

Annual Report and Accounts 2011-12

Laid before the Scottish Parliament by the Scottish Ministers under section 22(5) of the Public Finance and Accountability (Scotland) Act 2000
SG/2012/164

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Foreword and forward look by the Chief Executive

This document sets out our Annual Report and Accounts for the period from 1 April 2011 to 31 March 2012. This is the nineteenth such report since we became an Agency in 1993 and the tenth since our relocation to Tweedbank in 2002.

The past twelve months have once again delivered both success and challenge in equal measure. The Agency has continued to implement its aggressive multi-year programme of business change which aims to enhance the efficiency, quality and effectiveness of its core pensions administration service. This is essential if the Agency is to reconcile the need to manage an ever increasing caseload with the need to live within a constrained resource allocation.

The year saw the Agency once again meet its key performance targets. We also met more than 90% of the stretching list of key business tasks which we set at the beginning of the year. To achieve this against a context of a reducing resource allocation, scheme membership growth of 1.7% and the development of a difficult and highly contentious pension reform agenda is highly laudable.

The year saw a number of significant operational developments, the most notable of which was the implementation of a member web interface which allows scheme members to access their pension benefit statements online. Apart from providing members with the facility to access and track their benefit statements directly, the interface also significantly reduces the security risks associated with transferring paper based personal member data via the postal system. The member interface is the first of a number of planned web based developments. During 2012 we shall be exploring the scope for extending this service to pensioners and also to employers, in order to facilitate the exchange of both financial and member information.

Other achievements included the successful continuation of our data cleansing activities, with the result that the Agency's member data is now as robust and up to date as it has ever been; the preparation of arrangements to handle the latest set of HMRC changes in the taxation of pension payments; and the completion of the preparations for auto enrolment. We also met our main efficiency targets, meaning that the resulting savings can be reinvested in the business.

The Agency conducts a number of annual external benchmarking activities. During 2011-12 our customer satisfaction ratings increased significantly, and this was matched by similar improvements in our annual staff survey results. The annual independent benchmarking exercise which compares the agency against similar pension administrators both in the UK and overseas demonstrated that we were firmly in the "low cost but high quality" quadrant. We also retained our Silver status from Investors in People Scotland.

On the policy side, our work has been dominated by the development of the UK Government's pension reform agenda. We have successfully carried out our role of providing Scottish Ministers with policy advice across the five schemes for which they have responsibility. This resulted in the implementation of the first year of increases to employee contribution rates and the agreement of a basis for discussing the longer term pension reforms with Scottish stakeholders.

Looking ahead, the pension reform agenda will dominate the work of the Agency over the next 3 years. We aim to resolve most of the policy issues during 2012-13, leaving us with two years to operationalise the results in time for their implementation in April 2015. In parallel with this, we will also have to respond to the new governance requirements for pension schemes which will be set out in the UK Government's planned pension reform bill, which is likely to be implemented in the 2012-13 Parliamentary session.

In order to assist us in responding to these very significant challenges, the Agency was successful in bidding for additional resources in the Scottish Government's 2011 Spending Review. This will help us to maintain the momentum we have already achieved in transforming the Agency whilst at the same time allowing us to implement the pension reform proposals. These additional resources

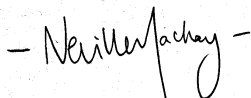
coincide with a new Corporate Planning period for the Agency, and both our 2012-15 Corporate Plan and our 2012-13 Annual Business Plan, as part of our corporate governance arrangements, are with Scottish Ministers for approval.

None of these achievements would have been possible without the dedication and commitment of our staff, and I would like to formally acknowledge their contribution to the Agency's success. They have shown themselves to be professional, resilient, adaptive and imaginative in the way they have conducted their business, and it is to them that any credit for our success lies.

The Agency is also fortunate in being able to draw upon the advice and guidance provided by its External Management Board, under the chairmanship of James Taylor. I would like to acknowledge the invaluable role they have played in supporting and constructively challenging the Agency's Senior Management Team and in ensuring that we continue to improve as a business whilst maintaining the highest standards of governance and probity.

Looking ahead to 2012-13, the processes of business change and continuous improvement will continue apace. Apart from the challenges of pension reform, we shall continue to seek further business efficiencies where possible, and to develop our various IT and financial systems to ensure that they are ever more efficient and effective. We will continue to adhere to the principles of best value in the way in which we conduct our affairs, and we will continue to put the customer at the centre of all we do.

Taken together, 2012-13 promises to be another extremely challenging year for the Agency. However, based on its track record and drawing upon its increasing knowledge and competence of its staff, I am confident that we will succeed in meeting our business objectives and that the Agency will continue to provide a world class service to its customers.

A handwritten signature in black ink, reading "Neville Mackay", with a horizontal line through the middle of the name.

Neville Mackay
Chief Executive
31st July 2012

1. Directors' report

Accounts direction

These accounts have been prepared in accordance with the Accounts Direction given by the Scottish Ministers in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000.

History and statutory background

The Scottish Public Pensions Agency (SPPA) was launched on 1 April 1993 as part of the Government's Next Steps Initiative. Its operating framework, including financial delegations, is established in the Agency's formal Framework Document. The Agency was known as The Scottish Office Pensions Agency (SOPA), before changing its name after the establishment of the Scottish Parliament on 1 July 1999. The Agency is headed by a Chief Executive who is directly accountable to the Scottish Ministers.

Principal activities

The SPPA's principal role is to administer the superannuation, injury benefit and compensation schemes for the NHS in Scotland, and for members of the Scottish Teachers Superannuation Scheme. The Agency also provides a calculation service in respect of three smaller superannuation schemes: the Scottish Legal Aid Board Schemes, the Scottish Parliamentary Pension Scheme and the Northern Ireland Assembly Scheme. It also develops the regulations for these public service pension schemes for which Scottish Ministers have responsibility and advises the Scottish Government and Ministers on Scottish public sector pension policy issues.

Review of the business

The Agency is primarily funded by the Scottish Government. A small proportion of its income is self-generated from work associated with pension sharing on divorce and from the provision of pension calculation services to third parties.

Position at the end of the Year

The Agency's Operating Cost Statement shows that net expenditure was £10.4 million in 2011-12, compared with £10.3 million in the previous financial year. A breakdown of expenditure is detailed in notes 2 and 3.

The Agency spent £0.2 million on non-current assets during the year. Further information on non-current assets is included in notes 5 and 6.

	Allocation £m	Out-turn £m
Administration	8.8	9.2
Less Notional Costs		(0.3)
Appropriations-in-aid	<u>(0.2)</u>	<u>(0.3)</u>
Operating costs excl depreciation	8.6	8.6
Depreciation	2.2	1.5
Total operating costs	10.8	10.1
Capital	0.5	0.2

The Parliamentary allocation was supplemented by £0.1m during the year to cover costs associated with the Scottish Government early departure exercise. This is included within the administration allocation in the table above.

Future developments

The Agency remains deeply involved in the discussions with stakeholders on pension reform in Scotland. Once agreement has been reached, the NHS and Teachers' schemes will be redesigned, following which the Agency will require to undertake extensive revision of its pensions management software.

In addition to pension reform, the Agency will continue to develop its systems in order to improve efficiency, effectiveness and the standard of service it provides to its stakeholders. Following the implementation of on-line benefit statements, the Agency will develop further its website to enable employers to record contributions payable, and other data on-line. The Agency will seek further efficiencies through a review of its financial processes, and will review its membership data quality and the processes used in updating its membership data.

Performance against key performance indicators

The Agency's aims, objectives and performance against key targets in 2011-12 are listed as a section in this Annual Report. The Agency's Key Performance Targets are listed in the Corporate Plan which can be accessed from the SPPA website at www.sppa.gov.uk

Corporate governance

A full statement of the Agency's corporate governance and risk management arrangements, and their application in 2011-12, is contained in the separate corporate governance statement included in this document.

The Directors

The Agency's management structure is detailed in the Leadership and Governance section of the Agency's Annual Report. The directors and senior management of the Agency at 31 March 2012 were:

Neville Mackay	Chief Executive
Ian Clapperton	Operations Director
Chad Dawtry	Policy Director
Pamela Brown	IT and Corporate Services Director
Christopher Fenton	Finance Director
James Taylor	Non-executive chair

Alex Smith Non-executive Director
 Julia Edey Non-executive Director
 Alyson Stafford Non-executive Director

None of the directors held any company directorship or other significant interests which may have conflicted with their responsibilities during the year.

Health, safety and the environment

The Agency aims to provide a safe and healthy working environment for all staff and, so far as is reasonably practicable, have systems and procedures in place which will ensure that all equipment, plant and premises are safe and free from adverse effects to health. We apply the Scottish Government's Health and Safety Management Systems and procedures and we have a Health and Safety Committee, as well as trained Health and Safety Liaison Officers to provide support services and advice to staff. We work in partnership with Trade Union representatives to address any safety issues and help to encourage a pro-active safety culture.

The Agency is committed to improving environmental performance as part of our wider commitment to sustainable development. We recognise our legal and ethical responsibilities to protect and enhance the environment and are working towards sustainable practices in the use and disposal of materials, energy, and transport and landscape management. Further detail about the Agency's commitment to the environment can be found in the Corporate Social Responsibility section of the Annual Report.

