



SCOTTISH PUBLIC PENSIONS AGENCY

# Annual Report and Accounts 2014-15

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## Foreword and forward look by the Chief Executive

This document sets out our Annual Report and Accounts for the period from 1 April 2014 to 31 March 2015. This is the twenty second such report since we became an Agency in 1993 and the thirteenth since our relocation to Tweedbank in 2002. This is the first Foreword and forward look, I have written since assuming the role of Chief Executive on 26 May 2015 and many of the reflections I have made on 2014-15 have had to be informed simply by having as many discussions as possible since my arrival. One of the recurring themes in my discussions has been about the need for effective communication.

I will begin my reflections with the challenges that preceded my arrival, many of which ran concurrently and culminated in the administration of two new pension schemes, completing a major pension system platform change and a translation of root and branch reform of public pensions into new scheme regulations for Scotland. To complete three major projects all in one year is no mean achievement. Given the breadth of the changes implemented I can recognise, as an objective outsider, that every member of staff from each directorate must have contributed to their successful delivery in one way or another.

The Agency has already learnt a lot about itself during this period and, in particular, its ability to plan and execute a significant change programme. We shall learn even more when post project evaluations are undertaken later in the new year. In planning for change, it was important to the Senior Management Team (SMT) that staff be fully apprised of the size of the tasks ahead and kept informed of progress being made towards achieving them. The process of implementing change required some imaginative thinking on how we communicate with one another. One approach used to capture the essence of the transformation programme was to remind ourselves of the journey we had embarked upon, bearing some resemblance to that of a bullet train, in which each carriage represented a discrete project, populated by staff working energetically to implement the changes before arriving at its destination. Clearly, it is helpful to intersperse any long journey with some breaks and lighter moments and with that in mind a number of successful events were held, including the 'train cake' event, to celebrate each carriage's/project's success, the first of which was migrating data from Axis-e to Altair pension platform. Also, the Agency has now established its 'elevenses' sessions which promote get-togethers around a cup of coffee in which staff hear more about key projects and are invited to share their thoughts. The use of innovative technology and forums, rather than a one-size-fits-all approach to communication was always at the forefront of SMT's mind.

The challenge of completing a significant number of projects in short timescales would not have been possible without an enthusiastic Programme Board, a cadre of experienced project managers and a 'can-do' approach from all our staff. A large part of our success in implementing the fire and police migration, for instance, was built on reaching out and communicating to our new stakeholders and working closely with existing providers, to facilitate a seamless transition of member services. Set alongside project specific tasks, many of the same staff will have also been involved in ensuring our core business remained on track. Making accurate pension payments, to the right people and at the right time is part of that core business which we do well, but it is worth remembering that there have been recent examples of bumps along the path with access to banks overseas adversely affecting pensioner payments.

For much of the last year, there has been intense activity in putting all aspects of the pension reform agenda into place. The Policy Directorate have worked hard to bring forward the legislative changes required to implement five new public sector pension schemes for which Scottish Ministers have responsibility (NHS, Teachers, Police, Firefighters and Local Government). The timescales for this work have been particularly challenging and the process of setting up the new governance arrangements to support the schemes has been progressing in earnest. The establishment of Pension Boards and Scheme Advisory Boards will have far-reaching consequences in terms of the scheme manager's accountability for the administration and management of the schemes to its

members. The appointment of equal numbers of board members from employer and members representatives and the recruitment of chairs and vice-chairs through open competition will radically change not only the scheme's governance arrangements but the Agency's itself, as independent Pension Board chairs will also sit on a newly-constituted Agency Board. Our challenges for 2015-16 will be to fully implement the Pension Regulator's guidance and to embed new accountability and reporting arrangements as soon as practicable. The Agency is taking full responsibility for providing appropriate induction, training and development of new members in order to allow them to hit the ground running.

For many staff the second half of 2014-15 was dedicated to ensuring the successful phased migration of data for 28,000 members of the Scottish police and fire services from local authorities. 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 and low cost' service to pension scheme members. The Agency looks to a number of independent sources to validate the quality of services delivered and value for money it provides. It is therefore pleasing to report that, against a background of intense pressure of work, the external benchmarking indices and customer satisfaction survey results continue to demonstrate that our usual high standards have been maintained. The re-affirmation of the Agency's status as an 'Investors In People Gold Standard' employer and the generally positive staff survey results that place the Agency in the top quarter of all participating bodies throughout the UK serve to demonstrate the reasons behind that confidence. In terms of delivery against the published business plan, the Agency met 23 of its 28 key business targets (2013-14: 26 out of 31). Of the 5 missed targets, 3 were delayed and will be completed in 2015-16. The icing on the performance cake was the external recognition given to the Finance Directorate in which they were awarded the accolade of 'Public Sector Finance Team of the Year'. Also in 2014, the effort by management to make SPPA an employee-friendly workplace was recognised when it was shortlisted as 'Public Sector Employer of the Year'.

