Corporate Plan 2017-2020

The Pensions Regulator

Contents

Foreword

The next few years will undoubtedly present challenges for all involved in the pensions industry. There will be continued economic and political uncertainty, social and demographic changes and an ongoing focus on the role of pensions in our society.

As a result of a number of high profile cases in the past year, some of which involved the use of our strongest powers, and the large number of employers going through automatic enrolment (AE), more people than ever are aware of The Pensions Regulator (TPR). More people are taking an interest in what we do and how we do it. This increased focus is a very positive development. So in this Corporate Plan we set out our priorities for the next year and beyond, including some of the changes we are making to position us for the challenges ahead.

As the pensions landscape changes, so do the risks and challenges that we face in pursuing the objectives given to us by Parliament. In an already complex environment it's important that we have a regulatory framework that can adapt to these risks.

We have listened to what people want and expect from us, and we have adapted accordingly – striving to work to our best abilities. Part of this is carrying out a piece of work (known as 'TPR Future') to design and deliver a sustainable approach to regulating all types of occupational pension schemes for the next five to ten years. We are focusing particularly on how we regulate on a day-to-day basis and how we make choices about prioritising the use of our resources. We have consulted a wide range of stakeholders and we will be talking to them further over the summer about how we intend to change and adapt. We will then move into a significant second phase of work to implement the necessary changes over the course of this plan.

In the meantime, we remain focused and alert to risks, committed to protecting members and limiting calls on the Pension Protection Fund (PPF). To make the best use of our assets, we are continuing to shift the focus of our resourcing to our frontline regulatory activity, to drive positive outcomes on cases, on a quicker timetable wherever possible.

Over the next year, around 700,000 small employers will meet their AE duties, and with more than 7m staff already enrolled, saving for later life is finally becoming the social norm. We will work to ensure the final stages of the roll-out programme and re-enrolment are a continued success.

Master trusts have contributed to the consolidation of defined contribution (DC) schemes, and will help safeguard one of the most effective ways for members to save, by ensuring that staff are enrolled into secure and well-run schemes. We have welcomed the Pension Schemes Bill, which proposes tough new powers for us to regulate master trusts – something we and the industry have been calling for. Implementing that legislation and preparing for the authorisation of master trusts will be a key part of our work in 2017-18.

We continue to look closely at the funding challenges faced by employers with defined benefit (DB) schemes, undertaking more proactive and better targeted interventions using data and an intelligence-driven approach to segment and target problem areas. We also look forward to playing our part in work to consider what changes might be necessary to the DB legislative framework.

We continue to place a sharp focus on good governance and administration – particularly in public service schemes – and ensuring schemes are compliant with their basic duties, such as good record-keeping. The people who run schemes should be highly skilled and experienced, and following our public discussion last year on the 21st century trustee, we will be taking steps to drive up standards of stewardship, focusing particularly on professional trustees and chairs, as well as tackling non-compliance.

In addition, scams and data security risk remain firmly on our agenda, not least as the way people save and access their pensions continues to change. The work of the cross-government group, known as Project Bloom and led by TPR, has resulted in a consultation on measures to further restrict scam activities. We await the outcome of this consultation by the Department for Work and Pensions (DWP) and HM Treasury. In the meantime, our successful Scorpion campaign will continue.

We want to be a more effective regulator, to perform more, faster, regulatory interventions and to use a wider range of regulatory tools supported by effective analysis of risks and smart allocation of our resources. As a result, we need to invest in our systems, as well as enhancing the number and potential of our people – particularly our frontline regulatory teams and the specialist advisers who support them.

We have therefore set a budget, with the approval of the DWP, which envisages an increase in funding in 2017-18 of £3.5m when compared to the original 2017-18 budget, to implement the master trust authorisation regime and increase our frontline resources. Taken together with the continued roll-out of the automatic enrolment duties to employers, this results in increased spend of £7.9m in 2017-18 compared to the previous year.

2017-18 will be another challenging and exciting year for TPR but we are confident that we are well-equipped to play our part in meeting the challenges ahead. As well as continuing to adapt where needed, we maintain our commitment to provide strong, agile, fair and efficient regulation, and to assure the highest possible standards from the pensions industry.

Mark Boyle
Chair
April 2017

Lesley Titcomb
Chief Executive
April 2017

Our vision and values

Our vision is to be a strong, agile, fair and efficient regulator. Through this, we seek to gain the respect of employers, trustees and other stakeholders. Together with our partners in the pensions industry, in government and among employers, we will drive up standards of trusteeship and improve savers' understanding of their situation to create better outcomes in their later life. We are committed to making our organisation a great place to work and doing all we can to support our people to reach their full potential.