Employee recruitment

Recruitment and promotion campaigns undertaken by the Agency were carried out on the basis of fair and open competition, selection on merit and in accordance with Scottish Government guidance. Details of recruitment in 2011-12 and 2010-11 were as follows:

Pay Band	Number of Posts		Male		Female	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Up to £17,882	17	7	6	4	11	3
£22,173 - £25,165	1	0	0	0	1	0
£25,165 - £30,267	0	0	0	0	0	0
£32,249 - £40,173	0	0	0	0	0	0
Total	18	7	6	4	12	3
%	100	100	33	58	67	42

Employees with disabilities

The Agency complies with the Scottish Government's Civil Service Code of Practice on the employment of people with disabilities and is an Employment Services disability symbol user. The code of practice aims to ensure that there is no discrimination on the grounds of disability and that access to employment and career advancement with the Agency is based solely on ability, qualifications and suitability for the work.

Equal opportunities

The Agency is an equal opportunities employer. Policies are in place to guard against discrimination and aim to ensure that there are no unfair or illegal discriminatory barriers to employment or advancement in the Agency.

The Agency is entirely comfortable with the legal requirement to promote race equality as set out in the Race Relations Act (as amended). As an Agency of the Scottish Government, we fully subscribe to the Government's Race Equality Scheme and we continue to develop structures and systems to ensure that equality becomes an integral part of our thinking and behaviour.

Employee consultation

The Agency recognises the importance of good industrial relations and is committed to effective employee communications, which it maintains through staff notices, the staff newsletter and regular staff briefing sessions. The quarterly Partnership meetings provide the means for representatives of staff and management to discuss matters of concern or mutual interest. It has delegated detailed consideration of partnership issues to an Industrial and Employee Relations Group.

Auditors

The accounts are audited by Audit Scotland. The notional fees are reported at Note 3.3. Audit Scotland has provided only audit services to the SPPA during the year. Internal audit services are provided by the Scottish Government internal audit department; the scope of work is determined following discussion with management and is subject to approval by the Audit and Risk Committee.

Disclosure of relevant audit information

As Accountable Officer, I am not aware of any relevant audit information of which our auditors are unaware. I have taken all necessary steps to ensure that I am aware of any relevant audit information and to establish that the auditors are also aware of this information.

Significant changes in non-current assets

The movements in non-current assets are set out in notes 5 and 6 to the financial statements. There is no significant difference between the value of the non-current assets shown in the financial statements and their current market value.

Important events occurring after the year end

No material event occurred after the year end which had a bearing on the accounts.

Supplier payment policy

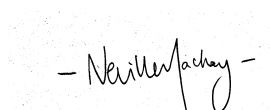
The SPPA follows the Scottish Government supplier payment guidelines and ensures that all invoices not in dispute are settled within 10 days. The Agency processes invoices on the Scottish Government's Accounting System (SEAS). For the year, the Agency processed 99.9% (2010-11 99.7%) of all invoices within the 10 day period.

Charitable donations

There were no charitable donations.

Personal data related incidents

There were no personal data related incidents during 2011-12.



Neville Mackay
Chief Executive
31st July 2012

2. Management commentary

Agency mission, core values and aims

Mission statement

The SPPA's mission is to deliver a high quality, customer-focussed and cost-effective service to its stakeholders.

Core values

Our core values are:

- to put our customers first;
- to support our staff so that they are empowered to achieve and deliver excellence; and
- to maintain the highest standards of probity and governance whilst using our resources efficiently and effectively.

Aims

The aims of SPPA, as set out in its Framework Document, are as follows:

- to administer, on behalf of the Scottish Government, the public service pension, premature retirement compensation and injury benefit schemes for which the Scottish Ministers have administrative responsibility so as to provide an efficient and effective service for the benefit of those who use the schemes, at an economic cost to the public purse;
- to prepare, in accordance with the Scottish Government's policy, the regulations governing these and other schemes for which the Scottish Ministers have regulatory responsibility;
- to determine questions under the regulations on which there is a right of appeal to Scottish Ministers; and
- to advise the Scottish Ministers on occupational pensions policy generally.

Our stakeholders

Our stakeholders include:

- our customers: existing pensioners, members, employing organisations and the Government Departments to which we provide pension administration services and policy input;
- our staff; and
- our suppliers.

We are also aware of our Corporate Social Responsibility both to our neighbours and to the environment.

Key targets

Target definition	2011-12	2010-11
Pay 100% of all existing NHS and STSS pensions and 98% of awards on the due date	Pensions 100% Awards 98%	Pensions 100% Awards 99.93%
Ensure a minimum of 99% of all <u>existing</u> pension payments are correct at the point of payment	100%	99.99%
Maintain accuracy of all new pension awards at not less than 95% correct at authorisation stage	98%	96.41%
Collect 99% of NHS contributions and STSS contributions by value within the period prescribed by legislation	99.4%	99%
Ensure that accurate data is held for a minimum of 95% of active scheme members	96%	n/a
Ensure that accurate annual benefit statements are sent to at least 95% of active scheme members for whom accurate data is held	97%	98% for STSS only Refer to Note 1. below
Meet annual requirements for corporate governance reporting and organisational efficiency within prescribed deadlines	Agency: achieved Schemes: achieved	Agency: achieved Schemes: achieved
Maintain and where possible improve customer satisfaction levels	Satisfaction rating: 87.3%	Satisfaction rating: 84.3%
Conclude pension reform activities within agreed timescales	tbc	n/a

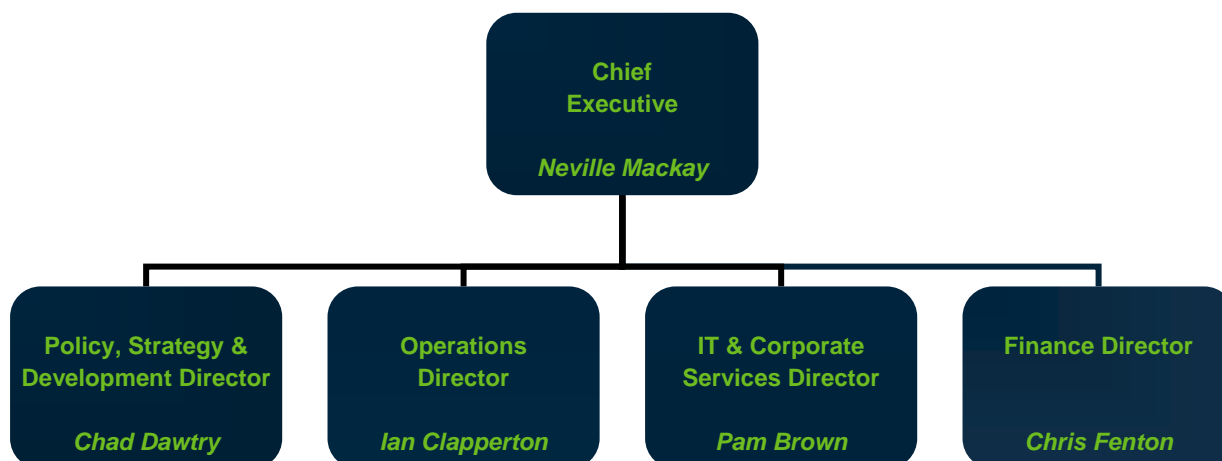
Note:

1. The need to issue NHS benefit statements was obviated by the NHS Choice exercise.

Leadership and governance

The Agency is part of the Enterprise, Environment and Digital portfolio of the Scottish Government.

Its day to day management is overseen by the individual executive directors and through the Senior Management Team collectively. As at 31st March 2012, the Agency's Senior Management Team comprised:



The Agency also has an External Management Board comprising:

James Taylor (chair), Julia Edey, Alyson Stafford and Alex Smith.

The Agency's Audit and Risk Committee is chaired by Alex Smith and comprises additionally Julia Edey and James Taylor. The Agency's Chief Executive and Executive Directors, together with Internal Audit and Audit Scotland, attended the Audit and Risk Committee meetings during 2011-12.

Risk management

Risk Management is a key element in the Agency's governance arrangements. The Agency has a corporate risk register, which is reviewed quarterly by the Senior Management Team and by the Audit and Risk Committee. The corporate risk register is underpinned by directorate risk registers which are subject to regular review by the Senior Management Team.

Staff – our greatest asset

Employment policy/culture

The Agency places great emphasis on engagement with staff in the business planning process and in the alignment of individual objectives with the corporate objectives. The Agency has an active staff training, development and leadership programme to ensure that all staff members can fully realise their potential. Our progressive approach has been recognised by Investors in People accreditation, which was upgraded to silver status in 2009.

We encourage staff involvement and openness by our Open Door policy which includes senior managers, directors and the Chief Executive. We have also provided staff with the opportunity to be involved with a wide range of Business Improvement issues and to attend meetings of the Agency's Senior Management Team.

Employees

The HR role within Corporate Services adheres to Scottish Government HR Policy covering pay, attendance, performance, recruitment and disciplinary processes. The SPPA HR team has provided local staff with guidance and support relating to the SG policies at all times following current employment law.

