The Pensions Regulator

Annual Report and Accounts

2022-2023

HC 1423

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The Pensions Regulator's Annual Report and Accounts

2022-2023

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The Pensions Regulator's Annual Report and Accounts 2022-2023

Contents

Introduction

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

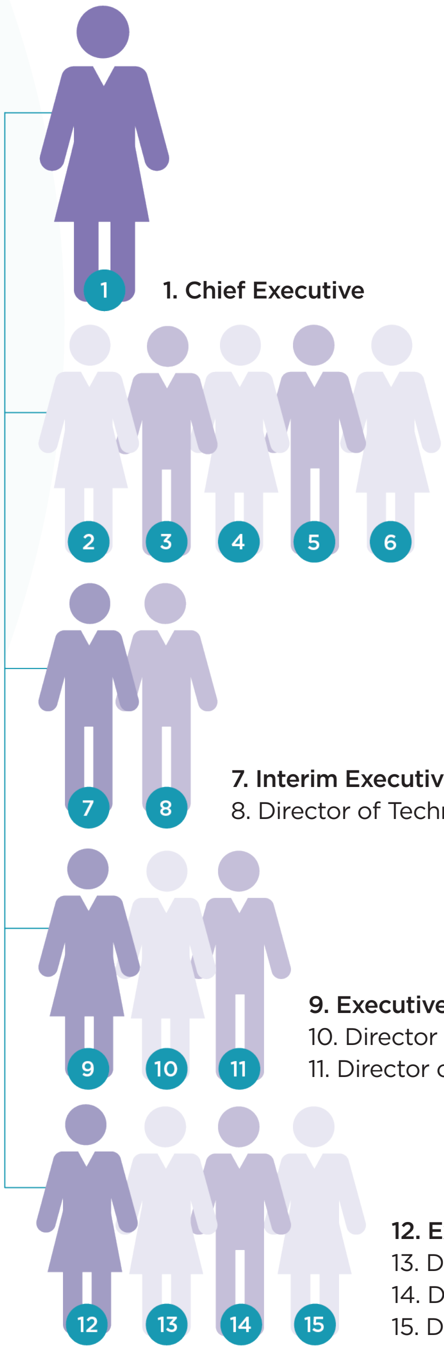
Our statutory objectives are:

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.

We are a public body sponsored by the Department for Work and Pensions (DWP). For the period between 1 April 2022 to 31 March 2023, we were based in Napier House, Trafalgar Place, Brighton, BN1 4DW. Since publication of this report, we have moved to Telecom House, 125-135 Preston Road, Brighton BN1 6AF. We have nearly 900 staff.

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

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



1. Chief Executive

2. Director of People and Culture
3. Director of Automatic Enrolment
4. Director of Strategy and Communications
5. General Counsel and Director of Governance, Risk and Assurance
6. Interim Director of Regulatory Policy, Analysis and Advice

7. Interim Executive Director of Digital, Data and Technology
8. Director of Technology

9. Executive Director of Frontline Regulation
10. Director of Enforcement
11. Director of Supervision

12. Executive Director of Finance and Corporate Services
13. Director of Information Security, Compliance and Resilience
14. Director of Change
15. Director of Finance

Performance report

Overview

In this section, our Chair and Chief Executive give an overview of the 2022-2023 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.

Sarah Smart
Chair, The Pensions Regulator

Chair's foreword

The only constant in life is change – a truism that is more relevant than ever in the world of pensions this year. TPR has been steadfast in its goal of protecting and enhancing retirement savings against the backdrop of a volatile economy and unpredictable world events.

The organisation ended the year stronger and more resolute than ever to continue its valuable work, and I am grateful to the whole executive and staff team for playing their part.

I was sad to say goodbye to my friend and colleague Charles Counsell earlier this year – as Chief Executive, he led the organisation skilfully through some of its most challenging times in recent history, while remaining well-liked and respected by the whole TPR team. I will miss his insight and experience, as well as his unrivalled knowledge of automatic enrolment! We also said goodbye to Executive Director David Fairs, who represented us with authority within industry, the media, and parliamentary committees. I wish both of them all the best with their new challenges and chapters of their lives.

I am, however, delighted that we have welcomed Nausicaa Delfas as our new Chief Executive, who not only has vast experience of pensions and the regulatory system, but also a clear vision for ensuring TPR remains relevant, respected, and responsible. During the year Robert Herga left the Board with our gratitude and thanks, having completed over five years as a non-executive director and we welcomed three new non-executive directors onto the Board: Mandy Clarke, George Walker and Alison Hatcher. Between them they bring extensive and invaluable experience across a range of sectors, and I'm really looking forward to working with them, Nausicaa and the whole TPR team to bring our ambitious corporate strategy to life.

Building and strengthening strategic relationships

Working closely with government and our regulatory family has never been more important – whether in the context of giving trustees clear guidance on liability driven investments (LDI), DB funding, fighting scams, or ensuring the industry is ready for the arrival of pensions dashboards. Against a backdrop of a cost-of-living crisis and the impact that has both on employers and savers, we need to ensure we are not only aligned but united. Our continued close working with the DWP, the Financial Conduct Authority (FCA), Bank of England and Money and Pensions Service has enabled us to be agile and clear when responding to events in real time – something that will no doubt continue to be important over the coming year.

Addressing new areas of challenge

To help trustees better understand and mitigate risks to their schemes, we've focused on two relatively new areas this year – the value in having a diverse trustee board, and the importance of taking climate and sustainability into account when making investment decisions. I've seen first-hand how healthy challenge from people of different backgrounds contributes to better board decision-making, so I've been really pleased to see this prioritised both within TPR as part of our People Strategy and in the guidance we've issued to trustee boards.

This year saw the launch of a new campaign to raise trustees' awareness of their legal duties in relation to reporting on environmental, social and governance (ESG) matters and why it's important – not just because it's the right thing to do, but because it has a demonstrable effect on a pension scheme's investments and the sponsoring employer's ability to support the scheme. We'll be building on these two areas over the next year, and I am hopeful we will see real change by the time we publish next year's Annual Report.

Looking forward

I'm very proud to have chaired TPR during such a pivotal year, where the team has worked so effectively to achieve the outcomes you'll read about in this report. All my TPR colleagues have worked tirelessly to enhance, protect and innovate savers' pots and funds, something of which they can be rightfully proud, and for which I extend my thanks.

Sarah Smart
Chair, The Pensions Regulator
3 July 2023

Nausicaa Delfas
Chief Executive, The Pensions Regulator

Chief Executive's report

I am delighted to have joined TPR as Chief Executive on 1 April 2023, at this critical time for pension savers.

We are witnessing a pivotal moment in pensions, with a steady but inevitable move of savers from DB to defined contribution (DC) arrangements, and the consequent transfer of risk from employer to saver. It's a balance we need to strike carefully to ensure we are focused on protecting all savers, regardless of the way they are saving for retirement.

Market volatility

This time last year, we were all operating in the context of the ongoing global pandemic and international conflict and instability. Since then, we have seen significant volatility in the financial markets, which has led to unprecedented intervention and scrutiny of pension funds and their investment strategies.

The impact of the movement in government bond yields in September 2022 exposed shortcomings in the resilience of LDI funds, as well as in some schemes' operational processes.

Working with the Bank of England, government, and other financial regulators, we issued guidance for trustees and their advisers in November 2022 that emphasised that pension schemes were not at risk of collapse in the face of movements in the price of gilts, and published further guidance in April of this year.

Prioritising value

At the heart of our activity lies the saver, and we have made good progress over the year on ensuring not only that their pensions are secure, but that they also provide good value for money.

We have worked closely with the DWP and FCA on a common value for money (VFM) framework, with the aim of achieving greater transparency and consistent metrics across DC schemes. In October 2021, regulations came into force to ensure trustees in smaller DC schemes (with less than £100 million in assets under management) are properly assessing the value their members are getting. Schemes that fail the assessment will need to show improvement, or wind up and put their members into a better run scheme that provides good value.

We have continued to work with our regulatory partners and industry to protect savers, and have driven up the number of schemes signing up to our Pledge to combat pension scams.

Setting clear expectations

For our regulated community to run their schemes well, they need to know what to do and what the consequences are of not doing it – whether this means using our formal enforcement powers or encouraging wind up and consolidation. Much of our activity over the past year has focused on streamlining and clarifying our guidance for trustees and employers, whether via the new DB code of practice or our general code, which brings together the majority of our other codes in a clearer, more accessible format. We have also set governance expectations in new areas, issuing guidance for the first time on ESG and equality, diversity and inclusion (EDI) matters.

Innovation through regulation

As savers' needs evolve, we have encouraged innovation within the market and the emergence of new scheme models – such as superfunds and collective defined contribution (CDC) schemes. This year we assessed and authorised the first CDC scheme, as well as a new master trust. This has been a real milestone for TPR and shows how we are putting into practice our strategy of embracing innovation to help meet pension savers' needs.

Creating a culture to be proud of

Our people are at the core of who we are and what we do. Over the past year we've rolled out our People and Culture Strategy, which sets out how we are adapting our culture, leadership, organisation and people in line with the needs of our 15-year Corporate Strategy.

EDI was a major focus over the year, both internally and externally. We launched our year two EDI action plan for our people, which looks at concrete actions we can take in the areas of engagement, learning & development, data, and recruitment. In March, we also published guidance for trustee boards (in collaboration with an industry working group), which provided practical guidance on enhancing board diversity, EDI policy and performance assessments, and inclusive member communications.

Acknowledging challenges

While I have set out some of our many successes over the past year, there are some areas in which we have not met our milestones. Many of the pieces of work that required legislative change (such as DB funding code, our general code and pension dashboards) over the past year have been rescheduled or reviewed. However, I am confident that we are on the right track and we stand ready to act, ensuring these vital pieces of work make a real difference to those we regulate, and ultimately, to the saver.

Building on success

I am privileged to be taking on this role at such a key time, and I look forward to working with all our stakeholders, and with the committed staff of TPR, to deliver our full and ambitious plans over the next year and beyond.

Nausicaa Delfas
Chief Executive, The Pensions Regulator
3 July 2023

Performance summary

This year, even more savers have been protected as a result of our regulatory activities, which included:

- more, and quicker, supervisory interventions in response to employer events
- criminal prosecutions for scams and illegal loans
- multi-million-pound settlements in avoidance cases.

We also launched two regulatory initiatives targeting thousands of schemes – one in relation to the ESG element of a scheme's statement of investment principles, and the other to check that savers in DC schemes are benefiting from new VFM assessment regulations that came into force in October 2021.

Policy achievements

Collaborating with other regulators and government bodies has always been an important way of amplifying our activities and interventions, and ensuring joined-up oversight of those we regulate. This year we worked with:

- the DWP, on implementing the Pension Schemes Act 2021, including developing draft DB funding regulations, consulting on our new code of practice, launching an authorisation regime for CDC schemes, and designing our approach for regulating compliance with pensions dashboards requirements
- the DWP and the FCA, designing and consulting on a framework of VFM metrics for DC schemes
- the FCA and the Bank of England, responding to the impact of turbulence in longer-dated UK government debt, and the shortcomings it exposed in the resilience of LDI funds.

Taking forward our Climate Change Strategy work involved providing feedback to the first wave of schemes who submitted their TCFD reports. We shared our findings with the industry, highlighting emerging good practice and areas for improvement, and explained our expectations for subsequent years. We also worked with HM Treasury (HMT), the Department for Energy Security and Net Zero, and fellow regulators, to revise and update the Green Finance Strategy.

The Climate Change Strategy also sets out our own commitment to participate in the transition to net zero and we've brought in expert resource to support the team and ensure we deliver on our strategic objectives. The move to our new office in July 2023 also provides many opportunities for improvements.

Our EDI Strategy sets out our plans for driving greater diversity and inclusion in our regulated community and within our own organisation. In March, we published an action plan to encourage high standards of EDI among our regulated community, alongside guidance for trustees and employers to help them understand and meet our expectations.

Our policy work requires input from the pensions industry and regulated community to endure it is as effective as possible. We gain this feedback from various methods, including industry panels, events, supervisory relationships and formal consultations. Last year, we published nine consultations spanning a wide range of regulatory activities.

Automatic enrolment

Following the successful AE Transformation Programme to exit Capita in the previous financial year, our business-as-usual operation remained robust and effective, maintaining high levels of employer compliance. Over the last 12 months, we engaged directly with over 600,000 employers, using a mix of over three million direct communications, campaigns and partnership reach.

We successfully managed the expected increase in case volumes in compliance and enforcement, with about 130,000 cases opened over the year. We recovered £97 million for workers who had missed out on enrolment, including from well-known operators in the gig economy and through the ongoing large employer engagement work, covering 1.6 million workers. Through combined efforts of TPR and scheme providers, over £500 million has been repaid to date into schemes with £135 million of this during 2022-2023.

Despite significant challenges with the service levels of our contact centre provider between May and July 2022, performance has remained above target since that period. We developed and launched a refreshed Operational Strategy which was aligned with the Board's steer to improve efficiency and reduce interventions. We also redesigned our main monthly management information product and forecasting models – both of which provided better information for AE decision-makers.

Other achievements included a significant reduction in review revocations, improvements to online services accessibility, and the delivery of major case management and data quality projects.

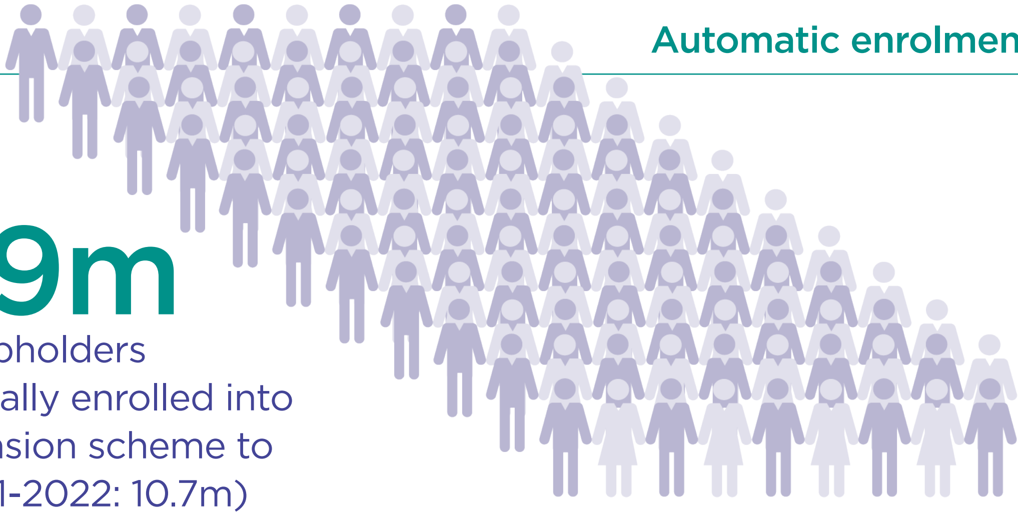
Delivering change

Over the year we focused on mitigating our top risks by working to upgrade obsolete systems and aiming to reduce the risk of successful cyber attacks. We have many colleagues supporting the delivery of our portfolio of change programmes, which included the preparing for our move to a new office.

There have also been structural changes in the last year that saw the creation of a new Digital, Data and Technology directorate as well as changes to the Governance, Risk and Assurance and Strategy and Communications teams.

Our performance in 2022-2023

Automatic enrolment



10.9m
eligible jobholders automatically enrolled into an AE pension scheme to date (2021-2022: 10.7m)

134,674
AE cases
(2021-2022: 100,705)

137
AE information-gathering powers used (2021-2022: 132)

Declaration and re-declaration of compliance

2,197k
Number of employers who completed their declaration of compliance (cumulative total) (2021-2022: 2,019k)

1,617k
Number of employers who completed their re-declaration of compliance (cumulative total) (2021-2022: 1,216k)

Enforcement

£107.6k
Financial penalties issued by Frontline Regulation (2021-2022: Not previously published)

50,301
AE fines issued for non-compliance (2021-2022: 51,373 fines)

70%
percentage of scheme memberships covered by relationship supervision (2021-2022: 68%)

145
new DB event supervision cases (2021-2022: 151)

21.9%
percentage of schemes targeted for intervention (2021-2022: 16.1%)

110
mandatory penalty notices issued (2021-2022: 70)

4
convictions totalling nearly 13 years (2021-2022: 2)

2
suspended sentences totalling four years (2021-2022: 1)

41
times information-gathering powers used (2021-2022: 79)

Our performance in 2022-2023 continued...

Master trusts

£105.3bn
Assets saved in master trusts

23.7m
Memberships in master trusts (2021-2022: 20.7m)

37
Number of master trusts that have been authorised (2021-2022: 36)

Scams

40,766
unique page views of TPR's transfer regs guidance (2021-2022: 27,092)

11,569
unique page view of TPR's scams page (2021-2022: 19,490)

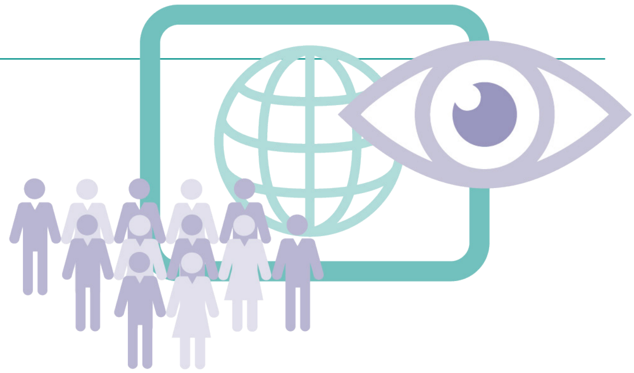
6,582
unique page views of TPR's pledge page (2021-2022: 8,754)

601
combined total of schemes and orgs who have pledged and/or self-certified to meet the principles (including members of PSIF) and master trusts) (2021-2022: 477). Of the above, there were **46** members of PSIF and **24** master trusts (2021-2022: 37 members of PSIF and 21 master trusts).

525
pledges to follow the principles of the Pension Scams Industry Group (PSIG) code (2021-2022: 216)

324
schemes and organisations self-certifying (2021-2022: 180)

Press and media



1.2m

people made **2.4m website visits** with **6.8m page views** (2021-2022: 1.15m people made 2.2m website visits with 5.8m page views)

20,844

(+11%) followers on LinkedIn YOY (2021-2022: 18,778 (+17.9%))

17,718

(+1.4%) followers on Facebook (2021-2022: 17,467 (+0.7%))

14,298

(+0.04%) followers on Twitter (2021-2022: 14,292 (+0.2%))

2,554

updates made to website content (2021-2022: 2,647)

1,990

times TPR was mentioned in our core media titles with a reach of **60m**, publicity value of **£6.7m** and **49.3%** share of voice of all coverage

170

speaking events, **8** round table events, **2** workshops and **6** webinars were delivered (2021-2022: 161 speaking, 8 round table, 2 workshops, 4 webinars)

93%

customer satisfaction following contact with our customer service centre in Brighton with CSAT respondents rating ‘very satisfied’ or ‘satisfied’ for the service they received from April 2022 to March 2023 (2021-2022: 90%)

8

new videos published on our YouTube channel (2021-2022: 5) with views totalling 2,505 (2021-2022: 1.2k)

89%

customer satisfaction following contact with our customer service centre in Birmingham with CSAT respondents rating ‘excellent’, ‘very good’ or ‘good’ for the service they received from July 2022 to March 2023

Performance analysis

In this section, you'll find a more detailed explanation and analysis of the development and performance of our organisation over the last year. This is in line with the risks and priorities we determined in our 15-year Corporate Strategy, our Corporate Plan 2022-2023, and the statutory objectives given to us by Parliament.

This section of the report details how we measure our performance against the strategic priorities from our Corporate Strategy that was published in 2021 and through key performance indicators (KPIs) and key outcome indicators (KOIs).

How we measure our performance

We measure our regulatory performance against our statutory objectives and priorities through annual KPIs. As regulatory performance is not just about metrics, we have included key examples of broader achievements against our strategic priorities, as well as outlining key activities, volumes and successes throughout the report.

The Board approves our KPIs and associated targets in response to our assessment of the key risks to the achievement of our statutory objectives and strategic priorities. They are reported to our Board and the DWP on a quarterly basis.

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

Analysis of performance

Strategic priorities, KPI and KOI outlines

Our Corporate Strategy sets out how we will meet the challenges of the future, putting the pension saver at the heart of what we do. We committed to five priorities, each with a strategic goal. They are:

1. **Security**
   Strategic goal: Savers' money is secure

2. **Value for money**
   Strategic goal: Savers get good value for their money

3. **Scrutiny of decision-making**
   Strategic goal: Decisions are made in savers' interests

4. **Embracing innovation**
   Strategic goal: The market innovates to meet savers' needs

5. **Bold and effective regulation**
   Strategic goal: TPR is a bold and effective regulator

These high-level priorities have shaped our core areas of focus which in turn form the basis of our annual activity plan. In measuring performance over time, we aim to track and measure the direct achievements of our work as a regulator, and to understand other contributing factors, such as the wider changes in the pensions market, legislation and the impact of the work of other members of the regulatory family. For example, we assess our KPIs using the following framework:

✓ **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.

We achieved 16 of our 23 KPI targets in year 2022-2023, with three amber and four red results.

Strategic priorities and KPI performance 2022-2023

1

Security
Strategic goal: Savers' money is secure

One of our key strategic goals is to ensure the money that savers invest in workplace pensions is secure, and a quarter of our key performance indicators are designed to measure our progress against security.

This year we introduced new effectiveness measures for schemes in relationship supervision. KPI 1.5 shows that over 83% of the risks we identified with schemes in relationship supervision were addressed by schemes in an acceptable timeframe. In a year when employers throughout the country have been facing challenging economic circumstances, we have remained committed to ensuring that savers' money is secure, using sharp, focused interventions through our rapid response function when we were alerted to employer distress.

A large part of ensuring the security of savers' money is through educating savers and the industry on the threat posed by scams, clamping down on criminal activity by schemes and providers, and fighting fraud through prevention and the disruption of criminals. This year our enforcement efforts resulted in several lengthy prison sentences, trustee appointments to protect schemes, and extensive national press coverage.

1 ✓

98.03% for re-declarations, 92.63% for new declarations

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

A continued and effective mix of communications activity (direct, campaign and partnerships) and targeted enforcement intervention ensured that ultimate declaration and re-declaration rates remained stable during the year.

1 ✓

2022-2023 is 97.02%, above target of 94%.

KPI 1.2: Employers make contributions to schemes before they become significant late payments.

Although employers faced increasing headwinds during 2022-2023, the proportion making contributions on time remained above target.

1 –

KPI 1.3: We will implement the new elements of the Pensions Scheme Act 2021 and track benefits realisation.

