sppa
SCOTTISH PUBLIC PENSIONS AGENCY

Annual Report and Accounts 2013-14

WWW.SPPA.GOV.UK

An agency of The Scottish Government

INVESTOR IN PEOPLE

Contents

Foreword and forward look by the Chief Executive

This document sets out our Annual Report and Accounts for the period from 1 April 2013 to 31 March 2014. This is the twenty first such report since we became an Agency in 1993 and the twelfth 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 multi-year programme of business change which aims to enhance the efficiency, quality and effectiveness of its core pensions administration service. It has also managed, on behalf of Scottish Ministers, the challenging pension reform agenda which has addressed both short and long term changes to all five public sector pension schemes for which Scottish Ministers have a responsibility.

The year saw the Agency meet 9 of its 11 key performance targets. The two targets we failed to meet – relating to the loading of member data and the timely conclusion of pension reform policy activities - were both extremely close to being met and in one case the failure to meet the target was a direct consequence of an issue arising within a third party. As in the previous year, we also met more than 90% of the stretching list of key business tasks which we set at the beginning of the year. At the same time we improved our already high level of customer satisfaction, achieving an overall customer satisfaction marking of nearly 90%.

The year saw a number of significant operational and policy developments. The most notable was the decision by the Scottish Ministers in October 2013 to transfer the responsibility for administering the Scottish Police and Fire pension schemes to SPPA from April 2015. SPPA immediately set up a project team to work with key stakeholders to manage the transitional arrangements and ensure that this objective is successfully met. The decision to transfer the scheme administration to SPPA is a reflection of the confidence that Ministers have in the Agency to deliver a high quality but low cost service to pension scheme members. A number of external benchmarking indices including the re-affirmation of the Agency's status as an Investors In People Gold standard employer, staff survey results which place the Agency in the top quarter of all participating bodies throughout the UK and continued improvement in aspects of its customer satisfaction survey all serve to demonstrate the reasons behind that confidence.

The Agency also played a major role in successfully concluding the majority of the policy phase of the significant raft of pension reforms to Scottish schemes required by the UK Government. During the course of the year, agreement was reached on the substantive elements of 2015 scheme designs for all five public sector schemes. The Agency also implemented the second tranche of the increases in employee contribution rates which are also required by the UK Government.

The Agency also set about consideration of the new governance requirements required by April 2015 as a result of the UK Government's Public Sector Pensions Reform Act 2013. During the course of the year, the Agency's Senior Management Team, together with its External Management Board, held several discussions on the implementation of its new governance obligations. The Agency also engaged with the UK Pension Regulator and an extensive process of discussion with stakeholders commenced. The intention is that the main elements of the new governance arrangements will be in place by 2015-16.

Against this backdrop of significant policy changes, the Agency continued to successfully deliver its core pensions administration service to approximately 400,000 members of the Scottish Teachers and NHS pension schemes. Key achievements during the year included the implementation of a web based service for pensioner members, with around 10,000 registrations taking place before the end of the year; a strategic review of data quality; and the implementation of a raft of auto-enrolment, taxation and injury benefit changes.

The Agency also consolidated the development of its member web interface, which allows scheme members to access their pension benefit statements online. Apart from providing a member with the facility to access their benefit statements directly, the interface also significantly reduces the security risks associated with transferring paper based personal member data via the postal system. By the end of the year nearly 50,000 scheme members had registered to receive their pension benefit statements online and we continue to raise awareness and encourage as many members as possible to take advantage of this feature.

Looking ahead, the future work of the Agency will be dominated by the need to implement the very significant business changes required by the new schemes being introduced from April 2015, allied with the need to establish the arrangements which will allow us to administer the Police and Fire pension schemes from April 2015. The Agency has identified 9 major projects which are planned to be delivered by 2017, which all relate to this challenging agenda. In order to ensure that these projects are managed effectively, and that their various interdependencies and risks are properly understood, the Agency has established a new Senior post of Director of Business Change, to ensure that a programme based approach is adopted to these business critical projects. The programme will be subject to external scrutiny via the Gateway review process and forms the single most significant feature of our future work programme.

In addition to these operational challenges facing the Agency, the policy environment remains volatile as the details of the 2015 reforms are finalised. We will also be setting out our proposals for implementing the governance changes required by pensions reforms during 2014. At the same time, the Agency has to remain alert to the potential impacts of the referendum on independence, which takes place in September 2014.

None of our achievements and challenges 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. We also thank our customers for their continued support and feedback. We never lose sight of the fact that we exist to serve them and listen very closely to everything they tell us, both positive and, on occasion, negative.

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. The Board is now extremely knowledgeable about the work of the Agency, having been appointed originally in 2007. In order to ensure that their knowledge remains available to us until such time as the pension reforms have been implemented, all Board members have had their second terms extended until the end of 2015. In preparation for the new governance arrangements required from 2015, we appointed Sheena Cowan to the Board during 2013. Sheena brings a wealth of experience from the private sector pensions industry to bear upon the work of the Board, and this has proved invaluable as we shape our thinking around the new governance obligations. I would once again 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.

Neville Mackay

Neville Mackay
Chief Executive
31 July 2014

Management commentary

1. Directors' report

1.1 Overview

1.1.1 Introduction

The Annual Report is prepared alongside the Annual Accounts. In addition to the matters described in sections 416 of the Companies Act 2006, matters dealt with herein include those set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410, as interpreted for the public sector context.

1.2 Accounts direction

The 2013-14 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.

1.2.1 Position at the end of the year

The Agency's Statement of Comprehensive Net Expenditure shows that net operating costs were £11.9 million in 2013-14, compared with £12.0 million in the previous financial year. A breakdown of expenditure is detailed in notes 2 and 3.

The Agency spent £1.7 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**
Total operating costs (Statement of Comprehensive Net Expenditure)	10.5	12.1
Less depreciation (Statement of Comprehensive Net Expenditure)		(1.6)
Less notional charges (note 3.3)		(0.3)
Operating income (Statement of Comprehensive Net Expenditure)	(0.2)	(0.2)
Operating costs excluding depreciation	**10.3**	**10.0**
Depreciation	2.2	1.6
Total operating costs	**12.5**	**11.6**
Capital	**1.8**	**1.7**

The Parliamentary allocation was supplemented by £1.2 million from the 2013-14 Spring Budget Revision to fund actuarial services for pension reform. A further allocation of £0.1 million was received to cover costs associated with the implementation stage of transferring pension administration for Fire and Police in Scotland to the Agency. Against this, SPPA returned £0.4 million of funds no longer required for rent on the premises purchased at 7 Tweedside Park at the end of the last financial year. These changes are included within the total operating costs allocation in the table above. The depreciation allocation conforms with the 2011 Spending Review settlement. The original capital allocation of £1,050,000 was supplemented by £750,000 in the period following the 2013-14 Spring Budget Revision to cover costs associated with upgrading the pension systems to meet the requirements of 2015 Pension Reform.

1.2.2 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.

1.2.3 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.

1.2.4 Important events occurring after the year end

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

1.3 Corporate governance

A full statement of the Agency's corporate governance and risk management arrangements, and their application in 2013-14, is contained in the separate corporate governance statement included in this document.

1.3.1 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 2014 were:

Neville Mackay	Chief Executive
Pamela Brown	Operations Director
Chad Dawtry	Policy Director
Marion Chapman	IT and Corporate Services Director
Ian Waugh	Finance Director
Susan Gray	Business Change Programme Director
James Taylor	Non-executive chair
Alex Smith	Non-executive Director
Julia Edey	Non-executive Director
Sheena Cowan	Non-executive Director
Alyson Stafford	Non-executive Director

Alyson Stafford holds the post of Director General Finance for the Scottish Government (SG).

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

1.4 Health and safety

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. SPPA applies the Scottish Government's Health and Safety Management Systems and procedures and has a Health and Safety Committee, as well as trained Health and Safety Liaison Officers to provide support services and advice to staff. Work is undertaken in partnership with Trade Union representatives to address any safety issues and help to encourage a pro-active safety culture.

The SPPA have staff in place acting as Health and Safety Liaison Officers responsible for ensuring compliance with a number of important policies such as inspections and workplace assessments. Annual reviews of risk assessments are reported to the Executive Management Board. Quarterly workplace assessments are undertaken and logged with action points followed up. Similarly there are quarterly fire prevention inspections undertaken and all legislative requirements were being met.

The Agency has health and safety Reportable Accidents, Incidents and Casualties notification procedures in place. During 2013-14 there were 9 reportable cases (2012-13: 7 cases).

1.5 Personal data related incidents

There were no personal data related incidents during 2013-14.

1.7 Date accounts authorised for issue

The Accountable Officer authorised these financial statements for issue on 31 July 2014.

Neville Mackay
Chief Executive
31 July 2014

Management commentary

2. Strategic report

2.1 Agency overview

2.1.1 Introduction

This Report has been prepared in accordance with The Companies Act 2006 (Strategic Report and Directors' report) Regulations 2013 (the 'Act') and as set out in Chapter 4A of Part 15 of the Act as interpreted for the public sector context by section 5.2.6 of HM Treasury's Financial Reporting Manual 2013-14.

2.1.2 History and statutory background

The SPPA was launched on 1 April 1993 as part of the Government's Next Steps Initiative. The Agency was known as The Scottish Office Pensions Agency 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.

2.1.3 Agency mission

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

2.1.4 Agency values

The Agency's core values are:

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

2.1.5 Agency aims

The Agency's aims, 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
- to advise the Scottish Ministers on occupational pensions policy generally.