The SPPA and the SG support a wide range of family-friendly policies including:

- Flexi-working (including alternative working patterns)
- Parental leave
- Paternity leave
- Special leave
- Career break opportunities
- Childcare vouchers

These policies have in the past helped to attract a large number of quality external applicants and interest from the local workforce. In the future these policies will help the Agency to retain staff, and continue as a positive way to engage current staff.

The overall average number of staff in post (full time equivalent) was 238 during 2011-12. Approximately 55 members of staff worked part time hours.

The Agency provides a quality environment which is clean and safe to work in, with excellent equipment and up to date technology. The Agency aims to have quick and effective communication systems, including the facilitation of effective interpersonal, team, directorate and Agency-wide relations. The Agency provides participative support to all colleagues, and encourages all staff members to be involved in the decision-making processes of the business.

Corporate social responsibility

Acting responsibly is fundamental to how the Agency carries out every aspect of its business, which is important in earning and retaining the trust of the Agency's stakeholders and employees.

The Agency knows the value of its people, and shows this by encouraging their technical and managerial development, by recognising achievement and by looking after all aspects of their wellbeing.

People

The Agency's talented and committed employees are essential to its continuing success. The Agency actively encourages a healthy lifestyle by providing health checks, smoking cessation advice and lunchtime guidance seminars on nutrition and exercise. During November 2011, in collaboration with NHS Borders, the Agency offered influenza vaccination on-site to staff members, 63 of whom took up the offer. Other practical activities include the facilitation of a running group that meets each week after work, yoga classes, and social events. The Agency achieved Healthy Working Lives accreditation during 2009-10.

Environment

SPPA has continued its efforts to improve its environmental performance, increase energy efficiency, and, where possible, minimise its use of resources.

The office building was designed to be energy efficient through effective thermal insulation, including a sedum roof, and utilises renewable energy from solar panels. As part of its environmental strategy SPPA is committed to responsible energy management and practises energy efficiency to protect the environment and avoid unnecessary expenditure.

In 2011-12 SPPA worked closely with the Scottish Government Environmental Team to collate its energy data and therefore support the Scottish Government in the preparation of its annual report on its Carbon Reduction Commitment.

Summary of progress against environmental performance targets 2011-12

Objective – use energy efficiently to minimise greenhouse gas emissions

Energy and emissions targets

Targets are set in two areas:

- emissions of the greenhouse gas carbon dioxide (CO₂e); and
- kilowatt energy consumption for gas and electricity.

Corporate target - maintain carbon emissions from energy consumption to within +/- 3% of 2010-11 totals by March 2012.

2010-11	Actual	216.19	tonnes CO ₂ e
2011-12	Actual	198.01	tonnes CO ₂ e
2011-12	Target	209.70 – 222.68	tonnes CO ₂ e

Progress: Achieved. Despite increased occupancy during Quarter 4 of 2011-12, a reduction of 8.4% of 2010-11 CO₂ emissions was achieved. This was achieved through stringent control of heating settings and regular planned preventative maintenance visits to ensure that systems and plant operated at the designed efficiency levels.

Target No 1 for 2011-12 - maintain kilowatt-hour consumption of electricity used per full time equivalent employee (FTE) to within +/- 3% of 2010-11 levels by March 2012.

2010-11	Actual	1220	KWh per person
2011-12	Actual	1203	KWh per person
2011-12	Target	1183 – 1257	KWh per person

Progress: Achieved. A reduction of 1.4% of 2010-11 figures was achieved which, following the 7.1% reduction in the previous year, is commendable. This can be attributed to:

- the use of solar-sensitive lighting in non-essential areas, and tight controls on timed lighting;
- the use of software to automatically shut down any non-essential IT equipment outside office hours; and
- replacement of vending machines with a single, energy-efficient vending machine.

Target No 2 for 2011-12 - maintain kilowatt-hour consumption of gas used per m² to within +/- 3% of 2010-11 levels by March 2012.

2010-11	Actual	107.14 per m ²	total usage 306,843 kWh
2011-12	Actual	81.1 per m ²	total usage 232,263 kWh
2011-12	Target	103.9 – 110.4 per m ²	total usage 297,638-316,048 kWh

Progress: Achieved. A reduction of 24.3% of 2010-11 figures was registered. This reduction is largely attributable to the milder winter in 2011-12 compared with the previous year. However, the 2011-12 consumption figures are still 4.7% lower than in 2009-10 (85.13 per m² in 2009-10 compared to 81.1 per m² in 2011-12).

Objective – Use Natural Resources Efficiently to Minimise Environmental Impact.

Natural resources target

Target No 1 for 2011-12 - maintain water consumption (m³ per full-time equivalent member of staff - FTE) to within +/- 3% of 2010-11 totals by March 2012.

2010-11	Actual	5.37	m ³ per FTE
2011-12	Actual	5.56	m ³ per FTE
2011-12	Target	5.21 – 5.53	m ³ per FTE

Progress: Not Achieved. Consumption per FTE increased by 3.5% meaning the target was narrowly missed. Water consumption per FTE is still on track to meet the Scottish Government's target on core estate buildings, 'to reduce water consumption in all our key buildings across the estate to 5.5m³ per FTE by 2014'.

Scottish Public Pensions Agency sustainability report for the year ended 31 March 2012

GREENHOUSE GAS EMISSIONS

		2011-12	2010-11
Non Financial Indicators	Total gross emissions for scope 1 (direct emissions from consuming gas) & scope 2 (indirect emissions from electricity consumption)	198.01 tonnes of CO ² equivalent	216.19 tonnes of CO ² equivalent
	Gross emissions scope 3 (business travel)	21.59 tonnes of CO ² equivalent	19.08 tonnes of CO ² equivalent
Related Energy Consumption	Electricity	286,306 KWh	294,421 KWh
	Gas	232,263 KWh	306,843 KWh
Financial Indicators	Expenditure on energy	£36K	£35K
	Expenditure on official business travel	£22K	£21K

PERFORMANCE COMMENTARY

The Climate Change (Scotland) Act 2009 requires Scotland to reduce its emissions by 42% by 2020 and by 80% by 2050. SPPA, as an Agency of the Scottish Government, needs to ensure that it plays a full and leading part in its delivery, and in improving Scotland's overall sustainability/environmental performance. Total CO² equivalent emissions from energy use fell by 8.4% from the previous year's levels.

CONTROLLABLE IMPACTS COMMENTARY

Electricity usage is directly related to staff numbers and to the number of computers in operation. Automatic shut-down systems are in place for IT equipment not in use. Good use is made of natural light, by using a solar-sensitive electronic lighting control program. SPPA promotes the use of video conferencing facilities to reduce travel.

OVERVIEW OF INFLUENCED IMPACTS

The Agency occupies a modern building designed to have a low impact on the environment. The building is well insulated and includes features such as a sedum roof, which in addition to retaining heat in winter, helps to keep the building cool during the summer. Air conditioning is used only in the computer server room.

WASTE

			2011-12	2010-11
Non Financial Indicators	Total waste		26.74 tonnes	19.37 tonnes
	Non hazardous waste	Landfill	6.40 tonnes	5.94 tonnes
		Reused/recycled	20.34 tonnes	13.43 tonnes
		Percentage of waste reused/recycled	76.07%	69.33%

Financial Indicators	Total disposal cost		£6K	£7K
	Non hazardous waste	Landfill	*	£1K
		Reused/recycled	*	£6K
* = absorbed in total waste figure. Disaggregation of costs for individual waste streams identified for future development by our waste contractors				
PERFORMANCE COMMENTARY				
Although no formal target has been set to reduce its waste, SPPA is committed to ensuring all staff are aware of their responsibility to ensure waste is not sent to landfill unnecessarily. During the reporting year the Agency introduced glass and battery recycling to its existing paper, plastics and electronic equipment recycling facilities. SPPA also has an agreement with a local charity to remove and recycle aluminium cans. The Agency is committed to ensuring at least 75% of its waste is recycled or reused, and aims to increase this to 80% by 2015.				
CONTROLLABLE IMPACTS COMMENTARY				
SPPA aims to be a paperless office, and holds all key data electronically. Print levels are monitored, and staff are discouraged from printing documents unnecessarily and encouraged to re-use any misprints as scrap paper. SPPA procures its paper and envelopes from environmentally-friendly sources.				
FINITE RESOURCE CONSUMPTION – WATER			2011-12	2010-11
Non Financial Indicators	Water consumption	Supplied	1,324 cubic metres	1,293 cubic metres
		Disposed	1,290 cubic metres	1,228 cubic metres
Financial Indicators	Water supply costs		£8K	£9K
PERFORMANCE COMMENTARY				
Toilets are fitted with water reduction flushers and taps have an automatic shut-off. Regular planned preventative maintenance visits ensure that any leaks are identified and repaired promptly.				

Notes:

1. The above report has been prepared in accordance with guidelines laid down by HM Treasury in "Public Sector Sustainability Reporting" published at www.financial-reporting-gov.uk and using factors published by DEFRA in June 2011.
2. Emissions accounting includes all Scope 1 and 2 emissions along with separately identified emissions related to official travel. Detailed departmental policies for carbon accounting within the Agency can be found on our website.