This KPI is rated amber because the legislative notifiable events regime was unavoidably delayed to 2023-2024, which meant that work on building processes and training programmes was put on hold. The remaining elements of this KPI have been met including implementing the TCFD processes. We have authorised the first CDC scheme with the supervisory processes now in place.

1 ✗

KPI 1.4: We will develop and implement the new funding code in line with milestones agreed with the DWP.

We continue to work with the DWP, following the consultation described in 3.4 below, to develop the new funding code and relevant regulations and we anticipate implementing the code and framework in spring 2024.

1 ✓

KPI 1.5: We will ensure that risks or areas of focus identified through relationship supervision will be addressed by schemes in a timely manner.

83%: The vast majority of risks and areas of focus have been addressed by schemes in relationship supervision, including DC master trusts. This includes actions already taken by scheme trustees and managers or included in a confirmed action plan within four months of receiving our feedback and recommendations:

- 75% of risks identified are addressed and/or included in an action plan agreed with the scheme within four months of delivery of the feedback report.
- Master trusts: 75% of the 'area of focus' are either addressed or agreed (with actions) with the scheme within four months of delivery of the engagement planning report (EPR).

1 ✓

KPI 1.6: We evolve our approach to preventing and disrupting pension scams by maintaining preventative activity, (including further embedding the scams Pledge), and trialling new disruption techniques.

Over time the threat of scams has evolved, and so has our approach to preventing and disrupting scams. We continue to investigate and prosecute scam cases, issue penalties and suspend and prohibit trustees, and we have introduced a number of practical measures to advance our fight against scams.

In June 2022, we published the findings of a joint threat assessment of evolving pension scams risks, which we undertook with the National Fraud Intelligence Bureau. Drawing on this intelligence, we published our Scams Strategy in August 2022, setting out our plan to combat pension scams, which is underpinned by three pillars – education, prevention, and disruption.

The strategy sets out how we will educate savers on the risk of scams, encourage schemes to adopt higher standards of protection for savers' pots, and improve the co-ordination of intelligence between strategic partners to better disrupt and prevent fraud and scams. This demonstrates our shift in focus from a more reactive state of enforcement to a preventative one.

We are leading the Pension Scams Action Group (PSAG), a multi-agency task force which brings together law enforcement agencies, government and industry to tackle pension scams and fraud. Building on the work of Project Bloom, PSAG now has dedicated resources specifically to progress its strategic action plan and objectives.

As with our overarching Scams Strategy, PSAG will focus on preventing harm in the future and building a system in which well-informed savers are provided with the widest possible protections, and enforcement is the last resort.

1 ✓

KPI 1.6: We evolve our approach to preventing and disrupting pension scams by maintaining preventative activity, (including further embedding the scams Pledge), and trialling new disruption techniques continued...

During the year, we have also continued to promote our industry-facing Pledge to Combat Pension Scams campaign, resulting in 525 organisations making the Pledge to operate over the minimum regulatory requirements and follow the PSIG Code of Good Practice (achieving 90% of Pledge target). 324 organisations have self-certified that they are fulfilling the Pledge and we achieved all four of the self-certification KPIs, as follows:

- 285% of our target of Pension Scam Industry Forum (PSIF) members have self-certified the scams Pledge.
- 220% of our target of master trusts have self-certified the scams Pledge.
- 171% of our target number of pension administrators have self-certified the scams Pledge.
- 350% of our target top 200 provider list have self-certified the scams Pledge.

We recognise how important it is to continue to build on self-certification resulting from the Pledge, driving action among schemes and industry particularly as our Perceptions Tracker survey 2022 confirms that fewer respondents had seen/heard information about the pension scams Pledge than in 2021 (67% vs 75%).

However, the survey indicated the Pledge was still widely felt to be relevant (85%), and where it is not seen as relevant, the most common reason given by respondents is that they had already taken action to reduce the risk of scams.

2 Value for Money

Strategic goal: Savers get good value for their money

In addition to savers' money being secure, it is essential they can rely on the pension system working as best as it can to receive good value from their schemes.

There is an onus on those governing pensions to ensure that all savers receive value for money by default, and we are working collaboratively with the DWP and the FCA to deliver better outcomes. We have jointly developed proposals for a VFM framework to increase comparability, transparency and competition across the pensions market. These proposals have moved the focus from purely cost to a more holistic assessment of value for money, and our work under this strategic priority will enable us to better assess the performance of pension schemes to determine if our expectations are being met with regards to suitable investments and administrative costs.

Our commitment to this strategic priority will raise standards across the market and compel underperforming schemes to take action to improve the value they provide to savers or consolidate where this is in savers' best interests. Therefore, savers who are building their pension pots can rely on us to enhance the quality of their savings outcomes.

2 ✓

KPI 2.1: We develop a regulatory initiative to regulate against the new value for members assessment.

We developed a regulatory initiative to check that DC scheme trustees with assets under management of less than £100 million are complying with the new VFM regulations that came into force in October 2021.

In this regulatory initiative, we have taken a data-led approach to contacting selected schemes about their VFM assessments, including those who have indicated that they have failed the assessment. We will then check that trustees have plans in place to improve their assessments. Where there is no evidence of improvement, we will ultimately expect trustees to wind up and consolidate into a better run scheme.

2 ✓

KPI 2.2: We launched a consultation on a holistic VFM framework, working closely with the FCA and the DWP.

We published an eight-week joint consultation on VFM metrics, standards, and disclosures with our partners at the FCA and the DWP in January 2023.

The VFM framework looks to shift the focus of schemes on cost alone towards delivering holistic value. It will drive greater transparency and standardisation of reporting across the DC pensions market, allowing trustees to make more informed decisions and improve long-term outcomes for savers.

Over the course of the consultation period, we received more than 80 responses which will inform our next steps as we work with our partners at the FCA and the DWP to deliver an effective VFM regulatory regime across both trust and contract-based pensions.

2 ✓

KPI 2.3: Multiple communications are issued directly to all schemes in the 12 months ahead of their pensions dashboards connection deadlines, emphasising the actions they need to take in respect of systems and data quality.

We issued letters and emails to all schemes with initial dashboard connection deadlines between 31 August 2023 and 31 January 2024, at least 12 months ahead of their deadline. These confirmed their deadlines, signposted our guidance, and set out specific actions to take. The government announced in February 2023 that it will be amending the dashboards connection deadlines, so our programme of letters and emails is now on hold. We have updated our guidance to reflect this delay and will communicate with schemes on the revised timeline as soon as possible.

3

Scrutiny of decision-making

Strategic goal: Decisions are made in savers' interests

The value and security that savers receive from their pensions depends on good decision-making. We are committed to ensuring that decisions are fair and transparent, and where relevant, mitigate environmental and social risks. For example, earlier this year we published new guidance for trustees (developed with an industry working group), which will be used by pension scheme governing bodies and sponsoring employers to improve the EDI of their scheme's board.

We have continued to deliver against our Climate Change Strategy launched in April 2021, which set out the changes we expect industry to make by 2024, including the publication of disclosures, and a new general code of practice. The new code includes climate change and stewardship and will confirm our expectations of trustees in these areas.

We also published our preliminary observations and feedback to industry, based on our review of a selection of pension schemes' annual climate reports.

3 ✗

KPI 3.1: We published the new code of practice, clearly setting out governance requirements. We are seeing an increase in its use over time which enhances governance standards and reduces instances of poor governance.

Due to delays in the parliamentary timetable, the new code of practice has not yet been published, therefore we have missed this KPI. The general code will update and rationalise 10 of the 16 existing TPR codes of practice into a new code to ensure that pension schemes have high-quality operations that deliver value for savers and a clear set of governance standards that we can enforce against. Once the code is published, we will be able to report on its use over time.

3 ✓

KPI 3.2: We will develop a regulatory initiative to assess compliance with the new climate-related requirements for statement of investment principles and implementation statements.

We have launched a regulatory initiative to review across a section of climate, ESG and wider sustainability-related provisions in statements of investment principles and implementation statements. To assess compliance with the climate-related requirements, statements of investment principles are required to detail policies on the stewardship of scheme investments, including consideration of financially material ESG factors (including, but not limited to, climate change). Implementation statements should show how the principles set out in the statement of investment principles have been implemented. We have launched a regulatory initiative to review across a section of climate, ESG and wider sustainability-related provisions.

3 ✓

KPI 3.3: We will set out our action plan and confirm the expectations we have of trustees. We will then develop a mechanism by which we can establish a baseline of the current equality, diversity and inclusivity of trustee boards, working with our regulated community and industry working group.

This KPI refers to our EDI Action plan, which was published in September 2022. The plan sets out the steps TPR, in partnership with the Diversity and Inclusion Industry Working Group (IWG), will take to encourage and support trustees to recruit diverse candidates and create a culture of inclusion. This was followed in March 2023 by the publication of a suite of guidance for pension scheme governing bodies and employers.

The guidance, developed in conjunction with the IWG, provides practical steps pension scheme governing bodies and sponsoring employers can take to improve the EDI of their scheme's board. It includes advice on the roles of the chair, creating EDI policy and performance assessments, reasonable adjustments and inclusive communications. We plan to carry out a detailed survey of trustees in 2023 to gain a better understanding of the current make-up of the trustee community.

3 ✓

KPI 3.4: Further to the DWP's consultation on the draft funding and investment regulations being published, we will undertake our second consultation on the draft DB funding code.

Informed by the DWP's Draft Funding and Investment Strategy regulations, our 14-week consultation on the draft DB funding code of practice and its approach to fast track was published on 16 December 2022 and closed for responses on 24 March 2023. A consultation on a draft code before regulations are finalised is not typical, but it was important for our stakeholders to see how we had interpreted the draft regulations and have a clearer understanding of how we intend the different elements of the legislative package to work together.

Our consultation has generally been well received by the industry and we are now carefully considering responses to identify where we can be clearer, and where we can develop our thinking further. The final DB funding code and fast track approach will be updated to reflect these responses and the final regulations, and we will continue to engage closely with industry throughout the process. A key focus is to ensure there is sufficient time to prepare for the new requirements coming into effect.

4

Embracing innovation

Strategic goal: The market innovates to meet savers' needs

Innovation in the interests of savers that enhances transparency, choice, value and security is key to driving progress in the pensions system. Our authorisation of the first CDC scheme, as well as a new master trust, clearly demonstrates that we are serious about embracing innovative approaches to deliver the pensions of tomorrow.

The DWP launched a public consultation to extend CDC schemes to multi-employer schemes, which concluded in March 2023. The response will be published on the GOV.UK website. Following this, we will assess the implications for our approach to regulation and operational delivery, including estimating the potential number of applications, and producing a revised code and guidance.

We are also continuing to supervise the superfund that passed our assessment in November 2021. The standards in our guidance remain applicable for any potential superfund seeking to enter the market, and we intend to publish guidance on other DB models during the year.

In February 2023, the government announced that pensions schemes' deadlines for connecting to dashboards will be changing, allowing more time for building the technical infrastructure. Despite this, we will continue to help schemes to prepare so they are ready to go live when their connection date comes.

4 ✓

KPI 4.1: A CDC authorisation and supervision regime is developed, ready and implemented so that the first authorisation decision can be made.

We consulted on and published our code of practice for the authorisation and supervision of CDC pension schemes by 1 August 2022 which was the date The Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022 came into force. We developed and implemented the supporting operational framework, so it was able to accept and assess an authorisation application for a CDC scheme from this date. We have also established a corresponding supervisory regime for authorised CDC schemes.

4 ✓

KPI 4.2: We will continue to apply the interim regime for DB superfunds in the period before specific legislation is in force and will assess applications within strict timescales.

A new superfund application was received in 2022 and its assessment was concluded within the KPI tolerance of six months.

4 ✗

KPI 4.3: Following our communications, the first schemes to implement their dashboards duties from 2023 are prepared and taking action and, from 2023-2024, we will take appropriate action where we see schemes failing under their duties.

This KPI will measure whether schemes are taking action to prepare for their duties at set points ahead of their legislative deadline. The KPI was due to come into effect late 2022-2023 in reflection of the first deadlines in August 23. However the DWP announced in March that schemes' dashboard deadlines will be moving and our KPI measure is moving accordingly.

5

Bold and effective regulation

Strategic goal: TPR is a bold and effective regulator

One of our key strategic goals is that TPR is a bold and effective regulator, and that savers' retirements benefit as a result of our operational maturity.

We have seven KPIs to evaluate our success, and these metrics are internally owned across Corporate Services, Digital, Data and Technology, and our People teams.

We continue to put our people's wellbeing at the forefront, and regularly measure this through an annual engagement survey, as well as wellbeing pulse surveys. We continue to roll out support systems and make space for and support our diversity networks.

Our adoption and embedding of a formalised hybrid working framework illustrates that we are a modern employer, and our move to a new office, which was secured this year, will complement these working patterns and help us to identify and adapt to technological and cultural changes in the future.

Our newly established Data, Digital and Technology directorate will support us in adopting digital solutions to improve the effectiveness of our services, strengthening our impact and making TPR fit for the future.

We also redesigned and relaunched our People team, which is committed to making improvements across the board, getting the basics right, building strong foundations, and improving the overall employee experience. The structure of the directorate has been designed to have clear and delineated 'clusters' of activity and accountability, while ensuring the infrastructure of the team makes for more efficient processes and an improved customer experience.

Our People and Culture Strategy has been running for a year now and sets out and defines what type of organisation we need and want to be over the next five years. It outlines how our culture, leadership, organisation, and our people will need to adapt to keep up with the pensions landscape and wider world changing around us.

Following the conclusion of the AE contract with Capita and the successful transition of services into AE in the previous financial year, we developed a refreshed AE Operational Strategy to take account of the AE 2017 review recommendations.

We acknowledge that our own progress towards combatting climate change has a central role in TPR being a bold regulator. Over the year, we have taken considerable steps to reduce our environmental impact and improve the sustainability of our operations. As we spent much of the year designing our new office premises, one of the core principles of our Accommodation Strategy was a commitment to reduce our environmental impact. In November 2022, we welcomed a sustainability and net zero adviser into our Corporate Services team.

Four of our seven KPIs under this strategic priority are green. We have implemented our KPIs that are rated amber, and we will ensure we keep our delivery on track during the next financial year. Under this strategic priority, we have missed our target for one KPI due to our outsourced call centre's reduced answer speed – however, we are assured our performance was above target from July 2022 onwards.

KPI 5.1: We developed and implemented a robust internal VFM framework that enables us to gauge and improve the value we provide.

We have adopted the National Audit Office (NAO) framework for assessing value for money. The four E's have allowed us to monitor and manage the value we provide.

Figure 2: The NAO framework for assessing value for money

Economy
Spend less
Money is spent on things that are necessary and we pay a good price

Efficiency
Spend well
The value, speed and/or volume of outcomes in relation to the cost of inputs

Effectiveness
Spend wisely
How successfully the things we spend money on achieve their objectives

Effectiveness
Spend fairly
The relative impact that the money we spend has on different groups of users/savers

5 ✗

KPI 5.2: We maintain performance across employer and scheme-facing services, ensuring prompt and responsive communications with our regulated community.

Target: Three key service levels do not fall below specified performance floors.

This KPI measures the timely and accurate dispatch of AE-related communications (eg reminder letters and enforcement notices); and the availability and call answer times of our AE customer support service. Two of the three service levels were above target/green throughout the year; however, our outsourced call centre answer speed metric was below target from May to July 2022, pushing the overall KPI into a red status. Although answer speed performance recovered fully and was green/above target for the eight months following July 2022, the measure was constructed to be rated as red if any of the relevant performance levels were missed for three or more months in the year. The measure has been adjusted for 2023-2024 to enable a more dynamic assesment of performance.

5 ✓

KPI 5.3: Our People and Culture Strategy was launched and delivers its key year one objectives, with progress demonstrated through our staff survey.

The key objective for the 'build phase' was to build solid foundations in our outcome workstreams, including workforce planning, organisational design, people systems, hybrid working and culture. As a result, we have now completed the recruitment necessary to deliver on these projects and planned the programme budget based on a phased delivery approach that will be feasible and add incremental value. This work completed to date will now allow us to design and deliver the programme.

5 −

KPI 5.4: Our Digital, Data and Technology directorate was implemented successfully.

Our Digital, Data and Technology directorate was formally established on 1 February 2023. The directorate has brought together sections from other directorates and made progress recruiting against new roles. A digital services delivery programme was established which has undertaken a significant piece of work to assess and understand transactional requirements and make recommendations for the further development of our data and digitally led capabilities.

Over the next year, we will continue to recruit technical specialists to support our digital transformation to support TPR in regulating as efficiently and effectively as possible. The continued successful implementation of this directorate will allow the organisation to explore meaningful insights and cultivate a culture where evidence drives our approach to the work we deliver.

5 –

KPI 5.5: We have high employee engagement.

We are proud of our high levels of engagement of 70%, as shown in our 2023 all-colleague survey. This is a slight reduction on last year's index of 72%. Our index exceeds that of the public sector benchmark (61%) and is in line with the financial services sector benchmark (72%). This demonstrates that, generally, our people feel motivated, driven and enjoy working at TPR.

We continue to work on improving our score through our People and Culture Strategy, our anti-bullying and harassment work, our focus on improving decision-making and governance, and refining our learning and development processes.

In addition to this, in November 2022, ExCo commissioned a formal review of how we measure employee engagement in general at TPR. A working group is exploring whether one annual survey is the way forward, or whether there might be other, better and more regular means of measuring employee engagement. The changes agreed after any recommendations from this group will affect how we measure our score next year.

5 ✓

KPI 5.6: Our team can work effectively, whether that is solely at home, solely in the office or a combination of both.

This year saw us introduce a much clearer hybrid working framework for our people as we harness the cultural benefits of in-person working while continuing to provide flexibility to work from other locations. Our 2023 annual colleague survey saw 89% of respondents strongly or tending to agree with the statement that 'my team is able to work effectively together'. This finding is stable compared with that found in last year's survey (88%).

In October last year, we asked our people some specific questions about hybrid working as part of a wellbeing 'pulse' survey, and again, the vast majority of respondents said they were comfortable with hybrid working, with 92% being favourable towards it since they had been able to experience it outside of a 'crisis response' setting. The balance of opinion was that hybrid working had improved effectiveness and collaboration, particularly in terms of how teams work, and the majority of people felt that hybrid meetings are effective, both when attending in person or virtually.

We will continue to test and learn from our relatively new framework and will continue to adapt to the needs of our people and the organisation.

5 ✓

KPI 5.7: We measure and report on our environmental impact in line with Greening Government Commitments.

We are continuing to measure and report on our environmental impact on a quarterly basis. For energy, this includes measurement of gas consumption (scope 1), electricity consumption (scope 2) and emissions associated with transmission and distribution losses arising from electricity (scope 3).

We also report on scope 3 (supply chain) emissions in relation to business travel, as well as sustainability data on waste, water consumption and paper consumption.

In general terms, we have seen a slight increase in many of these data sets, reflecting a gradual return to work post COVID-19. However, numbers are much lower than those pre-pandemic, and with hybrid working we are not expecting to see a return to those numbers. More detail on these figures can be found in the sustainability section of this report.

Going forward, a renewed focus on scope 3 supply chain emissions will be required, which will include those arising from homeworking emissions. This is particularly important given that our move to a new premises this year will mean we have limited financial control over the provision of gas and electricity, as these costs are included in our service charge.

Our key outcome indicators 2022-2023

We developed new key outcome indicators which were published in June 2022 in our Corporate Plan. These are long-term measures and are designed to measure the progress we are making towards our saver outcomes over time.

They make a step change in our ability to measure our strategic progress as an organisation and will build year on year to provide increasing levels of evidence and analysis. For 2022-2023 they are in their infancy, and we are therefore unable to track trends and are in the process of establishing/developing baselines in key areas.

Security

KOI measure: DC savers get the pensions they are entitled to because a high proportion of eligible workers are saving into qualifying schemes.

Status: The KOI result is 99.44%. Split by employer size: Large 99.5%/Medium 99.8%/Small 99.6%/Micro 96.9%.

Commentary: The vast majority of eligible workers have been enrolled into eligible schemes and compliance rates are very high, particularly among medium and high employers – and are above the employer target overall of 94% target in all employer-size segments.

KOI measure: Regulation of the master trust market as it evolves ensures that savers receive their pensions because: consolidation is managed without disruption to the service to savers, risks are mitigated via focused and effective supervision activity, and schemes continue to meet the authorisation criteria.

Status: To be further developed 2023-2024.

Commentary: In addition to the continued supervision of all master trusts, we are supervising a number of master trust consolidations. The primary mitigation remains the allocation of dedicated supervisors and the availability of experienced specialist advisers. The KOI has been tracked by ensuring adherence to the statutory notification regime, whether consolidating or operating as usual, as well as continued assessment of schemes against the authorisation criteria using our risk evaluation framework throughout each annual supervisory cycle.

Security continued...

KOI measure: DB savers' money is more secure because schemes are appropriately funded and carry an acceptable level of risk and volatility.

Status: To be further developed 2023-2024.

Commentary: The aggregate funding level has significantly improved over the last financial year (as calculated on a low dependency basis). This is due to a combination of positive returns from growth assets and an overall fall in the value of liabilities, by circa 35%, due to higher interest rates (gilt yields) over the year, offsetting the impact of higher inflation expectations.

KOI measure: Savers are being actively protected from scammers because: schemes actively mitigate scams risks for savers, as per the PSIG code and in line with our pledge to combat pension scams, and we actively mitigate scams via disruption/enforcement activity.

Status: Baseline with further development during 2023-2024.

Commentary: We continue to use a broad range of enforcement options against scammers. Last year, we secured lengthy prison sentences for two offenders and appointed independent trustees to three schemes to protect savers. Additional deterrence is achieved through publicity of our scams enforcement action, which this year received extensive national and trade press coverage as well as featuring in the BBC One programme Defenders UK and various industry speaking events. We continue our work to drive action among scheme trustees, administrators and the wider industry. This includes self-certification with our scams Pledge campaign as measured year-on-year via our scams KPI.

In terms of how schemes are taking action, surveys conducted during the year tell us that more schemes are regularly warning members about scams compared to the previous year. We also know that of those in our survey, two-thirds (67%) of schemes with a website have added content about pension scams. The vast majority of administrators confirmed that they are providing information and guidance to members on how to spot scams. Furthermore, around nine in 10 would put a transfer on hold if they suspected a scam, and most would also notify the member and raise it with the trustees/scheme manager. This action is broadly consistent with 2020-2021 survey findings.

Value for Money

KOI measure: We drive improvements in the value for money savers receive because TPR and trustees know whether schemes represent good value and trustees take appropriate action as a result of carrying out the value for members assessment.