This vision informs the application of our resources in a way that recognises our statutory objectives and reflects the external risks as we see them. We hold certain values to be central to the delivery of this vision, including that we are, and are seen to be:

- committed to the pursuit of good outcomes for workplace savers
- bold and impartial in our decision-making
- alert and responsive to emerging risks and opportunities
- supportive of our people
- united as one team

Introduction

Our objectives

Our statutory objectives are set out in the Pensions Act 2004, amended by the Pensions Acts 2008 and 2014. These are:

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

We work with trustees, employers, and business advisers of occupational pension schemes in the private and public sectors, to help them understand their legal duties and the standards we expect. This includes working with employers and their advisers to ensure compliance with AE duties.

We have a range of powers that we use flexibly, reasonably and appropriately

Our approach to risk and regulation

We work with trustees and employers, but we are prepared to use our enforcement powers where necessary. We have a range of powers that we use flexibly, reasonably and appropriately to put things right and keep schemes and employers on the right track.

We have been moving towards an approach that prioritises quicker and more efficient enforcement over the past year, and we will continue to adjust our approach where necessary.

We may take enforcement action where we encounter wilful or persistent non-compliance, where our earlier efforts to encourage compliance with the law have not had the desired effect, or where we uncover evidence of malpractice.

For more information about our current regulatory approach, visit **www.tpr.gov.uk/regulate**

As a risk-based regulator, our approach is based on an assessment of risks and informed by our statutory objectives.

We judge risks in terms of the threat they pose, the extent to which we can mitigate them and our risk appetite. This means we will not seek to intervene in all situations but will prioritise by risk, cost and perceived benefits in a way that is targeted, proportionate and takes into account our statutory objectives.

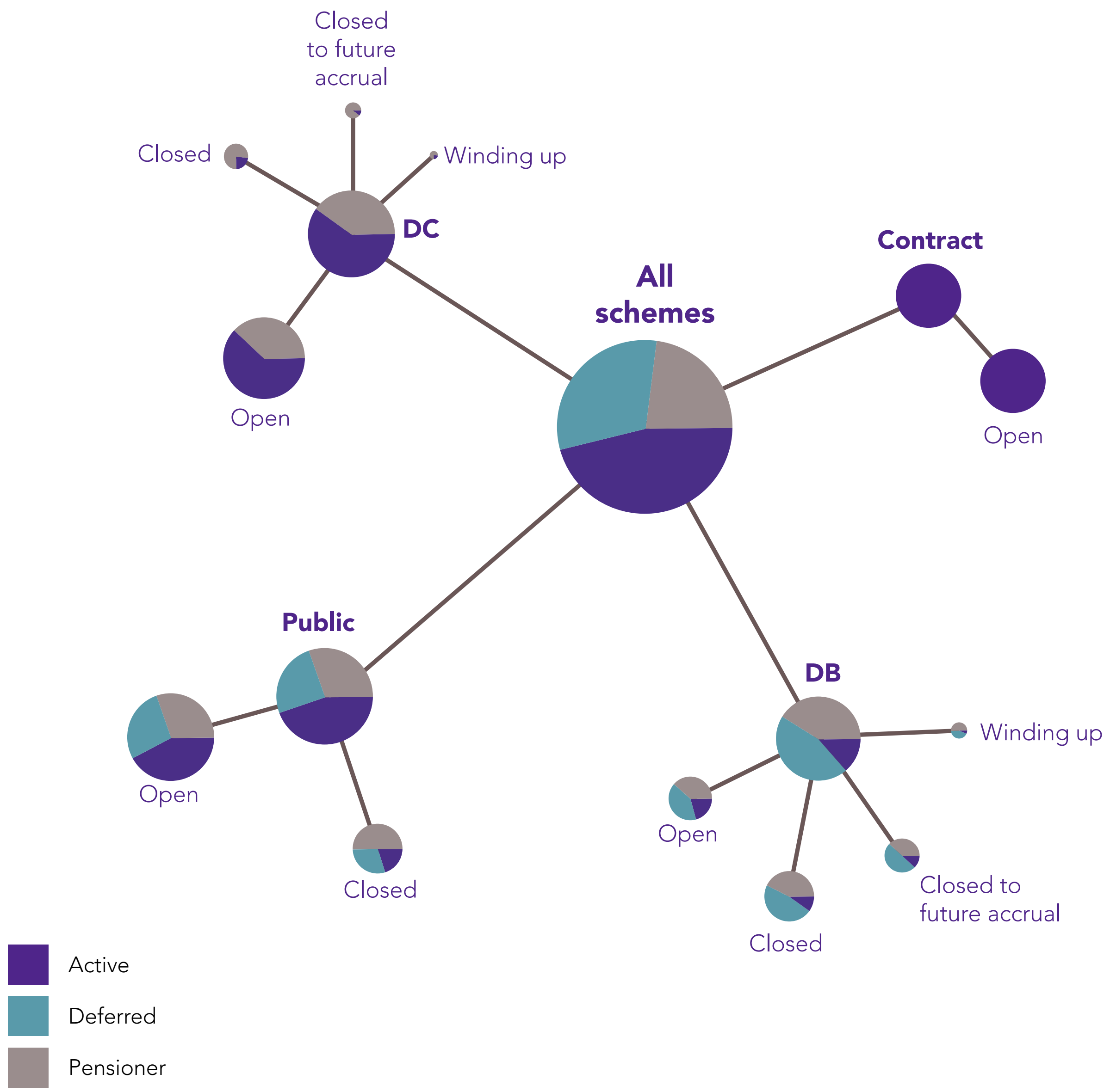
Find out more about our risk appetite at **www.tpr.gov.uk/risk-appetite**