Operations

Background

Operations Directorate employs the majority of the Agency's workforce and deals with the administration of pensions for members of the NHS and STSS schemes. In addition we carry out pension administration under contract for the Scottish Parliamentary Pensions Service, Northern Ireland Assembly Members' Pension Scheme, Scottish Legal Aid Board and Isle of Man Government. Our role involves handling all pension events such as initial award, pensioner payments and transfers. The Directorate is the public face of the Agency dealing directly with more than 400,000 scheme members and beneficiaries and more than 1,200 employer organisations.

Main activity for NHS and STSS membership is divided into functional teams -

Pension awards, service and transfers, data maintenance

Pension awards are responsible for all applications for age, ill health and early retirement together with providing estimates for those who are interested in retiring.

Service/transfers are responsible for matters such as change of personal details, nominations for survivor benefits, transfers in and out, refunds of contributions, pensionable service enquiries, etc.

Data maintenance look after the information provided to SPPA by employers relating to starters, leavers and annual returns.

These three business areas are supported by a range of discrete specialist teams –

Small Schemes:	Includes pension arrangements for Scottish Parliament
Special Projects:	Includes Pension Sharing on Divorce and Mis-selling
Payroll:	Payment of pensions to beneficiaries of NHS and STSS
Stakeholder Liaison:	Special one-off tasks such as Auto Enrol and Tax Relief changes. Handling member complaints and managing communications via web and publications
Technical Support:	Assisting staff with IT support and system improvements

During 2011-12 Operations took the decision to move towards full integration of the NHS and STSS administration and as a consequence all teams are now integrated to provide members with a one-stop service based on functionality. This move will result in a more efficient and cost-effective customer service with staff able to handle pension business across both main pension schemes.

Key achievements of the Operations Directorate in 2011-12

All the key performance indicators in respect of timeliness, quantity and accuracy of service were met during the year:

Target	Outcome
Pay 100% of all existing NHS and STSS pensions on the due date	Achieved 100%
Pay 98% of new awards within one month of the due date	Achieved 98%
Maintain accuracy level of new pension awards at 95%	Achieved 98%
Ensure that correct data is held for 95% of active members and that accurate annual benefit statements are issued to 95% of those members	Achieved 96% for correct data Achieved 97% for statements
Maintain and where possible improve customer satisfaction levels	Achieved 87.3% - increase of 3.0% from 2010-11

Other achievements in the year

Small schemes

The Small Schemes team provides a pensions calculation service for the Scottish Parliamentary Pension Scheme (SPPS), Legal Aid (Scotland) Pension Scheme (LA(S)PS), the Scottish Legal Aid Board Chairman Pension Scheme (SLABC), the Northern Ireland Assembly Members Pension Scheme and NHS and Teachers in the Isle of Man. Service level agreements are in place for the work the Agency undertakes. The terms of these agreements were all met or exceeded.

Pension sharing on divorce

In line with legislation, the Agency charges for services to Courts and solicitors. Income generated in 2011-12 from this source was £126,294.

Valuations

Valuations for NHS 2004-08 and the STSS 2005-09 were progressed during the year and all data issues resolved. This has enabled our actuaries to provide SPPA with relevant demographic assumptions and a trend analysis. However on the instruction of HM Treasury these valuations cannot be formally concluded and published and therefore until the position changes, contribution rates for employers will remain as they are at present.

Taxation

From 2012 changes to the taxation rules will affect both the members' contributions and their final pension awards. While those affected are likely to be the higher paid, nevertheless SPPA requires to undertake some preparatory work and ensure that scheme members are kept informed of developments. The Agency has kept up a good flow of communication with employers and members alike and has attempted to alert those likely to be affected. The Agency's web site contains a range of related information, including calculators. The first formal action will be in October 2012 when the Agency will inform specific members of their tax liability.

National Fraud Initiative

The 2011 NFI exercise is now virtually complete with only a few cases to finalise following receipt of information from third parties. The results of the exercise demonstrate that the Agency's own checking arrangements which we have put in place with the General Register Office for Scotland to capture pensioner deaths is working well. However, the Agency has noted a rising trend of cases where pensioners return to work without notifying SPPA. The NFI initiative has enabled SPPA to establish many cases of overpayment which it will be pursuing to recovery. At the same time SPPA will revise its communications with pensioners to remind them of the need to inform the Agency if they resume employment.

Web services

SPPA successfully introduced a new web based service called "MyPension" which provides on-line benefit statements, calculators, and a range of member service options. The next phase will offer pensioners on-line P60s, and pension statements, and it is intended that the second phase will go live during April/May 2012.

Club Together

A joint venture with Xafinity Paymaster will provide all pensioners with a twice-yearly mailing. This partnership will bring about a considerable financial benefit to SPPA and enable an injection of resources to front-line activity. Pensioner data is not shared with Xafinity Paymaster, and pensioners will be given a regular opportunity to opt out.

Key challenges for 2012-13

The Directorate has many tasks for the year. The following key objectives are contained in the Directorate's business plan:

- Achieve service delivery targets specified in this business plan;
- Deliver training, support and development opportunities which meet the requirements of the staff in the Directorate;

- Continue the implementation of the structural review and associated management changes, and support staff throughout the period of change;
- Implement pension changes to taxation, auto enrolment and injury benefits;
- Continue to develop improved system functionality and, where necessary, find and implement solutions to address outstanding functionality issues;
- Review the effectiveness of member web service for both pensioners and active members and develop proposals for further functionality;
- Seek “continuous improvements” across the Directorate and in particular, as a result of the structural review, aim for increased consistency of approach between NHS and STSS;
- Lead on the development of operational aspects of the public pension service reform agenda; and
- Improve engagement with internal and external stakeholders.

Policy Strategy and Development

The year brought a mix of reform-related activity and business as usual, making it a busy year during which key tasks were only just contained within the Policy team's resources.

Public service pension reforms

The UK Government further developed its programme of public service pension reform founded on its response to Lord Hutton of Furness' independent review. This had two key components in 2011-12: the UK Government's policy of increasing employee contributions to most public service pension schemes; and UK Government negotiations on the longer term reforms, designed to establish Heads of Agreement for each scheme by the end of the calendar year. This has remained a controversial agenda which culminated in a national public sector day of industrial action on 30 November opposed to: contributions increases; proposed longer term reforms; and the earlier change in annual indexation of public sector pensions from RPI to CPI.

The Policy team played the leading role in providing advice to Ministers around UK Government policy and its potential impact on schemes in Scotland and in discussing related issues with stakeholders. It also represented the Scottish Government at UK-level discussions on the various reforms, chaired by HM Treasury and the Cabinet Office.

Despite the Scottish Government's principled opposition to increases in member contributions during 2012-13, Ministers concluded that they had to be introduced to the NHS, Teachers, Police and Fire-fighter schemes to avoid the UK Government making automatic deductions from the Scottish Budget. The Policy team was instrumental in shaping the detail and distribution of the increases and the necessary regulations to give effect to this policy.

On the longer term reforms, team members attended meetings held by UK departments responsible for the schemes in England and Wales. This was to maintain awareness of the developing landscape on reforms south of the border, ensuring Ministers and stakeholders were kept informed. At the end of the calendar year the emphasis changed to considering the longer term reforms in Scotland, and the team was involved in initial partnership meetings with Scottish stakeholders to set the process for taking forward reforms during 2012-13.

Business as usual

Though the public service pensions reform agenda dominated the year, a range of other policy issues was taken forward in parallel. 2011-12 highlights included:

- providing pensions advice related to the Scottish Government's decision to move to single police and fire authorities in Scotland;
- progressing consolidation of the Teachers' scheme regulations;
- participating in the UK review of the NHS Injury Benefit scheme;
- continuing discussions with SLOGPAG/COSLA on the implementation of cost-sharing in the LGPS;
- undertaking a review of the LGPS ill-health appeals process;
- contributing to and providing guidance on tax-related issues, including changes resulting from the reduction in the annual allowance limit to £50,000 from April 2011; the reduction in the Lifetime Allowance to £1.5m from April 2012; and tax implications of re-employment for those who retire with a protected pension age;
- engaging in pre-implementation advice and discussions around auto-enrolment into occupational pensions;
- dealing with significantly increased levels of correspondence about public service pensions policy; and
- processing appeals under the various schemes' Internal Dispute Resolution Processes.

Corporate Services

The Agency's Corporate Services Directorate in 2011-12 covered the functions of Human Resources, IT and Project Support, Corporate Training, Corporate Communications and Facilities Management.

Corporate Training

The Agency is committed to developing the technical, managerial and leadership skills of its staff. The Corporate Training team plays a key role in supporting this commitment, by maintaining a comprehensive record of training needs and of training undertaken, and by supporting a wide range of training programmes including the Retirement Provision Certificate professional qualification. In addition, the Agency has implemented a Leadership Development Programme for staff who show potential for senior management roles.

Corporate Communications

The Corporate Communications function has steered a number of important pieces of work over the past year, including the annual stakeholder survey and the staff survey, the results of both of which are used to inform aspects of our work in the following year. In addition, the team coordinates the production of the regular staff newsletter, responses to FOI requests and the fortnightly Core Briefing to staff.