Status: To be developed following further work on our regulatory initiative during 2023-2024.

Commentary: While the work of our regulatory initiative around VFM gathers pace, we continue to track how schemes are responding via our scheme return. In the second half of the year, we will be engaging with schemes directly. The regulatory initiative is designed to drive both awareness and action in this crucial area for good saver outcomes and we will develop our outcome measure as our work develops.

KOI measure: A common VFM assessment framework improves understanding and comparisons of value which ultimately drives improvements in value for money for savers.

Status: To be developed during 2023-2024.

Commentary: To be developed 2023-2024 as we are working through the consultation phase of the development of the framework.

KOI measure: Improvements in data quality and automation, including as a result of preparations for pensions dashboards, drive improved services for savers.

Status: To be developed 2023-2024.

Commentary: Our KPIs aim to measure the work we are doing in supporting schemes to comply with their dashboard duties, both ahead of and after their deadlines. The KOIs are much longer term and focus on the saver benefits of dashboards which will not be achieved until dashboards are well progressed, and in two cases, until they are launched and used by the public at scale. The measurement of these KOIs is driven by the timeline of the pensions dashboards initiative and in particular, when dashboards are launched to the public.

Decision-making

KOI measure: We monitor the proportion of savers in schemes that demonstrate good governance and take mitigating action where savers' exposure to risks caused by poor governance is too high.

Status: 99.99% of savers are in schemes that demonstrate good governance.

Commentary: The proportion of members in schemes demonstrating good governance via the monitoring we have in place has remained above 99% for the last two years which equates to 79% of schemes.

KOI measure: By driving trustee action on the risks and opportunities from climate change and in line with our Climate Change Strategy, we help ensure the management of savers' money takes account of environmental and social outcomes.

Status: To be further developed 2023-2024.

Commentary: In our Climate Change Strategy, we confirm that trustees must consider risks and opportunities from climate change, and exercise effective stewardship, to protect investment performance and deliver the best possible outcomes for savers.

Objective one of the strategy sets out disclosures that represent compliance with the basics on climate change. We want to see schemes publish their statement of investment principles and, for those in scope, an implementation statement and a TCFD report. In driving trustee action, we are clear that where they do not, and it is appropriate to do so, we will take enforcement action, which we may publicise. During year 1 of the requirement, 81 schemes produced a TCFD report.

More generally, our annual DC scheme survey confirms that there is a mixed picture across scheme size relating to both the assessment of climate-related risks and opportunities and taking action through stewardship. All master trusts (100%) and most large schemes (86%) have assessed risks and opportunities, but this remains low among micro (8%) and small (4%) schemes, and we see the same broad profile relating to action on stewardship.

Decision-making continued...

KOI measure: We develop enhanced understanding of the challenges faced by trustee boards in broadening the diversity of their makeup, working with industry to ensure that diverse and inclusive trustee boards make good decisions for savers by: supporting an increase in the number of diverse and inclusive trustee boards, and helping trustee boards to understand how inclusive decision-making can lead to better outcomes for savers.

Status: Further development during 2023-2024.

Commentary: As set out in our EDI Strategy, it has been recognised for a number of years that there is a lack of diversity in the composition of pension scheme boards. We know that there is a long way to go, working with the pensions sector to become a more diverse and inclusive industry and that the journey is only beginning. We want to lead by example and to see both TPR and the industry reap the benefits of greater diversity and inclusion.

We are encouraged that there seems to be increasing recognition in the industry of the benefits of increased diversity on boards. For example, Mallowstreet in partnership with Cardano, ran an EDI survey in 2022 among pension professionals. The survey found that 63% saw EDI as a useful way to broaden a team's skill sets and decision-making, and that professional trustee firms were more likely to have more developed EDI policies. In addition, according to Isio's 2022 Professional Independent Trustee Survey, the profile of trustees at professional firms is getting younger and more diverse, with changes in recruitment practices part of the reason for the change.

We will be running a pilot survey to gather baseline data on the levels of diversity on pension scheme governing bodies and will also be engaging with schemes through our supervision teams to identify any barriers to progress and best practice. Following these, we will consider suitable measures for tracking longer-term progress against this KOI.

KOI measure: Effective implementation of the new DB funding code will increase awareness and understanding of what is expected of trustees when approaching funding and investment, which will drive intention to comply with our expectations on long-term planning and risk management.

Status: To be further developed 2023-2024.

Commentary: Our 14-week consultation on the draft DB funding code of practice and its approach to fast track closed for responses on 24 March 2023. In parallel, we are carrying out user research and industry engagement on the information that may be required and how that information is submitted.

We expect to further consult on the information we will require from schemes to comply with the DB funding code as part of the Statement of Strategy later this year which will inform our approach to implementing of the code. We will continue to engage closely with industry throughout the process.

KOI measure: By bringing information into one place, pensions dashboards support savers in making the most of advice and guidance.

Status: To be developed 2023-2024.

Commentary: As previously mentioned, our KPIs will measure the work we are doing in supporting schemes to comply with their dashboard duties, both ahead of and after their deadlines. The KOIs are much longer term and focus on the saver benefits of dashboards which will not be achieved until dashboards are well progressed, and in two cases until they are launched and used by the public at scale.

Embracing innovation

KOI measure: We authorise any CDC schemes that meet legislative quality criteria and supervise them on an ongoing basis to protect savers' benefits in the longer term.

Status: To be further developed as further schemes apply to be authorised.

Commentary: We have authorised the first CDC scheme that met legislative quality criteria since launching our CDC authorisation regime in August 2022. This scheme is now under supervision, and we will revisit the key outcome indicator as appropriate during 2023-2024.

KOI measure: DB savers get the money promised to them because we ensure that active superfunds operate at an appropriate standard now and in future and we review trustees' decision-making around transfer to a superfund.

Status/Trend: Non-reportable/no trend available.

Commentary: We have assessed all superfund applications within six months. One superfund has met our criteria and is now under relationship supervision. We monitor the market to ensure that other superfunds do not operate without us having successfully assessed their standards.

KOI measure: As pensions dashboards go live, more savers better interact with their savings and begin to be reunited with lost pots.

Status: To be developed 2023-2024.

Commentary: As previously mentioned, the work we are doing in supporting schemes to comply with their dashboard duties, both ahead of and after their deadlines. The KOIs are much longer term, and focus on the saver benefits of dashboards which will not be achieved until dashboards are well progressed, and in two cases until they are launched and used by the public at scale.

Bold and effective

KOI measure: Savers get improved value for money from TPR as demonstrated through our internal value metrics.

Status: To be further developed 2023-2024.

Commentary: Value for money improvements from TPR in the previous year have included negotiation of a new lease for our head office building which will save £0.9 million per year and a reduction in AE run costs. Following the in-source and re-outsource of Capita-provided AE services, the AE operational budget has benefited from a £4 million efficiency when viewed on a 'like for like' basis. It should be noted that, since the contract ended, volumes and other factors continue to change the basis of the AE budget – these factors are unrelated to the closure of the Capita contract. This benefit fully materialised in 2022 and will continue to positively impact future operational costs.

KOI measure: Our people increasingly drive and deliver bold and effective regulation because of the shifts made through our People and Culture Strategy in relation to our people and organisation, our leadership, and our culture.

Status: To be further developed 2023-2024.

Commentary: Since publishing the strategy, we have developed the programme of work over the financial year to form activity plans across three key areas of focus: leadership, culture and organisation, and people with associated scope of work for each. We are developing outcomes that support delivery of bold and effective regulation, based on the shifts identified in our strategy. During the forthcoming year we will identify the associated measures and baseline them for tracking and reporting from 2024 onwards.

KOI measure: Savers get better value for money from TPR because digital, data and technology improves our regulatory and operational activities.

Status: To be further developed 2023-2024.

Commentary: As per our KPI, our priority focus in this area has been creating the Data, Digital and Technology directorate and setting out our strategic direction to becoming data-led and digitally enabled – with the associated improvements in economy, efficiency and effectiveness. In that way we can measure and quantify at an outcome-level how we are offering value for money for savers.

KOI measure: We are reducing our environmental impact, evidencing progress against the Greening Government Commitments and the objectives in our Climate Change Strategy, and we are improving the sustainability of our operations. We set a 2030 net zero carbon emissions target for TPR and in 2024 we will set out our plans to achieve this.

Status: Baseline.

Commentary: In line with the updated Greening Government Commitments, we are pursuing a reduction in emissions against a 2017-2018 baseline. Our aim is to be net zero by 2030, and we will set out plans for how we will achieve this in 2024. After the sharp decline in office attendance resulting from COVID-19, the past two years have seen a gradual return to the office, and environmental impacts have likewise increased, although not to pre-pandemic numbers. As we adapt to a hybrid way of working in tandem with a move to new office premises in 2023, we will continue to seek to deliver best practice sustainable outcomes, including a greater focus on our supply chain emissions.

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 2022-2023 was £96.4 million, £6.4 million lower than budget due to lower spend on projects, IT contracts and other professional services.

Further information on our 2022-2023 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 page 162.

Table 1: Actual expenditure vs budget

£m	2022-2023			2021-2022		
	Actual	Budget	Variance	Actual	Budget	Variance
Total TPR*	96.4	102.8	6.4	96.8	104.5	7.7

*All figures exclude capital expenditure

Nausicaa Delfas
Chief Executive, The Pensions Regulator
3 July 2023

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

The Greening Government Commitments were updated in December 2022 and run until 2025. We have aligned our commitments accordingly and will review a 2017-2018 baseline for our emissions reduction as part of our net zero planning work taking place in this financial year. In the longer term, this reduction will be to net zero emissions by 2030, but interim targets will be established as part of our net zero plans, aligning us with the government targets set for the DWP, our sponsor department.

Our targets and achievements relate to our sole occupancy office in Brighton.

While the COVID-19 pandemic led to limited staff occupation of our premises, the past two years has seen a gradual return to the office, as we develop a new way of hybrid working. This has meant an increase in both electricity and gas consumption, although not to pre-COVID-19 numbers as less people are in the office each day. Looking ahead we will strive to measure and track homeworking and other 'scope 3' emissions.

The trend in energy consumption resulting from a gradual, albeit hybrid, return to the office is reflected in other areas; business travel has increased, particularly in relation to rail travel, but remains much lower than previous years. This is again likely because of a greater reliance on online communication. While this has led to a slight increase in our total carbon footprint, our total FTE number has also increased, meaning that our carbon per FTE has remained stable.

Water consumption, paper consumption and waste production, while all increasing, are also remaining low compared to pre-COVID-19 figures.

Mitigating climate change: working towards net zero by 2050

Opportunities to deliver interventions in our current offices have been limited, because the lease expires in July 2023. A new lease at Telecom House in Brighton has been secured as part of our Accommodation Strategy Programme, within which sustainability has been an important consideration. This is reflected in the approach we have taken to the refurbishment and fit-out of the new premises, building sustainability into every stage of the design process. An ‘as found’ approach has been adopted where possible, reusing as standard and purchasing new by exception. The office layout was designed to minimise alterations and sustainability has been factored into goods and services procured. We are currently in the process of undertaking an external environmental assessment of these works by an assessor and hope to achieve a gold SKA rating, which is the highest rating possible under this scheme.

However, the nature of the new lease and the fact that we will be in a shared building, means that there are limitations on the interventions we can implement at these offices, particularly in relation to building fabric and heating and cooling systems. We have therefore focused on gathering accurate data and maximising the use of building controls and behaviour change to reduce consumption levels.

As our energy use will form part of the service charge, we have limited financial control over provision, and it is therefore likely our current scope 1 and 2 emissions will become scope 3 category 8 emissions. It has been confirmed with the lessor that they are accounting for energy consumption under scope 1 and 2.

While we are gathering data on some elements of scope 3, there are gaps in measuring all the emissions arising from the 10 categories of scope 3 that we have identified. Currently, the scope 3 data we are collecting relates to:

- water consumption
- fuel and energy-related activities not included in scope 1 or 2
- waste generated in operations
- business travel

We have updated our travel policy to consider carbon emissions and are working to improve the quality of data. We have also updated the factors to be considered in our business cases to include sustainability and emissions.

Our aim is to report more fully on scope 3 from the 2023-2024 financial year, as we develop best practice methodology for calculating our emissions.

Work is also currently ongoing to gather data across the other categories of scope 3, namely:

- ‘upstream’ supply chain emissions, ie emissions arising from the purchased goods and services that enable us to carry out our work
- employee commuting and homeworking
- upstream leased assets (which may include scope 1 and 2, as outlined above)
- ‘downstream’ transportation and treatment of end-of-life products, as in emissions arising from the distribution and disposal of products (for example, recruitment brochures)

As a regulator, we expect most of our emissions will sit in our upstream supply chain and will form most of our total emissions.

Sustainable technology

In 2020, most of our data centre systems were migrated into the Microsoft Azure public cloud. Our commitment to reducing our carbon footprint from our use of technology is therefore purposefully aligned to Microsoft's own commitments in this area. Microsoft has ambitious targets, which include commitments to:

- being carbon negative by 2030. By 2050, Microsoft will remove all the carbon from the environment that the company has emitted, either directly or by electrical consumption, since it was founded in 1975
- being net water positive for their direct operations by 2030
- achieving zero waste by 2030 in relation to their direct operations, products and packaging
- minimising its land footprint, permanently protecting and restoring more land than they use by 2025

We have chosen Microsoft as a partner carefully but recognise there is a great deal of scrutiny in relation to the actions of such a larger global player. Last year Microsoft grew by 20% but reduced its own emissions by 17%. However, Microsoft's third-party suppliers grew their emissions roughly in line with the 20% growth. We believe that, on balance, Microsoft is the best solution for us while keeping aligned to our own sustainability goals.

In addition, we are working to minimise our own technology footprint. We are continuing to consolidate our data estate and are maintaining our approach to powering down non-production environments overnight. We are continuing to identify and implement more energy-efficient solutions, such as reduced reliance on video and PDF formats.

In terms of capital assets, we pass our laptops at the end of their useful economic life to a third party to resell and so lengthen their life. In the longer term, as we move forward with our work around scope 3 emissions, we will develop best practice measures to account for the embodied carbon in such assets.

Greenhouse performance commentary

Table 2: Paper usage

	A4 reams	A3 reams	A4 equivalent
2022-2023	210	75	360
2021-2022	150	0	150
2020-2021	75	0	75
2019-2020	2,100	85	2,270
2018-2019	2,575	60	2,695
2017-2018	2,866	133	3,132

In our 2021-2022, Annual Report and Accounts we published that 75 reams of A4 paper were used throughout the year, which was incorrect. We have corrected the figures this year. We have also corrected the A4 equivalent figure for 2018-2019, which was previously published as 2,245 but should have been 2,695.

Staffing levels have increased in 2022-2023, with an average annual FTE number of 953, compared to 897 in 2021-2022.

Carbon dioxide equivalent (CO2e) emissions per FTE stand at 0.30 per FTE, compared to 0.33 tonnes per FTE in 2021-2022. This includes 1,304,505 kWh of gas and electricity. Total gross expenditure on the purchase of energy, including travel, was £367,287.

Water consumption in 2022-2023 was 1,575 m^3, an increase of 383 m^3. This is due in part to the water utility company undertaking a physical meter reading which adjusted for previously low estimates, coupled with increasing numbers of staff attending the office. Consumption levels remain very low in comparison to a 2017-2018 baseline.

Waste performance commentary

Figure 3: Waste performance

April 2020-March 2021 tonnes

Recycled
2,520kg (2.52 tonnes)

Waste to energy (incinerated)
1,085kg (1.08 tonnes)

Landfill
Zero*

Total
3,605kg (3.6 tonnes)

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

April 2021-March 2022 tonnes

Recycled
3,285kg (3.28 tonnes)

Waste to energy (incinerated)
4,161kg (4.16 tonnes)

Landfill
Zero

Total
7,446kg (7.45 tonnes)

April 2022-March 2023 tonnes

Recycled
3,969kg (3.97 tonnes)

Waste to energy (incinerated)
3,238kg (3.24 tonnes)

Landfill
Zero

Total
7,207kg (7.21 tonnes)

TOTAL from 2020-2023 tonnes

Recycled
9.774kg (9.8 tonnes)

Waste to energy (incinerated)
8,484kg (8.5 tonnes)

Landfill
Zero

Total
18,258kg (18.3 tonnes)

In our 2021-2022, Annual Report and Accounts we published recycling data and waste to energy data for 2019-2020 and 2021-2022 which was incorrect, although the total waste for those years was correct. We have corrected the 2020-2021 figures this year.

Total waste arising from our estate for 2022-2023 was 7.2 tonnes, of which 4 tonnes were recycled, and 3.2 tonnes were processed as energy from waste (EFW). As with previous years, there was zero waste to landfill. Overall, the total waste generated has decreased by 0.24 tonnes relative to 2021-2022.

In comparison with the low numbers during COVID-19 and the much higher numbers before COVID-19, the figures for 2022-2023 represent a level that is consistent with last year and in keeping with other datasets, reflecting moderate increases relating to hybrid working. Moving forward, we are investigating how we can improve data around discrete waste streams to effectively measure, monitor and reduce our consumption levels.

Finite resource consumption and reducing our water use

Water consumption has decreased dramatically from a baseline of 8,284 m^3 in 2017-2018 to 1,575 m^3 in 2022-2023. Numbers dropped to an all-time low of 887 m^3 during the pandemic in 2020-2021 but has increased slightly since. We are not expecting to see a return to pre-COVID-19 numbers.

However, to ensure water consumption remains low, we have included interventions as part of the refurbishment works for our new office, with the inclusion of low-flow fixtures and sub-metering to ensure accurate data capture.

Beyond water, we will be building in considerations for consumption of finite resources to our procurement processes and contract management as we proceed with our work to tackle our environmental impact.

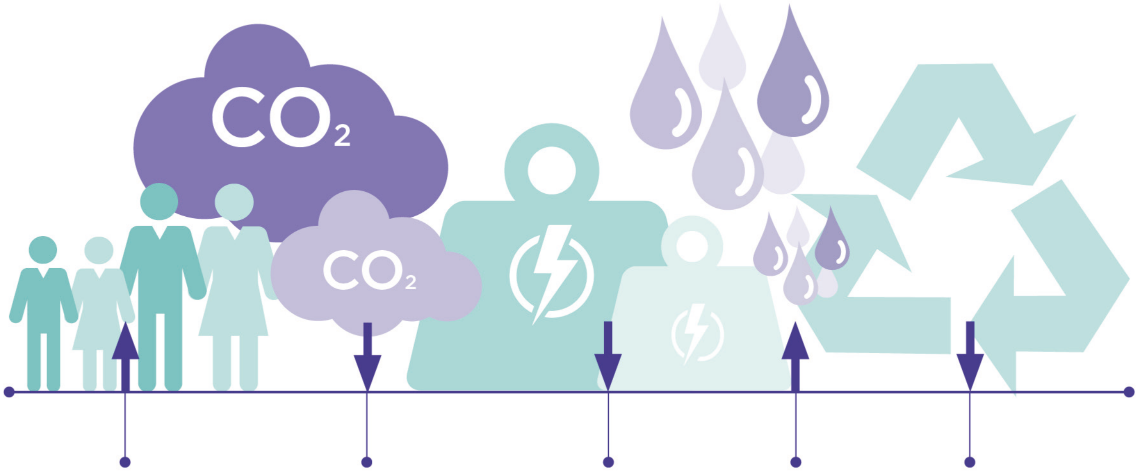
Nature recovery

We do not have ownership or control over significant natural capital, and therefore do not plan to develop a nature recovery plan. However, we recognise the importance of a natural capital approach to policy and decision-making and are seeking ways to incorporate this.

A considerable array of low-maintenance office plants is included as part of our office move, and our Sustainability Network are promoting national events such as ‘No Mow May’ to our workforce. In addition, we will be building consideration of natural capital into procurement processes and contract management.

Review in numbers

Figure 4: Breakdown of sustainability performance 2021-2023



6.24% increase in headcount

953 (2022-2023)
897 (2021-2022)

0.74% decrease in total CO2e emissions

286.59 (2022-2023)
288.72 (2021-2022)

9.1% decrease in CO2e emissions per FTE

0.30 (2022-2023)
0.33 (2021-2022)

32.1% increase in water consumption

1,575 (m^3) (2022-2023)
1,192 (m^3) (2021-2022)

3.2% decrease in total waste generated

7.21 tonnes (2022-2023)
7.45 tonnes (2021-2022)

Figure 5: Gross expenditure on related items in 2022-2023

£227,107

Total utilities (gas: £30,933 + electricity: £189,719 + water: £6,455)

£146,635

Total travel (train, bus, car: £139,277 + flights: £7,358)

Overall total: £373,742

(Utilities + travel)

The employee-led Sustainability Network has 37 members, and has continued to meet regularly, working with the organisation to encourage sustainable practices. Recent focus has been in relation to the upcoming office move.

Sustainable finance, disclosure and climate change

In our Climate Change Strategy, we committed to take an active role in influencing the debate on sustainable finance, disclosure and climate change, with a focus on the best outcomes for savers. We also committed to collaborate across financial regulators to develop consistency in our work on climate-related risks, opportunities and stewardship. We have achieved this through being an active member of the Climate Financial Risk Forum, Sustainable Finance Regulators Group, Green Finance Strategy (regulators sub-group), the Transition Plan Taskforce, Stewardship Regulators Group, Climate Working Group of the UK Regulators Network, FCA's Vote Reporting Group and the DWP's Taskforce on Social Factors. Membership of these forums has enabled us to share insights and shape best practice.

Recognising that the regulatory framework within which we operate will evolve as the needs and expectations of savers and the science of climate change develop, we have engaged and communicated with stakeholders across the sector. This has comprised a combination of advisory panels and events together with blogs, webinars, press releases and publishing guidance and findings. The aim of this engagement has been to provide clarity on our regulatory approach, expectations and policy and to participate in the debate around emerging practice, opportunities and challenges. The latter includes adaptation, nature related financial risks and the economic importance of biodiversity loss, and the potential opportunities afforded by innovations, such as nature-based solutions.

Internally, we have strengthened our governance with greater focus and oversight of climate and wider sustainability factors, as part of our regulatory role and participation in the transition to net zero.

Adapting to climate change

We published our climate adaptation report in October 2021, as part of the National Adaptation Programme. The report sets out the climate change risks most relevant to occupational pensions schemes and how we are tackling these risks, both as a regulator and an organisation.

Our commitments to tackling climate change are set out both in our climate adaptation report and Climate Change Strategy, with plans for how we get to net zero carbon emissions by 2030, to be set out within the 2023-2024 financial year.