2.1.6 Agency stakeholders

The Agency focusses its efforts on delivering excellence in customer service. As a delivery arm of Scottish Government responsible for pension administration, its customers include scheme pensioners, current and deferred members and employing organisations in the public schemes for which responsibility rests with the Agency. Other parts of Scottish Government and Ministers regularly receive other services including business as usual policy input and specially commissioned projects. The Agency also demonstrates its commitment to its staff through its human resource strategy and policies and its suppliers through its commitment to best procurement practice.

The Agency is aware of, and acts upon, the principles of Corporate Social Responsibility both in its dealings with its neighbours and to the environment. The manner in which the principles are applied are developed in more detail in the Strategic Report (section 2.4.4).

2.1.7 Agency alignment with Scottish Government's Strategic Objectives and Outcomes

Through the Agency's work there is a direct contribution to strategic objective 1 of the Scottish Government - wealthier and fairer. There is also an indirect contribution to strategic objective 2 - healthier; and strategic objective 4 - smarter.

The Agency contributes directly to national outcome 15 of the Scottish Government ("our public services are high quality, continually improving, efficient and responsive to local people's needs"). Through the Agency's role in administering the Scottish NHS and Teachers pension schemes, and the role that these schemes play in supporting workforce recruitment and retention within these sectors, there is also an indirect contribution to national outcome 3 ("we are better educated"); and national outcome 6 ("we live longer, healthier lives").

2.1.8 Agency alignment with Scottish Government's Business Strategy

The Agency aims to contribute to the achievement of the Scottish Government's business strategy objectives by:

- ensuring that strategic policy choices on public service pension issues are underpinned by high quality evidence and analysis
- ensuring that our business practices remain efficient and effective and are based on value for money and transparency
- encouraging and delivering innovation in our work.

2.1.9 Agency business strategy and model

The Agency aims is to provide a national centre of expertise for the administration of public sector pensions and the provision of policy advice. The current operating framework, including financial delegations, is established in the Agency's formal Framework Document 2012-2015. The Framework confirms that the primary purpose of the SPPA is to administer pensions in the public sector as an agency of the Scottish Government and is part of the Ministerial portfolio for Finance, Employment and Sustainable Growth.

The Agency's key activity 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 two smaller superannuation schemes; the Scottish Legal Aid Board Schemes and the Scottish Parliamentary Pension 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. Changes to the Framework are required from time to time to reflect changes to its remit, such as, the inclusion of Police Service of Scotland (PSoS) and Scottish Fire and Rescue Service (SFRS) into the umbrella of schemes under its administration. The appointment of a Business Change and Programme Director to take forward the Business Transformation Programme 2013-18 was an example of how the Agency amends its business model in the light of change to achieve its strategic direction.

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.

2.1.10 Strategic developments

The Agency is at the beginning of its Business Transformation Programme 2013-2018 details of which are provided elsewhere in this Report. Elements of the Programme completed in 2013-14 included the preparing for the enactment of the provisions of Public Service Pensions Act 2013 in spring 2013 and the Spending Round 2013 in autumn 2013. However much work has been done and will continue to be done to ensure reforms of the main public service pension schemes are achieved in Scotland by April 2015 and ensuring sufficient funding is made available to support the raft of additional work that is to be carried out. This work includes actuarial valuations, widespread communication with members affected by the pension reform changes and administrative support to set up new governance arrangements in advance of appointing members of Pension Boards and Scheme Advisory Boards.

The redesign of pension schemes and approval of new regulations is requiring extensive revision to pension management software at the same time as new more advanced software (Altair) is being brought in to replace platforms no longer supported by the key supplier (AXISe).

Furthermore, the decision confirmed by the Cabinet Secretary for Justice in October 2013 to give agreement to SPPA being made 'the sole pension scheme managers and administrators for the reformed Police and Firefighters pension schemes as of 1st April 2015' will add to the challenging list of tasks for 2014-15.

Prior to 1 April 2013 when PSoS and SFRS were formally constituted there were eight police forces and eight fire and rescue services. The majority of pension administration duties were carried out by a local authority. SPPA will be working with eight administrators in 2014-15 to bring together disparate systems in order to be able to provide common services on a shared basis.

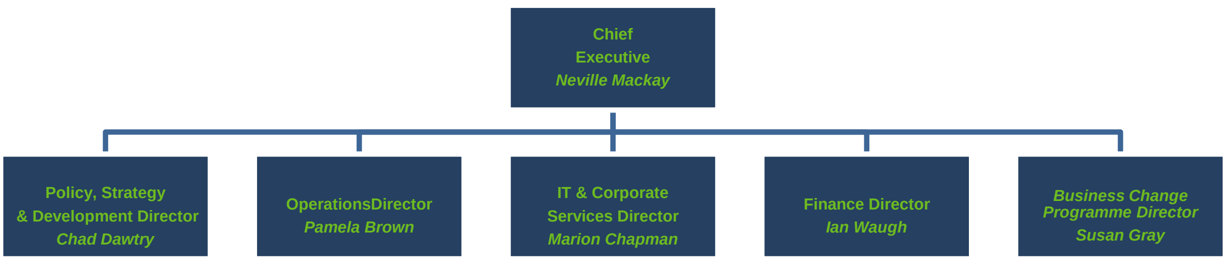
Lastly, the Agency awaits the outcome of the Scottish Referendum on Independence on 18 September 2014. In the event of a 'Yes' vote for an independent country the Agency will need to implement plans to assume a greater role in public pensions delivery, the extent of which is referred to in the document 'Pensions in an Independent Scotland' published 23 September 2013.

2.2 Corporate governance

2.2.1 Leadership and governance

The Agency is part of the Finance, Employment and Sustainable Growth Portfolio of Scottish Government. The Programme Budget is overseen by the Portfolio Accountable Officer, Alyson Stafford.

Its day to day management is overseen by the individual executive directors and through the Senior Management Team collectively. As at 31 March 2014, the Agency's Senior Management Team comprised:



The Agency also has an External Management Board comprising:

James Taylor (chair), Julia Edey, Alyson Stafford, Alex Smith, and Sheena Cowan (appointed 22 October 2013).

The Agency's Audit and Risk Committee is chaired by Alex Smith and includes Julia Edey and James Taylor as members. The Agency's Chief Executive and Executive Directors, together with Internal Audit and Audit Scotland, attended the Audit and Risk Committee meetings during 2013-14.

2.2.2 Risk management strategy

Risk Management is a key element in the Agency's governance arrangements. The Agency uses the Scottish Public Finance Manual as the basis of risk management policy setting and also uses the approach laid out in the Scottish Government publication "Our Approach to Risk Management" for managing risk across the Agency.

The Agency has a Corporate Risk Register, which is reviewed quarterly by the Senior Management Team. The Corporate Risk Register is underpinned by directorate risk registers which are subject to regular review by the Senior Management Team.

An External Management Board is in place to provide high-level governance and strategic oversight of the Agency and is supported by an effective Audit and Risk Committee which examines the Corporate Risk Register changes on a quarterly basis.

2.3 Agency employees

2.3.1 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 2013-14 and the previous year were as follows:

Pay Band	Number of Posts		Male		Female	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Up to £18,382	29	45	15	19	14	26
£22,173 - £25,165	1	15	1	6	0	9
£25,165 - £30,267	2	1	0	1	2	0
£32,249 - £40,173	0	1	0	1	0	0
£43,736 - £52,595	1	5	0	0	1	5
£53,121 - £64,381	1	0	1	0	0	0
Total	**34**	**67**	**17**	**27**	**17**	**40**
%	**100**	**100**	**50**	**40**	**50**	**60**

Recruitment was carried out during 2013-14 to support the highly demanding Pension Reform Agenda, and preparation for administering the superannuation schemes for PSoS and the SFRS. Over the next 12 months further growth in staff numbers is expected to meet the challenging deadlines of these projects, and preparing for the procurement of a new pension administration and payroll system.

A number of internal permanent vacancies were filled by advertising these posts through the Scottish Government's vacancy board which provided the opportunity for the Agency's Fixed Term Appointees to apply. A total of 11 staff across all grades left the Agency through the previous year's Scottish Government Early Exit opportunity.

2.3.2 Employment policy/culture

The Agency places great emphasis on staff engagement, actively encouraging staff participation in both the business planning process and objective setting. Monthly 'one to one' conversations between management and staff are held to discuss individual performance against objectives and training and development needs. The Agency provides staff with access to a variety of online and tutor- led training courses via the dedicated in-house learning and development programmes.
Since attaining the Investors in People 'Gold' accreditation in 2012, the Agency has promoted a culture where staff can shape their work and that of SPPA, and where individual and team achievements are supported and recognised. The Agency is also in the process of developing a flexible, highly skilled workforce to help support the significant business challenges ahead.

2.3.3 People Strategy

The People@SPPA Strategy has been in place since 2012 and is due to be revised to meet the changing landscape that the Agency will be operating within. This will reflect the fundamental business changes that will be embedded via our Business Transformation Programme, and also align it with the new Corporate Plan for 2015-2018.

2.3.4 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.

2.3.5 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, SPPA fully subscribes 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.

2.3.6 Youth employment

During 2013-14, the Agency continued to support the ambitious Modern Apprenticeship Programme (MAP) targets set by the Scottish Government and has recruited 8 MAP staff. The MAP programme has been a very positive and successful addition to the SPPA recruitment process and one which the Agency hopes to continue to promote, through Skills Development Scotland, with school leavers and unemployed young people.

