant disruption.

Despite the unusual circumstances of the past year, we have actually grown the organisation, and recruited 75 additional members of staff. We have also been flexible with internal transfers and moved people around the organisation where appropriate to match their skills with the business need.

In April of last year, we radically increased the volume and breadth of messaging from the Executive Committee (ExCo) to staff to provide visible leadership and reassurance in unprecedented circumstances. The increased transparency and volume of our internal communication continued throughout the rest of the year and adapted to the external environment, recognising the impact on staff not only of COVID-19 but of the nationwide protests against racial injustice and the increased attention on violence against women.

Our Corporate Strategy, launched in March of this year, set out how we would make the changes to our systems and structure to enable us to be our most effective over a 15-year period. The document was well-received externally and was the result of months of research and internal consultation that ensured staff were bought in at all levels from the earliest stages.

6. Continue to build a regulator capable of meeting the future challenges we face continued...

Systems and infrastructure

Two of our biggest change projects this year were the design and implementation of SSRA and the transition to the new AE delivery model. SSRA encompasses changes to our internal systems, many of which were very outdated and didn't support our new ways of working at scale. It also covers our external portals, such as the Exchange system, which is used by our regulated community for Scheme Returns.

Despite our best efforts, we've had to delay some projects resulting from the SSRA programme (such as the DB Scheme Return activity) as the portals did not meet the Government Service Standards, resulting in a missed KPI.

Our AE transformation programme has met its targets and is on track to transition all business services as planned from Capita. Some of these will be brought in-house (such as employer communications and enforcement, offering substantial cost savings) while customer support will continue to be outsourced as this has been identified as more efficient and therefore providing better value for money, and we have appointed HTS as our new provider.

Our new governance and decision-making structures, OPO and Gateway, have enabled us to target our resources and priorities even more effectively, and we are familiarising staff with our Comms as a Regulatory Tool (CAART) strategy. This important piece of work will create efficiencies and improve our ability to respond quickly to change. We finalised the creation of a staff toolkit in-year and will be rolling out learning and development workshops over the next 12 months.

6 – 72%

KPI

We have high employee engagement.

Commentary

The employee engagement score for TPR rose to 72% in 2021 (up from 62% in 2020), slightly below the target of 75%. This is a fantastic result with increases in all six elements of the engagement score in relation to job satisfaction, commitment and advocacy. Further analysis is underway on the results with our COVID-19 support for colleagues likely to be a key driver of the increased scores (93% felt supported during the year).

6 ✓

KPI

We have started transitioning to our new automatic enrolment delivery model.

Commentary

We have started to transition to our new automatic enrolment delivery model. A customer support provider has been appointed and is currently in a planning phase. Capita has delivered an exit plan, and the first service to transition back did so on 1 May. This will be followed by separate tranches of service transition in successive months, including the new customer support service going live on 1 August.

6 ✗

KPI

We will commence the design and implementation of new systems to support our regulatory functions.

Commentary

The second foundational release of the Data Platform was successful, with a third on track for summer. Deployment for Sharepoint and CRM (Customer Services) was pushed back from Easter weekend following delays from Desktop provision and environment access. The DB Scheme Return portal was built but did not meet Government Service Standards in time for the 2021 window. We are currently reviewing a revised roadmap for the DB Scheme Return 2022.

Our key outcomes and analysis 2020-2021

Our outcomes act as a bridge between our statutory objectives and our regulatory activity. They enable us to explain our remit as part of the wider pensions landscape and supported by our partners and stakeholders. They set out what we are seeking to achieve in the longer term. Below are the outcomes for pension savers we set out in our 2020-2021 Corporate Plan.

Figure 2: Outcomes for pension savers

Participation
To increase participation in workplace pensions

Protection
To protect members and the PPF

Accountability
To hold those we regulate to account

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

Key outcome indicators

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

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

Measure

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

Trend

Relatively stable.

Commentary

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

99.03% Large

99.68% Medium

99.46% Small

96.49% Micro

Measure

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

Trend

Decreasing.

Commentary

Although the KPI of employers making accurate and timely contributions was not met, this was due to using a now outdated cumulative measure of the proportion of employers ever reported for a late payment. As of 1 April, we have introduced an improved annual measure which will better reflect the trend in on-time payments and which is expected to remain consistently above the 94% target.

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

Measure

Proportion of members in schemes that are demonstrating good governance.

Trend

Increasing in schemes. Slight reduction in members.

Commentary

Although the proportion of schemes has been fluctuating over the last couple of years, the proportion of members in schemes that are demonstrating good governance has stayed above 99%.

Measure

Aggregate funding ratio for DB schemes.

Trend

Volatile due to COVID-19.

Commentary

The aggregate funding level has improved over the past six months from the lowest point as at 31 March 2020 as financial markets have recovered and long-term gilt yields have slowly risen.

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

Measure

Average scheme record-keeping scores.

Trend

Consistent.

Commentary

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

Measure

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

Trend

Decreased.

Commentary

Decrease in 2020-2021 was due to an essential reprioritisation of our work, including putting in place easements owing to the pandemic. Work on Regulatory Initiatives, which had resulted as the significant increase in scheme coverage in 2019-2020, was paused as a result. Planned campaigns were postponed, and Scheme Return enforcement was paused until Q4 of the year.

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

Measure

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

Trend

Decreasing.

Commentary

We did not conduct a TPR General Public and Savers Pension Survey during 2020-2021. Reviewing research by other organisations suggests there has been a fall in the proportion of people who have confidence in pensions during 2020-2021.

The pensions administrator Trafalgar House conducted two waves of research among the general public into their trust in the pension industry, one in February 2020 and the other in September 2020. Trafalgar House's research found that people's trust in the pensions industry fell between February 2020 and September 2020. Drawing on other evidence it seems likely that the following have played a role in a fall in confidence:

- the fall in the value of DC pensions due to the fall in the stock markets in March and April 2020 and the market volatility since then
- more people reviewing their retirement plans and realising how much they need to save for retirement and their lack of capacity to do so
- more people reducing or stopping their pension contributions or leaving their pension scheme due to loss of their job, reduced hours or other financial pressures

Measure

The amount of voluntary contributions made above minimum levels.

Trend

No longer reporting on this KOI.

Commentary

The ONS survey from which voluntary contributions have been derived has now been discontinued so it is unlikely that future updates for this measure will be available.

Summary

In March, we published our Corporate Strategy, which sets out how we will enhance and protect savers' outcomes over the next 15 years through five strategic priorities that put the saver at the heart of everything we do. The Strategy looks ahead in five three-year segments, and each consecutive three-year period is set out in more detail in our annual Corporate Plan. The Plan articulates the areas we will prioritise in order to meet commitments made in our Strategy, building on the work we have already done to be a clear, quick and tough regulator. It also recognises the continued impact of COVID-19, the changes that will be coming to the pensions landscape and the ongoing internal transformation of our regulatory systems and AE model.

Our approach is therefore to combine the vitally important work that continues, alongside new initiatives that we believe are the most important areas of focus for our efforts in the first three years of our 15-year Strategy. This includes an update to our suite of KPIs for 2021-2022, ahead of a full review of our performance measurement framework for 2022-2023 onwards.

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 2020-2021 was £97.2 million, £1.7 million lower than budget due to lower spending than planned on the Pensions Bill and Pensions Dashboards projects and lower spending on AE advertising. The actual and budget figures were reduced by £5 million due to a reclassification of software development expenditure to capital.

Further information on our 2020-2021 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 110 to 115.

Table 1: Actual expenditure vs budget

£m	2020-2021			2019-2020		
	Actual	Budget	Variance	Actual	Budget	Variance
Total TPR*	97.2	98.9	1.7	93.1	98.4	5.3

*All figures exclude capital expenditure

Charles Counsell OBE
Chief Executive, The Pensions Regulator
14 July 2021

Sustainability

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

Overview of performance

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

This year has been very different from most due to the COVID-19 pandemic. During the past 12 months the building has been open for a maximum of three months with very limited staff occupation. There was no travel expenditure in year due to home working. The impact of the reduced occupation is apparent in the numbers below.

The figures reported here do not take into account carbon emissions as a result of homebased working or cloud-based servers. This is something that we are looking to include in future. As per our Climate Change Strategy published in April 2021 we are committed to achieving our net zero target by 2030.

Greenhouse gas performance commentary

There has been an increase in staffing levels over the last year with an average annual FTE increase from 709 in 2019-2020 to 791 in 2020-2021.

Despite a 12% increase in headcount, a 38% decrease in our total carbon dioxide equivalent (CO2e) emissions has been recorded, relative to 2019-2020. CO2e emissions per FTE have decreased by 44%: from 0.51 tonnes per FTE in 2019-2020 to 0.28 tonnes per FTE in 2020-2021. This includes 1,055,921 kWh of gas and electricity. Total gross expenditure on the purchase of energy, including travel, was £121,934.

Water consumption in 2020-2021 was 1,236 m^3, reduced by 67% relative to 2019-2020, at a cost of £4,421.

Waste performance commentary

Total waste arising from TPR's estate for 2020-2021 was 3.6 tonnes, of which 2.52 tonnes were recycled, and 1.085 tonnes were processed as energy from waste (EFW) and zero waste to landfill. Overall, the total waste generated has decreased by 89% relative to 2019-2020. Total costs equated to £15,248.44 inc VAT on all waste contracts during 2020-2021.

Figure 3: Greenhouse gas and waste performance

12% increase in headcount

38% decrease in total CO2e emissions

(Relative to 2019-2020)

44% decrease in CO2e emissions per FTE

(2019-2020: 0.5 tonnes per FTE, 2020-2021: 0.28 tonnes per FTE)

67% reduction in water consumption

(Relative to 2019-2020)

89% decrease in total waste generated

(Relative to 2019-2020)

Three-year review in numbers

Figure 4: Breakdown of sustainability performance 2018-2021

April 2018–March 2019 tonnes

Recycled
21,000kg (21 tonnes)

Waste to energy (incinerated)
Zero

Landfill
12,500kg (12.5 tonnes)

Total
33,500kg (33.5 tonnes)

April 2019–March 2020 tonnes

Recycled
9,065kg (9.065 tonnes)

Waste to energy (incinerated)
7,538kg (7.538 tonnes)

Landfill
Zero*

Total
16,603kg (16.603 tonnes)

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

April 2020–March 2021 tonnes

Recycled
2,520kg (2.525 tonnes)

Waste to energy (incinerated)
1,085kg (1.085 tonnes)

Landfill
Zero

Total
3,605kg (3.605 tonnes)

TOTAL from 2018-2021 tonnes

Recycled
32,585kg (32.585 tonnes)

Waste to energy (incinerated)
8,623kg (8.623 tonnes)

Landfill
12,500kg (12.5 tonnes)

Total
53,708kg (53.708 tonnes)

Three-year review continued...

Since the inception of the employee-led Sustainability Network last year, the group has provided tips and information on how staff can help reduce their carbon footprint while working from home. The group has grown and gained momentum over the past year. David Fairs has executive responsibility for climate change and has become the group's sponsor.

Sustainable finance and climate change adaptation

We believe collaboration across financial regulators is essential to develop shared expectations on climate-related risks and opportunities.

The UK has announced its intention to make climate-related financial disclosures mandatory across the economy by 2025, with a significant portion of requirements in place by 2023. We participated in the taskforce created and chaired by HM Treasury, comprised of regulators and government departments, to develop this work. The taskforce's Interim Report, and accompanying roadmap was published in November 2020.

This year we liaised with other regulators and government departments about their approach to ESG and developed our own Climate Change Strategy, which focuses on our expectations of schemes to protect savers and enable better outcomes for the future. This was published in April 2021 and will be supported by guidance later this year on new climate-related governance and reporting duties for trustees of large and medium schemes.

We have also been developing our Climate Adaptation Report to submit to the Department for Environment, Food and Rural Affairs later this year for inclusion in their work on the government's National Adaptation Programme. Again, we are aligning with work with other financial regulators so that there is consistency in the sector's approach to climate change.

Ethical and sustainable procurement

Ethical and sustainable practices continue to be an important part of our procurement process. We are committed to procuring goods and services by taking into account any environmental, ethical and social impact it incurs, both in the short-term and over the expected lifecycle of the procured goods and services.

We undertake a detailed impact assessment of the positive or negative impacts on the ethical and sustainability criteria of all projects. We use our individual and aggregated buying power to encourage suppliers to ensure their supply chains carry out their procurement in line with our intentions. We also actively strive to reduce costs to the organisation over the lifetime of particular products and services, specifically relating to energy usage and the use of sustainable materials.

Better regulation

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

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

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

Non-financial information

Publicity

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

Fraud

We take the risk of fraud seriously and will ensure that all suspected cases of fraud are vigorously and promptly investigated, and that appropriate action is taken. There were no reports of fraud during the financial year.

Human rights

As an organisation, we are keen to ensure we are inclusive and accessible in all we do. We adhere to the Civil Service Recruitment principles when attracting and recruiting staff, as well as being a Disability Confident Employer. We also have objectives that help us fulfil our responsibilities under the Public Sector Equality Duty, which can be viewed on page 105. We continue this through our employee lifecycle, ensuring our policies and processes are inclusive and employees have the appropriate voice via multiple networks and forums.