Using the National Audit Office's good practice guide on climate risk, we have undertaken work to identify, assess, treat and monitor climate-related risks. This work is ongoing but, so far, we have identified a number of organisational-level risks relating to business continuity, reputation, personnel and property and supply chain, and have set out the mitigating actions required to reduce or eliminate these risks. We will continue to build on this work at both a regulatory and organisational level.

Ethical and sustainable procurement

Taking account of social value in our procurement and contract management

We remain focused on social value and tackling the broad range of issues this encompasses, including economic inequality, tackling climate change, equal opportunity and wellbeing.

In addition, we continue to participate in the pan-government social value network, knowledge-sharing with other regulators, and working closely with the DWP, having signed up to their Modern Slavery statement last year.

Pre-procurement sustainability impact assessments continue to be completed as part of our procurement processes. We are currently reviewing our impact assessment and business case templates, to ensure they are aligned to best practice in this area. This approach enables us to consider sustainability requirements during the procurement and evaluation process and ensure that the appropriate contractual obligations are incorporated into our contracts on a case-by-case basis.

In terms of contract management, we are undertaking an exercise to review our current contracts and work with suppliers to ensure that sustainability is being considered. As new contracts are awarded, we will continue to build the relevant requirements into the contract specification.

As we build a more robust approach to scope 3 emissions data and reduction, we will begin to gather scope 1 and 2 data from our suppliers. In addition, as well as the social value issues already mentioned, we will ensure that the broad range of sustainability issues are covered, including energy use, pollution, transport, natural capital and other factors. We will continue to take a fair and balanced approach, ensuring that contracts are awarded following best practice.

Non-financial information

Publicity

Our Corporate Strategy is the backbone to our work in the Strategy and Communications directorate, putting savers at the heart of everything we do. We protect savers by using data, analysis and insight about those we regulate to make evidence-based decisions. Our Strategy team works across TPR to ensure our strategic priorities are addressed, while communications are our direct link to stakeholders, from schemes, to employers, their advisers and ultimately savers. We communicate using a range of 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, in line with our risk appetite statement, and will ensure that all cases of fraud are promptly investigated, with appropriate action taken. Improved fraud management practices have enabled us to respond to three cases of attempted fraud during the financial year.

We have taken on a counter-fraud functional lead who is ensuring compliance with the Government Functional Standard for Counter Fraud and have centralised our internal counter fraud capability through the new enterprise compliance and counter fraud function. We have also worked on other operational and conduct risk areas such as gifts and hospitality, requests to deal, and staff whistleblowing.

Human rights

As an organisation, we are keen to ensure we are inclusive and accessible in all we do. We adhere to the Civil Service Recruitment principles when attracting and recruiting staff, as well as being a Disability Confident Employer, and have signed up to the DWP's Modern Slavery statement and built our own action plan. We also have objectives that help us fulfil our responsibilities under the Public Sector Equality Duty. We have recently updated our recruitment processes to make them more inclusive and enable us to attract a more diverse workforce, in order to achieve the aims set out in our EDI Strategy. We worked with an experienced external partner to give us up-to-date advice and will continue to develop our processes with an EDI focus. We continue this through our employee lifecycle, ensuring our policies and processes are inclusive and employees have the appropriate voice via multiple staff-led diversity networks and forums.

Better regulation

The Small Business, Enterprise and Employment Act 2015 requires the government to publish a Business Impact Target (BIT) 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**

Accountability report

Corporate governance report – directors' reports

This section includes reports on the activities of:

- **The Committee of Non-Executive Members** (page 84)
- **The Audit and Risk Assurance Committee (ARAC)** (page 85)
- **The Remuneration and People Committee (RaPCo)** (page 90)

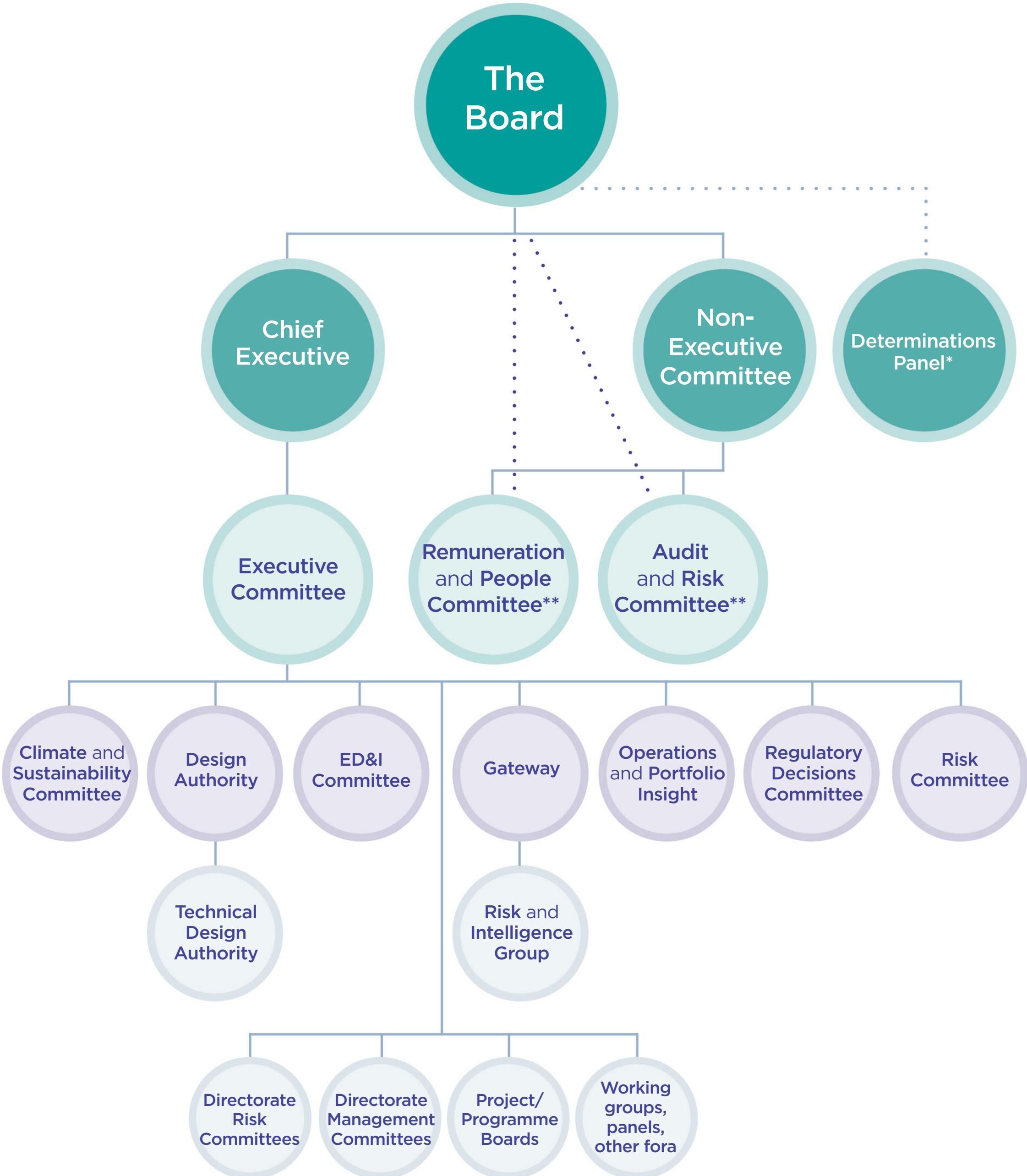
Together the above committees discharge TPR's non-executive functions as described in section 8 of the Pensions Act 2004.

Also, in this section:

- **Details of Board and Committee membership** (page 92)
- **A report on the activities of the Determinations Panel** (page 95)
  The Determinations Panel is a committee of TPR which has separately appointed members. Its role is to make independent decisions on certain of our cases.
- **Statement of Accounting Officer's responsibilities** (page 102)
  This sets out TPR's requirement to prepare a statement of accounts in the form and on the basis determined by the Secretary of State for Work and Pensions, with the approval of HMT.
- **Governance statement** (page 104)
  This is the accounting officers' statement which reports on the arrangements for ensuring TPR's business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for.
- **Remuneration and staff report** (page 131)
- **Financial review** (page 162)
  This review shows the source of TPR's funding and expenditure for the year and how value for money was achieved.
- **Parliamentary accountability and audit report** (page 170)

Figure 6 below shows the relationship between the Board and its committees, the Executive Committee (ExCo), and its various sub committees.

Figure 6: Our main committee structure as at 31 March 2023



*Whilst the Determinations Panel reports to the Board, it is independent and impartial.
**Whilst the RaPCo and the ARAC report to the Non-Executive Committee, as set out in legislation, in practice they report to the Board.

Report of the activities of the Committee of Non-executive Members 2022-2023

Membership of this committee consists of TPR's non-executive Chair, Sarah Smart, and TPR's non-executive directors – all of whom are appointed by the Secretary of State. Details of the non-executive membership over the period can be found on page 93.

Attendance is shown in the Board membership and attendance tables on pages 92 to 94.

The Non-executive Committee met formally twice in 2022 in May and October and informally on a number of occasions, such as briefing sessions. The committee's discussions covered Chief Executive recruitment, reflections on formal Board agenda topics, and the Chief Executive's end of year review. Members agreed the committee's report for inclusion in the Annual Report and Accounts and agreed appointments to the RaPCo. Succession planning and the Board skills matrix continues to be reviewed on an annual basis, as do key deliverables, our Corporate Strategy, non-executive director participation across TPR networks and projects, and the committee's own terms of reference.

Individual committee members have received training and briefing on strategically significant specific cases, policy development and a range of activities with TPR operational teams. Throughout the year members engaged with staff and took part in a programme of briefing and discussion sessions with TPR teams.

Report of the activities of the Audit and Risk Assurance Committee for 2022-2023

Introduction

Statement from Chris Morson (ARAC Chair):

'There has been progress during the year in the development of our risk and control frameworks and their application. However, we note the annual opinion of the Head of Internal Audit and wish to see these systems further embedded throughout the organisation during the coming year.'

Structure and responsibilities

ARAC is a sub-committee of TPR’s Non-Executive Committee, and reports regularly to the Board.

Audit and Risk Assurance Committee

Members

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

In regular attendance

- Charles Counsell, Chief Executive
- Helen Aston, Executive Director of Finance and Corporate Services
- Anthony Raymond, General Counsel and Director of Governance, Risk and Assurance
- Richard Edes, Head of Risk and Assurance
- Jane George, Head of Internal Audit
- Representatives from the National Audit Office (external auditors), and the DWP partnership team

*Kirstin Baker was co-opted onto the committee in March 2022, and her appointment confirmed in June 2022
*Katie Kapernaros was co-opted onto the committee from Jan 2022-June 2022
*George Walker was appointed to the committee in June 2022.

ARAC's responsibilities

Accounting and reporting

- Oversight of the development of the Annual Report and Accounts, including the application of appropriate accounting policies and the independent audit process, and recommending their adoption to the Board

Risk and assurance

Oversight of:

- strategic processes for risk management, information assurance, internal control and governance and production of the governance statement
- planned activity and the results of both internal and external audits, including adequacy of management responses
- assurances relating to the management of risk, internal controls and governance
- effectiveness and independence of the external auditor and internal audit services
- anti-fraud policies and whistle-blowing processes
- how TPR manages its cyber risk, including appropriate risk mitigation strategies

ARAC also reviews its own effectiveness annually and reports the results to the Accounting Officer and the Board.

Timetable

There were four ARAC meetings in 2022-2023 covering the full scope of the committee's responsibilities. During the year, ARAC members also held closed sessions with external and internal auditors. The committee provided reports to the Board after each meeting.

2022-2023 key areas of focus

Audit

External audit

During the year ARAC reviewed the annual accounts for 2022-2023 and recommended their approval to the Board. It also reviewed the draft governance statement for 2022-2023, Audit Completion Report and the external audit planning work for the 2022-2023 financial statements audit, along with NAO risk assessments

Internal audit

For 2022-2023, TPR’s internal audit service was provided by an in-house team led by a Head of Internal Audit, supplemented by BDO as necessary for specialist skills. The Internal Audit team worked to an annual plan agreed with ExCo and ARAC, and ARAC monitored the progress of these during the year reviewing each of the audit reports and ensuring actions are appropriately followed up.

ARAC noted the Head of Internal Audit’s annual opinion in June 2022 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'. You can find more information about this on page 128.

Overall, there were 13 assurance assignments conducted during the year plus one advisory review. From the completed reports five are rated green/amber, six amber and two amber/red

Risk and assurance framework

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

Risk management

ARAC supported and challenged the continuing development of the risk and assurance framework with a focus on ensuring a clear separation of duties under our three lines of defence model.

TPR's risk appetite

TPR's risk appetite is set by the Board and demonstrates how we balance risk and reward in pursuit of our statutory objectives. ARAC's role is to provide assurance to the Board that TPR is operating within its stated appetite, and report instances where we are outside it. ARAC reviews the Risk Appetite statement annually and it was revised during the year and presented to the Board.

TPR's register of top risks

The register is produced and endorsed by the TPR's Risk Committee using management assessments to identify, prioritise, monitor, manage and mitigate our operational and strategic risks. The committee highlighted to the Board any risks it considered required more visibility or where the organisation was operating outside of its stated risk appetite.

Detailed investigations

A rolling programme of detailed investigations takes place to allow ARAC to review the management of risks in each directorate.

Internal control systems

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. ARAC noted where further development and monitoring of control design and operating effectiveness is needed to ensure the executive team has an appropriate level of assurance.

Assurance

Assurance mapping

ARAC continues to monitor the development of a comprehensive assurance map which will contribute to identifying areas for future review. The sources of assurance include enterprise assurance, information security, compliance and resilience, internal review, regulatory assurance, internal audit, ISO reviews, and specialist reviews or audits. This important part of the risk and assurance framework provides ARAC with a comprehensive oversight of internal and external assurance.

Internal effectiveness

The 2022-2023 annual review of ARAC's internal effectiveness gave rise to discussion and actions around issues such as the best way to report on near misses and the requirement for an ARAC skills audit.

Chair's meetings

During the year, the Chair had a range of further meetings to support ARAC's work. These included discussions with the external and internal auditors, members of the executive team, GIAA and other departmental audit chairs.

Conclusion

ARAC has discharged its responsibilities in accordance with the HMT Audit and Risk Assurance Committee Handbook, and the guidance contained in the complementary NAO Audit Committee self-assessment checklist. There have been no significant non-compliance issues to report in accordance with the five good practice principles contained in the HMT handbook.

Report on the activities of the Remuneration and People Committee for 2022-2023

Structure and responsibilities

RaPCo is a sub-committee of TPR's Non Executive Committee, and reports regularly to the Board.

Remuneration and People Committee

Members

- Kirstin Baker (Chair). Stepped down 31 July 2022.
- Mandy Clarke (Chair). Appointed Chair from 1 August 2022.
- Alison Hatcher (NED).
- Robert Herga (NED). Stepped down 31 May 2022.
- Katie Kapernaros (NED).

In regular attendance

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

RaPCo responsibilities:

- On appointment and any contract extension: to advise the Secretary of State in relation to the pay of the Chief Executive including base salary, bonus, and any other components, under the terms of their contract, and in relation to pay levels for relevant comparable public and private sector roles.
- Annually: Within the terms of TPR pay remit agreed with the Secretary of State, to review the pay and performance of the Chief Executive based on input from the Chair and of executive directors including approval of any pay award or annual bonuses to be awarded to them.
- To keep TPR's Reward Strategy under review, tracking and monitoring the implementation progress of the job evaluation, reward strategy and policy as well as specifically the award, amendment, and removal of market premia.
- To review TPR's Human Resource Strategy to balance skills, knowledge and experience, considering any skills gaps, retention and long-term human resource planning, with a particular focus on leadership capability and to update the Board accordingly.

General

There were three RaPCo meetings in 2022-2023 and feedback from these meetings was provided to the Board.

Objectives, with a key focus on TPR Strategy, EDI and the People and Culture Strategy, were agreed with the Board Chair and cascaded accordingly.

Standing agenda items for the year included the TPR bonus process, Reward Strategy and policy, MyTPR staff survey, and Board skills. In addition, the People and Culture Strategy, EDI, CEO recruitment, HR risk reviews and hybrid working have been covered. Recruitment, retention, and development remain primary concerns.

Membership

Kirstin Baker stepped down as Chair on 31 July 2022 and the role is now held by Mandy Clarke. In addition, Alison Hatcher has filled the vacancy left by the departure of Robert Herga. Katie Kapernaros continues to be a valuable and active member of RaPCo.

Committee chair's meetings

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

Details of Board membership

See page 93 for Board appointments and committee memberships. You can also view the register of Board members' interests on our website: **www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/register-of-board-members-interests.ashx** and their biographies at: **www.thepensionsregulator.gov. uk/en/about-us/the-board**

Table 3: Details of Board membership

Name	Date appointed	Date term expires/ended	Committee membership
Non-executive director members			
Kirstin Baker CBE	1 June 2022	31 May 2026	Remuneration and People (Chair), Non-executive, Senior Independent Director (SID), Audit and Risk Assurance
Mandy Clarke	10 May 2022	9 May 2027	Remuneration and People (Chair), Non-executive
Alison Hatcher	1 August 2022	9 May 2027	Remuneration and People, Non-executive
Robert Herga	1 July 2017	31 May 2022	Remuneration and People, Non-executive
Katie Kapernaros	1 April 2020	31 March 2024	Remuneration and People, Non-executive, Audit and Risk Assurance
Chris Morson	1 April 2020	31 March 2024	Audit and Risk Assurance, Non-executive
Sarah Smart	1 June 2021	31 May 2026	Non-executive (Chair)
George Walker	10 May 2022	9 May 2027	Audit and Risk Assurance, Non-executive
Executive members			
Helen Aston*	1 December 2015	30 November 2023	
Charles Counsell OBE	1 April 2019	31 March 2023	
Nausicaa Delfas	20 March 2023	–	
David Fairs	2 July 2018	14 March 2023	
Nicola Parish	1 August 2016	31 July 2024	

*Helen Aston's last day will be 12 July 2023.

Details of Board attendance

Table 4: Details of Board attendance at committee meetings

Member	Number of meetings			
	Board	ARAC	Remuneration and People Committee	Committee of Non-Executive Members
Helen Aston	8/8	N/A	N/A	N/A
Kirstin Baker CBE	8/8	3/3	1/1	2/2
Mandy Clarke	6/8	N/A	3/3	0/1
Charles Counsell OBE	7/8	N/A	N/A	N/A
Nausicaa Delfas	1/1	N/A	N/A	N/A
David Fairs	7/7	N/A	N/A	N/A
Alison Hatcher	5/5	N/A	2/2	1/1
Robert Herga	1/1	N/A	N/A	1/1
Katie Kapernaros	7/8	1/1	1/3	2/2
David Martin	6/6	N/A	N/A	N/A
Chris Morson	7/8	4/4	N/A	2/2
Nicola Parish	8/8	N/A	N/A	N/A
Sarah Smart	7/8	N/A	N/A	2/2
George Walker	5/8	2/3	N/A	1/1

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

Report on the activities of the Determinations Panel

Legislative framework

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

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

Membership

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

In summer 2022, the Panel carried out a recruitment campaign to replace departing members. During the recruitment campaign, the Panel held an information webinar for prospective candidates in pursuit of diversifying its membership. This proved to be a successful exercise where the Panel received a sizeable number of diverse applications.

The result was two new members were appointed, and one existing member reappointed following open competition. The Panel’s membership includes people with a wide range of experience in the fields of regulation, law, pensions, accountancy, consumer affairs, and public policy.

Table 5: Details of Determinations Panel membership

Name	Date appointed	Date term expires/ended	Term
Antony Townsend (Panel Chair)	7 April 2021	6 April 2025	1st
Pauline Wallace	13 March 2017	12 March 2025	2nd
Sarah Chambers	1 September 2022	31 August 2026	2nd
Anne Fletcher	1 January 2021	31 December 2024	1st
Megan Forbes	1 January 2021	31 December 2024	1st
Stephen Mount	1 January 2021	31 December 2024	1st
Anthony Arter	22 September 2022	21 September 2026	1st
Margaret Obi	22 September 2022	21 September 2026	1st
Members ceasing membership since last report of 30 March 2022			
Shrinivas Honap	1 January 2021	4 June 2022	1st
Mike Urmston	1 September 2018	31 August 2022	1st
David Latham	1 April 2014	30 September 2022	2nd
Tony Foster	31 March 2014	30 September 2022	2nd

Review of the Panel's procedures

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

Last year, the Panel decided to undertake a comprehensive review of its procedures, which had not changed for several years, with a particularly focus on making them more transparent and comprehensible to those unfamiliar with TPR's processes. The Panel consulted colleagues across TPR and produced a clearer and shorter procedures document. The Case team also worked on revising its own procedures. The revised procedure (together with revised Case team procedure) was published in October 2022.

Casework in 2022-2023

During the year, the Panel received 10 cases, issued 11 determination notices and three orders, and exercised 16 powers. Eight of the cases brought to the Panel this year were made under the standard procedure. These cases comprised a number of financial penalty decisions: most were in relation to breaches of the requirements for completing a scheme return. However, one was in relation to six breaches of employer-related investments.

The Panel also received two cases referred by way of a special procedure request – the special procedure is used where there is a perceived immediate risk, and the Panel is asked to make a decision without issuing a prior warning to the directly affected parties. Both cases made a request to the Panel to appoint an independent trustee to a scheme, to which the Panel agreed. The Panel is due to hold its compulsory review for each of these cases, with representations from the directly affected parties, later in quarter one of 2023-2024.

Upper Tribunal references of Panel determinations

Parties who are dissatisfied with a case panel decision can refer the decision to the Upper Tribunal (UT). In recent years there have been few references resulting in substantive UT hearings. However, there was one case referred to the UT in early 2023 relating to a Panel determination issued in 2023 to issue fines against a scheme. No date has yet been fixed for the substantive hearing. There is a further case before the UT which relates to a Panel determination from 2020 issuing a contribution notice against one target. The hearing for this took place in May 2023.

Panel training and meetings

The Panel established a core training programme in 2022-2023, to ensure members' knowledge and skills are kept up to date and relevant. The training programme covers a wide range of topics including pensions law, TPR's powers and learning from prior concluded cases.

The Panel holds quarterly meetings where members discuss a variety of aspects of its work. Regular updates are received at these meetings from the Chief Executive and Senior Leadership team to keep the Panel informed about TPR's priorities.

The Panel Chair regularly meets with TPR's Chair, Chief Executive and Senior Leadership team, including regular meetings with the Director of Enforcement and TPR's General Counsel.