2.3.7 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 when relevant issues are raised. The half yearly Partnership meetings provide the means for representatives of staff and management to discuss matters of concern or mutual interest.

2.4 Equality and human rights

2.4.1 Policies

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

The SPPA and the Scottish Government 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 247 during 2013-2014 (2012-2013: 238). Approximately 61 members of staff worked part time hours (2012-2013: 52).

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.

2.4.2 Equalities and diversity

The SPPA's People Strategy is designed to ensure that its policies and processes enable people and resources to be redeployed to meet priorities. It has an express commitment 'to treat everyone with dignity and respect and promotes equality and diversity'. The Strategy includes a number of equality action points including the need to include an Equality and Diversity Statement.

The Agency continues to implement opportunities such as the apprenticeship programme with staff supported internally by the Corporate Learning and Development team.

The Scottish Government Equality Outcomes and Mainstreaming Report was published in April 2013. Details provided by the Agency are consolidated into the publication and can be referenced at:

http://www.scotland.gov.uk/Publications/2013/04/2397

Where SPPA have introduced a new or revised policy, an Equality Impact Assessment is prepared and the template is published as a Scottish Government publication and can be referenced at:

http://www.scotland.gov.uk/Topics/People/Equality/18507/EqualityImpactAssessmentSearch/EQIAsearchJantoDec2013

2.4.3 Human rights

Non-discrimination is a cross-cutting principle in international human rights law. The principle is present in all the major human rights treaties and provides the central theme of some of international human rights conventions such as the International Convention on the Elimination of All Forms of

Racial Discrimination and the Convention on the Elimination of All Forms of Discrimination against Women.

The principle applies to everyone in relation to all human rights and freedoms and is enshrined in Scottish Government's employment policies. They prohibit discrimination on the basis of a list of non-exhaustive categories such as sex, race, colour and so on. The principle of non-discrimination is complemented by the principle of equality, as stated in Article 1 of the Universal Declaration of Human Rights.

2.4.4 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.

The Agency actively encourages a healthy lifestyle by providing: health awareness information using our Healthy Working Lives intranet page and staff information stand; smoking cessation advice; and a link through the Scottish Government Saltire intranet pages to a Health and Wellbeing Programme and Employee Assistance Service. During 2013/14, in collaboration with NHS Borders, the Agency continued to offer influenza vaccination on-site to staff members. Other practical activities include the facilitation of a running group that meets each week after work, yoga classes, and social events. The Agency continued supporting health and wellbeing policies for staff and gained Healthy Working Lives 'Silver' accreditation. Looking ahead the Agency is now working towards achieving the 'Gold' level award.

2.4.5 Sustainable 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.

SPPA has 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.

2.5 Use of key performance indicators in measuring progress

2.5.1 Background

The Agency's aims, objectives and performance against key targets in 2013-14 are listed 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.

SPPA has undertaken regular 'assurance mapping' to better understand and manage the strategic relationship between its objectives, key performance indicators and risk.

The SPPA also monitors its performance by carrying out an annual Customer Service Survey and it participates in a national and international 'CEM' benchmarking survey that helps demonstrate and communicate performance to stakeholders through an independent third party.

2.5.2 Key targets

Target definition	2013-14	2012-13
Pay 100% of all existing NHS and STSS pensions on the due date	100%	100%
Pay 98% of new awards within one month of the due date	98%	99%
Ensure a minimum of 99% of all existing pension payments are correct at the point of payment	100%	100%
Ensure that a minimum of 95% of all new pension awards are correct at the point of authorisation	96%	97%
Collect 96% of NHS contributions and STSS contributions by value within the period prescribed by legislation	99%	95.8%
Ensure that up to date and accurate data is held for a minimum of 95% of active scheme members*	94.6%	98%
Ensure that accurate annual benefit statements are accessible for at least 98% of active scheme members for whom accurate data is held	99%	97%
Conclude pension reform activities within agreed timescales**	Partially achieved	Achieved
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 based on a three year rolling average	Satisfaction rating: 89.8%	Satisfaction rating: 89.7%
Deliver agreed annual improvements to employers' contributions (and debt management processes in 2012-13)	Achieved	Achieved

***** Failed to meet this target as a result of a data loading issue caused by a third party.
** One reporting activity ran behind schedule because of unforeseen staff resourcing issues in the final quarter.

2.5.3 Performance against targets

As mentioned in the Chief Executive's Foreword and Forward Look, the year saw the Agency meet 9 of its 11 key performance targets with only a marginal fail against the remaining two targets. As occurred in the previous financial year, the Agency met more than 90% of the stretching list of key business tasks set at the beginning of the year.

2.6 Business strategy: Operations Directorate

2.6.1 Background

Operations Directorate employs the majority of the Scottish Public Pension Agency workforce. The core business is the administration of pensions for members of the NHS and Scottish teachers' schemes and the payment of pensions to former members of those schemes. In addition, pension administration under contract is carried out for the Scottish Parliamentary Pensions Scheme and the Scottish Legal Aid Board. The Directorate handles all pension events such as initial award, pensioner payments and transfers to other schemes. The Directorate is the public face of SPPA dealing directly with more than 400,000 scheme members and beneficiaries, and more than 1,200 employer organisations.

The main Directorate activity is divided into four main functional teams –

Awards process all applications for age, ill health and early retirement together with providing estimates for those who are interested in retiring

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

Records Maintenance look after the information provided by employers relating to members who join or leave the Schemes and annual returns

Pensioner Payroll administer the payments to pensioners of the NHS and teacher's schemes and their dependents

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

Small Schemes	calculate pensions for the Scottish Parliament and Scottish Legal Aid Board and process pension sharing on divorce and mis-selling cases
Stakeholder Liaison	handle member complaints, manage communications via web and publications plus special one-off tasks such as auto enrolment
Operations Support	assist staff with IT support, maintain web services for customers and system improvements
Technical Training	deliver training to operations staff and provide technical advice

2.6.2 Key performance indicators in 2013-14

All the key performance indicators in respect of timeliness, quantity and accuracy of service were met during the year except for maintaining active employments up to date where an IT problem impacted slightly on service levels.

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 98.48%
Ensure a minimum of 99% of all existing pension payments are correct at the point of payment	Achieved 100%
Maintain accuracy level of new pension awards at 95%	Achieved 95.64%

Ensure that correct data is held for 95% of active members and that accurate annual statements are issued to 98% of those members	Achieved 94.63% for correct data Achieved 98.77% for statements
Maintain and, where possible, improve customer satisfaction levels	Achieved 90% (an improvement from 2012 results)

2.6.3 Key achievements in 2013-14

Valuations
Membership data was provided by SPPA to the Government Actuaries Department (GAD) to complete full actuarial and funding valuations as at 31 March 2012 for NHS and STSS valuations.

Annual Allowance and Lifetime Allowance
The changes required to meet our obligations for these tax changes were successfully implemented.

Technical Training
Technical training was provided as required in line with the training needs analysis within the department.

Web services for active members and pensioners
The second phase that provides pensioners access to online P60s and pension statements was implemented in May 2013.

National Fraud Initiative
The Directorate participated again in the National Fraud Initiative (NFI) and investigated the cases identified following a data matching exercise. There were only a small number of cases identified where the pensioner had died and the Agency was previously unaware. This again demonstrates that controls in this area are working well. The number of NHS re-employment cases identified for investigating has fallen slightly from the previous NFI results.

Small schemes
The Small Schemes team provides a pension calculation service for the Scottish Parliamentary Pension Scheme and the Legal Aid (Scotland) Pension Scheme. Service level agreements are in place for the work undertaken and the terms of these agreements were all met or exceeded.

Pension sharing on divorce
In line with legislation, SPPA charges for services to courts and solicitors. Income generated in 2013-14 from this source was £125,000.

Pension reform
The Directorate commenced the planning of the changes required for the introduction of new schemes in 2015. In order to facilitate the implementation of the reforms at an operational level, a project team was set up.

2.6.4 Implementation of business strategy

The following key objectives are contained in the Directorate's business plan and require a number of supporting tasks:

- achieve Agency and Directorate key performance targets specified in the Plan
- achieve Directorate's service delivery targets specified in the Plan
- deliver training, technical support and development opportunities which meets the requirements of the staff in the Directorate
- implement pension reform changes

- migrate from the current AXISe pension administration system to the new Altair pension administration system
- transfer the Police and Fire pension administration and pension payroll services from current providers to SPPA
- review and improve the telephony service
- improve engagement with internal and external stakeholders.

2.7 Business strategy: Business Change Programme Directorate

2.7.1 Background

In April 2013, the Agency's External Management Board agreed to take a programme approach across a number of significant changes to the Agency's operating model. A new directorate, the Business Change Programme Directorate, was formed with responsibility for the set up and delivery of the SPPA's Business Transformation Programme 2013-18.

The Directorate is a temporary organisation set up to handle the complexities and challenges associated with delivering significant business change between now and 2018 in the Agency. It also provides a programme office function which ensures that the key programme information is harnessed to facilitate effective programme management and decision making.

The programme's vision is to enable SPPA to undergo the far reaching business changes necessary for it to successfully deliver its business objectives from 2015; and to develop its status as a national centre of expertise for the operational delivery of public sector pensions

2.7.2 Programme structure

The Business Change Programme consists of eight projects as detailed in the table below (nine including the completed 2013 Spending Round project). Combined, these projects deliver the outputs and capability to realise the Programme vision and outcomes. The Directorate provides essential management oversight across all projects within the Programme.