Accountability report

Corporate governance report – Directors' reports

This section includes reports on the activities of:

- **The Committee of Non-Executive Members** (page 51)
- **The Audit and Risk Assurance Committee** (page 52), and
- **The Remuneration and People Committee** (page 59)

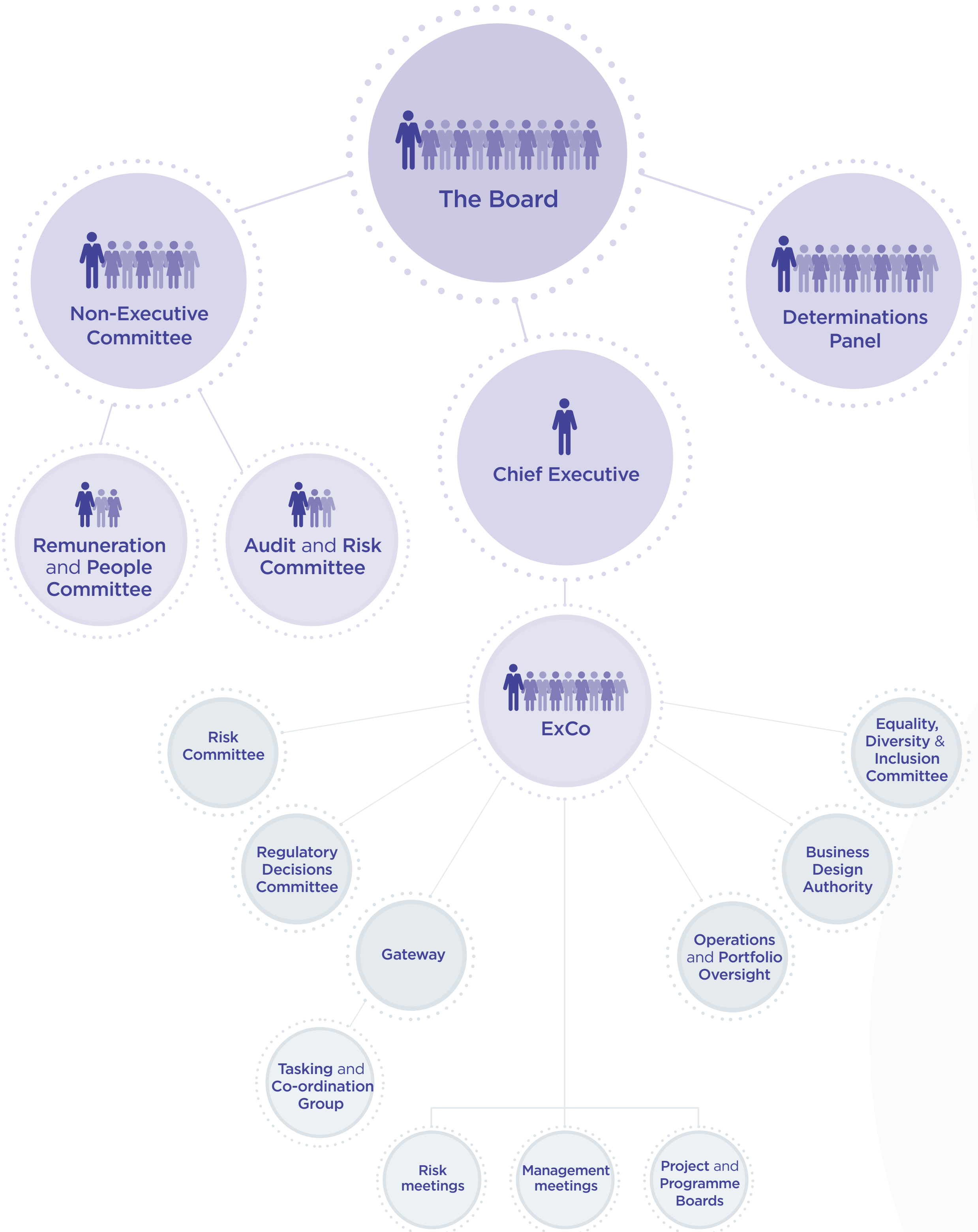
Together, the above committees discharge TPR's non-executive functions as described in section 8 of the Pensions Act 2004. Also, in this section:

- **Details of Board and Committee membership** (page 64 to 65)
- **A report on the activities of the Determinations Panel** (page 66)
  The Determinations Panel is a committee of TPR which has separately appointed membership. Its role is to make independent decisions on cases.
- **Statement of Accounting Officer's responsibilities** (page 70)
  This sets out TPR's requirement to prepare a statement of accounts in the form and on the basis determined by the Secretary of State for Work and Pensions, with the approval of HM Treasury.
- **Governance statement** (page 71)
  This is the Accounting Officer's statement, which reports on the arrangements for ensuring TPR's business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for.
- **Remuneration and staff report** (page 90)
  This report sets out TPR's remuneration policy for directors, how that policy has been implemented, and the amounts awarded to directors, including where there is a link between performance and remuneration. In addition, the report provides details on staff numbers and related costs. Also, information on progress against TPR's equality objectives 2020-2021 and gender pay gap action plan.
- **Financial review** (page 110)
  This review shows the source of TPR's funding and expenditure for the year and how value for money was achieved.

The sections listed above reflect the best practice outlined in the Government Financial Reporting Manual. The information complies with HM Treasury's Code of Good Practice for corporate governance in central government departments and demonstrates how TPR has met its responsibilities to Parliament.

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

Figure 5: Our main committee structure as at 31 March 2021



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

Membership of the Committee of Non-Executive Members consisted of TPR's non-executive Chair, Mark Boyle CBE, and TPR's non-executive directors – all of whom were appointed by the Secretary of State.

Mark Boyle CBE and the six non-executive directors (Kirstin Baker CBE, Robert Herga, Katie Kapernaros, David Martin, Chris Morson and Sarah Smart) were in post throughout, Tilly Ross and Margaret Snowdon OBE stepped down on 30 April and 8 May respectively.

The Non-Executive Committee met formally twice in 2020 in May and November and informally on a number of occasions. You can read about their attendance in the Board membership and attendance tables on pages 64 to 65.

The Committee's discussions covered how TPR had managed non-executive director succession planning, the Board Chair and Determinations Panel Chair recruitment process, the CEO's end of year review and the review of its own terms of reference. It also discussed the pandemic response, senior management succession and non-executive director involvement in projects and their attendance at internal committee meetings, including the reward and SSRA projects.

Individual Committee members were involved in ad hoc activities outside of their attendance at Board, including a few specific cases, policy development and a range of activities with TPR operational teams. These opportunities were affected by the pandemic restrictions, but throughout the year, members engaged with staff in various ways, such as the diversity groups, and through the programme of briefing and discussion sessions for non-executives with TPR teams.

Report of the activities of the Audit and Risk Assurance Committee (ARAC) for 2020-2021

Introduction

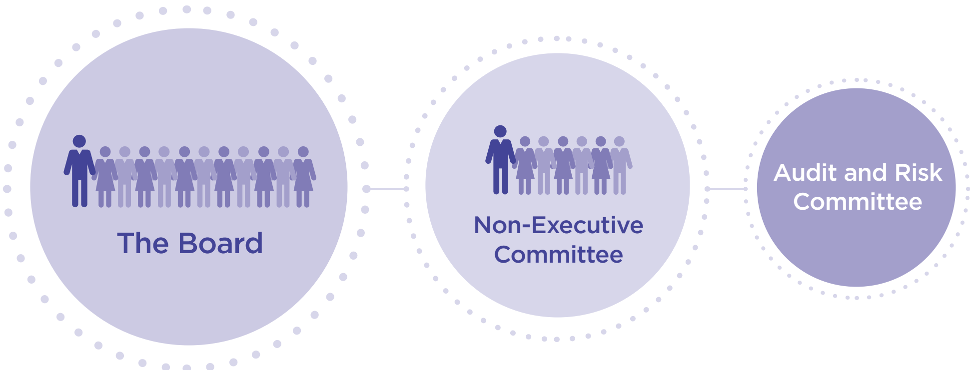
Statement from Sarah Smart (Audit and Risk Assurance Committee Chair):

"Despite a difficult year, I have been pleased to see the progress made in the development of the risk and assurance framework and the already materialising benefits of having both risk and assurance management in one directorate. The move to a hybrid internal audit model will also bring greater focus and flexibility in providing assurance on key risk areas".

Structure and responsibilities

The Audit and Risk Assurance Committee (ARAC) is a sub-committee of TPR's Non-Executive Committee.

Figure 6: ARAC structure in relation to the TPR Board



Audit and Risk Assurance Committee

Members

- Sarah Smart, Chair and Non-Executive Director (NED)
- Chris Morson* NED
- David Martin NED

In regular attendance

- Charles Counsell, Chief Executive
- Helen Aston, Executive Director of Finance and Corporate Services
- Jo Hill, Executive Director of Strategy and Risk
- Richard Edes, Head of Risk and Assurance
- Representatives from the NAO (external auditors), BDO Ltd (internal auditors), and the DWP partnership team

Audit and Risk Assurance Committee responsibilities

Risk and assurance

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

Accounting and reporting

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

*Chris Morson took over from Sarah Smart as Chair of the ARAC on 1 April 2021.
Sarah Smart became interim TPR Chair on 1 April 2021 and was appointed Chair on 1 June 2021.

Timetable

There were six ARAC meetings in 2020-2021 covering the full scope of the committee's responsibilities. This included one extraordinary meeting in April 2020 and an additional meeting to review internal audit reports in July 2020. During the year, ARAC members also held a closed session meeting with external and internal auditors. The committee provided regular feedback to the Board, including detailed updates at the June and December Board meetings.

Matters considered

2020-2021 key areas of focus

- **Risk and assurance framework**
  ARAC continues to support the development of a risk and assurance framework as part of the work to evolve the overall approach
- **IT assurance and programmes**
  ARAC has maintained oversight of key projects and programmes – AET and SSRA. Better access to detailed and timely information has provided ARAC with awareness of issues as they arise
- **Regulatory assurance**
  ARAC continues to push for more regulatory assurance though this has been delayed by the pandemic and consequent re-allocation of resources
- **Internal audit**
  ARAC approved the implementation of a hybrid internal audit model and is supporting the Head of Internal Audit in the development of the model

2020-2021 key areas of focus: matters considered at meetings

17 June 2020

- Quarter 4 Risk report
- Assurance overview report
- Internal audit end of year report
- External audit completion report
- Draft Annual Report and Accounts
- Internal audit hybrid model structure proposal
- Risk and assurance framework proposal

2 September 2020

- Quarter 1 Risk report
- Risk dashboard
- Assurance overview report
- Programme assurance oversight for ARAC
- Sources of assurance in a hybrid internal audit model
- Internal audit update

2 December 2020

- Quarter 2 Risk report
- Review of Risk appetite statement
- Assurance overview report
- Change delivery – project and programme update
- Regulatory assurance progress update
- Long-term funding and link to Strategy – deep dive
- Annual review of Board delegations (general, regulatory and financial)

3 March 2021

- Quarter 3 Risk report including core regulatory risks
- HR Director update
- Risk appetite review update
- Risk prioritisation including assurance mapping process – deep dive
- Assurance overview report
- Programmes and projects update
- Introduction and update from Head of Internal Audit
- Internal audit end of year report
- Internal audit plan for 2021-2022
- Update on external audit progress
- Health and safety policy and annual data report
- Governance statement for Annual Report and Accounts
- Annual ARAC report for Annual Report and Accounts

Extraordinary meeting 24 April 2020

In addition to the above, an extraordinary ARAC meeting was held on 24 April 2020 to review internal and external audit progress updates, TPR's control environment and its projects and programmes, to gain assurance around the changes to the risk and control environments due to COVID-19.

Risk management

The ARAC supported and challenged the continuing development of risk and assurance frameworks with a view to obtaining simple but robust assurance. The risk appetite assessment was also reviewed and recommended to the Board.

TPR's register of top risks

These are based on management processes and inputs to identify, prioritise, monitor, manage and mitigate operational and strategic risks throughout the organisation. The ARAC has regularly and robustly challenged management about the ratings given to risks and the effectiveness of mitigations in relation to changes and trends in risks. The committee highlighted to the Board any risks it considered required more visibility or where the business was operating outside of its stated risk appetite.

Deep dives

Executive directors and directors attended meetings to give in-depth updates on their areas, providing opportunities for ARAC members to challenge risk-management thinking.

Internal risk management control system

The ARAC endorsed management's assessment of key risks. It noted 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. However, TPR's risk management systems are designed to manage rather than eliminate the risk of failure, and can only provide reasonable and not absolute assurance.

Assurance

Assurance mapping

The ARAC has closely monitored the development of the assurance mapping process which has brought together reporting from all sources of assurance into a single dashboard. Although this is a work in progress, it will form an important part of the new Risk and Assurance Framework, providing ARAC with a comprehensive oversight of internal and external assurance.

The sources of assurance include: internal review, regulatory assurance, internal audit, ISO reviews, and specialist reviews or audits.

The ARAC concluded that the monitoring and reporting systems in place gave senior management an appropriate level of control over processes, that management of those processes in the organisation was broadly effective and that where gaps were identified, they were being brought to the committee's attention.

Audit

Internal audit

Internal audit services were provided by auditors BDO for the fourth year after a contract extension was agreed with BDO and approved by the ARAC. The move to a hybrid internal audit model (part in-house and part outsourced) for 2021-2022 was finalised and the new Head of Internal Audit took up her post in January 2021.

Having agreed the internal audit plan for 2020-2021, the ARAC monitored the progress of the internal audit plan during the year and reviewed each of the internal audit reports, including holding a separate meeting specifically to review a number of completed reports. The ARAC also monitored the progress of the implementation of previous audit recommendations each quarter.

The ARAC noted the BDO Head of Internal Audit's annual opinion that, "significant improvements are required to improve the adequacy and/or effectiveness of governance, risk management and internal control". You can find more information about this on page 88.

External audit

During the year the ARAC reviewed the annual accounts for 2019-2020 and recommended their approval to the Board. It also reviewed the draft Governance Statement for 2020-2021 and the external audit strategy and plan for 2020-2021.

The ARAC also met in June 2021 to review and finalise the remaining internal audit reports for 2020-2021, the internal audit plan for 2021-2022 and the Annual Report and Accounts for 2020-2021, together with the internal and external auditors' reports for the year, before recommending them to the Board. The ARAC's members also attended a number of internal meetings including Gateway and the Operations and Portfolio Committee, and gave guidance and assistance to a number of other projects and programmes.