Typically, once a 3-year Corporate Plan expires a new one will replace it. The Agency decided to defer the renewal of the 2012-13 to 2014-15 Plan by one year in anticipation of the need to bid for resources by all parts of government linked to the next Comprehensive Spending Review period commencing in 2016-17. The SPPA's budget priority will be to secure a funding stream for implementation of an integrated payroll and pension system, the majority of which will fall into the next Spending Review period. Alongside the need to establish if there is scope to make efficiency savings, there will need to be an examination of where improvements in quality can be delivered as part of a move towards a more 'digital first' approach to service delivery. The Plan will also need to ensure its revised overall strategic aims and objectives are able to capture the essence of a 'digital agency' vision for service delivery.

Once again, none of our achievements would have been possible without the dedication and commitment of the SPPA's 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 with them that credit for our success lies. I should also like to pay tribute to Neville Mackay, my predecessor as Chief Executive and Accountable Officer of SPPA, who so ably led the Agency for 12 years and to Nicolette Harrison who held the post from 27 March 2015 until my arrival in May. I wish them both well in their new endeavours.

I would also like to 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, conscious that all feedback, whether positive or negative is helpful. We always aim to be a customer-focused organisation, a focus that will only intensify as we start to explore developing our strategy of becoming a 'digital agency'.

I have the great honour and privilege of being Chief Executive of an Agency on the cusp of a digital future based around the procurement of a new integrated pension and payroll system from 2017. The system will provide a key building block for the 'digital agency' vision, making SPPA much better equipped to take advantage of the opportunities that lie ahead. The ability to service the needs of our members more efficiently, effectively and timeously is at the root of the proposed changes and the experience to date is that SPPA has the expertise and experience to deliver such change. Ever-mindful of our duty to protect sensitive member data and ensure value for money in drawing on the public purse, I look forward to working to building on SPPA's 'track record' of successful change and solid reputation of service delivery.

A handwritten signature in black ink, appearing to be 'RP', with a long horizontal stroke extending to the right.

**Ross Paterson**  
**Chief Executive**  
**28 July 2015**

## 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 2014-15 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 £13.8 million in 2014-15, compared with £11.9 million in the previous financial year. A breakdown of expenditure is detailed in notes 2 and 3.

The Agency spent £4.3 million on non-current assets during the year. Further information on non-current assets is included in notes 5 and 6.

	<b>Allocation £m</b>	<b>Out-turn £m</b>
Total operating costs (Statement of Comprehensive Net Expenditure)	12.9*	14.0
Less depreciation (Statement of Comprehensive Net Expenditure)		(2.1)
Less notional charges (note 3.3)		(0.3)
Operating income (Statement of Comprehensive Net Expenditure)		(0.2)
<b>Operating costs excluding depreciation</b>	<b>12.9</b>	<b>11.4</b>
Depreciation	2.3	2.1
<b>Total operating costs</b>	<b>15.2</b>	<b>13.5</b>
<b>Capital</b>	<b>4.8</b>	<b>4.3</b>

\* Excludes depreciation

**Operating costs** The original Parliamentary allocation of £10.2 million was supplemented by £2.1 million from the 2014-15 Spring Budget Revision (SBR) to fund: actuarial services for pension reform (£1.4 million); costs of the business transformation projects (£0.1 million); and funding for implementing the migration of pension administration for Scottish fire and police services (£0.6 million). A further £0.6 million was transferred by the Scottish Government which was additional to requirements. These changes are included within the total operating costs allocation in the table above. The main reasons for the underspend of £1.6 million relate to the additional sum which was not required, lower than anticipated actuarial services, and timing of spend associated with stakeholder communication of 2015 Pension Reform.

**Depreciation** The depreciation allocation is derived from the 2011 Comprehensive Spending Review settlement.

**Capital** The original 2014-15 Budget Act capital allocation of £2.8 million was increased by £2.0 million following the 2014-15 SBR to cover costs associated with upgrading the pension systems, migrating pensions administration services across from previous providers, and implementing the public sector pension reforms.

### 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 2014-15, is contained in the separate governance statement at page 39.