Project	Aim
2015 Scheme Regulations Development	Translate the terms of the final scheme designs into legally competent scheme regulations
NHS and STSS Altair Upgrade	Deliver an interim IT solution that will provide the platform to accommodate new pension arrangements for NHSSS Scotland and STSS until the new Pensions Administration System is procured and implemented
NHS and STSS 2015 Pension Reform Admin Solution	Deliver the business requirements and associated technical solution to enable the effective administration of schemes in 2015
Additional Future Services: Fire and Police	Transfer current pension, pension payroll and injury scheme administration function from the current arrangements to SPPA and ensure that 2015 schemes can be administered from 1 April 2015
NHS Choice 2	Provide information on pension options to eligible members of the NHS Scheme
2017 Pension Admin & Payroll Procurement	Demonstrate value for money, adequate governance and accountability arrangements for the appropriate management of public funds in the procurement of Pension Administration and Payroll system
Agency Governance	Ensure SPPA has a properly constituted Pension Board which meets with Scottish Ministers requirements and can respond to requirements set out by the Pensions Regulator
Stakeholder Communication	Provide communications regarding 2015 Pension Reforms that the Agency has agreed to deliver

2.7.3 Programme management

The Directorate is responsible for the successful delivery of the Programme benefits and outcomes. Management functions include:

- managing the Programme Plan, mapping out critical path network, managing risk, dependencies and optimising synergies across the programme environment
- design and implementation of programme communications based on a thorough stakeholder analysis
- effective stakeholder engagement delivered via the programme stakeholder engagement strategy
- ensuring appropriate governance and assurance arrangements are in place for the Programme, which includes collaboration with Internal Audit, Audit Scotland and Scottish Government Programme Management Centre of Excellence (Gateway Review)
- creating an effective environment for Project Managers to deliver project outputs successfully as well as communicating key issues and risks to the Programme when appropriate
- effective management of Programme resources and understanding of Programme funding requirements as part of the Agency's financial planning regime
- fit for purpose Programme business case, organisational blueprint and benefits realisation strategy.

2.7.4 Implementation of business strategy

The Programme outcomes for 2014-15 and beyond include the following:

- ensuring the continuity and quality of pensions services as changes to the pension schemes are implemented
- enhancing the way in which the organisation, its systems and data are managed to enable successful business change
- accommodating the strategic development of the Agency's services and governance arrangements
- building on key internal and external relationships during a period of significant change supported by a flexible, knowledgeable workforce.

2.8 Business Strategy: Corporate Services Directorate

2.8.1 Background

The Agency's Corporate Services Directorate in 2013-14 covered the functions of Pensioner Payroll processing, Human Resources, IT and Project Support, Corporate Learning and Development, Corporate Communications, Mailroom Services, and Facilities Management. In addition, a Procurement division was introduced in autumn 2013.

2.8.2 Key achievements in 2013-14

Corporate learning and development
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.

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 the Agency's work in the following year. The team coordinates the production of the regular staff newsletter, responses to freedom of information requests, and the

fortnightly Core Briefing to staff. The team also leads on key areas of work such as Information Assurance and Business Continuity planning.

Facilities management and mailroom services

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.
The team is committed to managing the 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

Professional support and advice on HR issues is provided to all colleagues, including the Senior Management Team, managers and staff. All are provided with accurate and clear information relating to staff resources, attendance, and performance issues.

The Agency's staffing complement over the past 2 years was:

	2013-14	2012-13
Permanent staff complement (FTE)	254	241
Average number of staff in post (FTE)		
Female	133	133
Male	114	105
Total	**247**	**238**

Staff turnover for 2013-14 was 6.6% (16.13 FTE members of staff). This figure includes:

3 staff who left to work in other Departments of the Scottish Government
3 resignations from the SPPA and the Scottish Government
8.13 through the Scottish Government's early departure schemes
1 dismissal
1 career break

Recruitment

The Agency successfully recruited 34 (29.58 FTE) new members of staff during the year. Seven were transferred from a Scottish Government Department and 17 were recruited as 2-year fixed term appointees through an external, fair and open recruitment campaign. The Agency also recruited eight Modern Apprentices in order to support the Scottish Government in its objective in tackling youth unemployment. In addition, one person was appointed on a student placement and another person returned following a career break.

Sickness absence management

The Agency's has seen a slight increase in sickness absence from the previous year. The average total number of sick days per person within the Agency in 2013-14 was 10.2 days (2012-13, 9.7 days). This is a 5 % increase in absences on the previous year's total. A significant amount of our absences relate to long term sick leave cases, and taking these into consideration the average total number of short term sick days per person was 6.6 days. The Agency's senior management team closely monitors sickness absence levels and regular reminders are issued to all staff on the Scottish Government attendance management procedures.

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	234k per annum	On-going
Northgate Information Solutions	Resource Link Pension Payroll System	159k per annum	November 2015
Heywood Ltd	AXISe Pension Administration System	233k per annum	Expires March 2017 (10 years)
Océ UK Ltd	Printers	15k per annum	Expires June 2015
Netcall Telecom Ltd	Telephone system	17k per annum	On-going
Oracle	Database software	13k per annum	On-going
Dell	2 Year Pro support and 4 hour Mission Critical – IT server maintenance & support	20k per annum	Oct 2014
Epicor	Financial software	7k per annum	July 2015
Pulsion	Members/employers web service	19k per annum	March 2015 /October 2016
Pulsant	Web hosting	21k per annum	March 2015

IT and project support

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

- processing of pension payroll to agreed timetable
- 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 including 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
- ensuring all staff are made aware of, and understand, data and IT security rules and guidance.

2.8.3 Implementation of business strategy

The Directorate supports the work of the other directorates in the Agency by providing the services described above. Thus, the challenging agenda for change that has been set as a whole impacts directly on the Directorate's main tasks ahead which include the following:

- assisting with the migration of data from the AXISe to Altair pension platform
- managing the project to procure and install new IT software systems by 2017 at the latest
- implement changes required to the Agency corporate governance structure in the light of the pension reforms and guidance produced by the Pension Regulator
- contribute to the stakeholder engagement project to communicate the 2015 pension reforms
- review and formulate the next steps for the Modern Apprentice Programme

- support the implementation of pension reform functionality for 2015 NHS and STSS Schemes
- support the transfer of administration of PSoS and SFRS schemes to the Agency
- continue to deliver services to standards set in service level agreements
- implement improvements and efficiency savings to current services.

2.9 Business Strategy: Finance Directorate

2.9.1 Background

The Finance Directorate manages the finances of the NHS and Scottish Teachers' pension schemes and of the Agency itself. Finance supports the smooth running of the Agency and management of the Schemes by carrying out the following tasks:

- preparation of budgets for the Schemes and of the Agency
- preparation of financial forecasts to HM Treasury and the UK Office of Budget Responsibility
- monitoring and reporting of financial performance against budget during the year
- collection and management of pension contributions of around £1.5 billion annually
- raising invoices for Agency services being provided and in connection with collection of liabilities including recovery of overpayments related to individual schemes
- making supplier payments for goods, services and other works
- making manual pension payments to support the Payroll section when required
- preparation of statutory accounts of the NHS Superannuation Scheme (Scotland), the Scottish Teachers' Superannuation Scheme, and of the Agency itself
- supporting the Agency in its benchmarking exercises
- ensuring that potential fraud issues are addressed in the Fraud Risk Register
- ensuring that other aspects of counter fraud best practice is disseminated in the Agency
- ensuring that regular assurance mapping takes place in the light of business change
- supporting the work of the Audit and Risk Committee
- maintenance of a sound internal control and risk management framework.

2.9.2 Key achievements in 2013-14

The year has been one of extensive planning for an ambitious programme of business change that impacts either directly or indirectly on the work of the Finance Directorate. There are eight projects in which the Directorate are playing a cross-cutting role to ensure sufficient resources are made available.

Additionally, the directorate led '2013 Spending Round' project concluded its work in summer 2013 from which the Agency was able to secure additional funding against a difficult overall financial backdrop. However, events moved on and shortly after the spending round settlement was agreed the ministerial decision was taken and ratified by PSoS and SFRS in October 2013 to make SPPA the pension scheme administrator from April 2015. Obtaining project and implementation set-up funding required a great deal of collaborative working alongside colleagues in the SG Finance, Justice Portfolio and finance colleagues in SFRS and PSoS and thanks to close co-operation this was achieved against challenging timescales.

Also completed in autumn 2013 was the implementation of the 'Pulsion' employer's pension contributions web interface project and the 'Epicor' debtors' system upgrade. Both of these projects were successfully completed on time and under budget whilst also completing teachers' and NHS scheme accounts and agency accounts.

2.9.3 Implementation of business strategy

The next financial year will be crucial in the lead up to moving to the Altair pension platform, career average pension schemes, taking on two new public sector employer pension schemes and preparing for a full re-procurement of IT services. The Directorate will need to be at the heart of these preparations in terms of planning of new systems; development of existing systems; securing additional funding; implementing new and revised systems and processes; and reporting financial performance.

Finance will continue to embed the full functionality of the Pulsion and Epicor systems to secure greater time efficiencies and improve quality of service. In addition there are plans to roll-out EASEbuy and implement full commitment accounting across the whole Agency to ensure more accurate financial forecasting.