Chair's meetings

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

Membership

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

Report on the activities of the Remuneration and People Committee for 2020-2021

Introduction

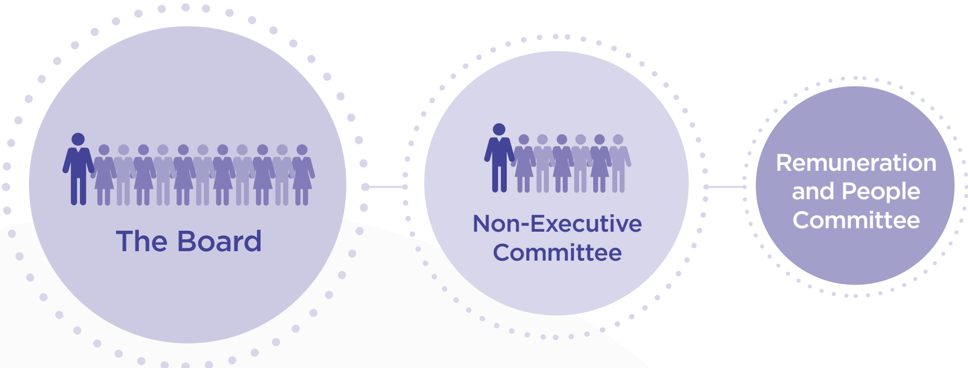
Statement from Kirstin Baker (Remuneration and People Committee Chair):

"I am delighted with the progress the Committee has made in this unusual and challenging year. Our broader remit and bond with the Board ensure we are in a position to move forward proactively in supporting our staff and the Corporate Strategy".

Structure and responsibilities

The Remuneration and People Committee is a sub-committee of TPR's Non-Executive Committee.

Figure 7: Remuneration and People Committee structure in relation to the TPR Board



Remuneration and People Committee

Members

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

In regular attendance

- Charles Counsell, Chief Executive
- Paula Harris, Interim Director of HR

Remuneration and People Committee responsibilities

- Providing advice to TPR in relation to Chief Executive and Executive remuneration, including supporting relevant business cases to Treasury and the Secretary of State, and considering proposals from the Chair of the Board on the performance and remuneration of the Chief Executive.
- Supporting the Chief Executive in reviewing and moderating executive performance including performance pay and bonus (executive directors are not involved in any decisions about their own remuneration outcome).
- Giving due consideration to all relevant laws and regulations. The Committee takes proper account of government guidance, for example, Managing Public Money, Treasury Pay Remit guidance, and senior pay in reaching their determinations.
- Considering executive development and succession planning, encompassing the challenges and opportunities facing TPR and the skills and expertise required in the future.
- Reviewing the key objectives in TPR's People Strategy and Reward approach. Ensuring all elements of TPR's internal and external personnel obligations and aspirations are identified, with accompanying strategies, action plans and measures to monitor progress, consistent with TPR's commitment to ED&I.
- Considering other resources and people matters as requested by the Non-Executive Committee or the Board.
- Engaging directly with staff through occasional attendance at TPR engagements.
- Reviewing the balance of skills, knowledge, experience and competencies of the Board, considering future challenges and opportunities, and updating the Board accordingly.

Timetable

There were five Remuneration Committee meetings in 2020-2021 covering the full scope of its responsibilities. Feedback from all the meetings was regularly provided to the Board including detailed updates at the September and March Board meetings.

Matters considered

2020-2021 key areas of focus

- **People Strategy**
  The committee reviewed the HR operational plan, which built on the 2016-2019 People Strategy, noting that the future People Strategy will be agreed with the new People and Culture Director.
- **CEO objectives**
  Objectives were reviewed and approved.
- **Bonus nominations**
  Bonuses were reviewed in accordance with the guidelines, including bonuses for the Chief Executive and his direct reports.
- **Reward Project**
  The committee maintained oversight of the Reward Project, including its principles and communications plan.

2020-2021 key areas of focus: matters considered at meetings

22 April 2020

- People policy changes due to COVID-19
- Staff morale and productivity
- Reward Project

10 June 2020

- Amendments to the RaPCo terms of reference
- Review of bonus nominations for ExCo members and CEO performance
- Review of the committee's work during 2019-2020
- Diversity monitoring

24 July 2020

- Review of 2020-2021 Chief Executive and Executive Director objectives
- Validation of TPR bonus nomination process 2019-2020
- Pay remit
- People Strategy
- MyTPR staff survey results

29 September 2020

- TPR Board skills matrix review
- Reward Project

17 February 2021

- ED&I
- People Strategy and HR operational plan
- Reward Project
- MyTPR survey
- Chief Executive contingency plan and succession planning

Activity during the year

The year saw Margaret Snowdon step down as Chair and committee member at the end of April. Committee member Tilly Ross also stepped down in April. Katie Kapernaros joined the committee in April and Kirstin Baker took over as Chair in May.

The challenge for the committee during the year, and TPR as a whole, was the impact of the COVID-19 pandemic and changes to working practice, workloads, projects and staff morale and wellness.

During the year, the terms of reference were updated in line with the Corporate Governance Code for remuneration committees, to include a focus on the People Strategy and associated work. The Chief Executive's objectives were agreed with the Board Chair and cascaded to the executive directors. These were aligned to ensure accountability in areas such as TPR's Strategy and pandemic response.

The committee reviewed and discussed agenda items including the TPR bonus process, Reward Project, MyTPR staff survey and the Board skills matrix. The ED&I Committee was, following its establishment, welcomed.

The year closed with the recruitment of the People and Culture Director, final work and implementation of the Reward Project, and Pay Fairness review.

Chair's meetings

During the year, the Chair met with the Chief Executive on a regular basis to discuss key matters. The Chair also met with the Chief Executive and Interim HR Director to ensure RaPCo meetings were focused and conducted according to recommendations.

Determination

Through discussions with management and employee forums and surveys, the Committee concluded that the People Strategy and HR Operational Plan provided valuable and appropriate support to ExCo.

Details of Board membership

See below for Board appointments and committee memberships. You can also view the register of Board members' interests on our website: **www.tpr.gov.uk/docs/register-board-interests.pdf** and their biographies at: **www.tpr.gov.uk/board**

Table 2: Details of Board membership

Name	Date appointed	Date term expires/ended	Committee membership
Mark Boyle CBE	1 April 2014	31 March 2021	Non-executive (Chair)
Non-executive members			
David Martin	1 February 2013	31 January 2022	Audit and Risk Assurance, Non-executive
Robert Herga	1 July 2017	31 January 2022	Remuneration and People, Non-executive
Sarah Smart	1 February 2016	31 January 2024	Audit and Risk Assurance (Chair), Senior Independent Director (SID), Non-executive
Kirstin Baker CBE	1 February 2017	31 January 2022	Remuneration and People (Chair), Non-executive
Katie Kapernos	1 April 2020	31 March 2024	Remuneration and People, Non-executive
Chris Morson	1 April 2020	31 March 2024	Audit and Risk Assurance, Non-executive
Executive members			
Charles Counsell OBE	1 April 2019	31 March 2023	
Helen Aston	1 December 2015	30 November 2023	
Nicola Parish	1 August 2016	31 July 2024	
David Fairs	2 July 2018	1 July 2022	
Jo Hill	12 November 2018	11 November 2022 (left TPR on 9 April 2021)	
Former members			
Tilly Ross	1 February 2016	30 April 2020	
Margaret Snowdon OBE	9 May 2016	8 May 2020	

Details of Board attendance

Table 3: Details of Board attendance at committee meetings

Member	Number of meetings			
	Board	ARAC	Remuneration and People Committee	Committee of Non-Executive Members
Mark Boyle CBE	10/10	N/A	N/A	2/2
Sarah Smart	10/10	6/6	N/A	2/2
Margaret Snowdon OBE	1/1	N/A	1/1	N/A
David Martin	10/10	6/6	N/A	2/2
Tilly Ross	1/1	N/A	1/1	N/A
Robert Herga	10/10	N/A	5/5	2/2
Kirstin Baker CBE	10/10	N/A	5/5	2/2
Charles Counsell OBE	10/10	N/A	N/A	N/A
Nicola Parish	10/10	N/A	N/A	N/A
Helen Aston	10/10	N/A	N/A	N/A
David Fairs	10/10	N/A	N/A	N/A
Katie Kapernos	8/10	N/A	5/5	2/2
Chris Morson	10/10	6/6	N/A	2/2
Jo Hill	8/10	N/A	N/A	N/A

In addition to Audit and Risk Assurance Committee members, other Board members also attend the meetings by invitation. The Chief Executive regularly attends the Remuneration and People Committee and the Audit and Risk Assurance Committee. The Chair attends the Audit and Risk Assurance Committee and the Remuneration and People Committee on an occasional basis. In addition, some Board members attended an additional Board meeting on 14 September 2020 which was held for information purposes only.

Report on the activities of the Determinations Panel

Legislative framework

TPR is 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 of the Act. These powers may be used where we consider that certain enforcement action needs to be taken against 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.

Although the Determinations Panel is a committee of TPR, it has a separately appointed membership and legal support. This enables it to make decisions independently from the case team, considering all the evidence before it and providing each party with a reasonable opportunity to present their case. Members of the Determinations Panel are not involved in the investigative process but are transparent in their activities, allowing those affected to understand the reasons and the evidence on which their decisions are based.

Membership

Table 4: Details of Determinations Panel membership

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

TPR's Chair appoints a Chair to the Panel, who then nominates at least six other members. Panel members are usually appointed for a four-year term and can reapply through open competition to be reappointed for a further four-year term. The Panel usually comprises eight to ten members in any one period. For most of the year, the panel had eight members, although it ended the year with ten. Panel member John Swift stepped down from the Panel in May 2020, and Catharine Seddon ended her second term in office in March 2021.

An open recruitment campaign took place in late summer 2020 to appoint five panel members and a new Panel Chair to follow my second term in office. Antony Townsend, a current panel member, has been appointed to replace me as Determinations Panel Chair from April 2021. There was one reappointed member, Pauline Wallace and four new member appointments Megan Forbes, Stephen Mount, Anne Fletcher and Shrinivas Honap. These new appointments diversify and strengthen the Panel's expertise in areas of accountancy, consumer affairs and law.

Procedures

The Panel's procedures, published on TPR's website, set out the process by which cases reach the Panel. The cases coming to the Panel are prepared by TPR's regulatory case teams so the Panel can make an independent decision.

Standard procedures

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

The Panel takes 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. The special procedure is primarily used when we believe that scheme funds or members' interests would otherwise be at immediate risk. A special procedure decision is subject to a compulsory review by the Panel as soon as reasonably practicable after the initial hearing and before which all parties are given an opportunity to make representations on the initial decision.

Casework in 2020-2021

During the year, the Panel issued ten Determination Notices (11 cases) and exercised 16 powers. All cases brought to the Panel this year were made under the standard procedure. This year there has been a significant drop in case numbers. This is primarily due to the absence of enforcement cases relating to Scheme Return failures. While the case numbers have fallen, the complexity of the cases received by the Panel has increased, with more Contribution Notice (CN) cases being referred than would normally be expected.

The Panel planned for two oral hearing cases to be conducted virtually. This was a first for both the Panel and TPR. Both cases were CN requests (under section 38 of the Pensions Act 2004). The first case, a long running and complex case, led to a settlement in which the principal target paid £25 million into the pension scheme. In the second case, the Panel determined to issue a CN to a company based overseas. This case has, however been referred to the Upper Tribunal. Until that reference has been concluded, no CN can be issued.

Upper Tribunal references of Panel determinations

In recent years there have been few references resulting in substantive Upper Tribunal (UT) hearings. However, there are currently three cases with the Tribunal, one relating to CN determinations issued in 2020, one relating to the suspension of two trustees and the appointment of an independent trustee issued in December 2020, and one relating to the CN determination issued in 2021.

Panel training and meetings

The main training focus for the Panel this year was in relation to learning about new technology for document handling for cases and virtual hearing platforms. The Panel has also carried out regular panel member (peer to peer) learning from cases, sharing knowledge and experience to encourage consistency in decision making.

The Panel holds quarterly meetings where members discuss a variety of aspects of its work. These have been held remotely since June 2020. Regular updates are received at these meetings from TPR's Board, the Chief Executive and senior leadership team to keep the Panel informed on TPR's priorities.

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

Conclusion

This is my final report after eight years as Panel Chair. It has been a pleasure and a privilege to perform this role. I am grateful to the many people (too many to mention individually) who have contributed, but especially for the indefatigable support of our support team, legal advisers and the Panel members themselves. I am also grateful for the mutual respect and courtesy that has helped make the relationship between the Panel and the rest of TPR work so well.

The Panel has continued to evolve to manage the more challenging cases that have arisen, in part, from TPR adopting a 'bolder' approach, but also adapting to new virtual ways of working. 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 and priorities.

I am pleased that Antony Townsend has been appointed to succeed me as Panel Chair. Under his leadership and with a strong membership and support team, the Panel is well placed for the challenges ahead.

Table 5: Types of determinations requested, number of powers exercised and outcomes

Type of determination requested	No. of powers exercised	Outcome
Appointment of independent trustee	3	Three independent trustees were appointed to three separate schemes. Cases were brought under either s7(3)(a), (b), (c) or (d) of the Pensions Act 1995.
Vesting order	3	This power was exercised at the same time as the appointment of the three independent trustees above and was brought under s9 of the Pensions Act 1995.
Suspension of trustees	2	Under s4(2) of the Pensions Act 1995, the Panel determined two trustees would be suspended for 12 months.
Prohibition of trustees	2	The Panel prohibited two trustees. Both of these were brought under s3 of the Pensions Act 1995.
Contribution Notice	3	Under section 38 of the Pensions Act 2004, the Panel determined to issue Contribution Notices to three individuals in two separate cases.
Revocations	3	Under section 101 of the Pensions Act 2004, the Panel revoked three determinations to issue penalties to three trustees for failing to submit a Scheme Return in previous years.
Waiver of disqualification	0	The Panel determined not to exercise its power under section 29(5) of the Pensions Act 2004 to waive two disqualified individuals from acting as trustees of a scheme.

Andrew Long
Chair, Determinations Panel
April 2021

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 HM Treasury. 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
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the entity will continue in operation

The Permanent Secretary in their role as Principal Accounting Officer (PAO) of the DWP has appointed the Chief Executive as Accounting Officer of TPR. Their relevant responsibilities as Accounting Officer, including propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies Accounting Officers' Memorandum issued by HM Treasury 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
14 July 2021

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 internal auditors, other external assurance, our in-house risk and assurance management team, our regulatory assurance function, our corporate governance team, who are responsible for monitoring and testing our internal control framework using our assurance framework, and feedback from the Audit and Risk Assurance Committee. I also have visibility of internal reporting on the development and maintenance of assurances and the plans that we have in place to address weaknesses in our internal control framework. It is also informed by comments made by the external auditors in their annual audit completion report.