Policy Liaison Group

The Panel has to be careful not to compromise its independence from TPR’s investigations and the enforcement teams. However, issues sometimes arise in cases considered by the Panel which may have a wider significance for TPR’s work.

In the last year, we set up a Policy Liaison Group, attended by selected Panel members and representatives from Frontline Regulation, Policy and Legal teams. The Group never discusses live cases, but exists to promote learning from past cases, and to discuss possible procedural and policy improvements. The Group recently discussed the approach to calculating interest rates and lost investment returns in cases where a contribution notice is made, and how to approach third-party requests when appointing independent trustees.

Members of the Panel have also been invited to contribute to the TPR Board’s strategy discussions and TPR’s strategy on EDI. Panel members welcome these opportunities to contribute to TPR’s wider work without compromising the Panel’s independence.

Table 6: Types of determinations requested, number of powers exercised and outcomes

Type of determination requested	Number of powers exercised	Outcome
Appointment of independent trustee by the Determination Panel	3	One independent trustee was appointed to a scheme following an application by a third party asking TPR to use its powers. The trustee was appointed under s7(3)(a) and (c) of the Pensions Act 1995. Two other independent trustees were appointed following two separate special procedure requests. The subsequent compulsory reviews are scheduled to take place in quarter one of 2023-2024.
Financial penalties	6	Section 10 (PA95) Financial penalties in respect of six breaches of the requirements relating to employer related investments.
	10	Section 10 (PA 95) financial penalties in respect of ten breaches for non-compliance with submission of a scheme return.
Revocation (of financial penalties)	2	Under section 101 of the Pensions Act 2004, the Panel revoked two of the determinations to issue a penalty to two trustees for failing to submit a scheme return. The decisions to revoke followed a referral of the determinations to the Upper Tribunal and came about after two of the trustees moved address such that they had not had an opportunity to respond to the Warning Notice against them.

Conclusion

While the volume of casework has been low, the Panel has focused its attention on improvements to the Determinations Panel Procedure, Panel objectives and training programme, as well as contributing to TPR's wider work. The Panel continues to offer independent scrutiny of proposals to exercise some of TPR's most important and wide-ranging powers.

Antony Townsend
Chairman, Determinations Panel
April 2023

Statement of Accounting Officer's responsibilities

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

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

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

Charles Counsell was Accounting Officer until 31 March 2023. As part of his handover to the incoming Chief Executive, Nausicaa Delfas, he wrote a letter to her as Accounting Officer on that date, in which he provided her with assurances as part of the handover of his responsibilities for safeguarding the public funds for which he had charge: for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds and for the day-to-day operations and management of TPR. The Permanent Secretary appointed Nausicaa Delfas as Accounting Officer with effect from 1 April 2023.

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

Nausicaa Delfas
Chief Executive, The Pensions Regulator
3 July 2023

Governance statement

Scope of responsibility

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

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

Overview

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

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

We have a number of significant risks we have been managing and mitigating over the last year. The four risks out of appetite at year end were: Unmanaged Data, Ability to respond effectively to a Cyber Attack, Long-term funding and digital service delivery. This is a challenge for us. However, I am content that we have the processes in place we need, including visibility and support from the highest levels, including our Board and the DWP.

Overview continued...

Having reviewed these risks, assurances and the evidence provided from the risk and assurance team, the assurance framework and from the internal audit opinion, I am satisfied that we maintained a sound system of internal controls that have been in place up to the date of approval of the Annual Report and Accounts. Where control issues arose over the 2022-2023 financial year, they have been, or are in the process of being mitigated.

After the introduction of functional standards[1] last year, which we are complying with or working towards compliance with in line with our plans and priorities, the use of the standards has been embedded into our business plans for 2022-2023 onwards, including addressing any identified gaps.

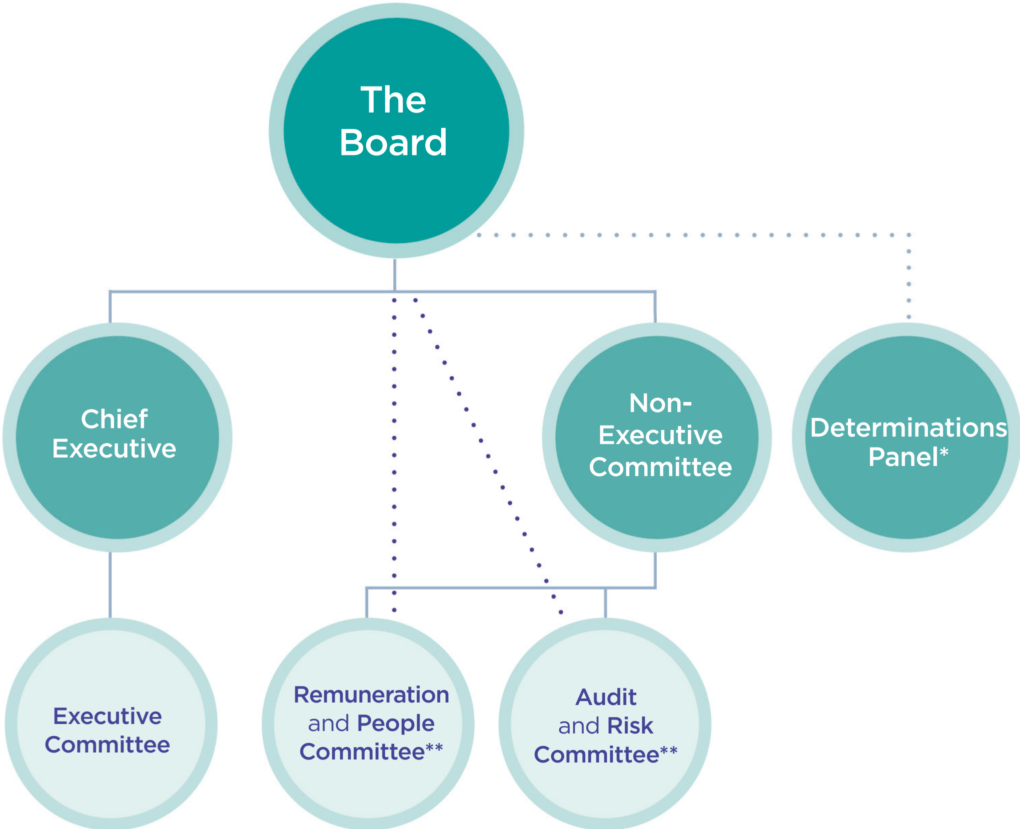
During the year, we took rapid action, working alongside the Bank of England and the FCA, to make changes to the way that LDI funds are managed and to the effectiveness of governance arrangements in pensions schemes when dealing with LDIs. This followed the Bank of England's intervention in the market in September 2022. There are a number of lessons learned from this situation and TPR has implemented some changes as a result of these and continues to work on a set of actions with respect to further changes.

TPR published its Climate Strategy in 2021 and committed to take part in the transition to net zero by setting a 2030 net zero target. While plans to achieve this will be set out by 2024, work is already underway to reduce our carbon footprint and implement measures to lessen the environmental impact of our operations.

1 Functional Standards – GOV.UK (www.gov.uk)

Our governance structure

Figure 7: Relationship between TPR's Board, associated committees and Panel



*Whilst the Determinations Panel reports to the Board, it is independent and impartial.
**Whilst the RaPCo and the ARAC report to the Non-Executive Committee, as set out in legislation, in practice they report to the Board.

Responsibilities of the Board

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

The Board publishes and regularly reviews these documents, which also cover aspects such as the terms of reference of the Board committees and the management of conflicts of interest. It has an ongoing system for managing any conflicts of interest that may arise. The Board's register of interests can be viewed here: **https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/board-information/tpr-board-members-interests-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 (July 2018) as part of its own governance framework, and those of 'Managing Public Money'.

The Board structure

The Board structure at the end of the reporting period comprised the Chair, six non-executive directors, and four executive directors[2]. Their key responsibilities[3] include:

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

Board members' appointment dates, terms of office, committee membership, attendance records and web links to their biographies are set out on pages 92 to 94 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 During the period, non-executive director (NED) Robert Herga completed his final term of office, Kirstin Baker was re-appointed and Mandy Clarke, George Walker and Alison Hatcher were appointed as NEDs. In March 2023 Charles Counsell stepped down as Chief Executive; David Fairs stepped down as Executive Director – Regulatory Policy, Analysis and Advice; and Nausicaa Delfas took up post as Chief Executive.

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**

Non-executive Committee

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

Remuneration and People Committee

Their duties are to review the pay and performance of the Chief Executive and executive directors, TPR's reward, people and culture strategies, and to update the Board accordingly. See pages 90 to 94 for a full report on the committee.

Audit and Risk Assurance Committee

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 85 to 89 for a full report on the committee.

Chief Executive

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

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

Executive Committee

The ExCo is chaired by the Chief Executive and its membership comprises a number of TPR directors, including all executive directors. It 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.

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 95 to 101 for a full report on the panel.

Board meetings from 1 April 2022 to 31 March 2023

In the year from 1 April 2022 to 31 March 2023, there were eight Board meetings, four ARAC meetings, three RaPCo meetings and two Committee of Non-Executive Members meetings. You can read summaries of the minutes of the Board meetings at: **https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/board-information**

In addition, there were two Board strategy days. The Board's steer from these have fed into our 2023-2024 planning.

Throughout the year, our Chief Executive and the Chief Executive of the PPF, or their representatives, attended meetings of each other's Boards as observers. In addition, Board members from the FCA have attended periodically.

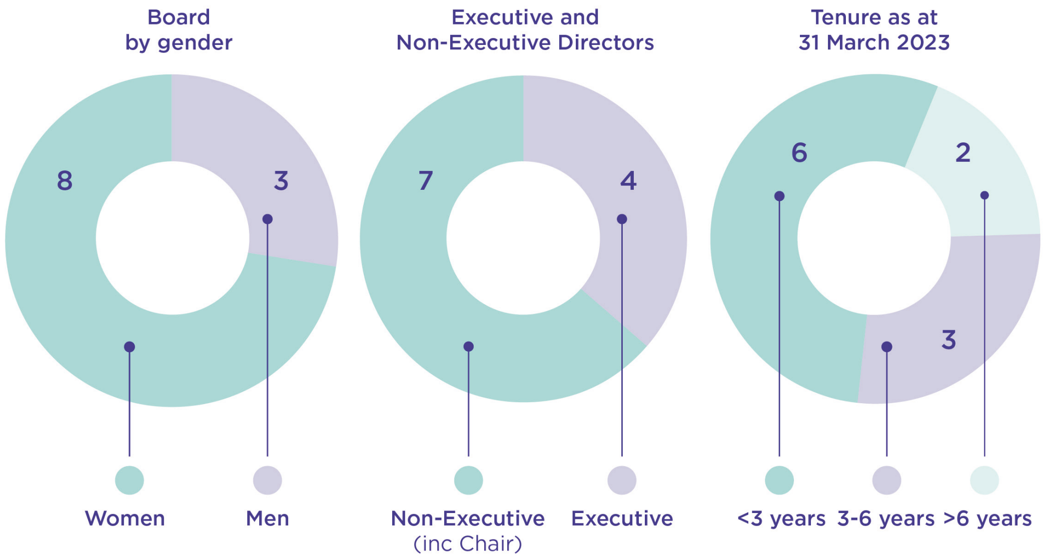
Board evaluation

An internal review of the Board's effectiveness was undertaken during the second half of 2022.

The report noted the Board's strengths and made a number of recommendations. Clarity in terms of the Board's purpose and its role and responsibilities around decision-making as distinct from other committees was a key theme, as was the consistency and quality of information received by the Board. An action plan to deal with the recommendations has been developed and reviewed by the Board and work is under way to deliver this.

Our Board diversity
As at 31 March 2023

Figure 8: Breakdown of the diversity of TPR's Board



Board by ethnicity: No Board member identifies as being from an ethnic minority

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

A recruitment campaign managed by the DWP Public Appointments team for four non-executive directors was held in 2022. TPR provided guidance and advice to the campaign to assist reaching a more diverse candidate pool and to maximise the number and diversity of applicants. This included a webinar for prospective applicants which featured the Chair and members of TPR's diversity networks.

DWP partnership

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

The DWP annual assurance assessment for 2022-2023 has been completed and our risk rating to the delivery of the DWP's objectives is medium[4]. The assessment included a majority of low and low-medium ratings. However, the overall assessment has increased slightly due to changes in weighting and categorisation.

The categories 'Financial Management', 'Risk Management', 'Organisational Capacity and Capability', 'Diversity and Inclusion' and 'Management Behaviours' have ratings of low/medium or medium. The ratings in these categories recognise the progress made and that improvement plans are in place.

TPR is currently the subject of a public bodies review, led by Mary Starks, an external independent reviewer who is expected to complete her review by summer 2023.

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

Control and assurance framework

Three lines of defence model

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

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

2022-2023 saw the establishment of TPR's Governance, Risk and Assurance (GRA) directorate, which joined together our Corporate Governance, Enterprise Risk, Assurance and Audit functions. The primary aim of the directorate is to support the organisation in effective decision-making. This is facilitated by embedding a risk management framework and culture, supported by effective governance, with regulatory and enterprise assurance that the control framework is operating effectively.

Year one has seen focus on organisational design work at a directorate and team level to ensure resources are aligned to support the challenging objectives of GRA. The newly formed Corporate Governance team has established its structure and started a series of continuous improvement projects to drive increased efficiency in the governance of the organisation.

TPR's new Enterprise Compliance and Counter Fraud (ECCF) function was set up in Q4 and includes the established Enterprise Assurance team, which provides objective opinions around operational risks. Further development of ECCF during 2023 will ensure we meet Government Counter Fraud Functional standards in addition to our external legal, regulatory, and ethical responsibilities.

Our Enterprise Risk and Regulatory Assurance teams have continued to provide second line assurance to TPR's Board via the ARAC, that organisational risks and issues are fully captured, understood, and managed effectively, with sufficient visibility and scrutiny over those risks which are out of appetite.

Lastly, our Internal Audit team has continued to provide third line assurance through a work plan of internal audits as agreed with the Chief Executive, reported in the Head of Internal Audit's annual opinion.

Our first line (management controls)

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

Internal controls

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

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

The ExCo supports the Chief Executive and the Board in ensuring our functions are exercised efficiently and effectively. Executive Committee members take shared responsibility for executive decision-making and for recommendations made to the Board. This includes assisting the Board, ARAC and RaPCo by ensuring they are only asked to make necessary decisions and that they are provided with appropriate information and support. Each member of the 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 through internal controls have agreed mitigations that are acted on and monitored through the assurance framework. Over the course of the year, the Board was provided with detailed, high-quality information including executive directors' reports and quarterly corporate performance reports. ARAC also receives a formal assurance report at each meeting which sets out in detail the key assurance activities undertaken. The report covers all types of assurance activities and is not limited to internal and external audit.

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

Internal controls continued...

Regulatory

- Detailed organisation 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.

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 (**https://www.thepensionsregulator.gov.uk/en/about-us/work-for-us/code-of-conduct**), ensuring data protection and information security, and countering the risk of fraud.
- Standing orders and terms of reference for the Board and its committees, and a set of general, financial and regulatory delegations and terms of reference for the ExCo.
- Management of, and responsibility for the programme of internal audits, regulatory assurance and other external assurance activity.
- A formal complaints procedure to deal with complaints made against us about the way in which we have carried out or failed to carry out our role.

We continue to manage our suppliers in line with our governance structure and have worked closely with the DWP and Cabinet Office to develop our Supplier Relationship Management (SRM) function. We have aligned our framework methodology to industry best practise evidenced against Cabinet Office guidelines.

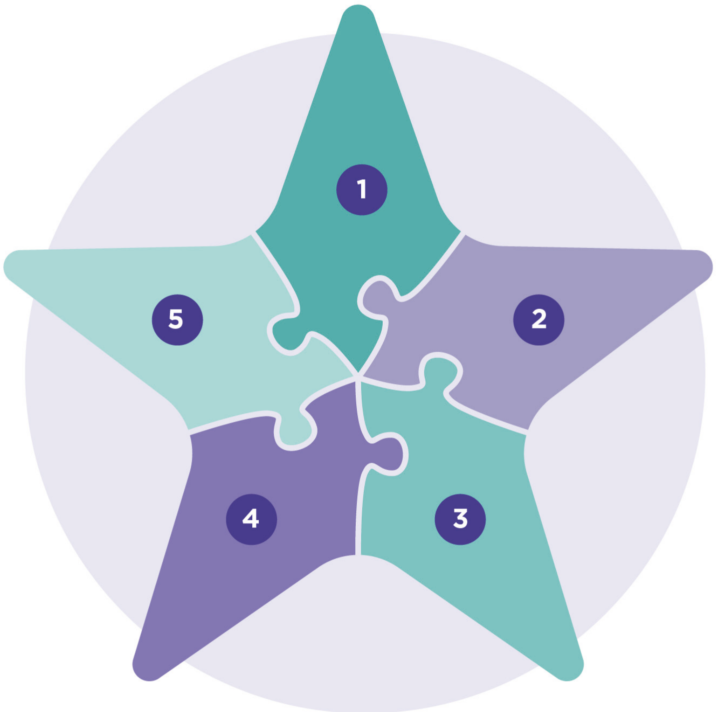
Financial

- A corporate planning and reporting system linking strategic and operational objectives and key outcomes, which is subject to regular review by the ExCo, and with quarterly reporting to the Board and the DWP.
- An annual budget agreed by the Board and the DWP, linking into the organisation planning cycle and risk appetite, supported by monthly reforecasts and reporting to each Board.
- Monthly management reporting through the 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)

Figure 9 on page 120 presents the different assurance tools employed by the risk and assurance second line teams. Each tool looks at risk and control gaps under a slightly different lens but all feed in to support an assurance opinion around the overall health of the organisation.

Figure 9: How we manage risk – our risk and assurance model



Risk and Assurance tools

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

1. **Risk appetite statement**
Board-approved steer on how to manage types of risk based on resource, strategy and current risk landscape.

2. **Assurance map and maturity matrix**
First line identified governance across key activity areas, sampled and tested by the EA team to identify gaps in assurance. The map presents control gaps which may not be recorded in risk registers due to shared ownership of activities, complexity of process or due to optimism, bias or siloed working.

3. **Centralised Action Tracker**
Second and third line actions and recommendations to the business to close gaps in assurance, to ensure regulatory and functional standards compliance and to maintain good order and protect TPR.

4. **Local risk leaders**
First line risk management, supported directly by the second line Risk team. Ensures consistency, categorisation and scoring and current live registers. Early identification of emerging risks.

5. **Risk registers**
First line identified and managed risks to delivery and reputation (inc. those risks with external drivers and those risks which arise as part of doing business, managing the organisation and being a regulator).

Risk and assurance tools

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

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

- Support the organisation in the identification and management of TPR's key risks and provide assurance as to the integrity and appropriateness of the risk profile ratings.
- Provide quarterly risk updates on TPR's key risks via the risk dashboard, and to conduct risk reviews on applicable emerging/horizon risks; including TPR's top risk dashboard, to facilitate risk discussions at TPR's Risk Committee, ARAC and the Board.
- Run TPR's Risk Committee quarterly to assess and track the effectiveness of mitigations and controls in place for TPR's key risks.
- Document TPR's annually approved Board Risk Appetite Statement (RAS) and to monitor adherence against the defined tolerances. During the year the RAS was reviewed by the Board and one change was made. This saw the introduction of a specific appetite around data risks, reflecting the importance of data to our ambitions, with many of the risks to data going beyond the considerations of systems and technology.
- Develop and enhance the content of the suite of risk analysis and where appropriate, aligning risk reporting to support corporate planning and strategic direction.
- Provide appropriate training and instruction to staff, risk owners and the Board.

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

We've refreshed our risk management framework to respond to the changing risk and operational activity, supporting delivery and decision-making with clear and consistent digital risk and assurance tools, clear risk escalation and appropriate and centralised remediation activity.

This is enabled by our new online risk management system, designed around the framework. The system guides risk owners and managers through raising and managing risks intuitively and in line with the framework.

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

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

The top risks were relatively stable throughout the year, with the focus being on risks out of appetite which are regularly reported on at Board level.

These included inter-related risks around unmanaged data and cyber, alongside a risk around obsolete systems which was brought under control during the year. A risk around our capability and capacity to deliver change moved out of appetite during the year as we sought to address the implications of historic under-investment in our technology suite. This is an area where progress has been made. We shall see this risk coming under control as we have addressed many of the obsolete systems and have been able to deploy resources in line with our portfolio. Alongside this, the Risk team is continuing to develop its second line live assurance process, with increased focus on key programmes across TPR.

Similarly, we have seen a risk around our ability to meet our ambitions in the digital space, coming within appetite. This is due to extending our user research capabilities and improving service assessments.

Another risk reported during the year as being out of appetite has been in relation to our regulatory grip. Towards the latter part of the year, we have seen a reduction in the profile of this risk as we better understand and measure the extent to which we've been able to reassert control over our regulated community, particularly where easements were previously applied during the pandemic.

During the year we also escalated the risk that TPR is not able to systematically and proactively identify and pre-empt external risks caused by changes and innovations in the market. This followed the impact on schemes of the sudden rise in interest rates, which, in particular impacted schemes with LDI strategies. We have subsequently revisited our risk framework and accountabilities to ensure such external risks will be managed in line with the existing risk framework.

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

Regulatory assurance

During the year, regulatory assurance has conducted reviews in the following areas:

- With Internal Audit, a joint review of the supervisory teams in frontline regulation.
- Our handling of, and our approach to, LDI.
- Our approach to the authorisation of superfunds.
- How we track reasons for contact in frontline regulation.
- Live assurance, beginning with the work of the Regulatory Decisions Committee, a key decision-making forum for our regulatory work.

The above reviews made recommendations and observations in the spirit of continuous improvement including:

- Improved ways of working within our supervision functions.
- Greater clarity and transparency around roles and responsibilities of key contributors to case decisions (including the advisers).
- Controls around administration of cases and maintaining end-to-end audit trails.
- Improved description of responsibilities between those designing processes and those operating them.
- Developing better ways to understand developments in the pensions industry to monitor and understand risk and develop responses.

Model risk

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

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

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

Information security, compliance and resilience

The Information Security, Compliance and Resilience directorate operates as a second line function responsible for managing cyber security risk internally and overseeing TPR's information security management system under ISO (International Standards Organisation 27001:2013). In September 2022, a recertification audit was undertaken, and our certificate was renewed for a further three years. During this period, we will transition to the new ISO 27001:2022 standard which was released in October 2022.