The pensions landscape

The pensions landscape continues to change in terms of its overall size, significantly increasing in membership over the last few years.

Here we show that:

- within the private sector there are now more memberships in DC schemes than in DB schemes
- the majority of memberships of DC schemes are active, while the majority of DB memberships are either deferred or pensioner
- the majority of DC memberships are in schemes still open to new members, while the majority of DB memberships are in schemes no longer open to new memberships



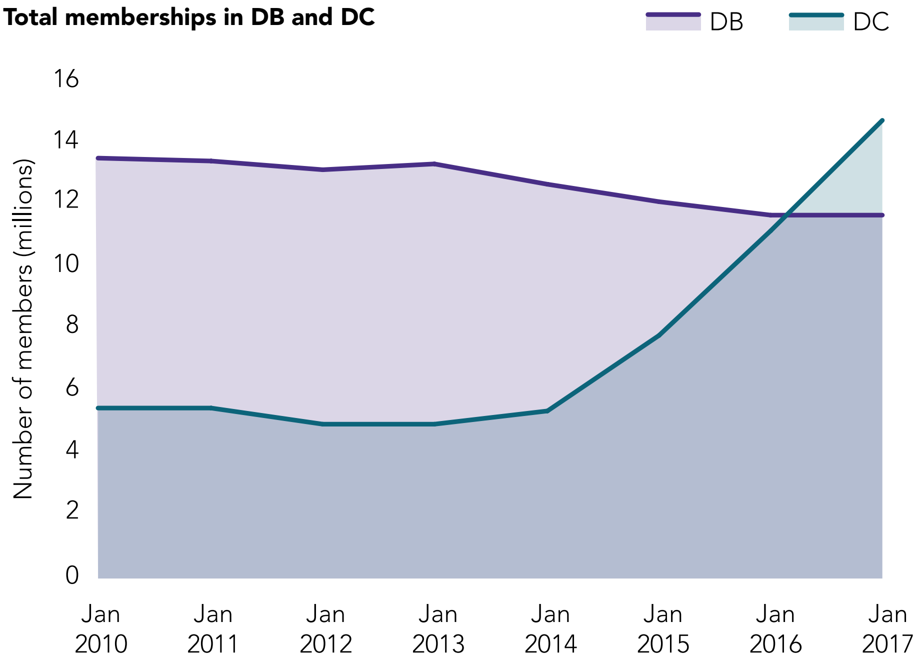
The circle sizes represent proportionate scheme membership size

The changing pensions landscape

We are in a period of rapid change in the UK pension market, in terms of the overall market size, types of scheme and the coverage of provision.

The membership profile of schemes has undergone huge expansion since the start of AE in 2012. The vast majority of the 7.3m new members have joined DC workplace pension schemes. DC memberships have consequently overtaken that of DB (see chart below).

Total memberships in DB and DC



Active occupational scheme membership is now at its highest ever level. However, coverage is only around 40% of the working population as worker groups such as the self-employed and multiple job-holders are generally not, as yet, participants in AE.

Although the majority of new members have joined multi-employer DC schemes – master trusts and group personal pensions – there remains a long 'tail' of around 32,000 micro occupational DC schemes (with 2-11 members each), covering about 91,000 members in total.

Few workers have been newly enrolled into DB schemes in the private sector, which is now largely a closed book of business in run off (only 15% of DB schemes are now open), but the same pattern of a tail of small schemes has emerged – a third of all DB schemes have fewer than 100 memberships, and 80% have fewer than 1,000 members – although in total these schemes hold £130bn in assets.

We continue to prioritise the roll-out of AE to play an important part in helping address the problem of people not saving for their retirement. However, debate continues on what constitutes an adequate level of pension saving in a workplace environment dominated by DC provision, and what consumer needs, in the new era of freedom and choice, pension saving is intended to fund.

Public awareness of pensions is high

Public awareness of pensions is high, largely as the result of political and media interest in a small number of cases involving household name employers' DB schemes. This has triggered heated debate around the affordability of DB pensions in particular, as well as fairness in pensions and welfare provision in general.