Building on the dialogue established with colleagues from HM Treasury, NHS and Teachers pension schemes in England and Wales and National Audit Office over 2013-14, the Finance Directorate will work with colleagues in the Government Actuaries Department to ensure appropriate accounting treatment and disclosure of transactions and balances that may be required as a consequence of the implementation of the new career average schemes.

2.10 Business Strategy: Policy Directorate

2.10.1 Background

The Agency's policy function blends policy development with on-going interpretation and maintenance of existing policy. The need to support Ministers and stakeholders around public sector pension reforms in all their elements remained the key focus for the policy team during 2013-14. Alongside, that developing agenda, business as usual activities included dealing with correspondence about public service pensions policy; interpreting scheme rules and providing related advice to stakeholders including scheme administrators, employers and members and their representatives; and processing appeals on Ministers' behalf under the various pension schemes' Internal Dispute Resolution Processes.

2.10.2 Key achievements in 2013-14

Policy strategy and development

The policy development supporting the 2015 reforms continued to dominate the team's key priorities. High priority was given to the provision of advice to Scottish Ministers and working closely with internal and external stakeholders. The HM Treasury controlled reform programme remained challenging in terms of its content and the timetable for its delivery. The year also brought a significant increase in interest around public sector pensions and Independence and the policy team played a key role in providing information to stakeholders, including via a key Scottish Government publication *Pensions in an independent Scotland*. Whilst reform policy development continued to dominate the work of the team other areas as part of business as usual were significant. In addition to interpreting, maintaining and applying existing policy, the year saw the conclusion of additional pension rights being introduced for retained firefighters.

Public service pension reforms

The Agency's policy team remained deeply involved in the process of finalising the terms of pension reforms for the five main schemes in Scotland under Scottish Ministers that have been executively devolved to Scotland – those for local government, the NHS, teachers, police officers, and fire-fighters in Scotland. Enactment, in April 2013, of the UK Government's Public Service Pensions Act 2013 set the framework requirements for the five devolved schemes and the summer months saw the conclusion of each set of negotiations on the Teachers', Police, Firefighters' and Local Government schemes (NHS negotiations concluded at the end of 2012-13). The team was fully engaged in that process and in providing information setting-out the key terms of each set of reforms, together with answers to a list of Frequently Asked Questions on the Agency's website.

The team was also active in cross-scheme discussions at a UK level, representing the Scottish Government. During the year HM Treasury developed and finalised its formal directions on scheme valuations and the associated setting of scheme employer cost caps. This new approach to scheme valuations aims to provide the greater transparency recommended by Lord Hutton in his 2010 independent review of public sector pensions for the UK Government. Working closely with the schemes' actuaries, the team led on this complex area and on ensuring that both internal and external stakeholders were informed of the developments and able to comment on related formal consultations issued by HM Treasury. As well as setting out the valuation and cost cap process to stakeholders, the team also facilitated consultation on scheme specific assumptions for the NHS, Police and Fire schemes and worked with stakeholders around the third and final increment of scheme member contribution increases required by the UK Government, which were introduced in April 2014.

The Public Service Pensions Act 2013 also introduces a completely new governance regime for public sector pension schemes, characterised by: the introduction of new statutory roles including the creation of policy-focussed Scheme Advisory Boards and delivery-focussed Pension Boards for each scheme; regulation of public sector pensions by the UK Pensions Regulator. During the latter part of 2013-14, the team engaged respective stakeholders in discussions around the governance arrangements for each of the five schemes – work which is being finalised during 2014-15 for implementation in time for April 2015. Preparation included working closely with the Pensions Regulator on initial proposals and around the regulator's draft regulatory strategy and code of practice.

Business as usual

Undertaken alongside reform work, specific business highlights for 2013-14 included:

- agreeing the final terms for additional pension rights for retained firefighters
- concluding consolidation of the NHS 2008 section regulations and Teachers' scheme regulations
- delivering new sets of regulations across the various schemes (see below)
- responding to correspondence on the impact of public sector reforms and the potential implications of Independence – activity which is expected to increase in the run up to September 2014.

Regulations delivered during year:

NHS

- The National Health Service (Superannuation Scheme and Pension Scheme) (Scotland) Amendment Regulations 2014 (SSI 2014/43)
- The National Health Service (Superannuation Scheme and Pension Scheme) (Scotland) Amendment (No. 2) Regulations 2013 (SSI 2013/168)
- The National Health Service Superannuation Scheme (2008 Section) (Scotland) Regulations 2013 (SSI 2013/174)

STSS

- The Teachers' Superannuation Scotland) Amendment Regulations 2014 (SSI 2014/44)
- The Teachers' Superannuation (Scotland) (Miscellaneous Amendments) Regulations 2014 (SSI 2014/69)

LGPS

- The Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Regulations 2014 (SSI 2014/23)

Police

- The Police Pensions (contributions) Amendment (Scotland) Regulations 2014 (SSI 2014/62)

Fire

- The Firefighters' Pension Scheme (Scotland) Amendment Order (SSI 2014/60)
- The Firemen's Pension Scheme (Amendment) (Scotland) Order 2014 (SSI 2014/59).

2.10.3 Implementation of business strategy

The latter part of 2013-14 into 2014-15 is characterised by the development of proposals for each of the five schemes new governance regime. Meetings will continue to take place with stakeholders to agree robust structures that will deliver the necessary roles and responsibilities of both the Scheme Advisory Boards and Pension Boards. In addition the Policy Director and Governance Policy Manager will build on the relationship with the Pensions Regulator and on the findings from the draft guidance consultation. Further meetings with HM Treasury and counterpart UK wide public sector schemes will be required as governance requirements are developed.

The future reporting period will also require a continuation of the advice provided around the Independence Referendum.

2.11 Environment, sustainability and climate change

2.11.1 Background

The Agency is committed to improving environmental performance as part of the wider commitment to sustainable development. SPPA recognises that it has a legal and ethical responsibilities to protect and enhance the environment and is working towards sustainable practices in the use and disposal of materials, energy, and transport and landscape management.

2.11.2 Summary of progress against environmental performance targets 2013-14

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 (CO_2e)
- kilowatt energy consumption for gas and electricity.

Corporate target - maintain carbon emissions from energy consumption to within +/- 3% of 2012-13 totals by March 2014

2012-13	Restated*	179.98	tonnes CO_2e
2013-14	Target	174.58 – 185.38	tonnes CO_2e
2013-14	Actual	171.52	tonnes CO_2e

Progress: Exceeded. SPPA achieved a decrease of 5% in CO_2e emissions compared with the previous year due mainly to more favourable weather conditions over the winter period.

*Restated in line with revised Defra conversion factors

Target No 1 for 2013-14 - maintain kilowatt-hour consumption of electricity used per full time equivalent employee (FTE) to within +/- 3% of 2012-13 levels by March 2014

2012-13	Actual	1,133.93	kWh per FTE
2013-14	Target	1,099.91 – 1,167.95	kWh per FTE
2013-14	Actual	1,110.36	kWh per FTE

Progress: Achieved. A reduction of 2% in consumption was recorded per FTE compared to last year. Various measures in place include solar-sensitive lighting, stringent controls on timed lighting, and consideration of energy efficiency when procuring new items of electrical equipment.

Target No 2 for 2013-14 - maintain kilowatt-hour consumption of gas used per m^2 to within +/- 3% of 2012-13 levels by March 2014

2012-13	Actual	105.83 per m^2	total usage 303,103 kWh
2013-14	Target	102.66 – 109.00 per m^2	total usage 294,010 – 312,196 kWh
2013-14	Actual	93.96 per m^2	total usage 269,094 kWh

Progress: Exceeded. A fall in gas consumption of 11% of 2012-13 figures was registered. This reduction is largely due to the temperate summer and winter weather during the year.

Objective – use natural resources efficiently to minimise environmental impact

Natural resources target

Target No 1 for 2013-14 - maintain water consumption (m^3 per full-time equivalent member of staff - FTE) to within +/- 3% of 2012-13 totals by March 2014

2012-13	Actual	5.94	m^3 per FTE
2013-14	Target	5.77 – 6.12	m^3 per FTE
2013-14	Actual	5.67	m^3 per FTE

Progress: Exceeded. Although water consumption fell by 5% per FTE compared to last year, SPPA has not met the additional goal to fall in line with the Scottish Governments target on core estate buildings, ‘to reduce water consumption in all key buildings across the estate to 5.5 m^3 per FTE by 2014’.

Scottish Public Pensions Agency sustainability report for the year ended 31 March 2014

GREENHOUSE GAS EMISSIONS		2013-14	2012-13
Non Financial Indicators	Total gross emissions for scope 1 (direct emissions from consuming gas) & scope 2 (indirect emissions from electricity consumption)	171.52 tonnes of CO^2 equivalent	179.98* tonnes of CO^2 equivalent
	Gross emissions scope 3 (business travel)	24.03 tonnes of CO^2 equivalent	28.49 tonnes of CO^2 equivalent
Related Energy Consumption	Electricity	273,849 kWh	269,207 kWh
	Gas	269,094 kWh	303,103 kWh
Financial Indicators	Expenditure on energy	£43k	£42k
	Expenditure on official business travel	£41k	£38k

*restated

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 we play a full and leading part in its delivery and improving Scotland's overall sustainability/environmental performance. Total CO_2 emissions from energy use fell by 5% from the previous year's level. This is a reflection on the decrease in gas usage over the past year due to the mild winter of 2013-14.