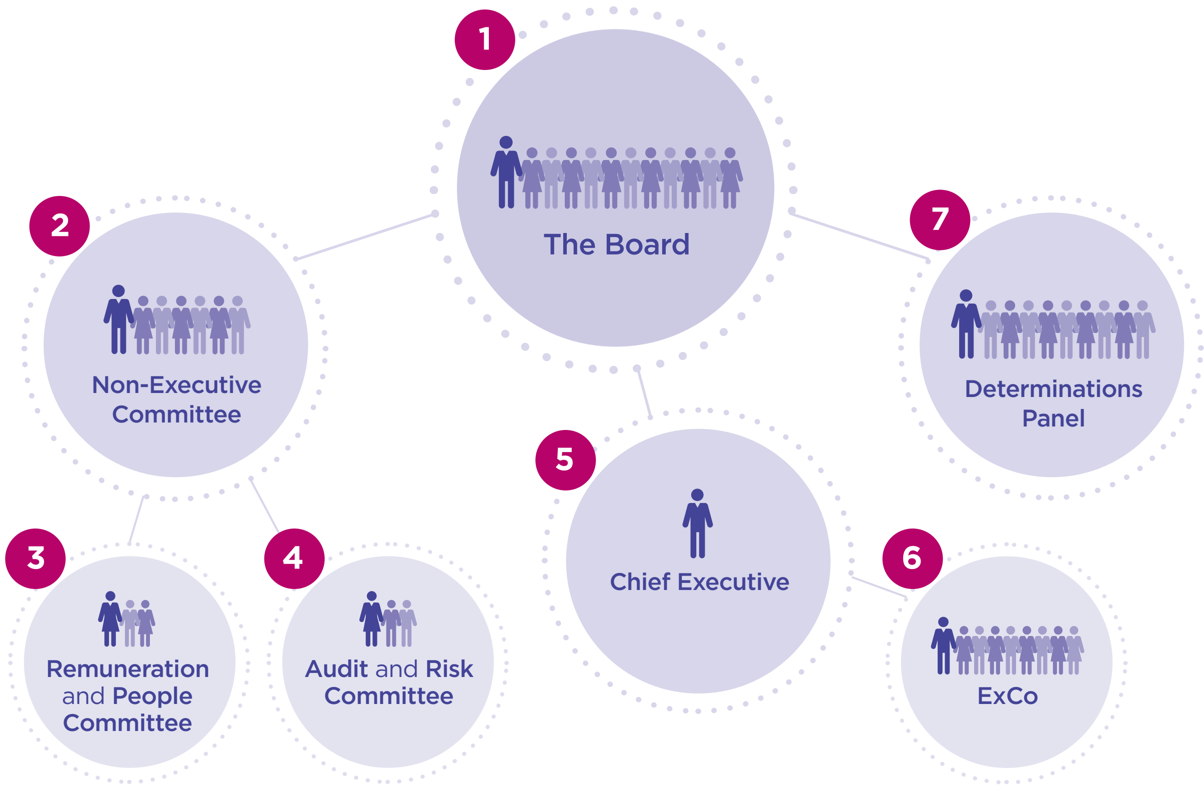
Overview

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

I have reviewed these assurances and the evidence provided from risk management, the assurance framework and from the internal audit opinion. This has identified some weaknesses in the control environment, which have been or are being addressed. We have an ongoing programme of further assurance, and our recent investment in in-house internal audit and second-line assurance functions is making our processes more robust and is reducing our level of organisational risk. On this basis, I am satisfied that we have an adequate overall control environment.

Our governance structure

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



Responsibilities of the Board

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

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

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

1. The Board Structure

The Board structure[1] at the end of the reporting period comprised the Chair[2], six non-executive directors and five executive directors. Their key responsibilities include:

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

Board members' appointment dates, terms of office, committee membership, attendance records and web links to their biographies are set out on page 64 along with details of recent changes to Board membership. The role of the Chair is set out in the joint framework agreement between TPR and the DWP. The joint framework document can be viewed at: **www.tpr.gov.uk/-/media/thepensionsregulator/files/import/pdf/framework-doc-tpr-dwp**

2. Non-Executive Committee

Their duties are to review whether our internal financial controls secure the proper conduct of our financial affairs, 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: the Remuneration and People Committee and the Audit and Risk Assurance Committee. Terms of reference for each of these sub-committees are set out in the Board's standing orders[3].

1 During the period, a number of Board members' appointments were extended while the recruitment exercise for new non-executive directors was completed.

2 The Chairs' term of office expired on 31 March 2021. Sarah Smart was appointed interim Chair on 1 April and, following a recruitment exercise, appointed Chair on 1 June.

3 The Board's Code of Conduct and Standing Orders can be viewed at: **https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/board-information/standing-orders-governing-the pensions-regulators-board-procedures**

3. Remuneration and People Committee

Their key duties are to review the pay and performance of the Chief Executive and executive directors, TPR's reward and people strategies and to update the Board accordingly. See pages 59 to 63 for a full report on the committee.

4. Audit and Risk Assurance Committee (ARAC)

Their activities are designed to give the Board assurance that TPR is operating within the Board's risk appetite and to oversee audit and assurance processes (both internally and externally). See pages 52 to 58 for a full report on the committee.

5. Chief Executive

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

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

6. ExCo

At the end of the year, ExCo membership comprised the Chief Executive, the Chair of the Committee, the Executive Director of Frontline Regulation, the Executive Director for Finance and Corporate Services, the Executive Director for Regulatory Policy Analysis and Advice, the Interim Director of Strategy and Risk, the General Counsel and Director of Legal Services, the Director of Communications, the Director for Automatic Enrolment, and the Interim Director of HR[4].

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

ExCo updated its terms of reference in November 2019 in response to a review of its effectiveness in 2018.

4 The interim Director of HR attended ExCo for specific and relevant discussions in April 2020 and was appointed to ExCo in May 2020.

7. Determinations Panel

We are required by Section 9 of the Pensions Act 2004 to establish and maintain the Determinations Panel, whose purpose is to exercise certain regulatory functions on our behalf which are primarily set out in schedule 2 to that Act. See pages 66 to 69 for a full report on the panel.

Board meetings from 1 April 2020 to 31 March 2021

In the year from 1 April 2020 to 31 March 2021, all meetings were held via video conference. There were 11 Board meetings, six ARAC meetings, five Remuneration and People Committee meetings and two Committee of Non-Executive Members meetings. You can read summaries of the minutes of the Board meetings at: **www.thepensionsregulator.gov.uk/board-information**

The planned May strategy 'awayday' meeting did not go ahead due to the constraints of the pandemic. However, the November 2020 strategy 'awayday' discussion meeting did take place using online conferencing facilities. At that meeting, Board members provided a steer in relation to the implementation of TPR's new 15-year Strategy.

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 follow up review of the Board's effectiveness was undertaken at the end of 2019-2020 and a full report was presented to the Board in May 2020. The follow-up review commented on the sustained progress made with putting in place the recommendations from the 2018 effectiveness review.

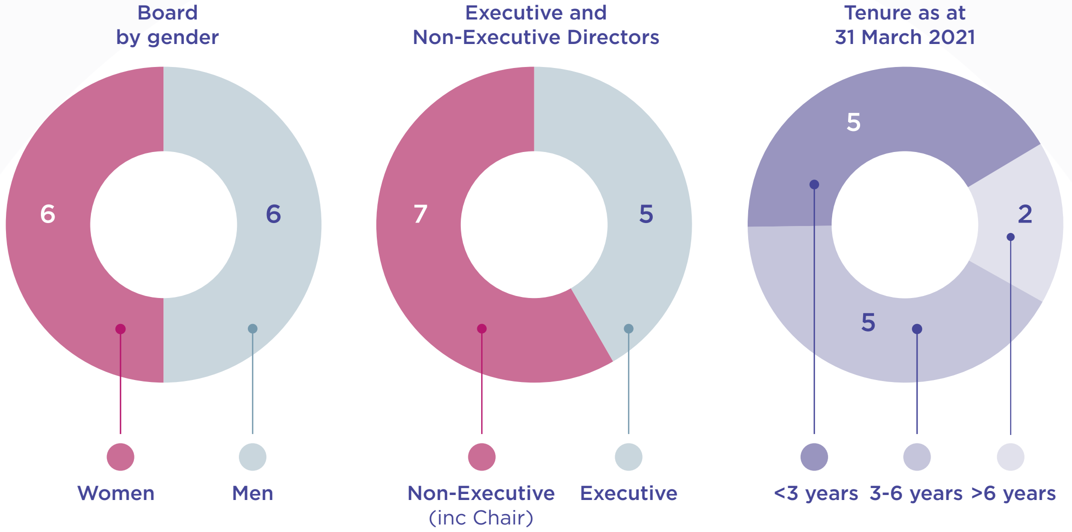
The following outcomes resulted from these recommendations:

- Non-executive director involvement in particular projects and programmes has improved 'constructive challenge'.
- Board and Committee papers are leaner and more focussed, with clear executive summaries and more effective use of appendices.
- An ED&I Committee has been created and at appropriate opportunities TPR raises its commitment to ED&I with the DWP.
- The Chair has met regularly with the Chief Executive, executive directors and directors during the immediate pandemic response and subsequent remote working period.
- An Operations and Portfolio Oversight Committee has been created as a sub-committee to Exco to delegate decision-making with regards to operational and portfolio work, including resource allocation.

It is planned to have an external Board Effectiveness Review in 2021.

Our Board diversity

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



The May 2020 Board effectiveness review recommended that TPR "consider diversity and inclusion targets for the future board composition". This is in line with our own organisational priority to increase diversity and inclusion. Responsibility for TPR Board appointments rests with the DWP, which has an objective that by 2022, 50% of all public appointees are female and 14% of all public appointments made are from ethnic minorities (**https://www.gov.uk/government/publications/department-for-work-and-pensions-single-departmental-plan/department-for-work-and-pensions-single-departmental-plan--2#our-equality-objectives**).

As our Board will require the appointment of four non-executive directors in early 2022, we, along with the DWP public appointments team, are prioritising reaching a more diverse candidate pool to maximise the number and diversity of applicants. We are also a member of the UK Regulators Network's 'Next-Gen NEDs' initiative, whose purpose includes widening the talent pipeline for non-executive directors in the public sector and promoting inclusion. Its aim is to successfully appoint under-represented candidates as non-executive directors or chairs in the medium to long-term.

DWP partnership

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

The DWP Annual Assurance Assessment for 2020-2021 has been completed and they have confirmed that our risk rating has increased slightly to low/medium. While the scorecard includes a majority of low ratings, some categories carry greater weight which is reflected in the overall rating. The financial management rating has moved from low to low/medium and, as a result, the DWP Partnership team will need to be attentive to the challenges TPR will face due to the decision on the Levy budget.

In September 2020, the DWP agreed to close its 2018-2019 Tailored Review, as all substantive work had been completed successfully. You can view the full report here: **www.gov.uk/government/publications/the-pensions-regulator-tailored-review**

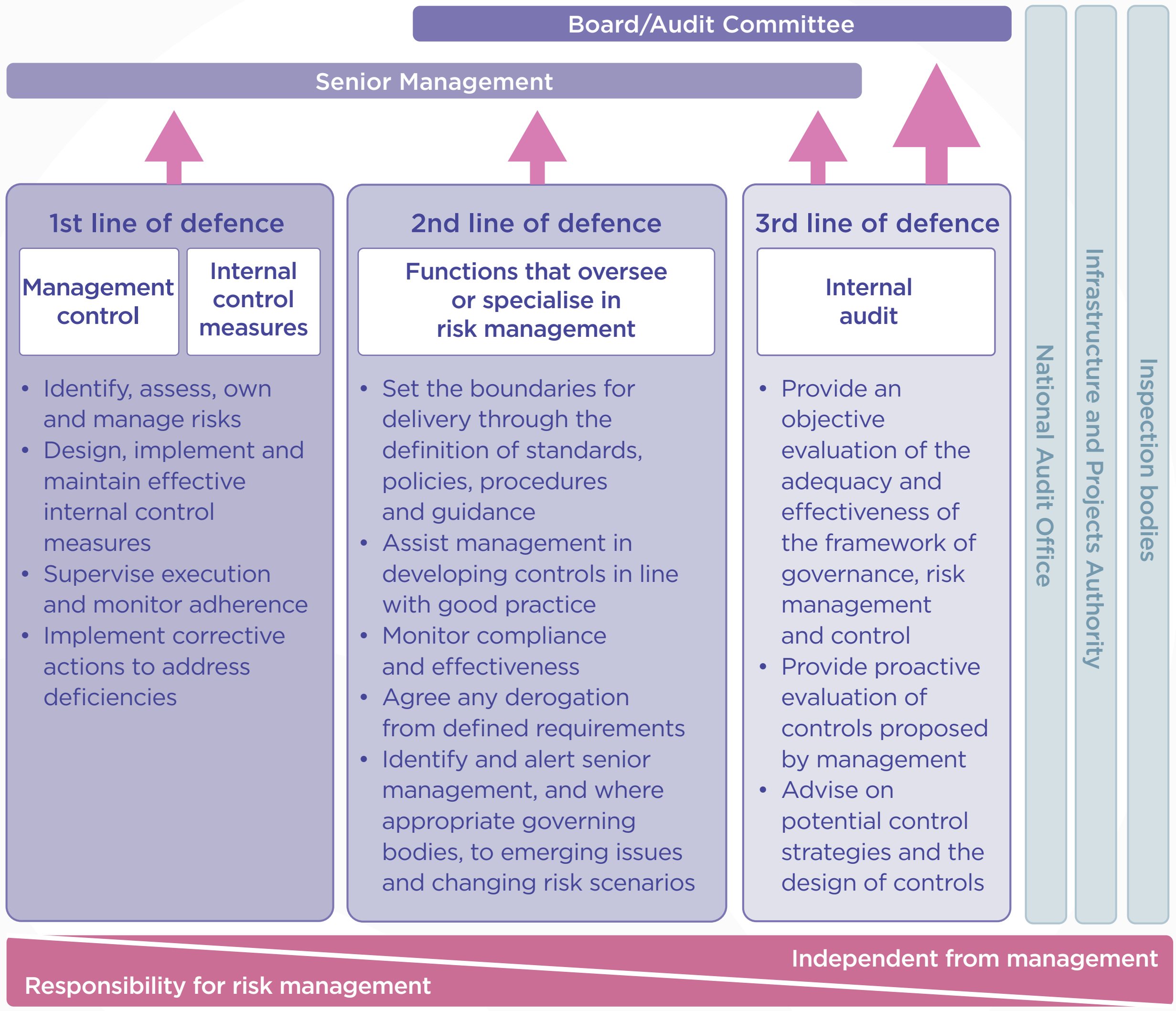
Control and assurance framework

We continue to develop and embed our risk and 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 continue to make progress, we recognise that TPR is evolving, and we need to ensure that risk and assurance framework development meets the need for a high level of assurance.