### 1.3.1 The Directors

The Agency's management structure is detailed in the Leadership and governance section at page 12. The directors and senior management of the Agency who served during the year were:

Nicolette Harrison	Interim Chief Executive from 27 March 2015 to 26 June 2015 Accountable Officer from 27 March 2015 to 22 June 2015
Neville Mackay	Chief Executive to 27 March 2015
Pamela Brown	Operations Director
Chad Dawtry	Policy Director
Marion Chapman	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

Note that Ross Paterson was appointed Chief Executive on 26 May 2015 and Accountable Officer from 22 June 2015.

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 Pension liabilities**

The Principal Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Agency is unable to identify its share of the underlying assets and liabilities because it is part of a larger civil service scheme. Further information is given in the Remuneration report on page 34 and note 1.6.

## **1.5 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 2014-15 there was one reportable case (2013-14: 9 cases).

## **1.6 Personal data related incidents**

There were no personal data related incidents during 2014-15.

## **1.7 Date accounts authorised for issue**

The Accountable Officer authorised these financial statements for issue on 28 July 2015.



**Ross Paterson**  
**Chief Executive**  
**28 July 2015**



## 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 2014-15.

##### 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 aim is to be a national centre of expertise for the administration of pensions and the provision of policy advice. Its roles, as set out in the 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's aim 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 (renamed Finance, Constitution and Economy portfolio in November 2014).

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) pension schemes into the umbrella under its administration. The appointment of a Business Change 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 part way through its Business Transformation Programme and has enjoyed some notable successes, details of which are included in the Chief Executive's Foreword. As mentioned in the Foreword, communication has been at the core of the Agency's activities over the period as the changes brought about by pension reforms were put in place by the Public Service Pensions Act 2013. For instance, 290,000 letters on the subject were sent out to active members using traditional postal methods, but a range of 12 guides and multimedia tools have also been used to get across the key messages. The product offering was enhanced by new microsites on the Agency's internet site for each of the schemes with videos and other interactive modalities such as 'decision trees' available to assist members' knowledge and understanding.

Regulations were enacted in Scottish Statutory Instruments ahead of the new public sector schemes implementation date of 1 April 2015 to ensure the scheme manager operated *intra vires*. Work in concluding full actuarial and funding scheme valuations as at 31 March 2012 was completed for each of the pension schemes under the Agency's administration towards the latter part of the year. The business relationship with the Government actuary service, which carried out the valuation exercise, was strengthened going forward by the signing of a service level agreement covering a period of four years commencing 1 April 2015. As well as ensuring performance standards were fit for purpose, one of the key benefits from the new agreement is the higher degree of certainty regarding the budgetary effect from the future workload. Having the anticipated workload quantified across the agreement period will also assist in producing more accurate forecasting for a major area of Agency expenditure.

A project team was set up to plan and implement new governance arrangements required by the Act and establish a good working relationship with The Pension Regulator (TPR). The initial work involved appointing members to new Pension Boards and Scheme Advisory Boards and will continue into 2015-16 with induction events, inaugural Board meetings and introductory meeting with TPR. In essence, Pension Board members are responsible for assisting the Scheme Manager in securing compliance with the scheme regulations and other legislation relating to governance and administration of the schemes. It is planned that the effectiveness of the new governance arrangements will be evaluated after two years.

A further priority for the Agency is to embed the two new schemes (PSoS and SFRS) into all its processes. Accountability arrangements will be secured through a service level agreement between the respective services and SPPA and will be supplemented by the scrutiny of respective Pension Boards described above. The framework in place will ensure performance standards are measured and monitored by the customers and continuous improvement in service delivery will be actively sought by the Agency.

### **2.1.11 Risks and uncertainties**

The principal risks and uncertainties facing SPPA are contained within the Agency's Risk Register. The Register is regularly reviewed and updated by SMT based on any changes in:

- risk universe
- principal risks and uncertainties facing the organisation
- risks reported through directorate risk registers and fraud risk registers.

Changes to the risk universe draws upon a wide pool of new information, but often relates to areas where the Agency has no direct control, such as, the outcome on the referendum on Scottish independence which can present a number of changes in both risks and opportunities. Principal risks often relate to areas where the inherent risks are of such magnitude, such as the Agency's business transformation programme, that they warrant inclusion and an analysis of the controls which can be introduced to mitigate the risk. Risks may be identified as part of the operational activities of each directorate, such as relationships with key suppliers, which again may be of such magnitude that

should feature in the Agency Risk Register. The cause of each new threat is identified and the internal controls which mitigate the threat are considered alongside any further practicable actions. If mitigating controls and further actions are sufficient to reduce the risk assessment below the risk tolerance, the risk will be removed from the Register. During the year the maximum number of key risks identified was 15 and the minimum was 8. Each risk is assessed for its impact and likelihood at least once a quarter and the revised Register is reviewed by the Audit and Risk Committee thereafter.