Debate has also been focused on the regulatory regime and public expectation of what it should deliver. The Pensions Act 2004 created further protection for schemes but interactions between schemes, employers and regulators prior to failure have been subject to scrutiny.

The risk landscape

As the landscape evolves, so do the risks faced by the pensions industry and by us as a regulator. We will be responding to these with the work outlined in our priorities, including our 'TPR Future' development for the longer term. In this section we summarise a few of the key themes that we believe will drive our regulatory priorities for the next few years.

Sub-scale schemes

The continuance of sub-scale DB and DC schemes, predominantly, but not exclusively a feature of the small and medium enterprise market, is likely to give rise to the risk of poor outcomes for members and sponsors. Both groups will suffer detriment, principally as the result of poor value for money, if they cannot benefit from scale.

Poor standards of stewardship

Standards of pension scheme governance and administration – stewardship – are patchy across the public and private sectors. Our research demonstrates that while standards have improved a little, progress is not across the board, nor is it at the pace required to meet members' and employers' reasonable expectations.

Disorderly scheme failures

The Pension Schemes Bill promises, in due course, to reform the master trust market in a way that will underpin consumer confidence in that part of the multi-employer pension market. There remains a risk in the meantime of a scheme failure impacting member and participating employers' interests. Additionally, prolonged economic uncertainty may raise the risk of employer failure in the DB sector, but there is little evidence to support a widespread affordability issue currently.

Poor data integrity and security

Our research shows that the quality of record-keeping in the public and private sectors remains unsatisfactory, continuing a long-running risk to member benefits and the accuracy of benefit statements, scheme returns and valuations. Additionally, the volume of data security incidents reported by individuals and businesses is increasing with the rise in dependence on cyberspace for private and commercial transactions. There is a corresponding rising threat to the security of personal data held by pension schemes, whether this is held on internal or third party IT systems.

Economic and market outlook

All investors, including pension schemes, have to contend with variable and challenging investment conditions. A number of factors can play a part here, including changing political or economic conditions in the UK and overseas.

Our corporate priorities

Our assessment of this emerging risk landscape helps us to develop our priorities for the next three years.

We have refined our priorities from last year's plan so they are clearer and more specific about our intentions, and enable us to continue to meet our statutory objectives in the changing landscape.

We will continue to review these priorities and are likely to update them further as we move through this three year plan.

The eight priorities we have defined below relate to our current outlook for the next three years (2017 through to 2020). However, the specific activities we have outlined under each priority relate to our 2017-18 business year.

1 Successfully complete the remaining stages of the roll-out of AE

We will continue to assist small and micro employers in meeting their duties. This year will see the largest volume of small employers reaching their staging dates and we will make sure they are able to meet their duties on time and without additional burden.

In addition, we will be increasing our compliance and enforcement team, placing a large focus on re-enrolment and helping new employers comply with the law. We'll also be educating employers about the increase in pension contributions in April 2018.

Building on our ongoing work to reduce the burdens on employers and advisers, we will continue to simplify the content on our website and in our communications, making things as intuitive as we can.

2 Deliver more interventions more quickly where defined benefit schemes are underfunded or avoidance is suspected

We are committed to doing all we can to ensure members of DB schemes receive the benefits they are entitled to at retirement. We will continue to improve the way we deal with cases so our regulatory impact is maximised with the resources available to us.

This year we will again be placing more of the resources available to us in our frontline regulation teams. We'll also be placing more focus on proactive casework, and improving the way we identify cases that present the biggest risks to members, intervening early before recovery plans are submitted.

We intend to be clearer in our expectations of trustees and employers, and will quickly escalate our actions, using the full range of our powers as necessary to achieve the right outcome and doing all we can to ensure those we regulate are compliant with their basic duties.

We will also be developing our approach and interactions with smaller schemes, tailoring the way we work where necessary, so that the protection of scheme members in this sector gets increased focus.

3 Protect consumers through the effective regulation of master trusts

We will be engaging with master trusts to ensure they are providing a good service for members, and that they will be well-positioned to achieve authorisation when necessary. Working in this way will allow us to identify risks in individual schemes early.

We will create a dedicated team who will supervise master trusts to ensure the ongoing security and good governance of members' benefits as the new framework is established and comes into effect.

Where a master trust chooses to exit the market, we will engage with them to ensure they have an appropriate exit plan and that any risks to members in the transition are mitigated.

We will continue to encourage employers to automatically enrol their staff into master trusts that have obtained assurance, and are meeting the governance standards we expect of them.

We will also start to develop our code of practice and supporting guidance to enable a smooth transition for the trusts that intend to apply for authorisation, to help them meet the new requirements.

4 Drive up standards of record-keeping and data maintenance, including public service schemes

We want to ensure trustees understand what is expected of them with regard to record-keeping and data security, and that the standards expected are achieved by trustees and managers of all scheme types.