In addition to its regular work, the team has continued to improve the Agency Intranet and the external website.

Facilities and mailroom management

The purpose of the Facilities/Mailroom team is to provide a quality environment that supports the Agency's objectives with cost effective and quality business support mechanisms.

We are committed to managing our premises in an environmentally-friendly way, and to ensuring the safety of staff and visitors.

Health and Safety continues to be a high management priority throughout the Agency; procedures are now well established and training is provided to ensure that all of our staff are aware of their responsibilities.

Human resources

We continue to provide professional support and advice on HR issues to all colleagues and we have developed our reporting processes to ensure that the Senior Management Team, managers and staff are provided with accurate and clear information relating to staff resources, attendance, and performance issues.

The Agency's staffing complement over the past 3 years was:

	2011-12	2010-11	2009-10
Permanent staff complement	232	240	238
Average number of staff in post (FTE)	238	241	245

Staff turnover for 2011-12 was 4.25% (10 FTE members of staff). This figure includes:

- 6.5 staff who left to work in other Departments of the Scottish Government or other government departments;
- 0.5 resignations from the SPPA and the Scottish Government;
- 2 through the Scottish Government's early departure schemes; and
- 1 through dismissal.

Recruitment

The Agency recruited 18 new members of staff during the year. 1 was transferred from a Scottish Government Department and 17 were recruited as 12-month fixed term appointees through an external, fair and open recruitment campaign. The Agency has decided to recruit a number of

Modern Apprentices in order to support the Scottish Government in its objective in tackling youth unemployment.

Sickness Absence Management

The Agency's sick leave figures improved from the previous year. The average total number of sick days per person within the Agency in 2011-12 was 8.3 days. This is a 14% improvement on the previous year's total.

Contractual and other arrangements that are essential to the business

Supplier	Product/service	Current expenditure £	Duration
Scottish Government Information Services and Information Systems Division	SCOTS, PCs and laptops	223k per annum	On-going
Northgate Information Solutions	Resource Link Pension Payroll System	145k per annum	March 2015
Heywood Ltd	AXISe Pension Administration System	176k per annum	Expires March 2015 (8 years)
Océ UK Ltd	Printers	17k per annum	1 April 2010 for 5 years
VIP Communications Group Ltd	Telephone system	15k per annum	On-going
Oracle	Database software	8k per annum	April 2013
Epicor	Financial software	6k per annum	July 2015
Pulsion	Members web service	10k per annum	March 2015
Scolocate	Web hosting	23k per annum	March 2015

IT and project support

The IT and Project Support team supports the Agency and its staff by delivering services to provide the following key functions:

- provision and improvement of IT services and support across the whole Agency. This involves installation and maintenance of software, hardware and telecommunications facilities and running production schedules for pension administration and pension payroll processes;
- the management of contracts with third party suppliers of IT, office equipment and telecommunications on behalf of SPPA and responsibility for negotiating terms, conditions and cost;
- delivering changes and improvements to the SPPA Internet and Intranet;
- providing the Agency with project management advice and support;
- supporting the Agency Programme Board;
- responsibility for ensuring that all SPPA IT systems are approved to interface with the Scottish Government managed SCOTS network;
- database administration, ensuring that all IT services are running as effectively as possible. This includes completing server maintenance procedures, disaster recovery exercises, checking system backups, monitoring system performance and dealing with normal day to day problems; and

- ensuring all staff are made aware of, and understand, data and IT security rules and guidance.

During the course of the year, the team continued to schedule and run all the necessary IT processes and contributed to the following achievements:

- improvements to Payroll and Pension Administration processes to provide a more efficient and effective service to the organisation;
- payment of pension payroll to agreed timetable; and
- putting Service Level Agreements in place for all IT services.

2012-13 Plans

- implementing further web services for members;
- recruitment of at least 3 modern apprentices;
- preparation and planning for taxation changes and pension reforms;
- continuing to deliver services to service level agreements; and
- implementing improvements and efficiency savings to current services.

Finance

The Finance Directorate manages the finances of the NHS and Scottish Teachers' pension schemes, and the finances of the Agency itself.

The main functions are:

- Collection and management of pension contributions of around £1.5 billion annually;
- Preparation of statutory accounts of the NHS Superannuation Scheme (Scotland), the Scottish Teachers' Superannuation Scheme, and of the Agency itself;
- Preparation of budgets for the Schemes and the Agency, and provision of medium-term forecasts to HM Treasury on pension finances;
- Supporting the Agency in its benchmarking of the effectiveness efficiency and economy of the Schemes and of the Agency's support services;
- Supporting the Audit and Risk Committee and supporting sound governance in the Agency;
- Monitoring and reporting of financial performance against budget throughout the year, reporting to senior management, to the External Management Board, to the Scottish Government and to HM Treasury; and
- Maintenance of a sound internal control framework.

In addition to its recurring tasks, the Directorate has an active agenda to develop business processes, with the aims of enhancing efficiency, economy, effectiveness and sound financial controls. The Directorate is currently developing plans for a web-based system to enhance the contributions collections process.

Date accounts authorised for issue

The Accountable Officer authorised these financial statements for issue on 31st July 2012

Annex A

2011-12 Scottish Statutory Instruments made for public service pensions schemes

NHS

- The National Health Service Superannuation Scheme etc. (Miscellaneous Amendments) (Scotland) Regulations 2011 (SSI 2011/364) coming into force on 1 December 2011
- The National Health Service (Superannuation Scheme and Pension Scheme) (Scotland) Amendment Regulations 2012 (SSI 2012/069) coming into force on 1 April 2012

STSS

- The Teachers' Superannuation (Scotland) Amendment Regulations 2012 (SSI 2012/070) coming into force on 1 April 2012

LGPS

- The Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Regulations 2011 (SSI 2011/349) coming into force on 14 November 2011

Police

- The Police Pensions (Contributions) Amendment (Scotland) Regulations 2012 (SSI 2012/071) coming into force on 1 April 2012

Fire

- The Firefighters' Pension Scheme Amendment (Scotland) Order 2012 (SSI 2012/106) coming into force on 1 April 2012
- The Firefighters' Pension Scheme Amendment (Scotland) Order 2012 (SSI 2012/107) coming into force on 1 April 2012

3. Remuneration report

Remuneration policy

Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Non-Executive Directors

Non-executive directors during the whole of 2011-12 were James Taylor (chair), Alex Smith, Julia Edey and Alyson Stafford.

The non-executive directors are not salaried in their capacity of non-executive directors. Alex Smith received £2,804, James Taylor received £4,393, Julia Edey received £2,426 and Alyson Stafford received £NIL in fees and expenses in connection with their duties.

Senior Management Team

The senior management team in 2011-12 comprised Neville Mackay (Chief Executive), Ian Clapperton, Pam Brown, Chad Dawtry and Chris Fenton. All served for the whole year.

Remuneration (audited information)

Name and Title	2011-12			2010-11		
	Salary	Bonus Payments	Benefits in kind	Salary	Bonus Payments	Benefits in kind
	£000	£000	£000	£000	£000	£000
Neville Mackay Chief Executive	70-75	0	0	70-75	0	0
	Salary and bonus payments			Salary and bonus payments		
Pamela Brown Director of Corporate Services	60-65		0	60-65		0
Ian Clapperton Director of Operations	55-60		0	50-55		0
Chris Fenton Director of Finance	60-65		0	60-65		0
Chad Dawtry Director of Policy	55-60		0	55-60		0

Band of highest paid director's total remuneration	70-75	70-75
Median total	£17,882	£17,632
Remuneration ratio	4.1	4.1

SPPA does not have a separate performance pay scheme for senior managers, but applies the Scottish Government-wide remuneration policy equally to all staff including senior management. Total remuneration includes gross salary; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

In accordance with the Government Financial Reporting Manual (FReM), 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 SPPA in the financial year 2011-12 was £70k-£75k (2010-11, £70k-£75k). This was 4.1 times (2010-11, 4.1) the median remuneration of the workforce, which was £17,882 (2010-11, £17,632).

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by Her Majesty's Revenue and Customs as a taxable emolument.

Compensation

SPPA made no compensation payments to any of the Senior Management Team.

Pension Benefits

Name and title	Real increase in pension and lump sum at pension age	Total accrued pension at pension age as at 31March12 and related lump sum	CETV at 31March12	CETV at 31March11 *	Real increase/decrease in CETV
	£000	£000	£000	£000	£000
Neville Mackay Chief Executive (current employment)	0-2.5 and no increase for lump sum	10-15 plus 0-5 lump sum	200	169	15
Neville Mackay (previous employment)	No increase and no increase for lump sum	20-25 plus 60-65 lump sum	405	382	No increase
Pamela Brown Director of Corporate Services	0-2.5 and 0-2.5 for lump sum	25-30 plus 80-85 lump sum	465	420	10
Ian Clapperton Director of Operations	0-2.5 and 0-2.5 for lump sum	25-30 plus 85-90 lump sum	639	575	15
Chris Fenton Director of Finance	0-2.5 and 2.5-5 for lump sum	20-25 plus 60-65 lump sum	427	373	13
Chad Dawtry Director of Policy	0-2.5 and 0-2.5 for lump sum	10-15 plus 30-35 lump sum	183	157	12

*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Operational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. There are many reasons that could cause a decrease in the real increase in CETV including:

- If a rise in pensionable salary is less than the rate of inflation;
- If someone joined or left mid year; or
- The pension factors for the over 60s decrease the value of the pension that could have been taken at 60.