In November 2022, the Board formally approved TPR's first Internal Cyber Security Strategy. Our strategy is aligned to the Government's Cyber Strategy and to the 14 cyber security principles as set out by the National Cyber Security Centre as part of their Cyber Assessment Framework (CAF). The CAF is being developed to ensure that all organisations have a comprehensive and systematic approach to assessing cyber risks. The Senior Information Risk Owner provides regular assurance updates to ARAC, which includes the status of TPR's security posture and identifies any actions required to mitigate any risks which may be outside of our stated risk appetite. We have a minimal appetite to cyber risk.

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

TPR did not self-report to the ICO this year.

Complaints to the Parliamentary Ombudsman

Two complaints regarding TPR were made to the Parliamentary Ombudsman during the period. Neither of the complaints was upheld.

Whistleblowing

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

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

During the reporting period no staff whistleblowing reports were made.

Health and safety

We are committed to ensuring high standards of health and safety. It is 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.

The Health and Safety Policy and associated documents, including risk assessments, are reviewed regularly and 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 training completion is mandated to ensure TPR is compliant in its legally required duties under the Health and Safety at Work Act 1974.

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 does not justify permanent resource in the second line.
- Can be deployed to more sensitive and reactive issues where ARAC or Board requires greater independence.

The Head of Internal Audit’s annual opinion

The audit opinion takes together the assurance ratings and recommendations of individual assignments conducted in 2022 to 2023, management’s responsiveness to internal audit recommendations and the direction of internal control, governance and risk management.

Over 2022-2023, there were thirteen assurance assignments conducted plus one advisory review. The assurance opinions provided in those assurance reviews are:

- Five green-amber
- Six amber
- Two amber/red

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

This is a ‘level 3’ rating, against four possible rating levels. My opinion for 2022-2023 remains the same as the previous financial year.

A critical part of an organisation’s internal control, governance and risk management framework is management’s responsiveness to the implementation of agreed internal audit actions, indicating that management is making positive steps towards improvement. ExCo audit sponsors have made considerable progress over the year, but a significant number of outstanding and overdue actions remain. A process has been designed this year to escalate these actions to ExCo and this will be implemented over 2023-2024.

Themes drawn together from our work over the year included:

Key controls

Internal Audit reviews this year show that some issues found in the previous financial year remain unresolved. There have been examples where policies did not exist, or were not up to date, and processes had not been sufficiently mapped and documented. Where processes existed, there was evidence some were not followed. This presents a risk of ineffective and inefficient processes within key enabling activities. Actions for the 2021-2022 review of starters, movers, and leavers remain outstanding, an incomplete picture of all people employed at TPR. Associated risk of that lack of certainty, or ability to derive that information efficiently and effectively is having an impact on a number of the reviews undertaken in 2022-2023.

Adequacy of supporting systems

Risks posed by the lack of suitable underpinning enabling systems are evident, resulting in inefficient processes and risk of human error. We remain concerned by the number of systems used in the income and debt management process which we reported on in 2021-2022 and again in 2022-2023.

Rather than reduce the number of systems, they have now risen from 22 to 23 different supporting systems. In addition, there remains to be an outstanding action from the 2021-2022 review of HR record-keeping where the lack of prioritisation of an applicant tracking system means we still fail to comply with GDPR or facilitate EDI policies.

Governance and change

TPR continues its trend of significant change this year. We noted marked improvements being developed and rolled out throughout the year through the PMO function (portfolio and programme levels) with a recognition of controls derived from Functional Standards and Green Book methodologies. We also note the increase in 'live assurance' from both the Risk and Regulatory Assurance teams and the openness of the Change function to the new methodology. The increased levels of assurance from second line mean that Internal Audit is now able to take assurance from a much richer set of sources.

Assurance

There is a reasonably strong suite of first line assurances to inform management. However, there is more to do to develop sufficient second line assurances and a continued need to strengthen awareness of the three lines model within TPR where there continue to be misunderstandings. New functions have been developed this year to further strengthen second line, such as Enterprise Compliance and Counter Fraud, which will build their influence on key controls throughout the coming year.

Conclusion

I recognise the importance of continuing to improve our processes and managing risk.

Having reviewed the evidence and internal audit opinion, I am satisfied that there was an appropriate system of internal controls during the 2022-2023 financial year. However, there are a number of areas that need further work which I am committed to addressing. Control issues that arose over the year have been, or are in the process of being addressed, and there were no significant control failures or significant data losses.

During the year we have strengthened our second line assurance and our corporate governance and processes, and as a result, we are increasing our assurance and reducing our level of organisational risk.

I can confirm that we received no ministerial direction under the Ministerial Code 2019 during the financial year 2022-2023.

Nausicaa Delfas
Chief Executive, The Pensions Regulator
3 July 2023

Remuneration and staff report – remuneration report

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, as well as information on progress against TPR's equality objectives and gender pay gap action plan.

The Remuneration Committee

Details of the activities of the remuneration committee during the period ended 31 March 2023 are set out on page 90.

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 7 on page 132.

Table 7: Length of service contracts for Board members

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

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

* Kirstin Baker was reappointed on 1 June 2022.
** Mandy Clarke was appointed on 10 May 2022.
*** Alison Hatcher was appointed on 1 August 2022.
**** Robert Herga's contract ended on 31 May 2022.
***** George Walker was appointed on 10 May 2022.

^ Charles Counsell left TPR on 31 March 2023.
^^ Nausicaa Delfas was appointed on 20 March 2023.
^^^ David Fairs left TPR on 14 March 2023.

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 8: Remuneration of Senior management

Executive members									
Salary (£'000)		Bonus payments (£'000)		Benefits-in-kind (to nearest £100)		Pension benefits (to nearest £1,000)*		Total (£'000)	
2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022
Official: C Counsell OBE (Chief Executive)**^									
205-210	205-210	–	15-20	–	–	–	–	205-210	225-230
Official: N Delfas (Chief Executive)***									
5-10	–	–	–	–	–	3,000	–	10-15	–
Official: H Aston (Executive Director, Finance and Corporate Services)									
140-145	140-145	–	5-10	–	–	56,000	55,000	200-205	200-205
Official: D Fairs (Executive Director, Regulatory Policy, Analysis and Advice)*****^^									
140-145	145-150	–	10-15	–	–	–	–	140-145	155-160
Official: N Parish (Executive Director, Frontline Regulation)									
150-155	145-150	–	10-15	–	–	58,000	58,000	205-210	215-220
Official: J Hill (Executive Director, Strategy and Risk)*****									
–	40-45	–	5-10	–	–	–	–	–	50-55

* 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. C Counsell, D Fairs and J Hill chose not to be covered by the Civil Service pension arrangement during this period.

** C Counsell left TPR on 31 March 2023.

*** N Delfas was appointed as Chief Executive on 20 March 2023. On a full year basis, N Delfas' salary would have been £205k-£210k.

**** D Fairs left TPR on 14 March 2023. On a full year basis, D Fair's salary would have been £145k-£150k.

***** J Hill left TPR on 9 April 2021.

^ In addition to the above salary, C Counsell received a payment of £5k-£10k in lieu of annual leave.

^^ In relation to the above salary, D Fairs' salary was reduced by £0k-£5k relating to annual leave owing on resignation.

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 2022-2023 was £215-220k (this includes the payment of a bonus in April 2023 of £5-£10k, increasing the banding of the highest paid director in Table 8 on page 134 from £205-210k to £215-220k).

Table 9: 25th, 50th and 75th percentile pay ratios comparing all staff to the midpoint of the banded remuneration of the highest paid director

	2022-2023			2021-2022		
Percentile	**Ratio**	**Salary £'000**	Total Remuneration £'000	**Ratio**	Salary £'000	**Total Remuneration £'000**
25th percentile pay ratio	6.4:1	34	34	7.2:1	32	32
Median pay ratio	4.7:1	46	46	5.0:1	44	46
75th percentile pay ratio	3.3:1	63	66	3.6:1	64	64

All ratios have reduced due to a reduction in the bonus paid to the highest paid director.

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

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

The percentage change from the previous financial year in respect of the highest paid director is decrease of 4.4% as the bonus payment received was reduced. The average percentage change from the previous financial year in respect of all employees is an increase of 3% mainly due to an increase in the proportion of agency contractors included within the workforce.

In 2022-2023, four agency contractors received remuneration more than the highest-paid director on a full year equivalent basis (compared to two in 2021-2022). No payroll employees received more than the highest-paid director in the current or previous financial years. Remuneration ranged from £17,357 to £325-£330k full year equivalent (2021-2022: £15,274 to £325-£330k). In 2022-2023 the individual in receipt of the highest remuneration on a full year equivalent basis (£325k-£330k) was not in post at the reporting date. The highest remuneration as at the reporting date was £245k-£250k full year equivalent.

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 10 on page 138.

Table 10: Remuneration of TPR's Board and Determination Panel members

	2022-2023			2021-2022		
	Salary (£'000)	**Total benefits-in-kind** (to nearest £100)	**Total** (£'000)	**Salary** (£'000)	**Total benefits-in-kind** (to nearest £100)	**Total** (£'000)
S Smart (Chair)	70-75	£2,100	75-80	70-75	£200	70-75
K Baker CBE	15-20	–	15-20	15-20	–	15-20
M Clarke*	15-20	–	15-20	–	–	–
A Hatcher**	10-15	–	10-15	–	–	–
R Herga***	0-5	–	0-5	15-20	–	15-20
K Kapernaros	15-20	200	15-20	15-20	–	15-20
C Morson	20-25	1,400	20-25	20-25	–	20-25
G Walker****	15-20	–	15-20	–	–	–
D Martin*****	–	–	–	10-15	–	10-15

* M Clarke was appointed 10 May 2022. On a full year basis, M Clarke's salary would have been £15k-£20k.

** A Hatcher was appointed 01 August 2022. On a full year basis, A Hatcher's salary would have been £15k-£20k.

*** R Herga's contract ended 31 May 2022. On a full year basis, R Herga's salary would have been £15k-£20k.

***** George Walker was appointed 10 May 2022. On a full year basis, G Walker's salary would have been £15k-£20k.

***** D Martin's contract ended 31 January 2022.

The total amount paid to non-executive directors (including the Chair) during the 2022-2023 period was £180k-185k (2021-2022: £160-165k). The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits shown above represent the payment of expenses for 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 11: Executive members' pension benefits as at 31 March 2023

Executive members	Accrued pension at pension age as at 31/3/2023 (£'000)	Real increase in pension and related lump sum at pension age (£'000)	CETV at 31/3/2023 (£'000)	CETV at 31/3/2022 (£'000)	Real increase in CETV (£'000)
H Aston (Executive Director, Finance and Corporate Services)	40-45	2.5-5	474	418	23
N Parish (Executive Director, Frontline Regulation)	40-45	2.5-5	606	533	34
N Delfas (Chief Executive)	0-5	0-2.5	2	0	2

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.

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

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

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

Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the cash equivalent transfer values shown in this report – see page 139). 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 a member 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 their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate 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 a member 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.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that were extant at 31 March 2023. HMT published updated guidance on 27 April 2023; this guidance will be used in the calculation of the 2023-2024 CETV figures.

Real increase in CETV

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

Determinations Panel (subject to audit)

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

Table 12: Allowance rates for members of the Determinations Panel

Salary (2022-2023)	**Panel members in band**
£20k-£25k	A Townsend (Chair)
£5k-£10k	A Fletcher, M Forbes, A Foster, S Mount, P Wallace
£0k-£5k	S Chambers, S Honap, D Latham, M Obi, M Urmston, A Arter

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

Staff report

Staff numbers and related costs (subject to audit)

2022-2023	AE £'000	Levy £'000	Total TPR £'000
Permanent employed staff			
Salaries and wages*	12,604	30,860	43,464
Social security costs	1,566	3,793	5,359
Other pension costs	3,358	8,139	11,497
	17,528	**42,792**	**60,320**
Other			
Salaries and wages*	4,122	8,145	12,267
Social security costs	133	324	457
Other pension costs	287	694	981
	4,542	**9,163**	**13,705**
Less recoveries in respect of outward secondments	(46)	(423)	(469)
Total costs	**22,024**	**51,532**	**73,556**
Charged to staff budgets	**22,024**	**51,532**	**73,556**
Charged to capital budgets	**529**	**-**	**529**
Total staff expenditure	**22,553**	**51,532**	**74,085**

Staff report continued...

2021-2022	AE £'000	Levy £'000	Total TPR £'000
Permanent employed staff			
Salaries and wages*	11,335	27,240	38,575
Social security costs	1,377	3,270	4,647
Other pension costs	3,166	7,517	10,683
	15,878	**38,027**	**53,905**
Other			
Salaries and wages*	2,817	5,741	8,558
Social security costs	132	313	445
Other pension costs	303	719	1,022
	3,252	**6,773**	**10,025**
Less recoveries in respect of outward secondments	(62)	(480)	(542)
Total costs	**19,068**	**44,320**	**63,388**
Charged to staff budgets	**19,068**	**44,320**	**63,388**
Charged to capital budgets	**-**	**1,263**	**1,263**
Total staff expenditure	**19,068**	**45,583**	**64,651**

A summary of the staff numbers and related costs shown on pages 145 and 146 is included in Note 3 to the accounts set out on page 197.

*Salaries and wages for 2022-2023 includes staff holiday accrual £861k (2021-2022: £902k) for levy and £355k for AE (2021-2022: 344k).

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 2022-2023, employers' contributions of £12,320k were payable to the PCSPS (2021-2022: £11,595k) at one of four rates in the range 26.6% to 30.3% (2021-2022: 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 £153k (2021-2022: £114k) were paid to the Civil Service Partnership scheme. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay from 1 October 2015.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £6k, 0.5% (2021-2022: £4k, 0.5%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

No individual retired early on ill-health grounds during 2022-2023 (2021-2022: nil); the outstanding pensions contributions as at 31 March 2023 equates to £1,348k (31 March 2022: £1,203k) are included in current liabilities in Note 9 on page 207.

Average number of persons employed (subject to audit)

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

2022-2023	AE	Levy	Total TPR
Permanently employed staff	269	512	781
Other	41	125	166
Staff engaged on capital projects	5	-	5
Total	**315**	**637**	**952**

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

The average turnover of all payrolled staff for 2022-2023 was 13% (2021-2022: 16.9%).

Consultancy and temporary staff

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. 2022-2023 has seen a reduction in the amount of consultancy due to the completion of large scale projects in the prior year, while contingent labour has increased largely due to the difficulties filling key roles within IT and Digital.

2022-2023	AE £'000	Levy £'000	Total TPR £'000
Consultancy	12	24	36
Temporary (off-payroll staff)	3,051	5,549	8,600

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

Full time equivalent off-payroll staff*	AE	Levy	Total TPR
31 March 2023	28	40	68
31 March 2022	19	41	60

*The full time equivalent off-payroll staff numbers relate to the position 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 13: Exit packages (subject to audit)

Exit package cost band	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	– (5)	– (5)
£10,000-£25,000	1 (–)	1 (–)
£25,000-£50,000	2 (–)	2 (–)
£50,000-£100,000	1 (–)	1 (–)
£100,000-£150,000	– (–)	– (–)
£150,000-£200,000	– (–)	– (–)
Total number of exit packages by type	**4 (5)**	**4 (5)**
Total resource cost/£’000	191 (28)	191 (28)

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

Off-payroll engagements

Highly paid off-payroll worker engagements as at 31 March 2023, earning £245 per day or greater.

Number of existing engagements as at 31 March 2023	51
of which, the number that have existed for:	
less than one year at time of reporting	47
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	1
four or more years at time of reporting	0

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater.

Number of temporary off-payroll workers engaged during the year ended 31 March 2023	110
of which were not subject to off-payroll legislation	110
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 2022 and 31 March 2023.

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

*All Board members with significant responsibility are on payroll.

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

Our EDI Strategy 2021-2025 sets out a clear vision for driving greater equality, diversity and inclusion both within our own organisation and within our regulated community.

We have made good progress against our three strategic aims following the appointment of an EDI lead in 2022. We have achieved the following key successes in the second year of our strategy:

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

- We strengthened our recruitment processes and introduced a range of inclusive recruitment interventions to support us in increasing diversity in TPR. For example, we launched refreshed recruitment guidance with information on reasonable adjustments, removed all questions relating to salary history from the application process and interview discussion, and introduced language proofing software to highlight biased language and ensure our adverts are neutral.
- We delivered an inclusive leadership training programme for all people managers to increase their understanding what inclusion really means and how they can be more inclusive in the day-to-day management of their team.
- We developed a framework to support our staff diversity network chairs and sponsors focused on roles and responsibilities, learning and development and reward and recognition.
- We hosted a series of informal monthly coffee mornings for all staff with the EDI lead to provide a channel for staff to suggest improvements or to raise concerns – insights from these sessions have been extremely valuable in reflecting the lived experiences of colleagues.
- We refreshed the EDI Committee terms of reference and held monthly meetings with two employee representatives and two network chairs. Feedback on the new approach has been positive – Committee members have said that discussions are more focused.

continued over...

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

- We conducted an annual declaration drive to encourage all staff to share their diversity data with us – the campaign increased declaration rates from our overall baseline of 84% to 89%[5].
- We developed a Public Sector Equality Duty framework and supporting training programme to ensure that all staff understand their responsibilities in relation to the duty and consider equality, diversity and inclusion in people, regulatory and operational practices to improve decision-making and promote inclusive outcomes.

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

- We are utilising insights from the joint consultation into the consumer pensions journey completed with the FCA to build our understanding of why pensions inequalities occur.
- Automatic enrolment has resulted in an increasingly diverse group of pension savers however, there is more work to be done in this area. Dialogue continues with other regulators, HMT and DWP colleagues to build on this and the 2017 Automatic Enrolment Review proposals.
- For the upcoming year we will use findings from the consumer pensions journey alongside research from organisations such as the Pensions Policy Institute and Fair4All finance (a member of our saver panel) who are also looking into why pension inequalities occur, to determine the scope of our work in this area.

5 Data as at 31 December 2022.

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

- We established our Diversity and Inclusion industry working group in 2021, which supported us to design our action plan for promoting high standards of diversity and inclusion amongst our regulated community. We published this in September 2022.
- We published EDI guidance for trustees and employers in March 2023. The guidance outlines good practice, case studies and tools for employers, trustees and their advisers to understand and meet EDI expectations. The guidance was developed in collaboration with our EDI industry working group and it is intended to be used by pension scheme governing bodies and sponsoring employers to improve the EDI of their scheme's board.
- We have started engagement with schemes through relationship and master trust supervision. This is an opportunity to deepen our understanding of the potential barriers and identify good practice.
- We delivered a pilot trustee survey to develop our baseline of diversity data amongst trustees.

Diversity pay gap data

Our diversity pay gap report 2022 covers gender, disability, ethnicity, and sexual orientation. While it is only mandatory to report on information on gender, we voluntarily include information on disability, ethnicity and sexual orientation as we are committed to taking a holistic approach to the fair treatment and reward of all staff and ensuring the TPR is an inclusive place where people can be at their best.

The report provides a list of the key actions we have already taken and sets out further actions we will be taking to improve pay gaps which we believe will have a positive impact on pay gaps for all groups. You can find out more details in our Diversity Pay Gap Report 2022: **https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/gender-pay-gap**

Key headlines from the report

Pay gap calculations are based on data from a 31 March snapshot date each year. There were 890 staff in post at the snapshot date of 31 March 2023 (compared with 825 the previous year).

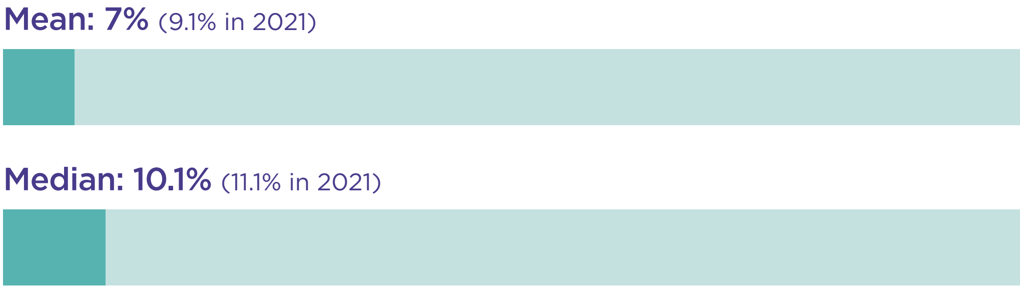
Overall, we are confident that our Pay Strategy is non-discriminatory in its design, and this is supported through our analysis, which demonstrates the pay gap to be largely attributed to the distribution of the workforce, specifically limited diversity in higher grades. Diversity pay gaps continue to be a key consideration as we develop our future Reward Strategy.

We recognise that closing our diversity pay gaps for gender, disability, ethnicity and sexual orientation will not be quick or simple, but we're committed to take the necessary long-term action to reduce them. We have outlined the actions we are taking to improve our diversity pay gaps here: **https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/gender-pay-gap**

Gender pay gap

There has been a decrease in both the mean (2.1 percentage points (p.p) and median gender pay gaps (1 p.p) since 2021, although the pay gap is still in favour of men.

Figure 10: Differences in Mean (average) and Median gender hourly rate of pay



We compare favourably with both the overall Civil Service 2022 mean (8.5%) and median (11.3%) gender pay gaps.

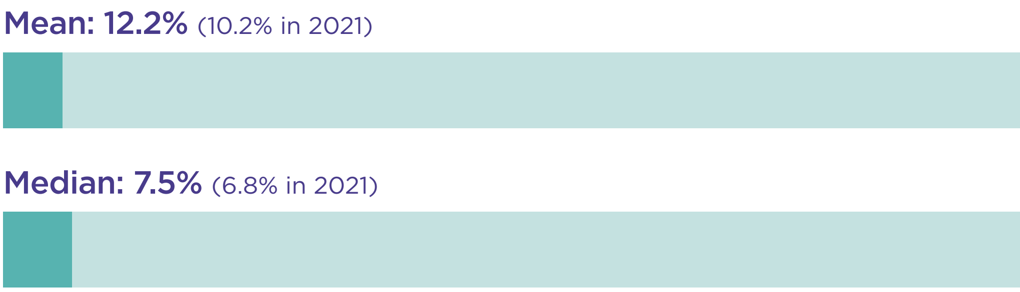
Gender bonus gap

Although the proportion of women receiving a bonus has increased and the proportion of men receiving a bonus has decreased since 2021, both the mean and median bonus gaps have increased.

This is largely attributable to higher paid men receiving higher bonus amounts, as bonuses are calculated as a percentage of individual salary.

We compare favourably with the Civil Service mean bonus gender pay gap of 27.4% in 2022 and the median bonus gender pay gap of 37.1% in 2022.