The Agency's risk register is linked through assurance mapping to the key performance outcomes (and by extension its aims and objectives) and to sources of internal and external assurance. The Agency's risk appetite allows for decisions to be taken where the rewards in furtherance of key objectives are calculated or perceived to outweigh the risks. A key risk area in 2014-15 and into future years is the replacement of the Agency's current pension administration and management platform (Altair) with a new integrated pension and payroll system. The contract award will be made in August 2015 and it is envisaged that the specification provided through the platform will enhance the Agency's digital services vision. All identifiable threats to the successful adoption of the new system have been identified in the Register but uncertainties will remain beyond the contract award given the long list of dependencies, such as, the need to fully engage with all stakeholders to ensure their needs are fully reflected in the new functionality.

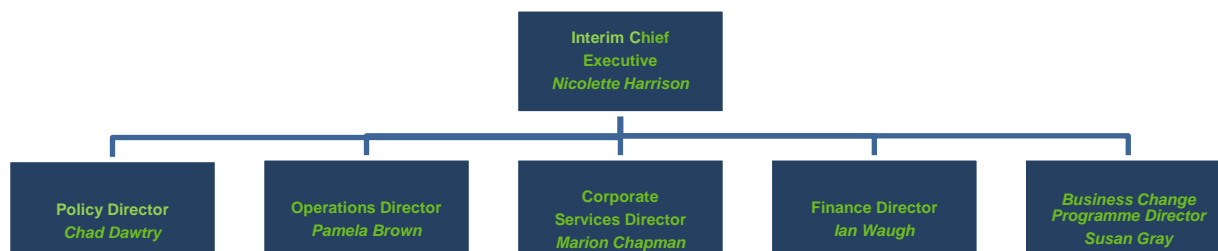
The Agency will continue to revise and refine its approach to risk in the light of the outcome of the resources available following the next Spending Review, the development of its People Strategy and any revisions to the aims and objectives of the Agency as a result of the new 3-year Corporate Plan for the period 2016-17 to 2018-19.

## 2.2 Corporate governance

### 2.2.1 Leadership and governance

The Agency is part of the Finance, Constitution and Economy Portfolio of Scottish Government. The Agency is funded through the Scottish Government's Programme Budget which is overseen by the Portfolio Accountable Officer, Alyson Stafford.

Day to day management is overseen by the individual executive directors and through the Senior Management Team collectively. As at 31 March 2015, 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.

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 2014-15.

### 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. The Agency reviews the risk of fraud, originating from internal and external sources and the nature and extent of these risks are reflected in the Fraud Risk Register.

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 changes to the Corporate Risk Register on a quarterly basis and the Fraud Risk Register on an annual 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 2014-15 and the previous year were as follows:

Pay Band	Number of Posts		Male		Female	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
<b>Up to £18,782</b>	<b>27</b>	<b>29</b>	<b>13</b>	<b>15</b>	<b>14</b>	<b>14</b>
<b>£22,395 - £25,799</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>£25,799 - £31,029</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>£44,174 - £53,918</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Total</b>	<b>28</b>	<b>34</b>	<b>13</b>	<b>17</b>	<b>15</b>	<b>17</b>
<b>%</b>	<b>100</b>	<b>100</b>	<b>46</b>	<b>50</b>	<b>54</b>	<b>50</b>

Recruitment was carried out during 2014-15 to continue to support the highly demanding Pension Reform Agenda, and in preparation for administering the superannuation schemes for PSoS and SFRS.

The Agency successfully recruited 28 (26.7 full time equivalent) members of staff during the year including: 20 employees on 18 month fixed term appointments through an external, fair and open recruitment campaign; and 5 Modern Apprentices (MAs) which supports the Scottish Government in its objective of tackling youth unemployment.

In addition, to meet the challenges of the significant change programme, 20 members of staff were promoted to a higher grade through open competition, and 7 MAs and 13 fixed term appointments were successful in gaining permanent positions at the Agency.

Staff numbers are expected to stabilise during the next 12 months as the bulk of the Programme to deliver the Pension Reform changes and the new services is completed.