Our assurance teams work closely with the strategic programmes of change to align approaches when key changes are made to our operating model.

Three lines of defence model

Figure 10: How we manage risk



Source: 'The Orange Book: Management of risks – principles and concepts', **https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866117/6.6266_HMT_Orange_Book_Update_v6_WEB.PDF**

Our first line (management controls):

- Determines local processes and controls, including assurance to manage and mitigate risk against organisational risk appetite in their activity.
- Performs assurance activity in line with locally designed processes and controls.
- Deals with operational risk reporting where local management believe their controls or assurance are outside overall organisational risk appetite.
- Reports on management reporting of wider (non-operational) risk to inform the overall risk picture.

Internal controls

Our system of internal controls was in place during the year and up to the date of approval of this Annual Report and Accounts. It accords with HM Treasury 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.

ExCo supports the Chief Executive and the Board in ensuring our functions are exercised efficiently and effectively. ExCo members take shared responsibility for executive decision-making and for recommendations made to the Board. This includes assisting the Board, the ARAC and the Remuneration and People Committees by ensuring they are only asked to make necessary decisions and that they are provided with appropriate information and support. Each member of ExCo 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 agreed mitigations that are acted on and monitored through the assurance framework. Over the course of the year, the Board was provided with detailed, high quality information including executive directors' reports and quarterly corporate performance reports. 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.

Regulatory

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

Operational

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

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

Financial

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

Our second line (risk and assurance)

- Provides the overarching framework, tools and reporting mechanisms to enable the first line to effectively identify, manage and report risk.
- Receives reporting from the first line and builds the aggregate picture of risk and assurance.
- Identifies gaps in the risk and assurance picture and highlights them.
- Provides the alternative view to challenge organisational group-thinking by bringing in other perspectives of risk.
- Based on the aggregate picture of risk and assurance performs risk and assurance review of the first line (taking a blend of things across a range of levels of confidence), tests that controls and assurance are working as reported.
- Shapes the organisational risk appetite statement for ratification by the ARAC and Board.
- Can be deployed where there is a concern from the executive team to perform assurance work on a reactive basis.

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 pensions landscape, and
- internal risks which are operational in nature and, if left to crystallise, would significantly affect our ability to achieve our statutory objectives.

External risks are reviewed weekly though a cross-organisational body represented by TPR's Intelligence and Risk functions. Specific market risks (eg DB scheme funding and DC master trusts) are also considered by cross organisational expert panels that consider entity-specific risks.

Market risks are assessed locally and escalated to senior management through the Gateway committee. Where we see a high risk in one area we can carry out a Regulatory Initiative to proactively mitigate the risks.

Risk management continued...

Operational risks are reviewed on a quarterly basis by our OPO committee. This committee reviews any operational risks that affect our ability to:

- mitigate significant risks to our statutory objectives (ie people, processes, technology and finance risks)
- identify significant, emerging operational risks from management information
- oversee how cross-organisation operational risks are managed and minimised, and
- oversee how operational controls are assured and fed in to the Risk Committee.

As the organisation has grown in terms of size and complexity, and in reflection of our expanding remit, there is a heightened need to ensure that risks are captured and recorded in a comparable and consistent way. We are in the process of developing a revised risk and assurance framework which will include an amended risk appetite statement and risk classification to better support the identification, measurement, treatment and reporting of our risks. In addition, we are in the process of reviewing our second line assurance function and its relationship with the first line and third line to ensure there is a joined-up approach across the organisation.

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. Risks identified as being outside of our stated appetite by our Executive Risk Committee and the ARAC are routinely reported to the Board, together with contingencies and mitigations to bring the risks back within appetite or support discussion on whether our risk appetite remains appropriate.

In setting our overarching strategic approach, the Board commissions a regular risk assessment exercise, examining trends and potential disruptors that may impact on meeting our statutory objectives in the short and longer term. This exercise is also 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 and contingencies, 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 and that we are able to maintain a bottom-up as well as top-down risk identification process. We regularly review how effective our contingencies and mitigation strategies are against all our risks.

Examples of risks recently reported to the Board as a result of our revised processes include threats to our regulatory grip and ongoing risk exposure from obsolete IT systems. These were highlighted as a result of increased remote working during the pandemic.

Crystallised risks

The COVID-19 pandemic saw the crystallisation of internal and external risks around the end of our financial year, and has wide ranging implications for every part of our regulated community.

We see risks arising in a number of areas, many of which are principally driven by the economic implications of the pandemic. The risks will be as a result of the direct impacts of COVID-19, lockdown and social distancing on businesses, markets and investments, the difficulties some parts of the economy have to adjust to the new normal, and longer-term implications of a deep and potentially sustained recession.

This has seen an increased risk of corporate distress and insolvency, with a potential direct impact on the strength of DB schemes' employer covenant. The potential for participation in pensions to reduce comes from a possible rise in unemployment and increase in people ceasing to contribute to pensions as a result of increased financial hardship. The pandemic environment has also seen the risk of a potential increase in pension scams and for individual savers to be more vulnerable to scams. We continue to monitor these impacts, many of which have been significantly mitigated in the short term by various government support packages, such as the Coronavirus Job Retention Scheme.

As a result of the pandemic we took a conscious decision to operate outside of our risk appetite as we allowed certain easements for a limited time. Operationally, we are seeing heightened risk as a result of our response to the pandemic, including cyber threats and ongoing challenges to the wellbeing of our staff as we move to an environment of working from home during lock down. One further impact of the pandemic and the response is the impact on the public finances, and as such we are facing constraints to our own budget.

Risk modelling

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

Regulatory assurance

Regulatory assurance is a second-line risk management function in the three lines of defence risk management framework. It sits alongside the risk function to support strong integration and alignment with the wider assurance activities across the organisation. Its core work plan reviews a sample of regulatory work and decisions to assess whether risks to workplace pensions and threats to our statutory objectives are being identified, mitigated and managed effectively and in line with our emerging strategy. Further consultative or reactive ad hoc reviews are conducted and prioritised at the request of the Chief Executive.

The regulatory assurance team identify risks to quality decision-making in our casework, identify and communicate the lessons learned, and make recommendations to mitigate any risks identified. During 2020-2021, they did not identify any areas posing an imminent, critical risk to our statutory objectives. Recent reviews have identified a lack of a comprehensive, holistic view in relation to data and systems-related issues, which may be mitigated by planned system changes. The team will also be making recommendations to support more robust, effective and efficient ways of working.

Reviews in progress include planned reviews of 'business as usual' regulatory activities and consultative reviews commissioned by the Chief Executive. These included:

- spot checks on employers in relation to AE
- intelligence gathering, assessment and decision-making in relation to corporate distress, and
- pension scams including some of TPR's casework.

The regulatory assurance team delivers quarterly updates to the ARAC, which include the status of the business implementation of recommendations and any emerging or prominent themes identified. These range from highlighting positive regulatory practice to identifying any areas of concern.

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.

Complaints to the Parliamentary Ombudsman

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

Whistleblowing

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

We are committed to ensuring that every employee is aware of our policy and how to raise concerns. Our staff whistleblowing policy is published and accessible to all staff on our intranet. During the reporting period no staff whistleblowing reports were made.

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

Health and safety

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

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

The Health and Safety Policy and associated documents are published on our staff intranet. We recognise the commitment required by our people to ensure that the Health and Safety Policy is effective, and we expect them to take reasonable care of themselves, and others, and to co-operate in the implementation of this policy, which is reviewed on an ongoing basis and updated as necessary. Health and Safety of our staff played a key part of our response to the pandemic. The priority was to ensure that all staff were safe, and to do this we exercised our business continuity plans following the government's guidance to stay at home.

A specific COVID-19 hub was set up on the intranet to ensure that all communication and information relating to the pandemic was captured in one place that staff could access remotely. This included new HR policies, support and guidance to reflect the changing circumstances and take into account remote ways of working. A team was also set up to ensure that, when it was possible to return to the office, we could meet our health and safety requirements and provide a COVID-19 secure building. As part of this work we developed a COVID-19 response protocol and undertook a formal risk assessment which was available to all staff and implemented changes to the physical building and how it was used.

Our third line

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

The Head of Internal Audit's annual opinion

The audit opinion takes together the assurance ratings and recommendations of individual assignments conducted in 2020-2021, management's responsiveness to internal audit recommendations and the direction of travel with regard to internal control, governance and risk management.

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

This is a 'level 3' rating, against four possible rating levels. Our opinion for 2020-2021 drops from the Level 2 opinion provided in the 2019-2020 financial year, owing to a higher proportion of poorer audit report results.

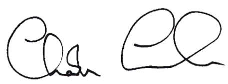
Conclusion

I have reviewed the evidence and Internal Audit opinion and recognise the importance of continuing to improve our processes and managing risk.

Our Internal Audit service has focused on the highest risk areas in TPR, which for this year has been a change-heavy year, and therefore there have been few reviews of our public-facing processes, which represent half of the activity in the organisation.

Going forward, we have addressed this by investing in an in-house Internal Audit function, with the resource to focus on a more representative spread of reviews across the organisation, as well as strengthening our second line assurance function. This will help us improve our corporate governance and make our processes more robust in the future, reducing our level of organisational risk as a result.

I can confirm that we received no ministerial direction under the Ministerial Code 2019 during the financial year 2020-2021.



Charles Counsell OBE
Chief Executive, The Pensions Regulator
14 July 2021

Remuneration and staff report – Remuneration report

The Remuneration Committee

Details of the activities of the Remuneration Committee during the period ended 31 March 2021 are set out on page 60.

Service contracts

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

The notice periods of the Board members' contracts and the amounts payable for early termination of Board members' contracts are set out in Table 6 on page 91.

Table 6: Length of service contracts for Board members

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

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

*Mark Boyle's contract ended 31 March 2021.
**Tilly Ross's contract ended 30 April 2020.
***Sarah Smart appointed interim Chair 1 April to 31 May 2021 and Chair from 1 June 2021.
****Margaret Snowdon's contract ended 8 May 2020.
*****Katie Kapernaros and Christopher Morson****** were appointed by the DWP from 1 April 2020.
*******Jo Hill left on 9 April 2021.

Remuneration policy

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

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

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

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

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

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

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

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

Table 7: Remuneration of Senior management

Executive members										
Officials	**Salary** (£'000)		**Bonus payments** (£'000)*		**Benefits-in-kind** (to nearest £100)		**Pension benefits** (to nearest £1,000)[5]		**Total** (£'000)	
	2020-2021	2019-2020	**2020-2021**	2019-2020	**2020-2021**	2019-2020	**2020-2021**	2019-2020	**2020-2021**	2019-2020
C Counsell* OBE (Chief Executive)	205-210	200-205	10-15	–	–	–	–	–	220-225	200-205
H Aston (Executive Director, Finance and Corporate Services)	140-145	135-140	–	10-15	–	–	55,000	53,000	195-200	200-205
N Parish (Executive Director, Frontline Regulation)	150-155	145-150	10-15	5-10	–	–	58,000	57,000	220-225	205-210
D Fairs (Executive Director, Regulatory Policy, Analysis and Advice)	145-150	145-150	10-15	10-15	–	–	–	–	155-160	155-160
J Hill** (Executive Director, Strategy and Risk)	145-150	140-145	0-5	–	–	–	48,000	56,000	195-200	200-205

* Bonuses relating to 2019-2020 performance but paid in 2020-2021.
C Counsell was not eligible for a bonus payment in 2019-2020.

** J Hill chose to opt out of the pension scheme on 31 January 2021 and left TPR on 9 April 2021.

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

Salary

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

Benefits-in-kind

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

Bonuses

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

Pay multiples (subject to audit)

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

The banded remuneration of the highest-paid director in the organisation in the financial year 2020-2021 was £220-225k (2019-2020: £200-205k). This was 4.8 times (2019-2020: 4.3) the median remuneration of the workforce, which was £47k (2019-2020: £47k). There has been an increase of 0.5 in the ratio between the highest-paid and median employee, mainly due to the highest-paid director being eligible for a bonus in the current year, but not in the previous year.

In 2020-21, two (2019-2020: nil) agency contractors received remuneration in excess of the highest-paid director on a full year equivalent basis. No payroll employees received more than the highest-paid director in the current or previous financial year. Remuneration ranged from £15,000 to £285-290k full year equivalent (2019-2020: £15,000-£205,000).

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

Remuneration for Board members (subject to audit)

Non-executive members

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

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

	2020-2021			2019-2020		
	Salary (£'000)	**Total benefits-in-kind** (to nearest £100)	**Total** (£'000)	**Salary** (£'000)	**Total benefits-in-kind** (to nearest £100)*	**Total** (£'000)
M Boyle CBE (Chair)	70-75	£100	70-75	70-75	–	70-75
D Martin	15-20	£200	15-20	15-20	£700	15-20
T Ross*	0-5	–	0-5	15-20	£600	15-20
S Smart (Chair of audit committee)	20-25	£200	20-25	20-25	£600	20-25
M Snowdon** OBE	0-5	–	0-5	15-20	£1,200	15-20
K Baker CBE	15-20	–	15-20	15-20	–	15-20
R Herga	15-20	–	15-20	15-20	–	15-20
K Kapernaros***	15-20	–	15-20	N/A	N/A	N/A
C Morson****	15-20	–	15-20	N/A	N/A	N/A

*T Ross's contract ended 30 April 2020.
**M Snowdon's contract ended 8 May 2020.
***K Kapernaros and ****C Morson were appointed by the DWP from 1 April 2020.