We will continue to focus on public service schemes, supporting scheme managers and pension boards in driving up standards, and intervening where engagement is poor. In addition, we will be re-focusing our attention on the wider scheme landscape where areas of poor administration still exist.

Throughout the year, we will continue our drive to improve standards of record-keeping in schemes, including addressing risks to data security. We will clarify our expectations and help trustees and managers identify and tackle data issues in their schemes.

In order to improve standards of record-keeping, we will be running communication campaigns advising on appropriate tools to use, and providing support to trustees and managers to help them understand how to meet the standards.

We will also improve the way we identify and target poor performance by tracking schemes' record-keeping standards. In circumstances where steps are not being taken to improve and meet the standards, and where we consider members' benefits to be at risk, we will take appropriate action to correct issues.

5 Be clearer in our codes, guidance and other interactions with schemes and employers about what they need to do

We want trustees and employers to be clear about what they need to do, and for our regulatory impact to be maximised with the resources available to us.

We will be looking at how we communicate our expectations to ensure we are clear about what trustees should do. We plan to simplify, improve and provide greater clarity in our communications, and will carry this through to our annual funding statement, development of the master trust code and ongoing work around improving governance standards this year, as well as any legislative development work that arises.

In relation to AE requirements, we will be raising awareness of the forthcoming increases in contributions, and proactively engaging with payroll and pension providers to ensure the changes are implemented smoothly.

6 Drive up standards of trusteeship across all schemes, with a particular focus on chairs and professional trustees

We have embarked on a long-term strategy to drive up standards of trusteeship and governance, so that all trustees meet the expectations set out in our codes and guidance.

Focusing on the key standards we expect, particularly for those acting as chairs of trustees, we will communicate clearly to them by setting out examples of good and poor behaviour. We will also send out more targeted and tailored communications to different types of trustees, as well as tools that trustees, particularly of smaller schemes, may use to meet the standards.

We expect trustees not meeting these standards to take action to do so quickly. Where they do not, we will consider taking regulatory action against them including investigating, issuing notices and taking enforcement action.

Our initial focus will be on professional trustees. As experts, they are held to a higher duty of care than other trustees. This is a group we can easily identify and target, and they sit on over half of all trustee boards. Therefore, by ensuring they are the right people to perform this service and are behaving to this higher standard, this should bring us some quick wins across overall standards of trusteeship.

Over the long term, we believe there is a good case for consolidation where standards are not being met. We will continue to work with industry and the DWP, looking for opportunities to encourage consolidation, and identifying legislation or practices which may be inhibiting it. We will be encouraging providers to review their legacy schemes to ensure good governance is in place. We will also focus on ensuring that schemes without a sponsor are addressed and those members benefit from good value in the pensions market.

7 Develop and implement our enhanced approach to regulation, explaining our approach publicly, to make us a more effective and efficient regulator

As an organisation with a widening remit, facing significant change in its regulatory landscape, we need to ensure we are in the best possible position to meet the challenges we will face in the future.

We embarked on what we call ‘TPR Future’ last year, comprehensively engaging with our stakeholders and looking at the risks and challenges that face us to create a sustainable approach to regulation for the next five to ten years.

To deliver our new approach, including better use of technology and data, we will be outlining a programme of change. This will include a series of ‘quick wins’, as well as implementing changes for the longer term. We will explain this further to our stakeholders during the year.

8 Create high performing teams of people across TPR with the skills and capabilities to deliver all of the above

We will deliver our vision to support our people reaching their full potential through effective performance management and development of staff at every level of the organisation. This will maximise their productivity, success and wellbeing.

We want to make the best use of our resources, shifting the focus to our frontline regulatory teams and creating efficiencies in our working practices. We'll continue our programme of leadership and management training, targeting areas of development in line with the skills and capabilities we need.

We will support and enable our people by continuing to develop our data, information and technology capability to maximise our performance. This focus on improving our systems and implementing our data strategy will put our staff in the position to deliver against all of our priorities.

In addition to these specific priorities, there are many regulatory and support functions that we continue to perform. Some of these are required by law, others are ongoing activities needed to operate effectively and execute our functions. Our structure will ensure we have the right people in the right place for the effective governance of our organisation and the delivery of our statutory objectives.

Evaluation

We measure our impact and performance in a number of ways. In addition to Key Performance Indicators (KPIs), for 2017-20 we have adopted Key Outcome Indicators (KOIs).

Due to the long-term nature of retirement saving and the many stakeholders involved, it is not straightforward to quantify our influence on the overall outcomes of retirement provision. KOIs will help evaluate our effectiveness in addition to our specific KPIs and the broader evidence bases we reference in our annual report at year end.

We have adapted our KPIs this year and will continue to adapt to reflect the changing landscape, our new regulatory duties and capabilities, and our corporate priorities.