### 2.3.2 Staffing complement

The Agency's staffing full time equivalent (FTE) complement over the past 2 years was:

	<b>2014-15</b>	<b>2013-14</b>
Permanent staff complement (FTE)	292	254
Average number of staff in post (FTE)		
Female	142	133
Male	123	114
<b>Total</b>	<b>265</b>	<b>247</b>

Staff turnover for 2014-15 was 4.0% equating to 10.88 FTE members of staff (2013-14: 6.6% equating to 16.13 FTEs). The 2014-15 figure includes:

- 3 staff who left to work in other Departments of the Scottish Government
- 5 resignations from the SPPA and the Scottish Government
- 1 leaver through the Scottish Government's early departure schemes
- 1 retirement
- 1 end of student placement contract
- 1 death in service.

### **2.3.3 Sickness absence management**

In 2014-2015, 2,843 days (2013-14: 2,564 days) were lost to sick absence. The total average working days lost was 10.4 (2013-14: 10.4). A total of 1,188 days (2013-14: 943 days) were lost due to long term sickness equating to 42% (2013-14: 37%) of the overall absence figures.

Whilst overall sickness absence has remained in line with the previous year, days lost to long term sickness have increased by 5% year on year. The Agency's senior management team closely monitors sickness absence levels and SPPA Human Resources (HR) team supports managers in applying the Scottish Government attendance management process.

### **2.3.4 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. The Agency promotes a culture where staff can shape their work and that of SPPA and where individual and team achievements are supported and recognised.

### **2.3.5 People Strategy**

The three-year People@SPPA Strategy was put into place in 2012-13 and has supported the Agency through a significant period of business change. The Strategy has embedded many positive initiatives and activities into the day to day work of people across Directorates. The next three-year period will commence in 2016-17 at the same point at which the next three-year Corporate Plan commences. It is intended that an interim strategy will be developed to support the one-year Corporate Plan for 2015-16 and will reflect the continually changing operational landscape.

### **2.3.6 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.

### **2.3.7 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.

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 is an integral part of our thinking and behaviour.

### **2.3.8 Youth employment**

The Agency has been able to support the ambitious Modern Apprenticeship Programme (MAP) targets set by the Scottish Government which culminated in 7 MAs successfully becoming permanent members of staff. Early in 2015 a further 5 MAs were recruited in line with the target set by SG for our 2014-15 intake. The MAP 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.

### **2.3.9 Employee consultation**

The Agency recognises the importance of good industrial relations and is committed to effective employee communications. The Agency issues staff notices, staff newsletter and hosts 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 HR role within the Corporate Services Directorate adheres to Scottish Government policies covering pay, attendance, performance, recruitment and disciplinary processes. The HR team provides Agency staff with guidance and support relating to the Scottish Government policies at all times which adhere to 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.

Family-friendly policies have in the past helped the Agency to attract a large number of high quality external applicants and create interest from the local workforce. It is anticipated that such policies and future refinements will help the Agency to retain staff and continue to act in a way that makes the Agency an 'employer of choice'.

The overall average number of staff in post was 265 FTEs (2013-14: 247 FTEs) and approximately 69 (2013-14: 61) members of staff worked part time hours.

The Agency aims to provide a clean and safe environment in which to work with excellent equipment and up to date technology. In addition, it aims to have quick and effective communication systems, including the facilitation of effective interpersonal, team, directorate and Agency-wide channels. 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 and student placements with staff supported internally by the HR and Corporate Learning team.

The Scottish Government's first 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: [\[http://www.scotland.gov.uk/Publications/2013/04/2397\]](http://www.scotland.gov.uk/Publications/2013/04/2397)

A second report was issued in May 2015. [\[http://scotgov.publishingthefuture.info/publication/equality-outcomes-and-mainstreaming-report-2015\]](http://scotgov.publishingthefuture.info/publication/equality-outcomes-and-mainstreaming-report-2015)



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 and ethnic origin, religion and belief, disability, age and sexual orientation. 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 2014-15 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. There is a well-supported and active Sports and Social Club. The Agency continued supporting health and wellbeing policies for staff and continues to promote Healthy Working Lives whilst working towards 'gold' accreditation.

### **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 2014-15 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](http://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	2014-15	2013-14
<b>Pay 100% of all existing NHS and STSS pensions on the due date</b>	100%	100%
<b>Pay 98% of new awards within one month of the due date</b>	99%	98%
<b>Ensure a minimum of 99% of all <u>existing</u> pension payments are correct at the point of payment</b>	100%	100%
<b>Ensure that a minimum of 95% of all new pension awards are correct at the point of authorisation</b>	98%	96%
<b>Collect 96% of NHS contributions and STSS contributions by value within the period prescribed by legislation</b>	99%	99%
<b>Ensure that up to date and accurate data is held for a minimum of 95% of active scheme members*</b>	93.7%	94.6%
<b>Ensure that accurate annual benefit statements are accessible for at least 98% of active scheme members for whom accurate data is held</b>	98%	99%
<b>Conclude pension reform activities within agreed timescales</b>	Achieved	Partially achieved
<b>Meet annual requirements for corporate governance reporting and organisational efficiency within prescribed deadlines</b>	Agency: achieved Schemes: achieved	Agency: achieved Schemes: achieved
<b>Maintain and where possible improve customer satisfaction levels based on a three year rolling average</b>	Satisfaction rating 89.0% 3 year rolling average: 89.5%	Satisfaction rating: 89.8% 3 year rolling average: 88.9%
<b>Deliver agreed annual improvements to employers' contributions</b>	n/a	Achieved