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

Executive members' pension benefits (subject to audit)

Table 9: Executive members' pension benefits as at 31 March 2021

Executive members	**Accrued pension at pension age as at 31/3/2021 and related lump sum** (£'000)	**Real increase in pension and related lump sum at pension age** (£'000)	CETV at 31/3/2020 (£'000)*	CETV at 31/3/2021 (£'000)	**Real increase in CETV** (£'000)
H Aston (Executive Director, Finance and Corporate Services)	36	3	331	375	21
N Parish (Executive Director, Frontline Regulation)	36	3	416	476	32
J Hill** (Executive Director, Strategy and Risk)	8	3	43	71	18

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

*C Counsell and D Fairs chose not to be covered by the Civil Service pension arrangement during the year.
**J Hill chose to opt out of the pension scheme on 31 January 2021 and left TPR on 9 April 2021.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. 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 switch into alpha sometime between 1 June 2015 and 1 February 2022.

Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the cash equivalent transfer values shown in this report – see page 98). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate DB arrangement or a DC (money purchase) pension with an employer contribution (partnership pension account).

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

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

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

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

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

Cash equivalent transfer values

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

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

Real increase in CETV

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

Determinations Panel

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

Table 10: Allowance rates for members of the Determinations Panel

Salary (2020-2021)	**Members**
£60k-£65k	A Long (Chair)
£30k-£35k	A Townsend
£25k-£30k	P Wallace
£15k-£20k	A Foster
£10k-£15k	D Latham
£5k-£10k	S Chambers, C Seddon
£0k-£5k	A Fletcher, M Forbes, S Honap, S Mount, M Urmston

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

Staff report

Table 11: Staff numbers and related costs (subject to audit)

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

2019-2020	AE £'000	Levy £'000	Total TPR £'000
Permanent employed staff			
Salaries and wages*	9,119	25,055	34,174
Social security costs	1,090	2,982	4,072
Other pension costs	2,354	6,435	8,789
	12,563	**34,472**	**47,035**
Other			
Salaries and wages*	1,813	5,821	7,634
Social security costs	119	324	443
Other pension costs	257	700	957
	2,189	**6,845**	**9,034**
Less recoveries in respect of outward secondments	-	(132)	(132)
Total costs	**14,752**	**41,185**	**55,937**

A summary of the Staff numbers and related costs shown in Table 11 is included in Note 3 to the financial statements set out on page 133.

* Salaries and wages for 2020-2021 includes staff holiday accrual £1,012k (2019-2020: £892k) for Levy and £360k for AE (2019-2020: £299k).

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

For 2020-2021, employers' contributions of £10,470m were payable to the PCSPS (2019-2020: £9,636k) at one of four rates in the range 26.6% to 30.3% (2019-2020: 26.6% to 30.3%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2019-2020 and will remain unchanged until 2023-2024. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, an occupational DC pension arrangement which is part of the Legal & General Master trust, with an employer contribution. Employers' contributions of £103k (2019-2020: £105k) were paid to the Civil Service Partnership scheme. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay from 1 October 2015.

Employers also match employee contributions up to 3% of pensionable pay. In addition, from 1 October, employer contributions of £4k, 0.5% (2019-2020: £5k, 0.5%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

One individual retired early on ill-health grounds during 2020-2021 (2019-2020: nil); the outstanding pensions contributions as at 31 March 2021 equates to £1,144k (31 March 2019: £1,015k) are included in current liabilities in Note 10 on page 142.

Average number of persons employed (subject to audit)

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

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

2019-2020	AE	Levy	Total TPR
Permanently employed staff	185	414	599
Other	29	80	110
Staff engaged on capital projects	–	–	–
Total	**214**	**494**	**709**

The average turnover of all payrolled staff for 2020-2021 was 8.8%.

Consultancy and temporary staff (subject to audit)

We occasionally use professional service providers to help with specialist work – including consultancy and contingent labour where it is necessary and prudent to do so. 2020-2021 has seen a reduction in the amount of consultancy expenditure, mainly due to the completion of previous large-scale projects that required consultancy support, while the use of contingent labour has increased to provide cover for vacant roles due to slower than expected recruitment of permanent staff, particularly in IT and change and providing support for projects.

2020-2021	AE £'000	Levy £'000	Total TPR £'000
Consultancy	102	1,403	1,532
Temporary (off-payroll staff)	2,180	5,359	7,539

2019-2020	AE £'000	Levy £'000	Total TPR £'000
Consultancy	340	1,939	2,279
Temporary (off-payroll staff)	821	3,108	3,929

Full time equivalent off-payroll staff*	AE	Levy	Total TPR
31 March 2021	10	14	24
31 March 2020	21	30	51

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

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

Table 12: Exit packages (subject to audit)

Exit package cost band	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	1 (–)	1 (–)
£10,000-£25,000	– (7)	– (7)
£25,000-£50,000	– (2)	– (2)
£50,000-£100,000	– (3)	– (3)
£100,000-£150,000	– (–)	– (–)
£150,000-£200,000	– (–)	– (–)
Total number of exit packages by type	**1 (12)**	**1 (12)**
Total resource cost/£’000	10 (419)	10 (419)

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

Off-payroll engagements

Table 13: For all off-payroll engagements as of 31 March 2021, for more than £245 per day

Number of existing engagements as at 31 March 2021	**21**
of which, the number that have existed for:	
less than one year at time of reporting	18
between one and two years at time of reporting	3
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 temporary off-payroll engagements, engaged at any point during the year ended 31 March 2021:

Number of temporary off-payroll workers engaged during the year ended 31 March 2021	**81**
of which were not subject to off-payroll legislation	81
of which were subject to off-payroll legislation and determined as in-scope of IR35	0
of which were subject to off-payroll legislation and determined as out-of-scope of IR35	0
Number of engagements reassessed for compliance or assurance purposes during the year	**0**
Of which number of engagements that saw a change to IR35 status following review	0

For any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021:

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

Report of progress against TPR's equality objectives 2020-2021

TPR is committed to becoming an organisation that places equality, diversity and inclusion at the heart of what we do both as an employer and as a regulator. To ensure that we achieve this aim and meet our responsibilities under the Public Sector Equality Duty, we work towards equality objectives.

Our equality objectives for 2020-2021 were to:

- Establish an ED&I Committee to strengthen leadership, accountability and governance around ED&I.
- Develop a longer-term ED&I Strategy and action plan.
- Complete existing external diversity benchmarks, eg Disability Confident and Stonewall Workplace Equality Index.

We have made significant progress towards achieving our organisational equality objectives to establish an ED&I Committee and develop a longer-term ED&I Strategy and action plan.

The ED&I Committee became operational in July 2020. It is responsible for leading and directing our internal and external ED&I agenda, providing direction championing inclusion, and taking decisions on ED&I matters, both in our workforce and in the community we regulate.

The ED&I Committee is a sub-committee of ExCo and is co-chaired by two executive directors. Members include representatives from a range of roles and levels from the business.

The ED&I Committee is responsible for achieving our equality objective to develop a four-year Strategy and action plan, ensuring all elements of our internal and external ED&I obligations and aspirations are identified, with accompanying Strategy, action plans and measures put in place to monitor progress. The ED&I Strategy was published for consultation on 24 June 2021: **https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/equality-diversity-and-inclusion-strategy**

Work to complete both existing external diversity benchmarks was suspended during the year, as key resources were diverted to respond to the ongoing challenges of responding to COVID-19. However, we remain committed to working towards national ED&I charters and benchmarks.

Gender pay gap

Our fourth gender pay report showed we are moving closer to parity with regards to both our gender pay gaps and our gender bonus gaps. Our median gender pay gap now stands at 6.3% and the mean pay gap 6.4%. This is a decrease of 2.4% and 4.7% respectively. The mean bonus gap decreased by 6.1% and sits at 5.0% in favour of men. The median bonus figures decreased significantly by 9.6% and is now -0.1% in favour of women.

TPR's pay gap is significantly lower than the national average of 15.5% published in the Annual Survey of Hours and Earnings published by the Office for National Statistics (ONS) in 2020.

While we are encouraged by positive progress towards reducing our pay gap, we know we have more work to do, and will continue to deliver the actions in our existing gender pay gap action plan, which is focus on three priority areas:

- Continuing to ensure that our recruitment practices are fair and transparent.
- Encouraging internships and apprenticeships in areas with a larger gender pay gap.
- Ensuring our entire workforce receives education around unconscious bias and other principles around ED&I.

Alongside this and as part of the ED&I Committee's work to develop a longer-term ED&I Strategy and action plan, we will develop a new gender pay gap action plan.

Additional pay gap data

Additional pay gap data for ethnicity, disability and sexual orientation has been used by the ED&I Committee to help identify future priorities for action as part of the development of the ED&I Strategy and action plan. This information was voluntarily included for the first time, at the end of our gender pay gap report.

You can find more details on our equality objectives and the actions that we have taken towards our gender pay gap action plan and our additional pay gap data at: **https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/gender-pay-gap**

Disability, health and mental wellbeing

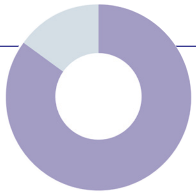
As a Disability Confident Employer, we are committed to attracting and retaining disabled talent. Through our recruitment process we aim to offer an interview to and make reasonable adjustments for candidates who declare that they have a disability and who meet the essential criteria for the job.

We enable people with disabilities and long-term health and mental health conditions to remain in employment by ensuring that our policies are fully inclusive and take account of reasonable adjustments. We provide training and support to line managers and take advice from our occupational health advisers to ensure that people have the support they need. In addition, we provide staff with access to a confidential care employee assistance programme.

We support and champion internal activities and events focused on disability, positive mental health and wellbeing. Our annual staff engagement survey reflects this commitment, with 92% of staff believing that their line manager cares about their wellbeing, which is 16 percentage points higher than the public sector benchmark.

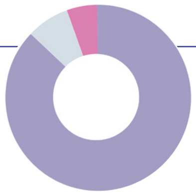
Staff Information as at 31 March 2021*

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



Age

83% aged 30 to 49, average age of 43[6] (2019-2020: 85% aged 30 to 59, average age was 42)

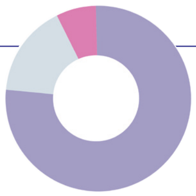


Disability

5% of the workforce have a disability (2019-2020: 5%)

82% of the workforce do not have a disability (2019-2020: 82%)

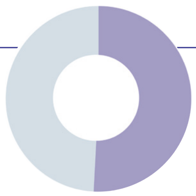
7% of our senior leadership team declared a disability (2019-2020: 8%)



Ethnicity

7% of the workforce are from a black, Asian or ethnic minority background (2019-2020: 7%)

77% are of white origin (2019-2020: 79%)



Gender

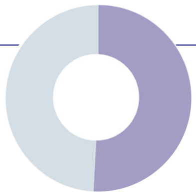
51% female (2019-2020: 51%)

49% male (2019-2020: 49%)

There was also 57% female representation at senior leadership level (2019-2020: 50%)

Gender pay gap

6.3% median (2019-2020: 8.7%) **6.4%** mean (2019-2020: 4.7%)

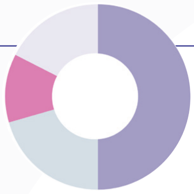


Marriage and partnership

50% of the workforce declared as married or in a civil partnership (2019-2020: 44%)

6 There was an error in our Annual Report and Accounts 2019-2020, where we said the majority of our workforce was aged between 30 and 50. This should have read 'aged between 30 and 59'.

New parents



29 new parents took leave (2019-2020: 28)

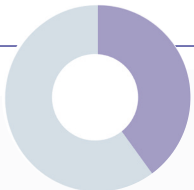
12 went on maternity leave (2019-2020: 16)

7 took paternity leave (2019-2020: 8)

10 took shared parental leave (2019-2020: 5)

Four people took both paternity leave and then shared parental leave and one person took maternity leave and later parental leave so are counted under both, this is the same as 2019-2020.

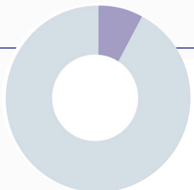
Religion or belief



32% of the workforce declared a religion (2019-2020: 32%)

48% of the workforce declared no religion (2019-2020: 45%)

Sexual orientation



8% of the workforce declared as gay, lesbian or bisexual (2019-2020: 7%)

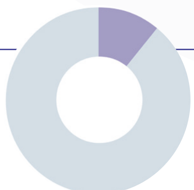
No colleagues from our senior leadership team declared themselves as gay, lesbian or bisexual which is the same as 2019-2020.

Sickness

4.4 days average days lost per head due to sickness absence

This is a decrease of 32% compared to last year and is lower than the public sector average of 7.9 days.

Working pattern



11% of the workforce work part-time (2019-2020: 12%)

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 financial statements on page 127.

Expenditure for year ended 31 March 2021

In the year ended 31 March 2021, TPR had net expenditure of £97.2m, of which £60.0m related to levy funded activities and £37.2m was attributable to AE. Our net expenditure has been transferred to our general reserve and is offset by contributions from the DWP of £63.4m for our levy activities and £39.2m for AE activities. Staff costs have increased by £5.5m to £61.4m. This includes permanent staff costs of £49.2m, £2.2m higher than the previous year due to increasing staff levels (increase in average permanent staff numbers from 599 to 629).

Temporary staff costs increased by £3.6m due to increased temporary resource because of short-term project requirements and vacancies across the organisation. Other expenditure has reduced by £1.5m compared to the previous year, the majority of which relates to AE. The reduction is mainly due to lower spend with our AE outsource delivery partner. There have been no significant events occurring since the 2020-2021 year end.

Property, plant and equipment and intangible assets

Capital expenditure of £8.1m was incurred during the year which include the capitalisation of multi-year software licences and the capitalisation of internally generated software.