All information in the tables above has been subject to audit.

The following information has not been subject to audit.

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

Real increase in CETV

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

Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a "final salary" scheme (**classic**, **premium**, or **classic plus**); or a "whole career" scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality "money purchase" stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued

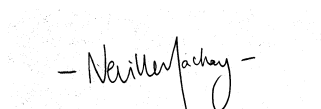
pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website:

www.civilservice-pensions.gov.uk

A handwritten signature in black ink, reading "Neville Mackay", enclosed within a faint, irregular rectangular border.

Neville Mackay
Chief Executive
31st July 2012

4. Governance statement

1. Framework

The External Management Board comprises between two and four externally appointed non-executive members, one whom is the Scottish Government's Director-General Finance. The Board meets at least four times each year, and meets additionally to consider longer-term strategic issues. The Board's work includes, but is not confined to:

- Considering the Agency's annual business plan and three-year corporate plan;
- Quarterly reports from the CEO on the Agency's progress in meeting plan targets and reports on key performance indicators;
- Receiving reports on finance matters from the Director of Finance;
- Considering strategic plans on HR, training, communications;
- Receiving reports from the Audit and Risk Committee;
- Considering the Agency's draft annual report and accounts;
- Receiving reports from the Schemes' actuary; and
- Considering threats to the long-term ability of the Agency to meet its objectives.

The Audit and Risk Committee comprises three non-executive members of the Board and meets at least four times each year. The committee's work includes, but is not confined to:

- Reviewing the Agency's risks and risk management processes;
- Directing the work of internal audit;
- Receiving reports from internal audit on the progress and conclusions of its work;
- Receiving reports from the Agency's management on: fraud; losses; internal controls; finance policies (including whistle-blowing, fraud, bribery and corruption); solvency in respect of its Scottish Government allocations;
- Reviewing the Agency's policies on fraud, corruption and whistle-blowing; and
- Reviewing the Agency's accounts, informed by the reports received from internal audit and from Audit Scotland.

The Agency does not have a remuneration committee because the Agency applies the Scottish Government-wide remuneration policy equally to all staff members.

The Agency's Senior Management Team (SMT) comprises the Chief Executive, and the Directors of Finance, Operations, Policy, and Corporate Services. The SMT meets fortnightly, and receives reports from all areas of operations. In addition, the SMT reviews the corporate and directorate risk registers quarterly, and reviews all reports received from external audit. The deliberations of the SMT are minuted and published on the Agency's intranet.

The Agency has a Programme Board, comprising all the members of the Senior Management Team, the purpose of which is to ensure that sound project management disciplines are exercised in all projects of significance undertaken by the Agency.

The Agency has an active programme to seek efficiencies in all areas of its operations. This is an embedded part of the business planning process, and enables the Agency to manage its increasing caseload without compromising quality of service.

2. Scope of responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control, which supports the achievement of the organisation's aims, objectives and policies including those set by Scottish Ministers, while safeguarding the public funds and assets for which I am personally responsible in accordance with the responsibilities assigned to me.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public

funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency, effectiveness and equality, and promotes good practice and high standards of propriety.

3. Purpose of the governance framework

The governance framework is designed to ensure that the Agency complies with the highest standards of probity while delivering value for money, safeguarding public funds, delivering good quality service to its stakeholders, and being fully accountable for its actions. The Agency complies with the guidance contained in the Scottish Public Finance Manual (SPFM) and with section 2 of "On Board: A Guide for Board Members of Public Bodies in Scotland" published by the Scottish Government.

4. Performance during the year

Data assurance

All staff members are required to undertake Cabinet Office data security training. At 31 December 2011 all staff had achieved at least 80% in the level 1 training module assessment. No loss of personal or otherwise restricted data has come to the attention of the Agency during the year.

Adequacy of staff resources

In 2011-12 the Agency carried out a review of its staffing needs, in the light of the demands of the forecast increase in pensions transaction handling, pensions reform, and governance and accounting needs. As a result, the Agency has put in place a revised structure which reinforces, at a senior level, the specialist expertise of the staff. In particular, the revised structure improves the depth of financial knowledge and the resilience of the Finance team, and ensures that the Agency is in a strong position to meet the demands of pension reform.

Internal Audit

The Agency directs the work of internal audit, informed by the Agency's risk registers and by the audit needs assessment undertaken by the Head of Internal Audit. Reports are received and reviewed by the Audit and Risk Committee, which also receives reports from management on the progress in implementing the recommendations of audit, both internal and external. In 2011-12 the level of assurance provided by internal audit was deemed to be substantial.

Internal controls

The Agency operates a comprehensive system of internal controls, designed to safeguard its assets and to ensure the reliability of financial records. The systems are subject to regular review by internal audit, and reports are made available to the Audit and Risk Committee. The controls include financial delegations, and policies on fraud, corruption and whistle-blowing, which are approved by the Senior Management Team and reviewed by the Audit and Risk Committee.

Business continuity

A hardcopy version of the comprehensive business continuity plan is held off-site by all directors and by members of the disaster recovery team. The plan is reviewed in depth annually, and if any significant changes arise as a result of a test. This review was formally approved by the Senior Management Team, and by the Audit and Risk Committee on 19 July 2011. Further reviews take place quarterly.

Resource and succession planning

During 2011-12 the Agency reviewed its strategic staffing needs, having particular regard to the demands of pension reform, and of the need to ensure the completeness, accuracy and currency of

its data records. As a result a number of new specialist posts have been created at a senior level to enhance business resilience and the Agency's ability to respond to increasing demands.

Efficiency and benchmarking

The Agency participates in a pensions industry benchmarking exercise, which compares the Agency's quality and costs of service across a range of activities common to comparable members of the peer group. The results consistently demonstrate that the Agency is a low-cost provider of essential pension services. The Agency also participates in the Scottish Government's benchmarking of corporate services, the results of which consistently place the Agency in the lower quartile for costs and the upper quartile for service quality.

5. Assessment of corporate governance

The Agency has a comprehensive set of risk registers at directorate and Agency level that are reviewed quarterly by the Agency's Senior Management Team. Governance arrangements include a Programme Board, which monitors the management arrangements and progress of projects undertaken by the Agency. The Agency's governance arrangements were reviewed during 2011-12 by Internal Audit resulting in "substantial" assurance of their effectiveness.

The External Management Board and the Audit and Risk Committee have both carried out a self-assessment of their effectiveness during 2011-12 using criteria set by the Scottish Government. Both were deemed to be effective in carrying out their functions. The Audit and Risk Committee has provided a full account of its activities over the past year to the External Management Board.

6. Assessment of the Agency's risk management arrangements and risk profile

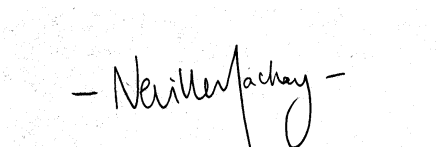
The Agency maintains risk registers that cover all areas of activity, in compliance with the guidance contained in the SPFM. These are reviewed quarterly by the Senior Management Team, and, where necessary, mitigating action is taken. The corporate risk register is reviewed quarterly by the Audit and Risk Committee. The greatest perceived threats to the Agency are posed by the demands of pension reform, in respect of staff and financial resource; and by the possibility of financial misstatement in the Schemes' accounts as a result of system issues, insufficient qualified staff to prepare financial statements, and inaccurate or out of date membership records. The Agency has taken steps to address these issues, and has secured additional funding from the Scottish Government to ensure that sufficient staff resources can be recruited at the appropriate level of skill and experience in 2012-13. In addition, a programme of system developments will substantially reduce the risk of financial misstatement.

7. Efficiency and Best Value

The Agency has a duty to secure Best Value in the services it provides. Best Value principles are embedded in the Agency's planning, governance and business decision arrangements, and are communicated to staff through commitment, leadership and staff participation in the business planning process. The Agency has comprehensive budgeting, monitoring and reporting arrangements to ensure sound management of resources. The Agency participates in a pensions industry benchmarking group, and in the Scottish Government's benchmarking of corporate services. In addition, the Agency seeks the views of its stakeholders and staff through annual surveys.

8. Written assurances provided to the Chief Executive

The Chief Executive has received written assurances from all Directors about the operation and effectiveness of internal controls in the areas for which they are responsible. Additionally, he has received assurance from the Scottish Government's Director General Finance in respect of the financial systems shared with the Agency, and from the Scottish Government's Director General Governance and Communities in respect of the Scottish Government's HR and payroll systems that are shared with the Agency.

A handwritten signature in black ink, reading "Neville Mackay", enclosed within a faint, light-grey rectangular border.