\* Failed to meet this target as a result of a data loading issue caused by a third party.

### 2.5.3 Performance against targets

The Agency met 9 of its 10 key performance targets with only a marginal fail against the remaining one target. As mentioned in the Chief Executive's Foreword and Forward Look, the Agency met 82% of the stretching list of key business tasks set at the beginning of the year with the remainder to be completed in 2015-16.

## 2.6 Business strategy: Operations Directorate

### 2.6.1 Background

The 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, Teachers', Police and Fire-fighter pension schemes in Scotland, 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 pension award, pensioner payments and transfer of pension rights to and from other schemes. The Directorate is the public face of SPPA dealing directly with more than 450,000 scheme members and beneficiaries, and around 1,130 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 close to retiring

**Service** - responsible for matters such as change of personal details, nominations for survivor benefits, transfers in and out, refunds of contributions, management of web services and pensionable service enquiries

**Records maintenance** - look after the information provided by employers relating to members who join or leave the schemes and updating member records on an annual basis.

**Pensioner payroll** - administer the payments to pensioners of the NHS, Teacher's, Police and Fire-fighters schemes in Scotland and to their dependents.

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

<b>Small schemes</b>	calculate pensions for the Scottish Parliament and Scottish Legal Aid Board and process pension sharing on divorce and mis-selling cases
<b>Stakeholder liaison</b>	manage member complaints, maintain scheme guides and web information for Operations
<b>Operations support</b>	assist staff with IT support, and system improvements
<b>Technical training</b>	deliver pension technical training to operations staff and provide technical advice

### 2.6.2 Key performance indicators in 2014-15

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.

### **2.6.3 Key achievements in 2014-15**

#### **Implementation of new services**

From 1 April 2015 SPPA became the scheme administrator for the PSoS and the SFRS pension schemes. To facilitate the provision of the new services, membership data from 9 previous scheme administrators was migrated to SPPA from August 2014 to February 2015. The SPPA is now responsible for the pensions of an additional 43,000 active, deferred, and pensioner scheme members.

#### **Implementation of new schemes for NHS employees and Teachers in Scotland**

SPPA developed the core system functionality required to support the administration of the new Scottish Teachers' Pension Scheme and the new NHS Pension Scheme Scotland from 1 April 2015. To enable this, the SPPA upgraded its AXISE pension administration system to a new version, Altair.

A programme of communication is in place to inform all members in writing about the introduction of the new schemes and how members will be affected.

#### **Technical training**

Technical training was provided to support the implementation of the new NHS and Teachers' pension schemes and as required to support normal business delivery.

#### **Web services for active members and pensioners**

The number of active members and pensioners registered to use our on line web services continues to rise. Some further improvements have been made to on-line services, such as on-line forms for members.

#### **National Fraud Initiative and Tell Us Once**

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 for follow up, for example, where a pensioner had died and the Agency was previously unaware of the situation. This again demonstrates that controls in this area are working well.

To further enhance mortality screening, SPPA participated in a pilot for the Tell Us Once scheme. This service allows a person to report a death once and the information is then supplied to most government organisations. Following the conclusion of the pilot, SPPA has contracted to use the service going forward.

#### **Pension sharing on divorce**

In line with legislation, SPPA charges for services to courts and solicitors. Income generated in 2014-15 from this source was £161,000 (2013-14: £125,000).

### **2.6.4 Implementation of business strategy**

The following key objectives are contained in the Directorate's business plan for 2015-16:

- achieve the Agency and Directorate key performance targets
- support the implementation of the new Pension Board arrangements
- deliver improvements to data collection and management
- support the procurement and implementation of a new pension administration and payroll system.

## 2.7 Business strategy: Business Change 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 Directorate, was formed with responsibility for the set up and delivery of the SPPA's Business Transformation Programme 2013-18.