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 2021, we paid 95% 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 for 2021-2022. The increases have been predominantly due to the costs of the phased implementation of AE, the introduction of new powers in levy regulation and associated increased workload and the ongoing transformation of TPR. After 2021-2022 the costs for AE are expected to reduce following the completion of the AE transformation project in October 2021.

Table 14: Long-term financial analysis

(£m)	Actual 2016-2017	Actual 2017-2018	Actual 2018-2019	Actual 2019-2020	Actual 2020-2021	Budget 2021-2022
Total TPR*	74.8	83.5	85.4	93.1	97.2	105.3

*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 delivery of our statutory objectives, and are developing our reporting in this space. 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.

As well as our regulatory VFM activity, this year we saw a change in our ways of working in response to the pandemic. Fluctuating capacity levels and changing working conditions (including home working and home schooling) led to fundamental changes in our approach to managing resources as effectively and efficiently as possible.

- Our COVID-19 response involved the introduction of a resource tracking tool which enabled us to monitor capacity and prioritise our resources to the areas of most need based on our assessment of the external landscape.
- This year we introduced a new governance committee, OPO, which monitors our performance in BAU and change programmes and supports better decision making, visibility and application of resources to priorities.
- We also introduced Gateway, which focuses on our regulatory grip, risk and economic assessment of the landscape to inform our activity. This group became the central hub at the height of the pandemic to ensure we prioritised, and deprioritised, the right activity to provide the best support to our regulated community and mitigate the highest risks.
- As part of our COVID-19 response, we used HR information to monitor the wellbeing of our staff during the pandemic, which enabled us to better understand changes in working patterns – both positive and challenging – to build a toolkit for managers to provide much needed support to those who needed it. Our wellbeing survey also showed how well our staff adapted to the changing environment and felt supported.
- The change to home working also bought with it tangible savings for the organisation, through reduction in facilities costs and expenses.
- TPR currently occupies a Net Internal Area (NIA) of 3,366m2. Our current ratio of m2 per FTE is circa 5.0 – well under the current government benchmark ratio of 8m2 per FTE. This clearly demonstrates that we use our space efficiently, whilst keeping our accommodation costs under 3% of TPR’s total operational expenditure.

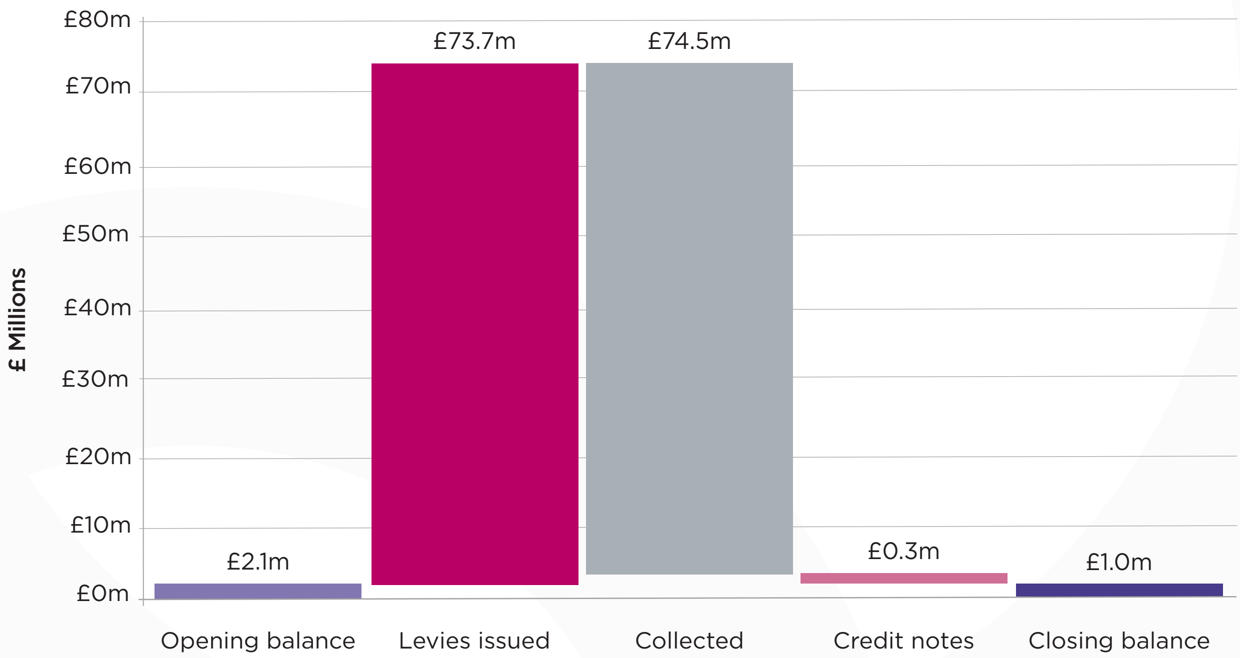
Other activities

Levies account

During the year ended 31 March 2021, we invoiced and collected levies on behalf of the DWP (the general levy and PPF administration levy) and the PPF (the fraud compensation levy). These figures do not feature in our audited accounts, they will be reported in the audited financial statements of those organisations.

The opening debt balance as at 1 April 2020 was £2.1m and during the year 2020-2021 we invoiced £73.7m, of which £46.4m related to the general levy, £19.9m to the PPF administration levy and £7.4m to the PPF Fraud Compensation levy. £74.5m has been collected, credit notes and remissions totalled £0.3m. The closing debt position as at 31 March 2021 was £965k.

Figure 11: Levy debt

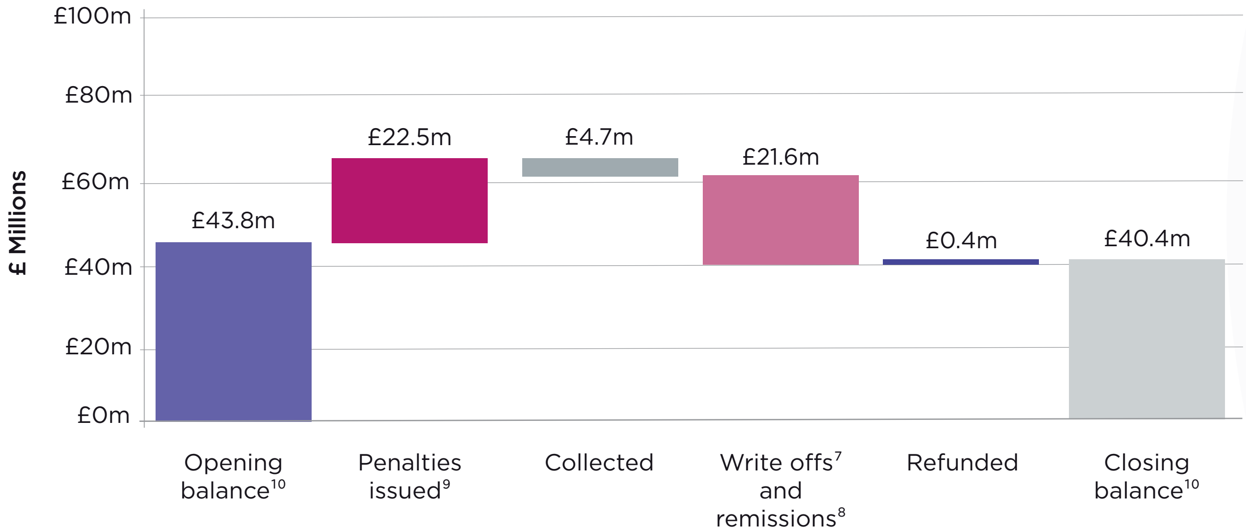


We transferred £74.7m during the year. £67.2m relates to the DWP and £7.5m to the PPF. £449k was received and not yet transferred at year end.

Automatic enrolment Penalty Notices

During the year ended 31 March 2021, we issued Penalty Notices under section 40 and 41 of the Pensions Act 2008. These figures do not feature in our audited accounts. We collect and hold penalties on behalf of HM Treasury and transfer it over to the consolidated fund via the DWP. The opening debt balance as at 1 April 2020 was £43.8m and during the year 2020-2021, we issued Fixed Penalty Notices (FPN) and Escalating Penalty Notices (EPN) totalling £22.5m, £4.7m has been collected, and write offs and remissions totalled £21.6m. Several penalties were refunded in the year, leaving the closing debt position as at 31 March 2021 at £40.4m

Figure 12: AE Penalty Notices debt



£4m was transferred to the consolidated fund via the DWP during the year. £971k was received and not yet transferred at year end.

We have proactively sought payment of any outstanding penalties and this work will continue with a view of seeking prompt payment of any penalties when due. Much of the closing debt has yet to fully progress through TPR's debt recovery process. The journey has been suspended at times during 2020-2021 due to the COVID pandemic.

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

7 'Opening Balance' includes prior year adjustments of £90k relating to penalties amended or changed. 'Closing balance' as at end of March 2020 was £43.9m.

8 There is £25m of discharged debt, this is where we amend and reissue or cancel a penalty as further information is received which reduces the liability or confirms that it is not legally due, ie where a change of the employer's address has occurred. Discharged debt is not included in Figure 12 above.

9 Write-offs are debts that are irrecoverable because there is no practical means for pursing the liability.

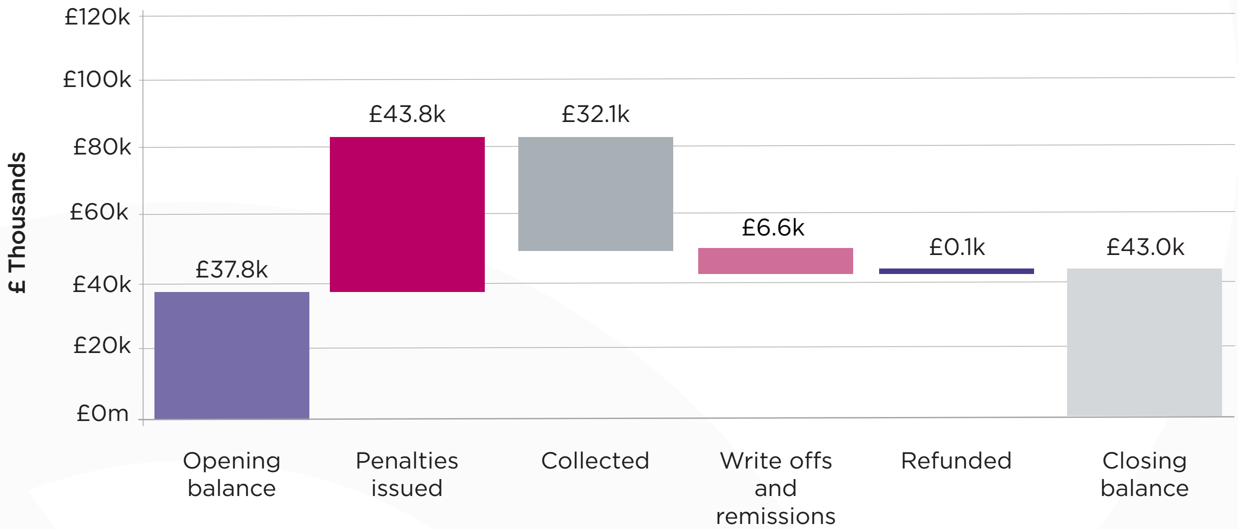
10 Debt 'remission' is where we decide not to pursue a debt primarily on the grounds of value for money, ie the cost of pursuing it would be greater than the benefit or is not the most efficient use of limited resources.

Section 10 and chair's statement Penalty Notices

During the year ended 31 March 2021, 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 HM Treasury and transfer them over to the consolidated fund via the DWP.

The opening debt balance as at 1 April 2020 was £37.8k and during the year 2020-2021, we issued Penalty Notices totalling £43.8k, £32.1k has been collected, write offs and remissions totalled £6.6k. Several penalties were refunded in the year, leaving the closing debt position as at 31 March 2021 at £43k.

Figure 13: Section 10 and chair's statement Penalty Notices debt



£32.5k was transferred to HM Treasury's consolidated fund via the DWP. No cash was outstanding to be transferred at year end.

Master trust authorisation fees

No master trusts were authorised this year.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
14 July 2021

Parliamentary accountability and audit report

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

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

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

Losses, special payments and gifts (subject to audit)

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

Fees and charges (subject to audit)

There are no fees and charges to disclose.

Remote contingent liabilities (subject to audit)

There are no remote contingent liabilities to disclose.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
14 July 2021

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 2021 under the Pensions Act 2004. The financial statements comprise: 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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 2021 and of The Pensions Regulator's net expenditure for the year then ended
- 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), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

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

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

Conclusions relating to going concern

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

My responsibilities and the responsibilities of the Board and the Accounting Officer with respect to going concern are described in the relevant sections of this certificate. The going concern basis of accounting for The Pensions Regulator is adopted in consideration of the requirements set out in applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Board and the Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

Opinion on other matters

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

- 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, and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of The Pensions Regulator and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability reports. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made, 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.

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, is responsible for:

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

Auditor's responsibilities for the audit of the financial statements

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

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

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, The Pensions Regulator's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to The Pensions Regulator's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud, and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including The Pensions Regulator's controls relating to the Pensions Act 2004 and Managing Public Money
- discussing among the engagement team and involving relevant internal specialists, including IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and significant or unusual transactions outside the normal course of business
- obtaining an understanding of The Pensions Regulator's framework of authority as well as other legal and regulatory frameworks that The Pensions Regulator operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of The Pensions Regulator. The key laws and regulations I considered in this context included the Pensions Act 2004, Managing Public Money, Employment Law and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims
- reading minutes of meetings of those charged with governance and the Board
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business, and
- other audit procedures responsive to the risk of fraud, non-compliance with laws and regulation or irregularity as appropriate.

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

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

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.