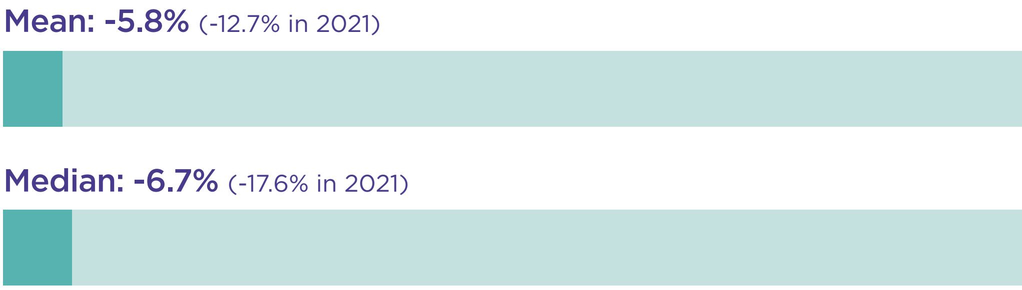
Figure 11: Differences in Mean (average) and Median gender bonus pay



Disability pay gap

There has been a decrease in both the mean (6.9 p.p) and median disability pay gaps (10.9p.p) since 2021. However, the gaps still remain favourable for those who have declared themselves as disabled in comparison to those who are not disabled.

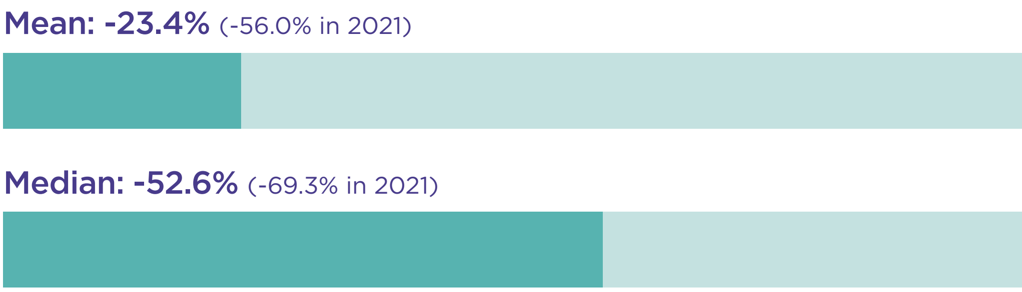
Figure 12: Differences in Mean (average) and Median disability hourly rate of pay



Disability bonus gap

The mean and median disability bonus gaps have also decreased, although they remain more favourable for those declaring as disabled in comparison to those who do not. This is largely attributable to higher representation of people declaring a disability in more senior grades than in junior grades as bonuses are calculated as a percentage of individual salary.

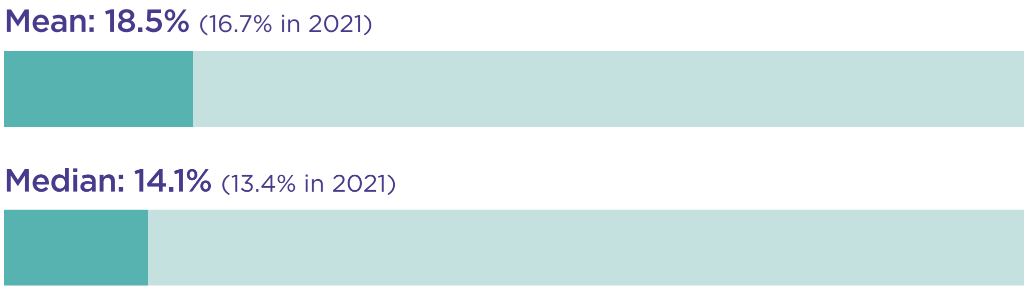
Figure 13: Differences in Mean (average) and Median disability bonus pay



Ethnicity pay gap

On 31 March 2022, there were 94 staff who declared themselves as being from a minority ethnic background, which represented 10.6% of the workforce. There has been an increase in both the mean (+1.8 p.p) and median (+0.7 p.p) ethnicity pay gap since 2021.

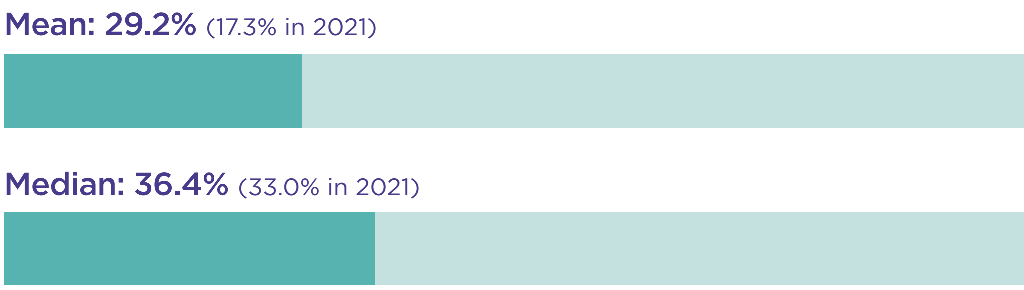
Figure 14: Differences in Mean (average) and Median ethnicity hourly rate of pay



Ethnicity bonus gap

The mean and median ethnicity bonus gaps have increased and remain more favourable for those from white ethnic backgrounds in comparison to those from minority ethnic backgrounds.

Figure 15: Differences in Mean (average) and Median ethnicity bonus pay



While the proportion of minority ethnic staff has increased in three of the four quartiles since the 2021 report, if we do not increase the representation of ethnic minority staff in TPR particularly in more senior and higher paid technical roles, we are likely to see these gaps perpetuate for the foreseeable future.

Sexual orientation pay gap

There has been a slight increase in the mean (1 p.p) and median (1.9 p.p) sexual orientation pay gaps since 2021.

Figure 16: Differences in Mean (average) and Median sexual orientation hourly rate of pay

Mean: 11.4% (10.4% in 2021)

Median: 12.0% (10.1% in 2021)

Sexual orientation bonus gap

The mean sexual orientation bonus gaps have increased whilst the median sexual orientation pay gap has decreased. This is largely attributable to higher proportion of heterosexual colleagues receiving a bonus and a lower proportion of LGB+[6] colleagues receiving a bonus.

Figure 17: Differences in Mean (average) and Median sexual orientation bonus pay

Mean: 12.8% (3.3% in 2021)

Median: 11.5% (33.6% in 2021)

6 Transgender and non-binary staff reporting – the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 require employers to calculate their gender pay gap by comparing the pay of their male and female employees. The terms ‘men’ and ‘women’ are not defined in the regulations, leaving employers to decide for themselves how to categorise and include transgender and non-binary employees in their reporting. Government guidance says if the employee does not self-identify as either male or female, they can be omitted from calculations. In TPR, we capture data on sex under three options, ‘male’, ‘female’ and ‘other’. In line with the regulations only those who self-identify as ‘male’ or ‘female’ are included in the calculations. Those who self-identify as ‘other’ are omitted from the gender calculations as the sample size is too small, and we would not be able to protect anonymity. We do not capture data on gender identity. We capture data on gender reassignment, but we are unable to report on gender reassignment calculations as the sample size is too small, and we would not be able to protect anonymity. We acknowledge that this does not reflect our efforts towards inclusion of the trans and non-binary community and we are exploring how our reporting can be more inclusive going forward.

Disability, health and mental wellbeing

We are proud to be a Disability Confident Employer committed to recruiting, retaining and developing disabled people. Through our recruitment process we offer an interview to and make reasonable adjustments for candidates who declare that they have a disability and meet the essential criteria for the role. We enable people with disabilities and long-term health conditions, including mental health conditions, to remain in employment by ensuring that our policies are fully inclusive and take account of reasonable adjustments.

We provide training and support to line managers and take advice from our occupational health advisers to ensure that people have the support they need. In addition, we provide colleagues with access to a confidential care employee assistance programme.

Last year we also put a focus on financial wellbeing, launching a financial wellbeing support hub on our corporate intranet which signposts to external advice providers. In January we also held a series of financial wellbeing workshops for anyone to attend, facilitated by experienced advisers, working on behalf of our Employee Assistance Programme provider. We also support and champion internal activities and events focused on disability, positive mental health and wellbeing.

In our 2023 annual engagement survey, 80% of our employees said that their wellbeing in relation to work was good, which is statistically similar to the proportion in 2022 (84%). This was also supported by the result of our October 2022 Wellbeing survey, where 82% of employees described their wellbeing at work as very good, good or quite good. Wellbeing surveys were introduced during the pandemic, and we continue to run them to ensure we have a frequent snapshot of employee wellbeing and can use the feedback to help us address issues and continue to provide support.

This year we launched our Mental Health First Aiders initiative, and now have a group of colleagues in post who act as a point of contact for anyone experiencing a mental health issue or emotional distress.

Staff information as at 31 March 2023

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

	2022-2023	2021-2022	2020-2021
Age	We hold data on age for **100%** of our people	Not published	Not published
	84% of staff aged 30 to 59, average age of 43	84%*	83%
	10% of staff aged 17 to 29	9%	11%
	6% of staff aged 60 to 69	5%	6%
Disability	We hold data on disability for **79%** of our people	87%	Not published
	7% of our workforce that has a declared disability	5%	5%
	72% of our workforce do not have a declared disability	82%	82%
	We hold data on disability for **80%** of our people	87%	Not published
Ethnicity	**10%** of our workforce are from a minority ethnic background	10%	7%
	70% of our workforce are of white origin	77%	77%
Gender pay gap	**10.1%** median	11%	6%
	7% mean	9%	6%
Marriage and civil partnership	We hold data on marriage and civil partnership for **85%** of our people	90%	Not published
	41% of our workforce declared as married or in a civil partnership	50%	50%

*In the 2021-2022 ARA, we published that 100% of staff were aged between 30 and 59, which was incorrect. From 1 April 2021 to 31 March 2022, 84% of staff were aged between 30 and 59 (27% were aged between 30 and 39; 36% were aged 40 to 49; 21% were aged 50 to 59).

	2022-2023	2021-2022	2020-2021
New parents	**30** new parents taking leave	32	29
	14 people on maternity leave	22	12
	11 people on paternity leave	7	7
	5 people taking shared parental leave	3	10
Religion or belief	We hold data on religion and belief for **74%** of our people	81%	Not published
	36% of our workforce declared a religion	33%	32%
	38% of our workforce declared no religion	48%	48%
Sex	We hold data on sex for **100%** of our people	100%	Not published
	51% of our workforce are female	51%	51%
	49% of our workforce are male	49%	49%
Sexual orientation	We hold data on sexual orientation for **74%** of our people	81%	Not published
	8% of our workforce declared as gay, lesbian or bisexual	8%	8%
Sickness	**8** average days lost per head due to sickness absence	8	4
Working pattern	**13%** of the workforce work part-time	13%	11%

Financial review

The funding of regulation is derived from two main sources: a grant-in-aid from the DWP which is recoverable from a levy on pension schemes and covers activities relating to the Pensions Act 2004 and the Pensions Act 2008, and a separate grant-in-aid from general taxation which funds AE. Expenditure on activities is accounted for separately to prevent cross subsidy. The accounting policies under which income and expenditure are recognised, are set out in Note 1 to the accounts on page 186.

Expenditure for year ended 31 March 2023

In the year ended 31 March 2023, TPR had comprehensive net expenditure of £96.4 million, of which £62.7 million related to levy-funded activities and £33.7 million was attributable to AE. Our net expenditure has been transferred to our general reserve and is offset by contributions from the DWP of £68.4 million for our levy activities and £33.0 million.

Staff costs have increased by £10.2 million to £73.6 million. This includes permanent staff costs (less outbound secondments) of £59.9 million, £6.5 million higher than the previous year due to increasing staff levels (increase in average permanent staff numbers from 711 to 781) including the full year impact of insourcing AE delivery activities. Temporary staff costs increased by £3.7 million due to increased temporary resource across Digital and IT teams, projects and specialist advice on cases.

Other expenditure has reduced by £10.2 million mainly due to the insource of AE delivery activities in the previous year (the prior year included six months of outsourced services and the costs of the insourcing project), a one-off impairment cost in the previous year is not repeated in 2022-2023 and there is higher interest income due to higher interest rates. There are also further offsetting movements in other projects as set out below.

In addition, there was a net gain in the current year from revaluing intangible fixed assets of £0.4 million.

Project expenditure

A total of £12.4 million of TPR's expenditure in 2022-2023 was on projects (including staff, contractor, capital and other expenditure). The level of project spend is dependent on which key initiatives are being delivered in each year – the current year spend was a reduction of £2.7 million from the previous year. The main projects this year were the move to the new premises, regulatory projects around the pensions schemes act and pensions dashboards, delivering new digital services and continuous improvement of our AE delivery. In the prior year the main projects were the delivery of new systems to support regulatory activities and the AE transformation project.

Property, plant and equipment and intangible assets

Capital expenditure of £8 million was incurred during the year which included £5 million capitalisation of the new leasehold acquisition for our new head office at Telecom House, Brighton, under the new IFRS16 reporting requirements. Further capital expenditure was on fitting out the new building (£1.8 million) and internally developed software (£0.7 million).

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 2023, we paid 92% of invoices in line with this policy.

Long-term expenditure trends

Over the first three years of the below analysis, total expenditure had increased each year. In 2021-2022, the decrease is a direct result of the completion of the AE Transformation project in October 2021. 2022-2023 reflected continued growth in the TPR workforce offset by a full year of savings from the AE Transformation project. The increase for 2023-2024 includes additional funding to support the Pension Scams Action Group, the impacts of inflation and further growth in the workforce to support new activity.

Table 14: Long-term financial analysis

(£m)	Actual 2018-2019	Actual 2019-2020	Actual 2020-2021	Actual 2021-2022	Actual 2022-2023	Budget 2023-2024
Total TPR*	85.4	93.1	97.2	96.8	96.4	106.3

*All figures exclude capital expenditure.

Value for money

As a public sector body, we recognise that we need to secure VFM in the delivery of our statutory objectives and have adopted the National Audit Office Four E's framework, economy, efficiency, effectiveness and equity.

Economy is assured by our Governance framework, procurement frameworks, rules and processes, recruitment and job evaluations processes, following of Treasury Green Book, approval of business cases and adherence to government functional standards. We ensure that money is spent on things that are necessary and that we pay a good price. In 2022-2023 we finished the year £5.9 million under our budget (excluding capital).

- Our procurement processes ensure that we deliver value for money in a clear, transparent and proportionate manner. We do this through applying the following key principles:
  - Having a strategic approach to procurement
  - Using electronic procurement
  - Managing procurement risk
  - Developing appropriate contract strategies that are actively managed
  - Developing partnerships and longer-term collaboration with suppliers when appropriate
  - Ensuring there is reliable procurement financial and management information
  - Effective contract management and supplier relationship management
  - Maintaining consistency and transparency in our procurement processes
  - Considering, where appropriate, the whole life cost of what is being procured

continued over...

Value for money continued...

We currently occupy a Net Internal Area (NIA) of 3,366sqm. Our current ratio of m^2 per FTE is 3.4sqm – well under the current government benchmark ratios. This clearly demonstrates that we use our space efficiently, whilst keeping our accommodation costs under 3% of our total operational expenditure.

We look to improve our processes and allocate inputs in the most efficient manner to drive the right outcomes. We ensure the appropriate spend for the risk appetite of the outcome, looking at options analysis, project controls and continuous improvement to drive efficiency. This year for example we have increased our rapid response event supervision activity (from 20 planned to 173 interventions) to make use of quicker, sharper, regulatory interventions as well as maintaining high intensity interventions ensuring savers get the money promised to them, whilst not increasing internal resource.

Effectiveness is assured by regular reviews of our saver outcomes, KOIs, KPIs and operational metrics. This year our Automatic Enrolment team recovered £97 million of pension contributions covering 1.6 million workers. Fraudsters were jailed for a total of 10 years for a £13 million pension scam prosecution and trustees who pleaded guilty to making illegal loans received 16-month sentences for each offence.

We look at equity, spending fairly, by reviewing the money we spend on different groups of savers and ensuring we are driving outcomes fairly across these groups. Ninety percent of all savers in DC schemes, including master trusts, are in supervised schemes.

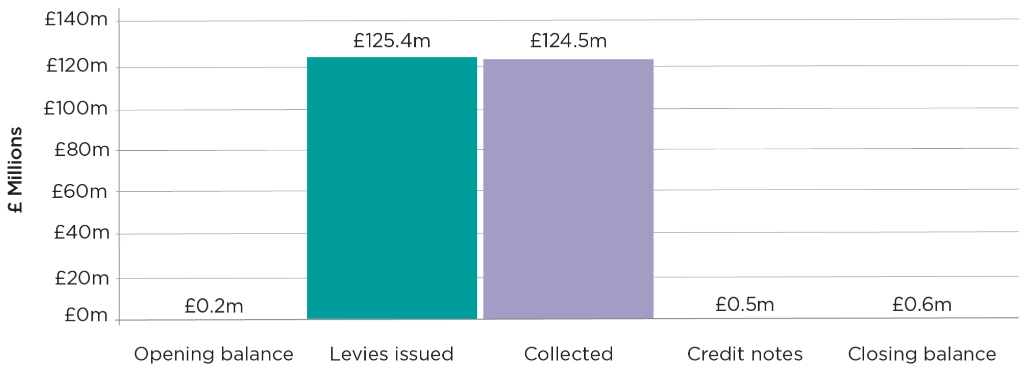
Other activities

Levies account

During the year ended 31 March 2023, 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 2022 was £186k and during the year 2022-2023 we invoiced £125.4 million, of which £72.3 million related to the general levy, £18.3 million to the PPF administration levy and £34.7 million to the PPF Fraud Compensation levy. £124.5 million has been collected, credit notes and remissions totalled £0.5 million. The closing debt position as at 31 March 2023 was £563k.

Figure 18: Levy debt



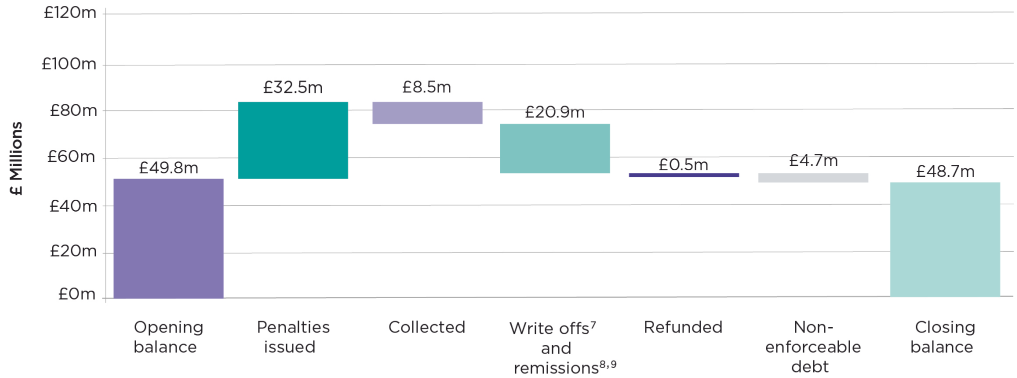
We transferred £124.9 million during the year. £90.4 million relates to the DWP and £34.5 million to the PPF. £385k was received and not yet transferred at year end.

Automatic enrolment penalty notices

During the year ended 31 March 2023, 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 HMT and transfer it over to the consolidated fund via the DWP.

The opening debt balance as at 1 April 2022 was £49.8m and during the year 2022-23, we issued Fixed Penalty Notices (FPN) and Escalating Penalty notices (EPN) totalling £32.5m, £8.5m has been collected, write offs and remissions totalled £21.0m. Several penalties were refunded in the year, leaving the closing debt position as at 31 March 2022 at £48.7m.

Figure 19: AE penalty notices debt



£8.3m was transferred to the consolidated fund via the DWP during the year. £1.1m 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 debt recovery process differs based on the type of enforcement action we have taken against an Employer and in some cases where multiple notices have been issued the recovery process can take over a year.

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

8 Debt 'remission' is where TPR decides 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.

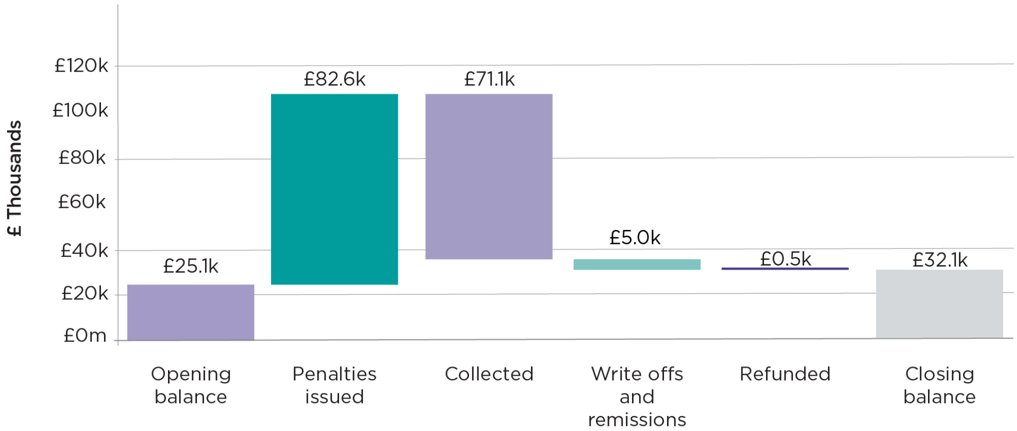
9 There is £47.1 million of discharged debt, this is where we amend and reissue or cancel a penalty as further information is received which reduces the liability or confirms that it is not legally due, ie where a change of the Employers address has occurred Discharged debt is not included in the chart above as it is deducted from the balance of penalties issued in year.

Section 10 and chair's statement penalty notices

During the year ended 31 March 2023, we issued penalty notices under: (a) Section 10 of the Pensions Act 1995 for failures to provide a scheme return: and (b) Regulation 28 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 for failures to prepare a chair's statement. These figures do not feature in our audited accounts. We collect penalties on behalf of HMT and transfer them over to the consolidated fund via the DWP.

The opening debt balance as at 1 April 2022 was £25.1k and during the year 2022-2023, we issued Penalty Notices totalling £82.6k, £71.1k has been collected and write offs and remissions totalled £5k. One penalty was refunded in the year, leaving the closing debt position as at 31 March 2023 at £32.1k.

Figure 20: Section 10 and chair's statement penalty notices debt



£67.7k was transferred to HMT's consolidated fund via the DWP. £3.5k was outstanding to be transferred at year end.

Master trust authorisation fees

During the year we received one master trust fee of £23k and one collective defined contribution fee of £77k. Both of these were transferred to HMT's consolidated fund via the DWP.

Nausicaa Delfas
Chief Executive, The Pensions Regulator
3 July 2023

Parliamentary accountability and audit report

Overview

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

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 her responsibilities.