The Directorate was originally set up to handle the complexities and challenges associated with delivering significant business change between from 2013 to 2018 in the Agency. It has programme director and management capabilities designed to set out strategic vision; confirm the business case; establish the method for delivery; and manage delivery across the Agency. This is in partnership with the Programme Office function which ensures that the key programme information is harnessed to facilitate effective programme management and decision making.

2014-15 delivered new capability across the Agency to: support legislative reform; bring in-house broader administrative responsibilities with fire and police members and pensioners added to the Agency's remit; engage with members about changes to pension schemes; and created a specification for an integrated pension administration and web service solution.

### 2.7.2 Business activities 2014-15

The Business Change Programme consists of eight projects as detailed in the table below. Combined, these projects deliver the outputs and capability to realise the Programme vision and outcomes as currently defined. The Directorate provides essential management oversight across all projects within the Programme.

Project	Aim	Status
<b>2015 Scheme Regulations Development</b>	Translate the terms of the final scheme designs into legally competent scheme regulations	Closed (April 2014)
<b>NHS and STSS Altair Upgrade</b>	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	Closed (September 2014)
<b>NHS and STSS 2015 Pension Reform Admin Solution</b>	Deliver the business requirements and associated technical solution to enable the effective administration of schemes in 2015	On-going (July 2015)
<b>Additional Future Services: Fire and Police</b>	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	On-going (September 2015)
<b>NHS Choice 2</b>	Provide information on pension options to eligible members of the NHS Scheme	Initiated (March 2016)
<b>2017 Pension Admin &amp; Payroll Procurement</b>	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	On-going (March 2017)

<b>Agency Governance</b>	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	On-going (December 2015)
<b>Stakeholder Communication</b>	Provide communications regarding 2015 Pension Reforms that the Agency has agreed to deliver	On-going (August 2015)

### 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 networks, 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
- producing a fit for purpose Programme business case, organisational blueprint and benefits realisation strategy.

### 2.7.4 Programme office

Key information management processes are:

- identification and reporting on progress against critical milestones and delivery phases and impact assessment of plan changes; and updating the Programme Plan and Programme Definition Document
- identification and reporting of programme risks and issues; coordination and escalation of project risks; and update of the Programme Risk Management Strategy.
- monitoring of project budgets and control of expenditure; and liaising with Finance to prepare budget monitoring reports
- preparation, review and update of the Programme Communication Plan and stakeholder analysis; and updating the Programme Stakeholder Management Strategy
- identification and reporting on programme resource requirements; and updating the Programme Resource Management Strategy
- preparation, reporting on and implementation of the Programme Assurance Strategy
- identification and reporting on Programme benefits; and updating of the Programme Benefits Strategy
- secretariat activities for the Programme Board such as arranging meetings, minutes and actions.

### 2.7.5 Programme direction

Key functions of the Business Change Directorate include:

- defining vision in partnership with the Agency's Chief Executive, Senior Management Team and External Management Board and the Scottish Government Digital Directorate to ensure engagement and strategic alignment

- developing a business case to support the Digital Agency proposition
- developing the future business model for the organisation with a clear focus on processes, performance, people and customers
- developing, in partnership with the Agency's CEO and Corporate Services Directorate an Information Management Strategy to support the Digital Agency delivery
- organising the Agency to ensure it is set up for success to deliver the Digital Agency vision
- in partnership with the Agency's CEO, Senior Management Team and External Management Board, ensure engagement and commitment across all stakeholder groups through the Programme's Stakeholder Engagement Strategy and Communications Plan.

The realisation of the Digital vision will determine a new business strategy for the organisation and mean changes to Programme outcomes, scope and shape of the Business Change Directorate.

## **2.7.6 Implementation of business strategy**

The Programme outcomes for 2015-16 and beyond include the following:

- development of the Digital Agency proposition with a focus on customer engagement, service delivery, and preparation of a business case
- re definition of the Business Change Programme, strategic vision and business model to reflect Digital Agency and procurement outcomes
- delivery of Business Change Programme outcomes.

## **2.8 Business Strategy: Corporate Services Directorate**

### **2.8.1 Background**

The Agency's Corporate Services Directorate in 2014-15 covered the functions of Pensioner Payroll processing, Human Resources, IT, Corporate Learning and Development, Corporate Communications, Mailroom Services, Facilities Management and Corporate Procurement. In addition the Directorate led on 3 significant business change projects.

### **2.8.2 Key achievements in 2014-15**

#### **Corporate communications and mailroom services**

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 leads on key areas of work such as Information Assurance and Business Continuity planning and supports the issue of bulk mailings to members and pensioners. In addition, this year, the team has led on the delivery of the key communications which advised members and employers about the pension changes being introduced in April 2015.