Energy usage during 2013-14 was 16% less than the 204.79 tonnes of CO^2e emitted in 2009-10.

The Agency's electricity meter is compliant with the Scottish Government's carbon reduction commitment requirement to allow for automated reading. Plans to introduce the same technology to other utility supplies have been put on hold as it is not technically feasible currently due to the location and size of the gas and water supplies.

CONTROLLABLE IMPACTS COMMENTARY

Electricity usage can be directly related to staff numbers and to the number of PCs in operation. Automatic shut-down systems are in place for IT equipment not in use. Good use is made of natural light, particularly outside the winter months, by using our solar sensitive electronic lighting control program. SPPA also complies with the Scottish Governments travel policies and promotes the use of video conferencing to reduce travel requirements with improved facilities introduced during 2013-14.

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 the winter, helps to keep the building cool during the summer. Air conditioning is used only in the computer server room.

Although designed as an energy-efficient building, the open plan environment and large expanse of windows present disadvantages during exceptionally cold weather. It is important to maintain a comfortable temperature for staff as we strive to control our CO_2 emissions.

WASTE			2013-14	2012-13
Non Financial Indicators	Total waste		32.21 tonnes	29.75 tonnes
	Non hazardous waste	Landfill	8.48 tonnes	8.16 tonnes
		Reused/recycled	23.73 tonnes	21.59 tonnes
		Percentage of waste reused/recycled	73.67%	72.57%
Financial Indicators	Total disposal cost		£7k	£6k
	Non hazardous waste	Landfill	*	*
		Reused/recycled	*	*

** = 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 our waste, SPPA is committed to ensuring all staff are aware of the responsibility to ensure waste is not sent to landfill unnecessarily. The Agency's recycling commitment was negatively affected as the contractor for glass recycling removed this service from the Scottish Borders at the beginning of the year, and it proving difficult to appoint a replacement due to geographical location. The local charity that removed and recycled aluminium cans has also closed, but this waste stream has been absorbed into our mixed recycling disposal.

SPPA is committed to ensuring at least 75% of its waste is recycled or reused with the aim to increase this to 80% by 2015.

CONTROLLABLE IMPACTS COMMENTARY

The Agency aims to be a paperless office, and holds most data electronically. Print levels are monitored, and staff are discouraged from printing documents unnecessarily and encouraged to re-use any misprints as scrap paper. Paper and envelopes are procured from environmentally-friendly sources.

FINITE RESOURCE CONSUMPTION – WATER			2013-14	2012-13
Non Financial Indicators	Water consumption	Supplied	1,398 cubic metres	1,411 cubic metres
		Disposed	1,328 cubic metres	1,340 cubic metres
Financial Indicators	Water supply costs		£10.0k	£9.5k

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

2. The above report has been prepared using factors published by DEFRA in May 2013.

3. 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.

– Neville Mackay –

Neville Mackay
Chief Executive
31 July 2014

3. Remuneration report

3.1 Remuneration policy

3.1.1 Service contracts

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment and retention of staff
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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 Commission can be found at www.civilservicecommissioners.gov.uk.

3.2 2013-14 Remuneration disclosure

3.2.1 Non-Executive Directors

Non-executive directors during the whole of 2013-14 were James Taylor (chair), Alex Smith, Julia Edey and Alyson Stafford. Sheena Cowan was appointed on 22 October 2013.

The non-executive directors are not salaried, but received the following in fees and expenses in connection with their duties: Alex Smith - £3,309; James Taylor - £7,190; Julia Edey - £3,217; Sheena Cowan - £nil; and Alyson Stafford - £nil.

3.2.2 Senior Management Team

The Senior Management Team in 2013-14 comprised Neville Mackay (Chief Executive), Pam Brown, Marion Chapman, Chad Dawtry, Chris Fenton, Ian Waugh, and Susan Gray. All served for the whole year with the following exceptions:

- Chris Fenton left the SPPA on 17 May 2013 on Voluntary Early Severance terms. The total cost of the early severance was £36,514 which was accounted for in 2012-13, the year the departure was agreed
- Ian Waugh was appointed Finance Director on 13 May 2013
- Susan Gray was appointed Acting Business Change Programme Director on 16 June 2013 and was appointed Business Change Programme Director from 23 October 2013.

The following sections provide details of the remuneration and pension entitlements of the senior management team of the Agency.

3.2.3 Remuneration (audited information)

Name and Title	**2013-14**			**2012-13**		
	Salary	**Pension benefits**	**Total**	**Salary**	**Pension benefits**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Neville Mackay **Chief Executive**	75-80	20	95-100	75-80	30	105-110
Pamela Brown **Director of Operations**	65-70	9	75-80	60-65	24	85-90
Ian Clapperton **Director of Operations (voluntary early severance April 2012)**	n/a	n/a	n/a	0-5 (part year salary, 55-60 full year equivalent)	n/a	0-5
Ian Waugh **Director of Finance**	45-50 (part year salary, 50-55 full year equivalent)	35	80-85	n/a	n/a	n/a
Chris Fenton **Director of Finance (voluntary early severance May 2013)**	5-10 (part year salary, 60-65 full year equivalent)	0	0	60-65	12	75-80

Chad Dawtry **Director of Policy**	60-65	20	80-85	55-60	16	70-75
Marion Chapman **Director of Corporate Services**	45-50	73	120-125	40-45	18	60-65
Susan Gray **Director of Business Change Programme** **(FTE 0.8)**	15-20 (part year salary, 30-35 full year equivalent)	5	20-25	n/a	n/a	n/a

No director received any bonus payments or benefits in kind during the year ended 31 March 2014.

	2013-14	**2012-13**
Band of highest paid director's total remuneration	75-80	75-80
Median total	£18,382	£18,132
Remuneration ratio	4.2	4.2

The Chief Executive, as a member of the Senior Civil Service, has his pay set by the Cabinet Office.

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. None of the Senior Management Team was paid a bonus during the year.

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 2013-14 was £75k-£80k (2012-13, £75k-£80k). This was 4.2 times (2012-13, 4.2) the median remuneration of the workforce, which was £18,382 (2012-13, £18,132).

3.2.4 Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument.

3.2.5 Compensation

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

3.2.6 Pension Benefits

Name and title	Real increase/ (decrease) in pension and lump sum at pension age	Total accrued pension at pension age as at 31 March 14 and related lump sum	CETV at 31 March 14	CETV at 31 March 13*	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	£000
Neville Mackay Chief Executive	0-2.5 and (2.5)-0 lump sum	15-20 plus 0-5 lump sum	276	240	16
Pamela Brown Director of Operations	0-2.5 and 0-2.5 lump sum	30-35 plus 90-95 lump sum	545	505	9
Ian Waugh Director of Finance	0-2.5 and 2.5-5 lump sum	10-15 plus 40-45 lump sum	269	224	30
Chris Fenton Director of Finance (retired)	0-2.5 and 0-2.5 lump sum	20-25 plus 65-70 lump sum	493	489	0
Chad Dawtry Director of Policy	0-2.5 and 2.5-5 lump sum	10-15 plus 35-40 lump sum	236	206	15
Marion Chapman Director of Corporate Services	2.5-5 and 5-10 lump sum	10-15 plus 40-45 lump sum	267	197	57
Susan Gray Director of Business Change Programme	0-2.5 and 0-2.5 lump sum	0-5 plus 0-5 lump sum	36	31	2

*****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
- 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.

3.3 Civil Service Pension Scheme

3.3.1 Background

The following information has not been subject to audit.

3.3.2 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 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

3.3.3 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.

3.3.4 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 may opt for either the appropriate defined benefit arrangement or a "money purchase" stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary related and range between 1.5% and 6.25% of pensionable earnings for ***classic*** and 3.5% and 8.25% for ***premium, classic plus and nuvos.*** Increases to employee contributions will apply from 1 April 2013. 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 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

– Neville Mackay –

Neville Mackay
Chief Executive
31 July 2014

4. Governance statement

4.1 Framework

The External Management Board currently comprises four externally appointed non-executive members, together with the Scottish Government's Director-General Finance or her representative. The Board meets formally 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 Chief Executive 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 and on Pension Reform from the Director of Policy
- considering strategic plans on key corporate issues including human resources, training and communications
- receiving reports from the Audit and Risk Committee
- considering the Agency's draft annual report and accounts
- receiving reports from the Schemes' actuary
- considering threats to the long-term ability of the Agency to meet its objectives.

The Board is supported by an Audit and Risk Committee which comprises three non-executive members of the Board and also meets formally 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); and solvency in respect of its Scottish Government allocations
- reviewing the Agency's policies on fraud, bribery, corruption and whistle-blowing
- 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, Corporate Services and Business Change. The SMT meets fortnightly, and receives reports from each Directorate as well as considering cross-cutting, strategic and developmental issues. In addition, the SMT reviews the corporate and directorate risk registers quarterly, the fraud risk register annually, and reviews all reports received from external audit and from Internal Audit. The deliberations of the SMT are minuted and published on the Agency's intranet.

The Agency has an active Programme Board, comprising all the members of the SMT and including the Chair of the External Management Board, the purpose of which is to ensure that sound project management disciplines are exercised in all projects associated with the Agency's business change agenda. Reports are given by the Director of Business Change Programme to the Audit and Risk Committee and to the Executive Management Board on risk, governance and control issues.

The Agency has a programme of activities which are designed to deliver efficiencies and service improvements 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. This work is supported by a range of internal and external benchmarking processes.

4.2 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.