We continue to adapt to reflect the changing landscape, our duties and priorities

Key Outcome Indicators

Our KOIs are specific measures that have observable and measurable characteristics or changes that will represent the achievement of a desired outcome. Our regulatory performance is set in the context of the broader outcomes which the government seeks to achieve, such as providing a decent income for people of pension age and promoting saving for retirement.

We recognise our part in achieving these outcomes. Our adopted range of KOIs help us draw conclusions over a longer timeframe on whether our regulatory interventions, along with the other influencing factors, are having a positive effect on the wider public policy intent and in achieving our statutory objectives. These follow on the next page.

Table: Our KOIs

Outcome indicator	Link to statutory objective	Measure	Source
KOI 1. Participation: Increasing participation and amount of savings in workplace pensions	Relates to all our statutory objectives	The percentage of eligible employees who are participating in workplace pensions	Derived by the DWP from the Office for National Statistics' (ONS) Annual Survey of Hours and Earnings (ASHE)
KOI 2. Income in retirement: Increasing income in retirement and the proportion of income from workplace pensions	Relates to all our statutory objectives	The proportion of total income in retirement from occupational pensions	DWP pensioners income series
KOI 3. Confidence: Increasing confidence in workplace pensions	Relates to all our statutory objectives	New: Identified confidence measures within the survey	TPR/Money Advice Service member engagement survey
KOI 4. DB entitlement: Members of DB schemes receiving their promised benefit entitlement	To protect the benefits of members of occupational pension schemes	Pensioner members in receipt of PPF compensation/total DB pensioner members	The PPF's Purple Book publication and TPR's DB pensions landscape publication
KOI 5. PPF protection: The continued protection of the PPF	To reduce the risk of situations arising which may lead to compensation being payable from the PPF	Section179 funding ratio ie average funding ratio of schemes transferring into the PPF	The PPF's Purple Book publication
KOI 6. Trustee competence: Increasing the capability and competence of trustees and others who govern pension schemes	To promote, and to improve understanding of, the good administration of work-based pension schemes	New: Evaluation criteria being determined through definition of the 21st century trustee policy intent being confirmed in Spring 2017	21st century trustee research or other governance survey method as determined

Key Performance Indicators

Our KPIs represent targeted measures, identified as key to evaluating performance against our priorities. We have evolved our suite of KPIs for this Corporate Plan and we will continue to develop our methods of measurement so they remain relevant, as objective as possible, and are the clearest indicators of our performance.

Table: Our KPIs

Priority	Key Performance Indicators	2017-18 Target
1. Successfully complete the remaining stages of the roll-out of AE	1.1 The numbers of employers who submit their declaration to us	565,000
	1.2 A high proportion of the employer population has a qualifying scheme ultimately in place	90%
	1.3 A high proportion of the jobholder population has been ultimately put in a qualifying scheme	94%
2. Deliver more interventions more quickly where DB schemes are underfunded or avoidance is suspected	2.1 The proportion of assessed DB scheme risk* we have engaged with during the last three years	70%
	2.2 Percentage of scheme funding valuations where we open a case where, within nine months of valuation submission date, we have closed the case or opened a formal investigation into use of powers	80%
	2.3 Increase the number of schemes we proactively engage with ahead of formal valuation	90% increase
	2.4 In DB enforcement cases, there are a greater number of the following outcomes during 2017-18 than in 2016-17; Warning notices issued, cases referred to the Determinations Panel or court and settled cases where we issue a s89 report	25% increase in enforcement cases

*

DB scheme risk is measured as the funding and investment risk that may not be supportable by the covenant; namely a combination of:

- the level of underfunding in the scheme taking into account the strength of the employer covenant and scheme maturity compared to the current cash contributions being paid
- the additional deficit that could arise from the investment strategy in the future, which may not be supportable by the covenant

Priority	Key Performance Indicators	2017-18 Target
3. Protect consumers through the effective regulation of master trusts	3.1 Members are in master trusts that understand their new requirements	99.5%
	3.2 Master trust strategies for authorisation are risk-assessed by us and we have engaged with those who will be exiting the market	100%
4. Drive up standards of record-keeping and data maintenance, including in public service schemes	4.1 Public service schemes we engage with that require a record-keeping plan have a robust plan in place	90%
5. Be clearer in our codes, guidance and other interactions with trustees and employers about what we expect of them	5.1 Trustees and employers are clear on our expectations of them (we take a baseline measure in Q1 and re-measure in Q4)	In-year improvement
	5.2 A high proportion of employers make contributions to their respective scheme before they become materially late	94%
6. Drive up standards of trusteeship across all schemes, with a particular focus on chairs and professional trustees	6.1 A high proportion of scheme members are in schemes that have provided their scheme funding valuations to us in line with the requirements	97%
	6.2 Where recovery plans are not received in line with requirements, the case is either closed or escalated for use of powers within 12 months	95%
	6.3 A high proportion of scheme members are in schemes that have provided their scheme returns to us in line with the requirements	99.5%
	6.4 The number of Trustee toolkit module passes	>13,000
7. Develop and commence implementation and explain publicly our enhanced approach to regulation, to make us more effective and efficient as a regulator	We will determine success measures through establishment of the implementation plan in 2017-18. This work may impact on existing KPIs and determine new ones under our other corporate priorities	