Regularity of expenditure

Losses, special payments and gifts (subject to audit)

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

There were four losses below the limit during the year totalling £93k, one of which related to fraud.

Further parliamentary accountability disclosures

Fees and charges (subject to audit)

There are no fees and charges to disclose.

Remote contingent liabilities (subject to audit)

There are no remote contingent liabilities to disclose.

Government functional standards

Overall, we are showing high compliance rates with both mandatory and advisory elements, across all 12 Functional Standards that have been adopted by TPR, with a small number of areas showing partial compliance. All mandatory elements are fully or partially implemented, four Functional Standards have 'not implemented' Advisory elements, and all have action plans in place to address. Functional Standards are now embedded in our business plans and quarterly reporting cycle. There are some areas of partial compliance.

Nausicaa Delfas
Chief Executive, The Pensions Regulator
3 July 2023

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 2023 under the Pensions Act 2004.

The financial statements comprise The Pensions Regulator's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of The Pensions Regulator's affairs as at 31 March 2023 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Pensions Act 2004 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). 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 am independent of The Pensions Regulator in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

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

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

Other information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters

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

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

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

Matters on which I report by exception

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

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within The Pensions Regulator from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the Pensions Act 2004;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Secretary of State directions made under the Pensions Act 2004; and
- assessing The Pensions Regulator's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by The Pensions Regulator will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Other auditor's responsibilities

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

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 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
6 July 2023

Financial statements and Notes to the Accounts

Statement of comprehensive net expenditure for the year ended 31 March 2023

	Note	2022-2023 £'000	2021-2022 £'000
Expenditure			
Staff costs	3	**73,556**	63,388
Depreciation and amortisation	4	**4,608**	2,989
Impairment charges	4	**-**	1,721
Other operating expenditure	4	**18,906**	28,719
Total operating expenditure		**97,070**	96,817
Finance (income)		**(364)**	(7)
Net expenditure after interest, before taxation		**96,706**	96,810
Taxation		**69**	1
Net expenditure for the year		**96,775**	96,811
Other comprehensive net expenditure			
Items that will not be reclassifed to net operating expenditure			
Net gain on revaluation of intangibles	6a	**(402)**	-
Comprehensive net expenditure for the year		**96,373**	96,811

All income and expenditure is derived from continuing operations.
The accounting policies and notes on pages 186 to 212 form part of these financial statements.

Statement of financial position as at 31 March 2023

	Note	At 31 March 2023 £'000	At 31 March 2022 £'000
Non-current assets			
Property, plant and equipment	5a	**3,281**	1,650
Right use of assets	5a	**5,164**	–
Intangible assets	6a	**6,267**	8,144
Trade and other receivables	7	**105**	34
Total non-current assets		**14,817**	9,828
Current assets			
Trade and other receivables	7	**1,167**	1,634
Cash and cash equivalents	8	**3,337**	–
Total current assets		**4,504**	1,634
Total assets		**19,321**	11,462
Current liabilities			
Trade and other payables	8/9	**(9,415)**	(10,911)
Lease liabilities	9	**(454)**	–
Provisions	10	**(368)**	–
Total current liabilities		**(10,237)**	(10,911)
Total assets less current liabilities		**9,084**	551
Non-current liabilities			
Trade and other payables	9	–	(250)
Lease liabilities	9	**(4,257)**	–
Provisions	10	**(246)**	(722)
Total non-current liabilities		**(4,503)**	(972)
Assets less liabilities		**4,581**	(421)
Taxpayers' equity			
General fund		**4,179**	(421)
Revaluation reserve		**402**	–
Total equity		**4,581**	(421)

The financial statements on pages 182 to 185 were approved and authorised for issue by the Board on 15 June 2023 and were signed on its behalf by:

Nausicaa Delfas
Chief Executive, The Pensions Regulator, 3 July 2023

The accounting policies and notes on pages 186 to 212 form part of these financial statements.

Statement of cash flows for the year ended 31 March 2023

	Note	2022-2023 £'000	2021-2022 £'000
Cash flows from operating activities			
Net expenditure after interest		**(96,706)**	(96,810)
Adjustments for non-cash transactions	4	**4,634**	4,723
Decrease/(increase) in trade and other receivables	7	**156**	(81)
Decrease in trade and other payables	9	**(983)**	(896)
(Decrease)/increase in provisions	10	**(108)**	24
Cash outflow due to taxation		**-**	-
Net cash outflow from operating activities		**(93,007)**	(93,040)
Cash flows from investing activities			
Purchase of property, plant and equipment	5b	**(1,244)**	(722)
Purchase of intangible assets	6b	**(2,689)**	**(6,090)**
Disposal of intangible fixed assets		**-**	-
Net cash outflow from investing activities		**(3,933)**	(6,812)
Cash flows from financing activities			
Grant-in-aid to cover ongoing operations of Levy		**68,375**	60,150
Grant-in-aid to cover ongoing operations of AE		**33,000**	37,900
Capital element of payments in respect of leases		**(1,057)**	-
Interest payments in respect of leases		**(6)**	-
Net financing		**100,312**	98,050
Net (decrease)/increase in cash and cash equivalents in the period	8	**3,372**	(1,802)
Cash and cash equivalents at the beginning of the period		**(35)**	1,767
Cash and cash equivalents at the end of the period	8	**3,337**	**(35)**

The accounting policies and notes on pages 186 to 212 form part of these financial statements.

Statement of changes in taxpayers' equity for the year ended 31 March 2023

	General Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2021	**(1,660)**	–	**(1,660)**
Changes in taxpayers' equity 2021-2022			
Grants from the DWP	**98,050**	–	98,050
Comprehensive net expenditure for the year	**(96,811)**	–	(96,811)
Balance at 31 March 2022	**(421)**	–	(421)
Changes in taxpayers' equity 2022-2023			
Grants from the DWP	**101,375**	–	101,375
Comprehensive net expenditure for the year	**(96,775)**	402	(96,373)
Transfers between reserves	**-**	–	–
Balance at 31 March 2023	4,179	402	4,581

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

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

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

The accounting policies and notes on pages 186 to 212 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 2022-2023 government Financial Reporting Manual (FReM) issued by HMT. The accounting policies in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. Where the FReM lets us choose an accounting policy, we have picked the one that we think is the most appropriate to our circumstances and which gives a true and fair view. The policies we have adopted are set out below. We have applied them consistently in dealing with items that we consider are material to the accounts.

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

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 2023.

TPR has adopted IFRS 16 with effect from 1 April 2022.

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.

1.2 Accounting convention

We have prepared these financial statements on an accruals basis under the historical cost convention modifed to account for the revaluation of property, plant and equipment, intangible assets, inventories and some financial assets and liabilities. These financial statements are prepared in £ sterling, which is our functional currency.

a) Property, plant and equipment

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

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

b) Depreciation and amortisation

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

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

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

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

c) Intangible assets

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

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

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

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

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

d) Impairment

Under IAS 36, individual assets are reviewed for impairment to ensure their carrying amount is not greater than the recoverable amount. An impairment surplus is taken to the revaluation reserve, an impairment loss is recognised as an expense in the Statement of Comprehensive Net Expenditure for assets carried at cost, and treated as a revaluation decrease for assets carried at revalued amount.

e) Other income and expenditure

Other income and expenditure is recognised on an accruals basis. Where income received relates to a period of time covering more than one accounting period, that part extending beyond the current accounting period is treated as deferred income. 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) Leases

IFRS 16 Leases, issued by the International Accounting Standards Board (IASB) in 2016, was adopted by TPR from 1 April 2022.

TPR has applied a number of options and practical expedients on initial adoption of IFRS 16, most of which were determined by the FReM.

IFRS 16 has been adopted retrospectively using the 'cumulative catch-up' approach, without restatement of comparative balances. Consequently, the financial statements for 2021 to 2022 were prepared in accordance with the previous standard, IAS 17 Leases.

For leases previously treated as operating leases, the right-of-use assets have been measured at the present value of the remaining lease payments, adjusted for any prepayment or accrual balances in respect of the lease payments. TPR has used hindsight in determining the remaining term of leases and there were no leases whose term ends within 12 months of the date of first adoption.

TPR does not have any onerous leases that were previously provided for.

This 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 is the recognition of a right to use asset, measured at the present value of future lease payments, with a matching liability.

h) Leases continued...

IFRS 16 defines a lease as a contract that 'conveys the right to control the use of an identified asset for a period of time in exchange for consideration.' This definition applies both to lessees and lessors.

Therefore, in order to contain a lease, a contract must:

- depend on the use of an identified asset and
- provide the customer with the right to control the use of that identified asset.

IFRS 16 defines the lease term as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both i) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and ii) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

IFRS 16 defines the lease term as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both I) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and ii) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HMT. The HMT discount rates were 0.95% for leases entered into prior to 31 December 2022, or 3.51% after 1 January 2023.

The lease payment is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in the index or rate, if there is a change in TPR's estimates of the amount expected to be payable under a residual value guarantee, or if TPR changes its assessment of whether it will exercise a purchase, extension, or termination option.

h) Leases continued...

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that TPR is reasonably certain to exercise, lease payments in an optional renewal period if TPR is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless TPR is reasonably certain not to terminate early.

When the lease liability is re-measured, a corresponding adjustment is made to the right of use asset or recorded in the SoCNE if the carrying amount of the right of use asset is zero.

TPR presents right of use assets that do not meet the definition of investment properties per IAS 40 as right of use assets on the SoFP. The lease liabilities are included within Lease liabilities within current and non-current liabilities on the SoFP.

Right of use asset

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease.

The right of use assets are subsequently measured at either fair value or current value in existing use in line with property, plant, and equipment assets. The cost measurement model in IFRS 16 is used as an appropriate proxy for current value in existing use or fair value for the majority of leases (consistent with the principles for subsequent measurement of property, plant, and equipment) except for those which meet one of the following:

- A longer-term lease that has no provisions to update lease payments for market conditions or if there is a significant period of time between those updates.
- The fair value or current value in existing use of the underlying asset is likely to fluctuate significantly due to changes in market prices.

h) Leases continued...

The right of use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis of those of property plant and equipment assets.

TPR include an estimate of known costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The obligations for such costs are recognised and measured applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

TPR's right of use asset and lease liability values for leased property are calculated using a TPR designed model, discounted using the HMT discount rate promulgated in PES papers.

TPR hold no sub-leases.

Impact on financial statements

On transition to IFRS 16 TPR recognised £1.2m of right of use assets and £1.0m of lease liabilities, recognising the difference (prepayments and lease incentives) in the general fund account.

When measuring lease liabilities, TPR elected to discount lease payments using the HMT discount rates (0.95% 2022, 3.51% 2023):

	£000's
Operating lease commitments at 31 March 2022	1,315
Discounted using discount rates	(6)
Exemptions*	(114)
Lease liabilities recognised at 1 April 2022	1,195

*Exemptions include: low value assets, advance payments, rent free periods and re-assessments for IFRS 16.

Operating lease payments under operating leases is charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease.

i) Financial Instruments

Prepayments

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

Cash and cash equivalents

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

Trade and other liabilities

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

j) Grant-in-aid

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

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

k) Early retirement and severance costs

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

l) Provision for liabilities

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

m) Reserves

General Reserve

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

Revaluation Reserve

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

n) Going concern

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

o) Segmental analysis

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

p) Critical accounting judgements

The preparation of accounts statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts in the accounts. Areas of judgement include non-current asset revaluations, depreciation and amortisation periods, provisions and impairment. We consider there to be no other areas of critical judgment used in applying the accounting policies.

q) Key sources of estimation uncertainty

IT software internally generated

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

Useful economic lives of software assets

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

Dilapidations

A dilapidation provision is held for the office TPR occupies in Brighton to cover the requirements of the lease (expires July 2023) and for the new premises we are moving into in July (lease expires March 2033).

The provision is to cover remedial works required on the lease termination. The provision for the new premises is based on the provisional costs agreed for the existing premises

1.3 Pensions

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a multi-employer DB scheme and is unfunded and contributory, except in respect of dependents' benefits. TPR recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' service by payment to the PCSPS of amounts calculated on an accruing basis. Liability for the payment of future benefits is a charge on the PCSPS. As described more fully in the Staff Report, certain employees can opt for a stakeholder pension. Employer contributions for the financial year to 31 March 2024 are expected to be around £13m. Liability for the payment of future benefits is a charge on the PCSPS.

2 Statement of operating costs by operating segment

	AE £'000	Levy £'000	Total TPR £'000
2022-2023			
Staff costs	22,024	51,532	73,556
Other operating expenditure	11,800	11,714	23,514
Taxation	23	46	69
Income	(121)	(243)	(364)
Net expenditure	**33,726**	**63,049**	**96,775**
2021-2022			
Staff costs	19,068	44,320	63,388
Other operating expenditure	18,922	14,507	33,429
Taxation	1	–	1
Income	–	(7)	(7)
Net expenditure	**37,991**	**58,820**	**96,811**

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

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

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

Further breakdown of the operating expenditure is provided in Note 4.

3 Staff numbers and related costs

	AE £'000	Levy £'000	Total TPR £'000
2022-2023			
Salaries and wages	16,680	38,582	55,262
Social security costs	1,699	4,117	5,816
Other pension costs	3,645	8,833	12,478
Total costs	**22,024**	**51,532**	**73,556**
2021-2022			
Salaries and wages	14,090	32,501	46,591
Social security costs	1,509	3,583	5,092
Other pension costs	3,469	8,236	11,705
Total costs	**19,068**	**44,320**	**63,388**

4 Other operating expenditure

	AE £'000	Levy £'000	Total TPR £'000
2022-2023			
Running costs			
Chair and part-time Board members' fees and expenses*	65	133	198
Consultancy, contracted-out and other professional services	2,159	3,671	5,830
Business process outsourced services	4,121	-	4,121
Training and recruitment costs	615	894	1,509
Staff travel and expenses	60	194	254
General expenses including accommodation expenses	437	1,467	1,904
Rentals under operating leases	-	20	20
Dilapidations costs	(117)	(237)	(354)
Computer systems development and maintenance	2,991	2,324	5,315
Auditor's remuneration	21	42	63
Loss on disposal of fixed assets	-	26	26
Interest on lease liability	7	13	20
	10,359	**8,547**	**18,906**
Depreciation and impairment charges			
Depreciation on right of use assets	299	698	997
Other depreciation	9	645	654
Amortisation	1,133	1,824	2,957
Impairment of fixed assets	-	-	-
	1,441	**3,167**	**4,608**
Total	**11,800**	**11,714**	**23,514**

*Includes fees of £178k (2021-2022: £164k), social security costs of £16k (2021-2022: £15k) and expenses of £4k (2021-2022: £0k). 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 131). There is tax due to HMRC on expenses as part of the PAYE Settlement Agreement (payable in August 2023).

4 Other operating expenditure continued...

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

5a Property, plant and equipment

2022-2023	Assets under construction £'000	Right of use asset £'000	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Total £'000
Cost or valuation						
At 1 April 2022	–	–	1,970	1,365	2,646	5,981
Initial recognition on implementation of IFRS 16	–	1,194	–	–	–	1,194
Revised balance as at 1 April 2022	–	1,194	1,970	1,365	2,646	7,175
Additions	1,756	4,967	–	146	407	7,276
Disposals	–	–	–	(3)	(772)	(775)
At 31 March 2023	**1,756**	**6,161**	**1,970**	**1,508**	**2,281**	**13,676**
Depreciation						
At 1 April 2022	–	–	1,728	1,008	1,595	4,331
Charged in year	–	997	193	121	340	1,651
Disposals	–	–	–	(4)	(747)	(751)
At 31 March 2023	**–**	**997**	**1,921**	**1,125**	**1,188**	**5,231**
Carrying amount at 31 March 2022	**–**	**–**	**242**	**357**	**1,051**	**1,650**
Carrying amount at 31 March 2023	**1,756**	**5,164**	**49**	**383**	**1,093**	**8,445**

5a Property, plant and equipment continued...

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

During the year TPR began construction work to fit out their new premises. This work will be completed before we move in, in July 2023 and the costs are currently included in 'Assets under construction'. We have also recognised right of use asset for this premises based on the 10 year lease term.

The right of use asset at adoption at the start of the year was TPR's premises at Napier House in Brighton. This lease terminates in July 2023. During the year TPR also commenced a new 10 year lease for the new premises at Telecom House, also in Brighton.

Material tangible assets (£k)	Purchase cost	Expiry date	NBV
Right of use asset: Telecom House	5,408	02/03/2033	5,006
Right of use asset: Napier House	1,113	03/07/2023	158

5b Cash flow reconciliation

	2022-2023	2021-2022
	£'000	£'000
Capital payables and accruals at 1 April	**-**	-
Capital additions (excluding right of use assets)	**2,309**	722
Less Capital payables and accruals at 31 March	**(1,065)**	-
Purchase of property, plant and equipment as per Statement of cash flows	**1,244**	722

This reconciliation relates to property, plant and equipment owned by TPR and therefore excludes right-of-use assets recognised in accordance with IFRS 16 'Leases', for which cash flows relating to the associated lease liabilities are included within repayment of borrowings and interest paid in the Statement of cash flows.

6a Intangible assets

2022-2023	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2022	-	8,266	7,153	15,419
Additions	285	393	-	678
Transfers in asset class	-	-	-	-
Impairments	-	-	-	-
Disposals	-	-	(387)	(387)
Revaluations	-	596	-	596
At 31 March 2023	**285**	**9,255**	**6,766**	**16,306**
Amortisation				
At 1 April 2022	-	2,158	5,117	7,275
Charged in year	-	1,357	1,600	2,957
Disposals	-	-	(387)	(387)
Revaluations	-	194	-	194
At 31 March 2023	**-**	**3,709**	**6,330**	**10,039**
Carrying amount at 31 March 2022	-	**6,108**	**2,036**	**8,144**
Carrying amount at 31 March 2023	**285**	**5,546**	**436**	**6,267**

6a Intangible assets continued...

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

Material intangible assets (£k)	Expiry date	Original cost	Original NBV	Fair value	Revised NBV
Data platform	31/01/2027	2,801	1,928	3,077	2,113
CRM	31/10/2026	2,536	1,727	2,731	1,860
SharePoint	31/10/2026	1,693	1,148	1,819	1,233

The material intangible assets above have been revalued with an effective date of 31/03/2023.

The material intangible assets listed above are all internally generated software.

6b Cash flow reconciliation

	2022-2023 £'000	2021-2022 £'000
Capital payables and accruals at 1 April	2,047	3,091
Capital additions	678	5,046
Less Capital payables and accruals at 31 March	(36)	(2,047)
Purchase of intangible assets as per Statement of cash flows	**2,689**	**6,090**

7 Trade receivables and other current assets

	2022-2023 £'000	2021-2022 £'000
Amounts falling due within the year		
Trade receivables	144	246
Other receivables	113	33
Prepayments	910	1,355
	1,167	**1,634**
Amounts falling due after more than one year		
Trade receivables	-	-
Other receivables	-	-
Prepayments	105	34
	105	**34**

8 Cash and cash equivalents

	2022-2023 £'000	2021-2022 £'000
Balance at 1 April	(35)	1,767
Net change in cash and cash equivalent balances	3,372	(1,802)
Balance at 31 March (Current year balance held within current year liabilities – Note 9)	**3,337**	**(35)**
At 31 March, the following balances were held:		
Commercial banks and cash in hand	**3,337**	**(35)**

Cash at bank and short term investments represents the only funds held by TPR. These funds are held at HSBC within two accounts. We also hold five further accounts with HSBC. Any funds held in these accounts are not available for TPR's use.

9 Trade payables and other current liabilities

	2022-2023 £'000	2021-2022 £'000
Amounts falling due within one year		
Bank overdraft	-	35
Other taxation and social security	1,519	1,314
Trade payables	483	144
Capital accruals	1,101	1,797
Lease liabilities	453	-
Accruals	6,313	7,621
	9,869	**10,911**

	2022-2023 £'000	2021-2022 £'000
Amounts falling due after more than one year		
Other taxation and social security	-	-
Trade payables	-	-
Capital accruals	-	250
Other creditors	-	-
Lease liabilities	4,257	-
Accruals	-	-
	4,257	**250**

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

10 Provisions for liabilities and charges

2022-2023	£'000
Balance at 1 April 2022	722
Provided in the year	246
Provision not required written back	(354)
Provisions utilised in the year	-
Balance at 31 March 2023	**614**

Analysis of expected timing of discounted flows

Not later than one year	368
Later than one year and not later than five years	-
Later than five years	246
Balance at 31 March 2023	**614**

2021-2022	£'000
Balance at 1 April 2021	698
Provided in the year	24
Provision not required written back	-
Provisions utilised in the year	-
Balance at 31 March 2022	**722**

Analysis of expected timing of discounted flows

Not later than one year	-
Later than one year and not later than five years	722
Later than five years	-
Balance at 31 March 2022	**722**

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 July 2023 and for the new premises we are moving into in July (lease expires March 2033).

The final dilapidation cost for Napier House has now been agreed with the landlord and the Telecom House provision has been based on an extrapolation of this cost based on square footage.

11 Commitments under leases

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

	2022-2023 £'000	2021-2022 £'000
Obligations under operating leases for the following periods comprise:		
Buildings:		
Not later than one year	-	1,029
Later than one year and not later than five years	-	257
Later than five years	-	-
	-	**1,286**
Other:		
Not later than one year	-	18
Later than one year and not later than five years	-	12
Later than five years	-	-
	-	**30**

The prior year building operating lease commitments was prior to the adoption of IFRS 16. Under IFRS 16 there would have been no operating lease commitment.

Obligations under IFRS 16 assets are included on page 211 – TPR has no other obligations under finance leases.

Quantitative disclosures around IFRS 16 lease liabilities

	2022-2023 £'000	2021-2022 £'000
Buildings:		
Not later than one year	607	–
Later than one year and not later than five years	2,190	–
Later than five years	2,821	–
Less interest element	(908)	–
Present value of obligations	4,710	–

TPR hold two IFRS 16 leases. The first is for TPR's current premises at Napier House in Brighton. This lease is due to expire at the beginning of July 2023. TPR has also commenced a new 10 year lease for the new premises we are moving to in July at Telecom House in Brighton.

12 Capital commitments

There was a commitment for £3.6m of leasehold improvements and other works relating to the development of the new TPR premises which will be completing prior to us moving into the building in July 2023. There were no contractual commitments at the end of the prior year.

13 Contingent assets and liabilities disclosed under IAS 37

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

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

As at 31 March 2023 there were no ongoing cases which would result in liabilities for the regulator.

14 Related party transactions

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

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

15 Events after the reporting date

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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