4.3 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 SPFM and with section 2 of "On Board: A Guide for Board Members of Public Bodies in Scotland" published by the Scottish Government.

4.4 Performance during the year

4.4.1 Data assurance

All staff members are required to undertake Cabinet Office data security training. No loss of personal or otherwise restricted data has come to the attention of the Agency during the year.

Staff resource, resilience and succession planning

In 2013-14 the Agency reinforced its Senior team by creating a new post of Director of Business Change. This post manages the programme of projects associated with implementing the pension reform programme by April 2015; ensuring that the police and fire pension schemes are transferred to SPPA by April 2015; and ensuring the procurement exercise for the Agency's pension administration IT platform is carried out by 2017. As part of its business planning process, the Agency also identified a number of new posts which support the business change agenda and which will be filled during 2014-15.

4.4.2 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.

During 2013-14 Internal Audit finalised three main reviews in the audit plan period and three follow-up audits were carried out. Assurance for finalised reports in 2013-14 were assessed as substantial and based on the follow-up audits undertaken it was confirmed that all recommendations had been implemented. A further scheduled main review was issued in draft after 31 March 2014. The Internal Audit Annual Assurance Statement was considered at the meeting of the Audit and Risk Committee on 15 July 2014 in which overall substantial assurance was provided to the Accountable Officer.

4.4.3 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, bribery, corruption and whistle-blowing, which are approved by the SMT and reviewed by the Audit and Risk Committee.

4.4.4 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 was tested in October 2013, and subsequently revised in the light of the findings of the test. The plan is subject to annual in-depth reviews and quarterly reviews by the SMT.

4.4.5 Efficiency and benchmarking

The Agency participates in an independently operated benchmarking exercise, which compares the Agency’s quality and costs of service across a range of activities common to comparable pensions administration organisations both in the UK and internationally. The results consistently demonstrate that the Agency is a low-cost but high-quality provider of pension administration services.

The Agency also participates in the Investors in People process and maintained its Gold status which was first achieved during 2012. It also runs an annual customer satisfaction survey which demonstrated that customer satisfaction was maintained at 90% during 2013-14. The Agency also participated in a UK Government led annual staff survey, which placed the Agency in the top quartile of all the business units surveyed. The Agency’s staff engagement index had increased by 3% compared to the previous year.

4.4.6 Pension liabilities

The Agency obtains advice from the Government Actuary’s Department (GAD) on matters including, but not limited to, the annual assessment of the value of pension liabilities.

As part of its workplan, the SMT considered and approved the financial and longevity assumptions used in the assessment of the pension liabilities of the NHS Superannuation Scheme (Scotland) and of the Scottish Teachers’ Superannuation Scheme (STSS) as at 31 March 2014.

4.5. 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. In addition, a fraud risk register is reviewed annually by the SMT and by the Audit & Risk Committee. Governance arrangements include a Programme Board, which monitors the management arrangements and progress of projects undertaken by the Agency.

In April 2013 the External Management Board and the SMT met with the UK Pension Regulator to discuss future changes to the governance structure to ensure that the Agency is in full compliance with the UK Pension Regulator’s developing recommendations for the governance of public sector pension schemes. These arrangements will be developed further during 2014 with a view to their being fully implemented by the statutory deadline of April 2015.

The External Management Board appointed an additional member from the private sector in October 2013 to broaden its expertise in service delivery ahead of the enactment of pension reforms in April 2015. Both the Board and the Audit and Risk Committee have carried out a self-assessment of their effectiveness during 2013-14 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.

4.6 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 SMT and are informed by changes to the strategic landscape that impinge on the objectives of the Agency through to specific risks to delivery and, where necessary, mitigating action is taken. The corporate risk register is reviewed quarterly by the Audit and Risk Committee and incorporates risks identified within the Agency's governance bodies.

A number of changes were made to the risk registers following these reviews, both in terms of reassessing existing risks and mitigations and identifying new ones. The risks associated with the development and implementation of the pension reform agenda increased significantly during the year, and the impact of this on the Agency's ability to fully implement the new administrative arrangements which are required to manage the reformed schemes from April 2015 will form a central part of the Agency's future risk management arrangements. The Agency also revised its risk registers during 2013-14 in order to quantify the assessed risks on a more objective basis. In March 2014 the Agency received substantial assurance on the effective operation of its risk management controls following an Internal Audit review.

4.7 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 each year. In addition, the Agency seeks the views of its stakeholders and staff through annual surveys. The Agency has a strong commitment to engaging its staff at all levels in setting the business agenda, and this level of commitment is reflected in the award of the Investors in People 'Gold' standard.

4.8 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 human resources and payroll systems that are shared with the Agency.

– Neville Mackay –

Neville Mackay
Chief Executive
31 July 2014

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 56 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
- 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
31 July 2014

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 Scottish Public Pensions Agency for the year ended 31 March 2014 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 2013/14 Government Financial Reporting Manual (the 2013/14 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 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 in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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. It also involves obtaining evidence about the regularity of expenditure and income. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, 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 2014 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 2013/14 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 Management Commentary 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

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

1st August 2014

7. Scottish Public Pensions Agency Annual Accounts 2013-14

Scottish Public Pensions Agency

Statement of comprehensive net expenditure

for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Staff costs	2	6,983	6,991
Other admin costs	3	3,505	3,045
Depreciation	5,6	1,606	1,476
Property impairment	5	0	701
Total operating costs		**12,094**	**12,213**
Operating income	4	(160)	(181)
Net operating costs		**11,934**	**12,032**
Other comprehensive expenditure			
Net (gain)/loss on revaluation of property, plant & equipment	5	(113)	(0)
Total comprehensive expenditure for the year		**11,821**	**12,032**

The above results relate to continuing activities.

The notes on pages 47 to 56 form part of these financial statements.

Scottish Public Pensions Agency

Statement of financial position

as at 31 March 2014	Note	2013-14 £000	2012-13 £000
Non-current assets			
Tangible non-current assets	5	4,560	4,480
Intangible assets	6	4,096	3,948
Total non-current assets		**8,656**	**8,428**
Current assets			
Trade and other receivables	7	256	228
Total current assets		**256**	**228**
Total assets		**8,912**	**8,656**
Current liabilities – less than 1 year			
Trade and other payables	8	(2,533)	(639)
Provisions for liabilities & charges	9	(12)	(13)
Total current liabilities		**(2,545)**	**(652)**
Non-current assets less net current liabilities		**6,367**	**8,004**
Non-current liabilities – greater than 1 year			
Provisions for liabilities and charges	9	(0)	(11)
Total non-current liabilities		**(0)**	**(11)**
Net assets/(liabilities)		**6,367**	**7,993**
Taxpayers equity			
General fund		6,254	7,993
Revaluation reserve		113	0
Total taxpayers equity		**6,367**	**7,993**

The notes on pages 47 to 56 form part of these financial statements.

– Neville Mackay –

Neville Mackay
Chief Executive
31 July 2014

Scottish Public Pensions Agency

Statement of cash flows

for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Cash flows from operating activities			
Net operating cost		(11,934)	(12,032)
Adjustments for non cash transactions			
Depreciation		1,606	1,476
Property impairment		0	701
Notional costs for services provided	3.3	268	264
Movements in working capital			
(Increase)/decrease in trade and other receivables	7	(28)	100
Increase/(decrease) in trade and other payables		432	249
Movements in provisions	9	(12)	(136)
Net cash outflow from operating activities		**(9,668)**	**(9,378)**
Cash flows from investing activities			
Purchase of tangible non-current assets		(92)	(4,866)
Purchase of intangible assets		(167)	(245)
Net cash flow from investing activities		**(259)**	**(5,111)**
Cash flows from financing activities			
Net funding		**9,927**	**14,489**

The notes on pages 47 to 56 form part of these financial statements.

Scottish Public Pensions Agency

Statement of changes in taxpayers' equity

for the year ended 31 March 2014

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2013		**7,993**	**0**	**7,993**
Net gain/(loss) on revaluation of tangible non-current assets		0	113	**113**
Non cash charges – SG services	3.3	268	0	**268**
Transfers between reserves		0	0	**0**
Net operating cost for the year		(11,934)	0	**(11,934)**
Net funding		9,927	0	**9,927**
Balance at 31 March 2014		**6,254**	**113**	**6,367**

for the year ended 31 March 2013

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2012		**5,272**	**0**	**5,272**
Net gain/(loss) on revaluation of tangible non-current assets		0	0	**0**
Non cash charges – SG services	3.3	264	0	**264**
Transfers between reserves		0	0	**0**
Net operating cost for the year		(12,032)	0	**(12,032)**
Net funding		14,489	0	**14,489**
Balance at 31 March 2013		**7,993**	**0**	**7,993**

The notes on pages 47 to 56 form part of these financial statements.

Scottish Public Pensions Agency

Notes to the accounts

For the year ended 31 March 2014

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.

Impending application of newly issued/amended accounting standards not yet effective

A number of new accounting standards have been issued or amendments made to existing standards, but have not yet been applied in these financial statements. The standard that is considered relevant and the anticipated impact on the accounts is as follows:

IFRS 13 – Fair Value Measurement
Mandatory for accounting periods commencing on or after 1 January 2013. The application of this standard is subject to further review by HM Treasury and the other Relevant Authorities and is likely to be adapted in the FReM for 2015-16. The adoption of this standard could change the measurement techniques used when determining fair value. The impact on the accounts has not been determined.