Neville Mackay
Chief Executive
31st July 2012

5. Statement of Agency's and Chief Executive's responsibilities

Under section 19 of the Public Finance and Accountability (Scotland) Act 2000 the Scottish Ministers have directed the Scottish Public Pensions Agency to prepare a statement of accounts for each financial year in conformity with the accounts direction on page 51 of these financial statements, detailing the resources required, held or disposed of during the year and the use of resources by the Agency during the year.

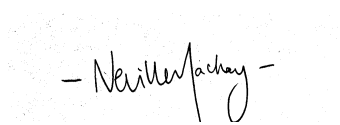
The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year-end, and of its income and expenditure, changes in taxpayers' equity, and cash flows for the financial year.

The Principal Accountable Officer of the Scottish Government appointed the Chief Executive of the Scottish Public Pensions Agency as the Accountable Officer for the Agency. As Accountable Officer, the Chief Executive is responsible to the Scottish Ministers.

In preparing the accounts, the Accountable Officer is required to comply with the Government Financial Reporting Manual, and in particular to:

- observe the accounts direction issued by the Scottish Ministers, 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, as set out in the Government Financial Reporting Manual, have been followed, 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 Agency will continue in operation.

The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Memorandum to Accountable Officers from the Principal Accountable Officer.



Neville Mackay
Chief Executive
31st July 2012

6. Independent auditor's report to the Scottish Public Pensions Agency, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the Scottish Public Pensions Agency for the year ended 31 March 2012 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2011/12 Government Financial Reporting Manual (the 2011/12 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Agency's and Chief Executive's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and income in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2012 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Foreword and Forward Look by the Chief Executive, the Directors' Report and the Management Commentary included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.



Mark Taylor
Assistant Director
Audit Scotland
18 George Street
Edinburgh
EH2 2QU
3 August 2012

7. Scottish Public Pensions Agency
Annual Accounts 2011-2012

SCOTTISH PUBLIC PENSIONS AGENCY

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2012

		2011-12	2010-11
	Note	£000	£000
Staff costs	2	6,578	6,403
Other admin costs	3	2,580	2,504
Depreciation	5,6	1,523	1,583
Total Operating Costs		10,681	10,490
 Operating income	4	 (274)	 (158)
Net Operating Costs		10,407	10,332
 Other Comprehensive Expenditure			
Net (gain)/loss on revaluation of Property, Plant & Machinery	5	(9)	(15)
 Total Comprehensive Expenditure for the Year		 10,398	 10,317

The above results relate to continuing activities.

The notes on pages 41 to 50 form part of these financial statements.

SCOTTISH PUBLIC PENSIONS AGENCY

STATEMENT OF FINANCIAL POSITION

as at 31 March 2012		31Mar12 £000	31Mar11 £000
	Note		
Non-current assets			
Tangible non-current assets	5	384	489
Intangible assets	6	5,056	6,259
Total non-current assets		5,440	6,748
Current assets			
Trade and other receivables	7	328	296
Total current assets		328	296
Total assets		5,768	7,044
Current liabilities – less than 1 year			
Trade and other payables	8	(336)	(534)
Provisions for liabilities & charges	9	(26)	(26)
Total current liabilities		(362)	(560)
Non-current assets less net current assets		5,406	6,484
Non-current liabilities – greater than 1 year			
Provisions for liabilities and charges	9	(134)	(161)
Total non-current liabilities		(134)	(161)
Net assets/(liabilities)		5,272	6,323
Taxpayers equity			
General fund		5,272	6,323
Revaluation reserve		0	0
Total taxpayers equity		5,272	6,323

The notes on pages 41 to 50 form part of these financial statements.



Neville Mackay
Chief Executive
31st July 2012

SCOTTISH PUBLIC PENSIONS AGENCY

STATEMENT OF CASH FLOWS

for the year ended 31 March 2012	Note	31Mar12	31Mar11
		£000	£000
Cash flows from operating activities			
Net operating cost		(10,407)	(10,332)
Adjustments for non cash transactions			
Depreciation		1,523	1,583
Notional costs for services provided by Scottish Government	3.3	289	282
Movements in working capital			
(Increase)/Decrease in trade and other receivables	7	(32)	76
Increase/(Decrease) in trade and other payables	8	(198)	(211)
Movements in provisions	9	(27)	(10)
Net cash outflow from operating activities		(8,852)	(8,612)
Cash flows from investing activities			
Purchase of tangible non-current assets	5	(16)	(36)
Purchase of intangible assets	6	(190)	(540)
Net cash flow from investing activities		(206)	(576)
Cash flows from financing activities			
Net Funding		9,058	9,188

The notes on pages 41 to 50 form part of these financial statements.

SCOTTISH PUBLIC PENSIONS AGENCY

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2012

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2011		6,323	0	6,323
Net gain/(loss) on revaluation of tangible non-current assets		0	9	9
Non cash charges – SG services	3.3	289	0	289
Transfers between reserves		9	(9)	0
Net operating cost for the year		(10,407)	0	(10,407)
Net funding		9,058	0	9,058
Balance at 31 March 2012		5,272	0	5,272

for the year ended 31 March 2011

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2010		7,141	29	7,170
Net gain/(loss) on revaluation of tangible non-current assets		0	15	15
Non cash charges – SG services	3.3	282	0	282
Transfers between reserves		44	(44)	0
Net operating cost for the year		(10,332)	0	(10,332)
Net funding		9,188	0	9,188
Balance at 31 March 2011		6,323	0	6,323

The notes on pages 41 to 50 form part of these financial statements.

SCOTTISH PUBLIC PENSIONS AGENCY

NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

1 Statement of Accounting Policies

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

1.1 Accounting convention

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

1.2 Property, plant and equipment

The Agency does not own any land or buildings but has included leasehold improvements in the Statement of Financial Position.

Leasehold Improvements have been stated at market value for existing use using appropriate indices. Depreciated historic cost has been used as a proxy for the fair value of furniture and fittings and plant and machinery. All of the assets in these categories have low values and short useful economic lives, which realistically reflect the life of the asset and a depreciation charge, which provides a realistic reflection of consumption. ICT systems are stated at historical cost. The minimum level for capitalisation of a property, plant and equipment asset is £1,000.

Property, Plant and Equipment assets were re-valued on the basis of indices at 31 March 2012.

1.3 Depreciation

Depreciation is provided on tangible non-current assets from the year they are brought into service. Rates are calculated to write off the acquisition cost less estimated residual value, evenly over expected useful lives as follows:

Leasehold improvements	- 10 to 25 years
Furniture and Fittings	- 10 years
Plant and Machinery	- 5 to 10 years
ICT Systems	- 3 to 7 years

The useful economic life of individual assets is reviewed annually and the asset life adjusted accordingly. During 2011-12 specific assets within Leasehold Improvements and Furniture and Fittings were re-lived in line with the remaining term of the property lease.

1.4 Intangible assets

Assets have been recognised as intangible non-current assets as per IAS 38.

Purchased computer software is capitalised as an intangible asset where expenditure of £1,000 or more is incurred. All purchased software licences are capitalised as intangible assets. Software and

software licences are amortised over the shorter of the term of the licence and the useful economic life. Software and software licences are amortised over 36 months. The exception is capital expenditure on the Pension Change Project which is amortised over 84 months.

Development expenditure is the capitalised costs of IT systems being developed but not yet brought into use.

1.5 Financial instruments

All Financial Assets held by the Scottish Public Pensions Agency have been classified as trade and other receivables and prepayments measured at amortised cost, using the effective interest method.

As the cash requirements of the Scottish Public Pensions Agency are met through the Scottish Government, Financial Instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirement; the Agency is therefore exposed to little credit, liquidity or market risk.

1.6 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory. The Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis (further disclosures are included in Note 2). Liability for payment of future benefits is a charge on the PCSPS. Separate scheme statements are published for the PCSPS as a whole.

1.7 Value Added Tax

The Agency receives funding from the Scottish Government Finance and Sustainable Growth Budget to meet expenditure incurred, inclusive of VAT. However in order to comply with Government Accounting Regulations and normal commercial practice, operating costs are stated net of VAT where VAT is recoverable by the Agency.

The Agency is registered for VAT as part of The Scottish Government, which is responsible for recovering VAT from HM Revenue and Customs on behalf of the Agency.

1.8 Leases

Operating lease rentals are charged to the operating cost statement on a straight-line basis over the term of the leases.

1.9 Short term employee benefits

A liability and an expense is recognised for holiday days, holiday pay, non-consolidated performance related pay and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result an accrual has been made for holidays earned but not taken.

2 Staff Numbers and Costs

	31Mar12	31Mar11
	£000	£000
Administration costs		
Wages and salaries	5,114	5,041
Social security costs	336	335
Other pension costs	890	863
Early departure costs	238	162
Agency staff costs	0	2
Total administration staff costs	6,578	6,403

Average number of whole-time equivalent persons employed	31Mar12	31Mar11
Senior management	5	5
Other permanent staff	233	236
Agency staff	0	0
	238	241

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Scottish Public Pensions Agency is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2011-12, employers' contributions of £889,972 were payable to the PCSPS (2010-11 £862,604) at rates in the range of 16.7 to 25.8 per cent (2010-11 16.7 to 25.8 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when a member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions are age-related and range from 3.0% to 12.5% of pensionable pay. Employers also match employee contributions up to 3.0% of pensionable pay. Contributions paid by the Agency in 2011-12 were £nil (2010-11 £nil).