Priority	Key Performance Indicators	2017-18 Target
8. Create high performing teams of people across TPR with the skills and capabilities to deliver all of the above	8.1 Our employee engagement score as per our independent survey	75%
	8.2 A targeted proportion of advertised vacancies are filled with internal staff, demonstrating that we attract, retain and allocate the right skills in the organisation	20%
	8.3 Increased attendance at a limited set of core training modules each year for senior leaders. Our leadership and people management capability has developed	70%

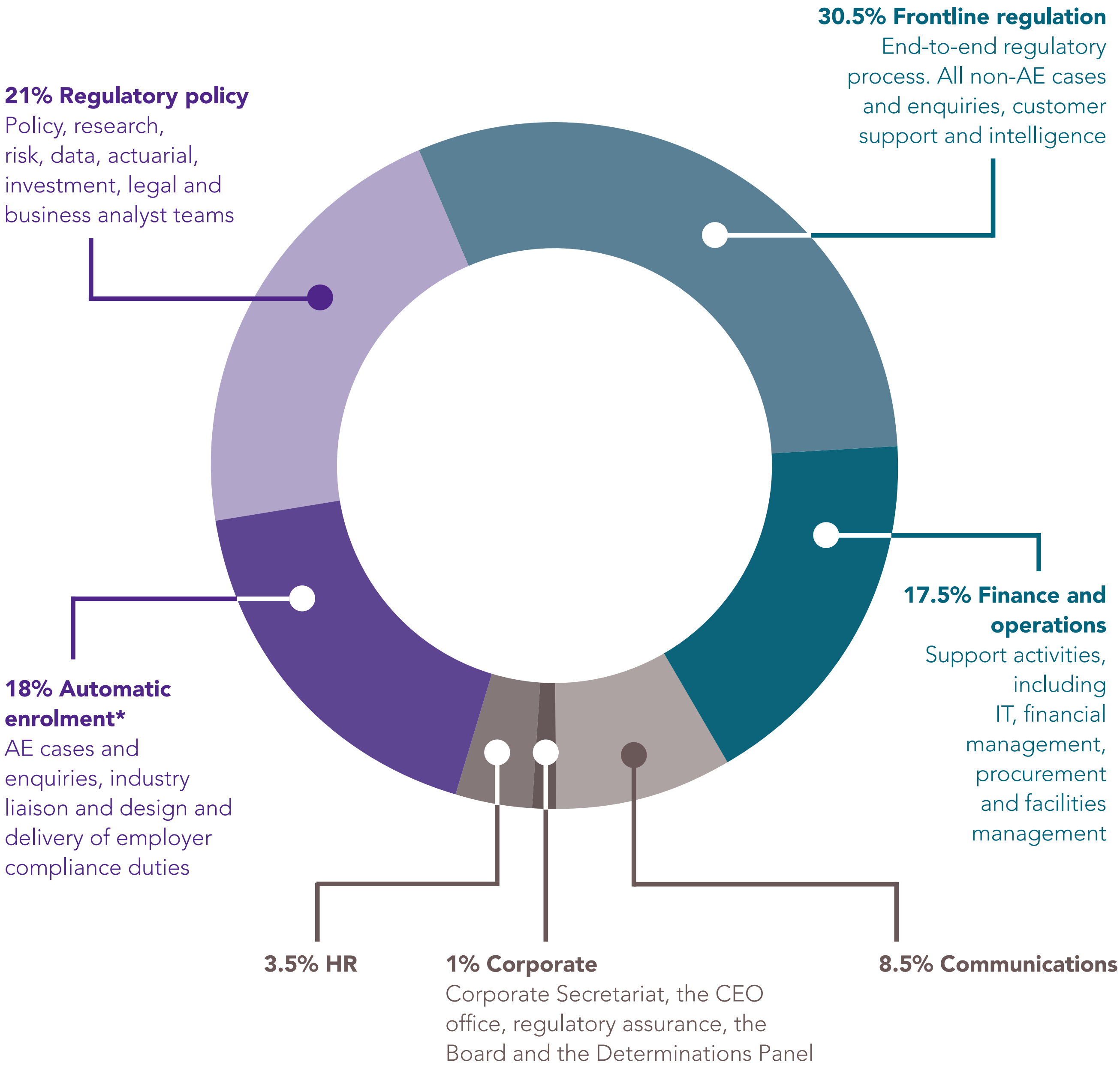
In 2017-18, we will develop our measures further, including:

- exploring a baseline measure for record-keeping in schemes, to include data quality across all scheme types
- refreshing our messaging strategies
- a quality measure for the effectiveness of our online and offline communications and publications

Our structure

To work as efficiently as possible, we need an agile and responsive workforce. We balance our priorities and organisational needs to deliver effective and responsive regulation. To maximise our impact, we expect our resources to be divided across the organisation in 2017-18 as follows:

Resource distribution by directorate for 2017-18
Based on total headcount split by directorate



*
A core element of our AE delivery is through our outsourced partner (full time equivalents (FTE) not included)

Financial summary

Funding

Our funding is derived from two main sources: a grant-in-aid from the DWP which is recoverable from a scheme levy relating to Pensions Act 2004 duties, and a separate grant-in-aid from general taxation relating to the AE programme arising from Pensions Act 2008 duties.

The 2015 Spending Review settlement sets out the funding for our AE and non-AE activities (referred to here as 'levy') over the coming years. We have committed to achieving a 17% reduction to our levy 2015-16 funding baseline by 2019-20. On our AE activities, we have identified a significant reduction against our previous planned spend between 2016-17 and 2020-21.

Since the Spending Review settlement, we have sought additional funding from DWP to address key challenges that have arisen in a number of areas, including: preparing and implementing the new master trust regime, increasing our frontline resources to undertake higher volumes of casework more quickly and proactively, and to develop our enhanced approach to regulation. An additional £3.5m has been included in our levy budget in 2017-18, £6m in 2018-19 and £5.4m in 2019-20 to fund this work. This is over and above the Spending Review settlement.

2016-17 financial results

The table in the next section compares the 2016-17 actual spend and 2016-17 budget. The categories shown illustrate the major areas of expenditure. The forecast spend in 2016-17 is £76.2m, which is £3.3m below the 2016-17 budget of £79.5m. The main reason for the underspend includes:

- lower spend on our change and IT projects portfolio (£1.5m)
- not calling upon certain reserves set aside (£2.9m)
- lower salary costs due to recruitment delays (£0.6m)

This is offset by higher case costs (£1.7m).

Budgets

The budget for 2017-18 shows an increase of £7.9m against the spend in 2016-17. The main reasons for the increase are:

- Additional levy funding of £3.5m to cover new responsibilities and challenges as set out above.
- Increase of £3.7m to reflect the full year impact of recruiting staff during 2016-17.
- Increase in AE-related spend (excluding staff costs) of £2.4m as we continue to support the roll-out to an increased number of small and micro employers.
- Offset by reductions in one off costs in 2016-17 including case expenditure.

Table: High level cost summary

Category	2016-17* actual (£000)	2016-17 budget (£000)	2017-18 budget (£000)
Income	(17)	(24)	(16)
Salaries	35,495	36,540	42,663
Non-payroll staff costs	1,676	1,007	1,386
Other staff costs	2,189	2,066	2,347
Consultancy	623	85	737
Professional services	8,210	8,248	6,114
Communications	1,001	1,043	1,056
Managed contracts	20,346	23,532	23,210
Accommodation/general office costs	3,826	4,150	4,181
Telephony/internet	396	522	360
Fixed asset costs	1,217	1,000	700
Depreciation	1,259	1,358	1,343
Total	**76,221**	**79,527**	**84,081**

*
Subject to audit

A comparative summary analysis of the budget over four years split by levy and AE funded activities is shown in the table below. We continue to revisit and update the future spend profile each year to reflect the latest known plans.

The levy funding reduces over the period to reflect the majority of back office spending review savings that we are committed to achieving. The AE funding fluctuates over the next three years reflecting the cyclical nature of our AE duties, alongside an increase in expenditure in 2019-20 as we commence a programme of works to prepare for the future AE strategy and operating model.

Table: Four year cost summary

	2016-17 (£000)	2017-18 (£000)	2018-19 (£000)	2019-20 (£000)
Levy	38,079	41,369	42,571	41,381
AE	38,142	42,712	35,046	38,963
Total	76,221	84,081	77,617	80,344

Staff numbers

The table below shows the projected average FTE staff numbers from 2016-17 to 2019-20. The increase in 2017-18 and 2018-19 in levy reflects additional staff required to fulfil our additional responsibilities set out in the additional funding bid to the DWP, offset by targeted reductions to meet our spending review commitments. Similarly we are planning reductions on our AE activities to meet saving targets.

Table: Average FTE analysis

	2016-17	2017-18	2018-19	2019-20
Levy	386	479	491	483
AE	141	149	136	124
Total	527	628	627	607

How to contact us

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www.tpr.gov.uk

www.trusteetoolkit.com
Free online learning for trustees

www.pensionseducationportal.com
Free online learning for those running public service schemes

Corporate Plan 2017-2020

The Pensions Regulator