1.1 Accounting convention

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

1.2 Property, plant and equipment

The land and buildings at Tweedbank were valued as at 31 March 2013 by the District Valuer Services of the Valuation Office Agency in the capacity of External Valuers using the Depreciated Replacement Cost method. The valuation was undertaken in accordance with IFRS standards, HM Treasury FReM, and the RICS Valuation – Professional Standards March 2012.

A professional revaluation of the property will be undertaken at five yearly intervals, and appropriate indices used to restate the values in the intervening years.

Depreciated historic cost has been used as a proxy for the fair value of furniture and fittings, equipment, and ICT systems. All of the assets in these categories have short useful economic lives which realistically reflect the life of the asset and a depreciation charge, which provides a realistic reflection of consumption. The minimum level for capitalisation of tangible assets is £1,000.

Equipment assets were re-valued on the basis of indices at 31 March 2014.

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 their valuation evenly over expected useful lives as follows:

Buildings	- 35 years (as per valuation)
Furniture and fittings	- 10 years
Equipment	- 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 2013-14 no assets were re-lifed.

Land is considered to have an indefinite life and is not depreciated.

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 with a term greater than one year 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 is amortised over 3 to 5 years. The exception is capital expenditure on the Pension Change Project which is amortised over 7 years.

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. 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

Administration costs	2013-14 £000	2012-13 £000
Wages and salaries	5,558	5,303
Social security costs	363	348
Other pension costs	979	926
Early departure costs	13	414
Agency staff costs	70	0
Total administration staff costs	6,983	6,991

Average number of whole-time equivalent persons employed	2013-14	2012-13
Senior management	6	5
Other permanent staff	241	233
Agency staff	1	0
	248	238

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.gov.uk/pensions).

For 2013-14, employers' contributions of £978,442 were payable to the PCSPS (2012-13 £925,616) at rates in the range of 16.7% to 24.3% (2012-13 16.7% to 25.8%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 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 2013-14 were £nil (2012-13 £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

2013-14 (2012-13)

	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 (1)	0 (1)
2	£10,000 to £25,000	0 (0)	0 (5)	0 (5)
3	£25,000 to £50,000	0 (0)	0 (5)	0 (5)
4	£50,000 to £100,000	0 (0)	1 (2)	1 (2)
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)**	**1 (13)**	**1 (13)**
	Total resource cost	**£0 (£0)**	**£10K (£414K)**	

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 2012-13 were paid in full at 31 March 2013. One departure agreed during 2012-13 has been postponed until 2014-15 with a revised early retirement arrangement approved. The total package was £80k of which £70k was accounted for in the previous financial year. There were no other early retirements agreed during 2013-14. 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.

Early departure costs of £13k detailed in Note 2 (which includes the £10k detailed above) represent adjustments to exit packages agreed in 2012-13 and to other early retirement costs (refer to Note 9).

3 Other administration costs

3.1 General administration expenses

	2013-14 £000	2012-13 £000
Actuarial services*	1,415	667
Compensation payments	4	2
Medical services	100	98
Travel and subsistence	56	47
Consultancy	4	0
Printing and copying	10	5
Telephone charges	16	14
Training	90	125
Stationery	19	23
Office machinery	4	4
IT maintenance	985	721
Financial & legal services	12	14
Postage costs	112	152
Recruitment & advertising	8	8
Other minor running costs	121	88
	2,956	1,968

***As noted in section 2.10.2, the public service pension reform process, including changes to the resulting scheme valuations, resulted in a significantly higher demand for actuarial support than in previous years.

3.2 Accommodation and support services

Rent payable under operating lease	0	504
Rates	113	118
Maintenance	67	89
Other accommodation costs	101	102
	281	813

3.3 Notional charges

Services provided by the Scottish Government	112	108
Audit fee	156	156
	268	264
Other administration costs total	**3,505**	**3,045**

4 Income

	2013-14 £000	2012-13 £000
Pension sharing on divorce	(125)	(135)
Other income	(35)	(46)
	(160)	**(181)**

The information is provided for fees and charges purposes, not for IFRS 8 purposes.

5 Property, plant and equipment

For the year ended 31 March 2014	Land	Buildings	Information Technology	Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2013	400	3,932	283	206	545	5,366
Additions	0	0	77	11	28	116
Disposals	0	0	(8)	0	0	(8)
Impairments	0	0	0	0	0	0
Revaluations	11	105	0	0	0	116
At 31 March 2014	**411**	**4,037**	**352**	**217**	**573**	**5,590**
Depreciation						
At 1 April 2013	0	0	247	160	479	886
Charged in year	0	112	17	14	6	149
Disposals	0	0	(8)	0	0	(8)
Impairments	0	0	0	0	0	0
Revaluations	0	3	0	0	0	3
At 31 March 2014	**0**	**115**	**256**	**174**	**485**	**1,030**
NBV at 31 March 2014	**411**	**3,922**	**96**	**43**	**88**	**4,560**
NBV at 31 March 2013	400	3,932	36	46	66	4,480

For the year ended 31 March 2013	Land	Buildings	Information Technology	Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2012	0	465	423	188	509	1,585
Additions	400	4,411	7	18	36	4,872
Disposals	0	0	(147)	0	0	(147)
Impairments	0	(944)	0	0	0	(944)
Revaluations	0	0	0	0	0	0
At 31 March 2013	**400**	**3,932**	**283**	**206**	**545**	**5,366**
Depreciation						
At 1 April 2012	0	223	357	145	476	1,201
Charged in year	0	20	37	15	3	75
Disposals	0	0	(147)	0	0	(147)
Impairments	0	(243)	0	0	0	(243)
Revaluations	0	0	0	0	0	0
At 31 March 2013	**0**	**0**	**247**	**160**	**479**	**886**
NBV at 31 March 2013	**400**	**3,932**	**36**	**46**	**66**	**4,480**
NBV at 31 March 2012	0	242	66	43	33	384

6 Intangible assets

For the year ended 31 March 2014	Software Licences	IT Software	Development*	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2013	392	9,943	78	10,413
Additions	14	189	1,402	1,605
Disposals	(1)	0	0	(1)
Transfers	0	78	(78)	0
Revaluations	0	0	0	0
At 31 March 2014	**405**	**10,210**	**1,402**	**12,017**
Depreciation				
At 1 April 2013	258	6,207	0	6,465
Charged in year	65	1,392	0	1,457
Disposals	(1)	0	0	(1)
Revaluations	0	0	0	0
At 31 March 2014	**322**	**7,599**	**0**	**7,921**
NBV at 31 March 2014	**83**	**2,611**	**1,402**	**4,096**
NBV at 31 March 2013	**134**	**3,736**	**78**	**3,948**

For the year ended 31 March 2013	Software Licences	IT Software	Development*	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2012	395	9,671	64	10,130
Additions	5	210	78	293
Disposals	(8)	(2)	0	(10)
Transfers	0	64	(64)	0
Revaluations	0	0	0	0
At 31 March 2013	**392**	**9,943**	**78**	**10,413**
Depreciation				
At 1 April 2012	198	4,876	0	5,074
Charged in year	68	1,333	0	1,401
Disposals	(8)	(2)	0	(10)
Revaluations	0	0	0	0
At 31 March 2013	**258**	**6,207**	**0**	**6,465**
NBV at 31 March 2013	**134**	**3,736**	**78**	**3,948**
NBV at 31 March 2012	**197**	**4,795**	**64**	**5,056**

* Assets under construction

7 Trade receivables and other current assets

	2013-14	2012-13
	£000	£000
Amounts falling due within one year		
Trade receivables	20	17
Prepayments and accrued income	236	211
Total receivable within one year	**256**	**228**

8 Trade payables and other current liabilities

	2013-14	2012-13
	£000	£000
Amounts falling due within one year		
Trade payables	32	31
Other payables	234	224
Accruals and deferred income*	2,267	384
Total due within one year	**2,533**	**639**

*Accruals for 2013-14 include capital expenditure relating to pension reform activities.

9 Provisions for liabilities and charges

	Early Departure Costs
	£000
Balance as at 1 April 2013	**24**
Provided in the year	2
Provisions not required written back	0
Provisions utilised in year	(14)
Borrowing costs (unwinding of discount)	0
Balance as at 31 March 2014	**12**

Analysis of expected timing of discounted flows

	Early Departure Costs
	£000
Not later than one year	12
Later than one year and not later than five years	0
Later than five years	0
Balance at 31 March 2014	**12**

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

Capital commitments at 31 March 2014 not otherwise included in these accounts.

	2013-14 £000	2012-13 £000
Intangible Assets		
Contracted for at 31 March	1,894	63
Approved at 31 March	1,925	0
	3,819	**63**

11 Commitments under leases

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

Obligations under operating leases comprise	2013-14 £000	2012-13 £000
Land and Buildings		
Not later than one year	0	0
Later than one year and not later than five years	0	0
Later than five years	0	0
Office Equipment		
Not later than one year	16	13
Later than one year and not later than five years	3	11
Later than five years	0	0
	19	**24**

12 Related-party transactions

The SPPA is a Scottish Government agency, which is therefore regarded as a related party. During the year the SPPA 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 SPPA.

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	0	768
Balances with Local Authorities	0	0
Balances with bodies external to government	256	1,765
At 31 March 2014	**256**	**2,533**
Balances with other central government bodies	17	469
Balances with Local Authorities	0	38
Balances with bodies external to government	211	132
At 31 March 2013	228	639

(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.

Alyson Stafford

Signed by the authority of the Scottish Ministers

17 January 2006