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. No one from the Agency opted to join this scheme.

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

2011-12 (2010-11)

Exit package cost band		Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
1	Less than £10,000	0 (0)	0 (2)	0 (2)
2	£10,000 to £25,000	0 (0)	4 (2)	4 (2)
3	£25,000 to £50,000	0 (0)	3 (3)	3 (3)
4	£50,000 to £100,000	0 (0)	1 (0)	1 (0)
5	£100,000 to £200,000	0 (0)	0 (0)	0 (0)
6	Over £200,000	0 (0)	0 (0)	0 (0)
Total number of exit packages		0 (0)	8 (7)	8 (7)
Total resource cost		£0 (£0)	£238K (£162K)	

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 the year that departure is agreed. The costs of enhanced future payments arising from early retirements agreed during 2011-12 were paid in full at 31 March 2012; this is in contrast with the previous year, when a provision was set up at 31 March 2011 for the enhanced future payments. The additional costs of early retirement agreed by the Agency are met by the Agency and not by the Civil Service Pension Scheme (PCSPS). Ill-health retirement costs are met by the PCSPS and are not included in the table.

3 Other Administration Costs

3.1 General Administration Expenses

	31Mar12	31Mar11
	£000	£000
Actuarial services	332	294
Compensation payments	5	3
Medical services	111	100
Travel and subsistence	44	34
Printing and copying	13	23
Telephone charges	17	20
Training	80	64
Stationery	14	24
Office machinery	1	2
IT maintenance	632	609
Financial & legal services	11	11
Postage costs	114	143
Call centre costs	0	7
Recruitment & advertising	16	3
Other minor running costs	89	69
	1,479	1,406

3.2 Accommodation and Support Services

Rent payable under operating lease	554	543
Rates	112	107
Maintenance	57	69
Other accommodation costs	89	97
	812	816

3.3 Notional Charges

Services provided by the Scottish Government	127	112
Audit fee	162	170
	289	282
Other administration costs total	2,580	2,504

4 Income

	31Mar12	31Mar11
	£000	£000
Administration income	(274)	(158)
	(274)	(158)

Operating income represents mainly charges for providing work in relation to pension sharing on divorce.

5 Property, Plant and Equipment

For the year ended 31 March 2012	Buildings £000	Information Technology £000	Equipment £000	Furniture & Fittings £000	Total £000
Cost or valuation					
At 1 April 2011	448	763	265	509	1,985
Additions	0	12	4	0	16
Disposals	0	(352)	(81)	0	(433)
Revaluations	17	0	0	0	17
At 31 March 2012	465	423	188	509	1,585
Depreciation					
At 1 April 2011	191	668	203	434	1,496
Charged in year	24	41	23	42	130
Disposals	0	(352)	(81)	0	(433)
Revaluations	8	0	0	0	8
At 31 March 2012	223	357	145	476	1,201
NBV at 31 March 2012	242	66	43	33	384
NBV at 31 March 2011	257	95	62	75	489

For the year ended 31 March 2011	Buildings £000	Information Technology £000	Equipment £000	Furniture & Fittings £000	Total £000
Cost or valuation					
At 1 April 2010	423	985	323	509	2,240
Additions	0	17	19	0	36
Disposals	0	(239)	(77)	0	(316)
Revaluations	25	0	0	0	25
At 31 March 2011	448	763	265	509	1,985
Depreciation					
At 1 April 2010	158	865	243	387	1,653
Charged in year	23	42	37	47	149
Disposals	0	(239)	(77)	0	(316)
Revaluations	10	0	0	0	10
At 31 March 2011	191	668	203	434	1,496
NBV at 31 March 2011	257	95	62	75	489
NBV at 31 March 2010	265	120	80	122	587

6 Intangible Assets

For the year ended 31 March 2012	Software Licences £000	IT Software £000	Intangible AUC* £000	Total £000
Cost or valuation				
At 1 April 2011	442	9,580	0	10,022
Additions	23	103	64	190
Disposals	(70)	(12)	0	(82)
Transfers	0	0	0	0
Revaluations	0	0	0	0
At 31 March 2012	395	9,671	64	10,130
Depreciation				
At 1 April 2011	187	3,576	0	3,763
Charged in year	81	1,312	0	1,393
Disposals	(70)	(12)	0	(82)
Revaluations	0	0	0	0
At 31 March 2012	198	4,876	0	5,074
NBV at 31 March 2012	197	4,795	64	5,056
NBV at 31 March 2011	255	6,004	0	6,259

For the year ended 31 March 2011	Software Licences £000	IT Software £000	Intangible AUC* £000	Total £000
Cost or valuation				
At 1 April 2010	436	10,562	222	11,220
Additions	6	524	10	540
Disposals	0	(1,738)	0	(1,738)
Transfers	0	232	(232)	0
Revaluations	0	0	0	0
At 31 March 2011	442	9,580	0	10,022
Depreciation				
At 1 April 2010	119	3,948	0	4,067
Charged in year	68	1,366	0	1,434
Disposals	0	(1,738)	0	(1,738)
Revaluations	0	0	0	0
At 31 March 2011	187	3,576	0	3,763
NBV at 31 March 2011	255	6,004	0	6,259
NBV at 31 March 2010	317	6,614	222	7,153

* Assets under construction

7 Trade receivables and other current assets

	31Mar12	31Mar11
	£000	£000
Amounts falling due within one year:		
Trade receivables	33	33
Prepayments and accrued income	295	263
Total receivable within 1 year	328	296

8 Trade payables and other current liabilities

	31Mar12	31Mar11
	£000	£000
Amounts falling due within one year:		
Trade payables	3	159
Other payables	196	210
Accruals and deferred income	137	165
Total due within one year	336	534

9 Provisions for liabilities and charges

	Early Departure Costs	Rent Free Period	Total
	£000	£000	£000
Balance as at 1 April 2011	71	116	187
Provided in the year	4	0	4
Provisions not required written back	(3)	0	(3)
Provisions utilised in year	(18)	(10)	(28)
Borrowing costs (unwinding of discount)	0	0	0
Balance as at 31 March 2012	54	106	160

Analysis of expected timing of discounted flows

	Early Departure Costs	Rent Free Period	Total
	£000	£000	£000
Not later than one year	16	10	26
Later than one year and not later than five years	32	41	73
Later than five years	6	55	61
Balance at 31 March 2012	54	106	160

Rent Free Period

The Agency was given a 6-month rent-free period, by the landlord, when it relocated to Tweedbank. This is released against future rent expenditure throughout the period of the lease.

Early Retirement Costs

The Agency brought the payment of NHS pensions in-house in February 2007. Under the terms of the contract with the previous provider (Paymaster (1836) Ltd), the Agency is bound to abide by TUPE (Transfer of Undertakings Regulations) legislation. The Agency is required to meet the additional employment costs arising from the transfer of this work from Paymaster (1836) Ltd to SPPA. The Agency meets the additional costs of benefits beyond the normal pension benefits in respect of Paymaster (1836) Ltd employees who retired early, by paying the required amounts annually to the retired employees over the period between early departure and normal retirement date. The Agency provided for this cost in full, when the early retirement programme became binding on the Agency, by establishing a provision for the estimated payments.

10 Capital commitments

Contracted capital commitments at 31 March 2012 were £7K (31 March 2011 £0K).

Contracted capital commitments at 31 March 2012 not otherwise included in these accounts:

	31Mar12 £000	31Mar11 £000
Intangible Assets	7	0

11 Commitments under Leases

Obligations under operating leases comprise:	31Mar12 £000	31Mar11 £000
Land and Buildings:		
Not later than one year	598	552
Later than one year and not later than five years	2,544	2,506
Later than five years	292	929
Office Equipment:		
Not later than one year	16	16
Later than one year and not later than five years	34	49
Later than five years	0	0
	3,484	4,052

12 Related-party transactions

The Scottish Public Pensions Agency is a Scottish Government agency, which is therefore regarded as a related party. During the year the Scottish Public Pensions Agency has had a number of material transactions with the Scottish Government.

During the year, none of the Board Members, key managerial staff or other related parties has undertaken any material transactions with the Scottish Public Pensions Agency.

13 Intra Government Balances

	Trade Receivables amounts falling due within one Year £000	Trade Payables amounts falling due within one year £000
Balances with other central government bodies	14	261
Balances with Local Authorities	14	0
Balances with bodies external to government	300	75
At 31 March 2012	328	336
Balances with other central government bodies	2	250
Balances with bodies external to government	294	284
At 31 March 2011	296	534

(Trade Payables includes accrued employee benefits).



SCOTTISH PUBLIC PENSIONS AGENCY

DIRECTION BY THE SCOTTISH MINISTERS

in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000

- 1. The statement of accounts for the financial year ended 31 March 2006 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.**
- 2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.**
- 3. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 29 March 2001 is hereby revoked.**

A handwritten signature in blue ink, appearing to read 'Alison Stelfox', is written over a faint circular stamp.

Signed by the authority of the Scottish Ministers

17 January 2006