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

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General,
National Audit Office, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP
14 July 2021

Financial statements and Notes to the accounts

Statement of comprehensive net expenditure for the year ended 31 March 2021

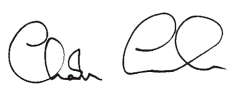
	Note	2020-2021 £'000	2019-2020 £'000
Expenditure			
Staff costs	3	**61,445**	55,937
Depreciation, amortisation and impairment charges	4	**1,595**	941
Other operating expenditure	4	**34,199**	36,312
Total operating expenditure		**97,239**	93,190
Finance income		**9**	(79)
Net expenditure after interest, before taxation		**97,248**	93,111
Taxation		**(2)**	15
Net expenditure for the year		**97,246**	93,126
Comprehensive net expenditure for the year		**97,246**	93,126

All income and expenditure is derived from continuing operations.
The accounting policies and notes on pages 127 to 145 form part of these financial statements.

Statement of financial position as at 31 March 2021

	Note	At 31 March 2021 £'000	At 31 March 2020 £'000
Non-current assets			
Property, plant and equipment	5a	**1,468**	1,752
Intangible assets	6a	**7,283**	522
Trade and other receivables	8	**106**	134
Total non-current assets		**8,857**	2,408
Current assets			
Trade and other receivables	8	**1,482**	1,515
Cash and cash equivalents	9	**1,767**	1,341
Total current assets		**3,249**	2,856
Total assets		**12,106**	5,264
Current liabilities			
Trade and other payables	10	**(11,908)**	(11,536)
Total current liabilities		**(11,908)**	(11,536)
Total assets less current liabilities		**198**	(6,272)
Non-current liabilities			
Trade and other payables	10	**(1,160)**	-
Provisions	11	**(698)**	(692)
Total non-current liabilities		**(1,858)**	(692)
Assets less liabilities		**(1,660)**	(6,964)
Taxpayers' equity			
General fund		**(1,660)**	(6,964)
Total equity		**(1,660)**	(6,964)

The financial statements on pages 123 to 126 were approved and authorised for issue by the Board on Monday 12 July 2021 and were signed on its behalf by:



Charles Counsell OBE
Chief Executive, The Pensions Regulator
14 July 2021

The accounting policies and notes on pages 127 to 145 form part of these financial statements.

Statement of cash flows for the year ended 31 March 2021

	Note	2020-2021 £'000	2019-2020 £'000
Cash flows from operating activities			
Net expenditure after interest		**(97,248)**	(93,111)
Adjustments for non-cash transactions	4	**1,624**	1,040
Decrease/(increase) in trade and other receivables	8	**63**	(304)
(Decrease)/increase in trade and other payables	10	**(1,426)**	327
Increase in provisions	11	**6**	13
Cash outflow due to taxation		**(15)**	(16)
Net cash outflow from operating activities		**(96,996)**	(92,051)
Cash flows from investing activities			
Purchase of property, plant and equipment	5b	**(466)**	(576)
Purchase of intangible assets	6b	**(4,662)**	-
Disposal of intangible fixed assets		**-**	-
Net cash outflow from investing activities		**(5,128)**	(576)
Cash flows from financing activities			
Grant-in-aid to cover ongoing operations of Levy		**63,400**	55,705
Grant-in-aid to cover ongoing operations of AE		**39,150**	37,300
Net financing		**102,550**	93,005
Net increase in cash and cash equivalents in the period	9	**426**	378
Cash and cash equivalents at the beginning of the period		**1,341**	963
Cash and cash equivalents at the end of the period	9	**1,767**	1,341

The accounting policies and notes on pages 127 to 145 form part of these financial statements.

Statement of changes in taxpayers' equity for the year ended 31 March 2021

	Total Reserves £'000
Balance at 1 April 2019	**(6,843)**
Changes in taxpayers' equity 2019-2020	
Grants from the DWP	93,005
Comprehensive net expenditure for the year	(93,126)
Balance at 31 March 2020	**(6,964)**
Changes in taxpayers' equity 2020-2021	
Grants from the DWP	102,550
Comprehensive net expenditure for the year	(97,246)
Balance at 31 March 2021	**(1,660)**

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

The accounting policies and notes on pages 127 to 145 form part of these financial statements.

Notes to the accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2020-2021 Government Financial Reporting Manual (FReM) issued by HM Treasury. 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 financial statements.

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 2021.

IFRS 16 leases effective from 1 April 2022

This is effective from 1 January 2019 for the private sector but will be introduced in the 2022-2023 FReM to replace IAS 17 so will be effective for TPR from 1 April 2022. This had originally been expected to be effective from 1 April 2020 but has been delayed by two years due to COVID-19.

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 an asset and an associated finance cost being recognised. The operating leases on TPR's main headquarters meets the definition of a lease under IFRS 16, which will result in recognition from 1 April 2022 of an immaterial asset, along with a lease liability of the same amount. A new building lease is required from July 2023.

IFRS 17 (Insurance Contracts) effective from 1 April 2023

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

Guidance has yet to be issued to government departments on the interpretation of this standard.

1.2 Accounting convention

These financial statements 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 £5,000 with the exception of IT hardware, which is £1,000. Pooling is applied where appropriate but generally low-value items (less than £250) would not be capitalised even when pooled.

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 11 years
Software acquired	–	5 to 7 years

Depreciation is charged on a straight line basis to reflect the consumptions of economic benefits. Assets are not depreciated until they are commissioned or brought into use.

c) Intangible assets

The costs of purchasing major software licences and software built in-house are capitalised as intangible fixed assets, although ongoing software maintenance costs are written off in the period in which they are incurred. As permitted by the FReM, intangible assets are carried at depreciated historical 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 £5,000. Multi-year software as a service agreement, comprising software licence and service elements paid for on a subscription basis, are reviewed individually to determine the extent of the service provision. Any licencing component in the agreement is assessed against IAS 38 (Intangible Assets) to determine whether it meets the criteria for recognition as an intangible asset and where it does, a threshold of £1 million is applied.

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

d) Impairment

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

e) Other income and expenditure

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

f) Value Added Tax (VAT)

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

g) Employee benefits

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

h) Operating leases

Rent payable under operating leases is charged to the Statement of comprehensive net expenditure on a straight line basis over the term of the lease.

Amounts received as inducements to enter into operating leases are treated as deferred income (rent rebates), and are recognised to reduce the operating lease costs over the same period as the corresponding lease.

i) Financial Instruments

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

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 and make 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 financial statements, 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) which is a defined benefit scheme and is unfunded and contributory, except in respect of dependents' benefits. TPR recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' service by payment to the PCSPS of amounts calculated on an accruing basis. Liability for the payment of future benefits is a charge on the PCSPS. As described more fully in the Staff report on page 97, certain employees can opt for a stakeholder pension.

2 Statement of operating costs by operating segment

	AE £'000	Levy £'000	Total TPR £'000
2020-2021			
Gross expenditure (before tax)	37,176	60,063	97,239
Taxation	(1)	(1)	(2)
Income	2	7	9
Net expenditure	**37,177**	**60,069**	**97,246**
2019-2020			
Gross expenditure (before tax)	36,755	56,435	93,190
Taxation	6	9	15
Income	(29)	(50)	(79)
Net expenditure	**36,732**	**56,394**	**93,126**

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

AE-related work is separately accounted for and strict protocols are adhered to in order to avoid cross subsidy. Reporting is provided to ExCo 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 ExCo and this information is therefore excluded from the financial statements.

3 Staff numbers and related costs

	AE £'000	Levy £'000	Total TPR £'000
2020-2021			
Salaries and wages	12,417	33,738	46,155
Social security costs	1,250	3,466	4,716
Other pension costs	2,803	7,771	10,574
Total costs	**16,470**	**44,975**	**61,445**
2019-2020			
Salaries and wages	10,932	30,744	41,676
Social security costs	1,209	3,306	4,515
Other pension costs	2,611	7,135	9,746
Total costs	**14,752**	**41,185**	**55,937**

4 Other operating expenditure

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

*Includes fees of £188k (2019-2020: £185k), social security costs of £17k (2019-2020: £19k) and expenses of £1k (2019-2020: £18k). Details of the remuneration and pension benefits of the Chair and all other members of the Board are given in the Remuneration report (see page 95). There is tax due to HMRC on expenses as part of the PAYE Settlement Agreement (payable in August 2021).
**The audit covers both Levy and AE activities.

4 Other operating expenditure continued...

	AE £'000	Levy £'000	Total TPR £'000
2019-2020			
Running costs			
Chair and part-time Board members' fees and expenses	61	161	222
Consultancy, contracted-out and other professional services	1,345	7,414	8,759
Business process outsourced services	17,516	–	17,516
Training and recruitment costs	346	806	1,152
Staff travel and expenses	302	249	551
General expenses including accommodation expenses	465	2,029	2,494
Rentals under operating leases	292	683	975
Dilapidations costs	–	13	13
Computer systems development and maintenance	1,501	2,990	4,491
Auditor's remuneration	–	40	40
Loss on disposal of fixed assets	–	99	99
	21,828	**14,484**	**36,312**
Depreciation and impairment charges			
Depreciation	–	600	600
Amortisation	154	187	341
Impairment of fixed assets	–	–	–
	154	**787**	**941**
Total	**21,982**	**15,271**	**37,253**

5a Property, plant and equipment

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

TPR does not hold any assets under finance leases.

5a Property, plant and equipment continued...

2019-2020	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Total £'000
Cost or valuation				
At 1 April 2019	1,787	1,293	2,462	5,542
Additions	95	18	279	392
Disposals	-	(1)	(273)	(274)
At 31 March 2020	**1,882**	**1,310**	**2,468**	**5,660**
Depreciation				
At 1 April 2019	1,238	725	1,595	3,558
Charged in year	156	113	331	600
Disposals	-	(1)	(249)	(250)
At 31 March 2020	**1,394**	**837**	**1,677**	**3,908**
Carrying amount at 31 March 2019	**549**	**568**	**867**	**1,984**
Carrying amount at 31 March 2020	**488**	**473**	**791**	**1,752**

TPR does not hold any assets under finance leases.

5b Cash flow reconciliation

	2020-2021 £'000	2019-2020 £'000
Capital payables and accruals at 1 April	**116**	300
Capital additions	**350**	392
Less Capital payables and accruals at 31 March	**-**	(116)
Purchase of property, plant and equipment as per Statement of cash flows	**466**	576

6a Intangible assets

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

In addition to the £5.0m incurred on software under development £0.3m was incurred on research and development expenditure before the technical and commercial feasibility of the assets was established.

TPR holds the following material intangible assets:

- A three year contract with Microsoft for licenses due to expire in June 2023. The original cost was £2.8m and the carrying value is £2.0m.
- Internally developed software covering document management, customer relationship management, data platform and portals with a total cost and carrying value of £5.0m. This is expected to continue in use until March 2032.

6a Intangible assets continued...

2019-2020	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2019	-	1,621	4,073	5,694
Additions	-	-	-	-
Disposals	-	(128)	(170)	(298)
At 31 March 2020	**-**	**1,493**	**3,903**	**5,396**
Amortisation				
At 1 April 2019	-	1,584	3,173	4,757
Charged in year	-	37	304	341
Disposals	-	(128)	(96)	(224)
At 31 March 2020	**-**	**1,493**	**3,381**	**4,874**
Carrying amount at 31 March 2019	**-**	**37**	**900**	**937**
Carrying amount at 31 March 2020	**-**	**-**	**522**	**522**

6b Cash flow reconciliation

	2020-2021 £'000	2019-2020 £'000
Capital payables and accruals at 1 April	–	–
Capital additions	7,753	–
Less Capital payables and accruals at 31 March	(3,091)	–
Purchase of intangible assets as per Statement of cash flows	4,662	–

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

	2020-2021 £'000	2019-2020 £'000
Amounts falling due within the year		
Trade receivables	316	11
Other receivables	40	361
Prepayments	1,126	1,143
	1,482	**1,515**
Amounts falling due after more than one year		
Trade receivables	–	–
Other receivables	–	–
Prepayments	106	134
	106	**134**

9 Cash and cash equivalents

	2020-2021 £'000	2019-2020 £'000
Balances at 1 April	1,341	963
Net change in cash and cash equivalent balances	426	378
Balance at 31 March	**1,767**	**1,341**
At 31 March, the following balances were held:		
Commercial banks and cash in hand	**1,767**	**1,341**

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

10 Trade payables and other current liabilities

	2020-2021 £'000	2019-2020 £'000
Amounts falling due within one year		
Other taxation and social security	1,343	1,221
Trade payables	2	68
Capital accruals	1,931	116
Other creditors	-	-
Accruals and deferred income	8,632	10,131
	11,908	**11,536**

	2020-2021 £'000	2019-2020 £'000
Amounts falling due after more than one year		
Other taxation and social security	-	-
Trade payables	-	-
Capital accruals	1,160	-
Other creditors	-	-
Accruals and deferred income	-	-
	1,160	-

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

11 Provisions for liabilities and charges

2020-2021	Year end total £'000
Balance at 1 April 2020	692
Provided in the year	6
Provision not required written back	-
Provisions utilised in the year	-
Balance at 31 March 2021	**698**
Analysis of expected timing of discounted flows	
Not later than one year	-
Later than one year and not later than five years	698
Later than five years	-
Balance at 31 March 2021	**698**
Balance at 1 April 2019	679
Provided in the year	13
Provision not required written back	-
Provisions utilised in the year	-
Balance at 31 March 2020	**692**
Analysis of expected timing of discounted flows	
Not later than one year	-
Later than one year and not later than five years	692
Later than five years	-
Balance at 31 March 2020	**692**

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:

	2020-2021 £'000	2019-2020 £'000
Obligations under operating leases for the following periods comprise:		
Buildings:		
Not later than one year	1,029	1,029
Later than one year and not later than five years	1,286	2,315
Later than five years	-	-
	2,315	3,344
Other:		
Not later than one year	12	18
Later than one year and not later than five years	-	12
Later than five years	-	-
	12	30

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

TPR has a contractual commitment at 31 March 2021 for development costs for £1.3m of internally developed software assets, all of which will be incurred in the year 2021-2022. There was no other contractual commitments at the end of the current or prior year. 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 judgements could give rise to liabilities for legal costs but these cannot be quantified as the outcome of proceedings would be unknown and there is therefore considerable uncertainty as to the nature and extent of any subsequent liability.

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 Pension Protection Fund (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 financial statements are authorised for issue by the Accounting Officer. The Annual Report and financial statements were authorised by the accounting officer for issue on the date of the Comptroller and Auditor General’s audit certificate.

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