The purpose of the Mailroom team is to provide a quality environment that supports the Agency's objectives with cost effective and quality business support mechanisms. In 2014-15 the team has provided support to several projects in the Business Transformation Programme.

#### **Human resources and corporate learning and development**

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 team is responsible for ensuring that the employees at SPPA are supported in line with the SPPA People Strategy. Recruitment and promotion of staff at all grades to support the Business Transformation Programme was a key deliverable in 2014-15.

The Agency is committed to developing the technical, managerial and leadership skills of its staff. The team plays a key role in supporting this commitment, by supporting the SPPA approach to Investors in People and the annual staff survey and acting on the feedback.

### IT and project support

The team provides IT and telephony support to all directorates in the SPPA. In addition, during 2014-15 the team provided technical support services to bring the PSoS and SFRS pension administration in house. They also led on the successful implementation of the pension administration system upgrade and provided technical support to the pension administration procurement project.

### Payroll processing

The payroll processing team successfully run 50 payrolls each month to ensure approximately 170,000 STSS and NHS pensioner and dependants receive their pension payments on time. Over the past year an additional 24 Police and Fire payrolls have been migrated to SPPA, paying 21,000 Police and Fire pensioners.

In addition, this year, the payroll team have successfully completed testing for the migration to the new Altair pension administration platform, pension reform developments and the integration of Police and Fire pensions administration and payroll.

### Procurement and facilities management

The procurement team provide advice and support to senior management, managers and staff to ensure that the procurement of goods, services or work complies with EU Procurement Legislation and Scottish Government Policy. Annual procurement training is now provided to all Agency staff with delegated purchasing authority. The Scottish Government's EASEbuy solution was implemented during 2014-15, which facilitates electronic transactions with third party suppliers including ordering and payment of invoices. The purchasing of a combined pensions administration and payroll system is being managed by the procurement team; this is a significant project for the Agency and is proceeding in line with the project plan.

The team is committed to managing the premises in an environmentally-friendly way, and to ensuring the safety of staff and visitors. During the year the team made significant changes to the building facilities to accommodate the new services SPPA are responsible for and allow for increased staff numbers.

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.

### Contractual and other arrangements that are essential to the business

Supplier	Product/service	Current expenditure per annum £000	Duration
Scottish Government Information Services and Information Systems Division	SCOTS, PCs and laptops	236	On-going
Northgate Information Solutions	ResourceLink pension payroll system	159	November 2017
Heywood Ltd	Pension administration system	475	March 2017
Océ UK Ltd	Printers	16	On-going
Netcall Telecom Ltd	Telephone system	17	On-going
Oracle	Database software	13	On-going
Dell	IT server maintenance & support	26	On-going
Epicor	Financial software	8	July 2015
Pulsion	Members and employers web services	13	March 2017
Pulsant	Web hosting	19	March 2016
Hymans Robertson	2015 Pension Reform communication products	133	November 2014 to August 2015



### 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. As the Agency starts to set out its digital ambitions and the approach is defined, it is likely that the Directorate will be required to lead and support on a variety of work streams, in addition to:

- maintaining and improving customer service standards
- ensuring that SPPA's IT strategy meets the requirements of the 'Digital Scotland' initiative and supports SPPA's digital vision
- delivering the communications project for 2015 Pension Reform
- providing an interim People Strategy that provides the foundation for delivery of improved leadership and management capability, and enhances the health, wellbeing and resilience of all staff
- delivering the procurement of a new pensions administration and payroll system to the agreed plan
- undertaking a workforce planning review which enhances future resource planning and allows for scenarios to be tested
- providing robust and effective procurement solutions and advice
- continuing to deliver services to standards set in service level agreements
- implementing 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 (NHSSS) and Scottish Teachers' (STSS) pension schemes and of the Agency itself. Since September 2014 the Directorate has taken over a range of financial services on behalf of PSoS and SFRS. Overall it supports the smooth running of the Agency and management of the Schemes by carrying out the following tasks:

#### Pension scheme finance team – for all schemes

- reconciliation of income, payments and transfers to codes in the general ledger
- makes manual pension payments to support the Payroll section when required
- manages debtor accounts and recovery of overpayments

#### Pension scheme finance team – NHS and Teachers

- collects pension contributions of almost £2 billion annually
- prepares resource and cash budgets for the NHS and Teachers' Scottish Superannuation Schemes
- provides in-year monitoring reports and financial performance analysis against budgets
- prepares financial forecasts to Scottish Government, HM Treasury and the UK Office of Budget Responsibility
- prepares statutory annual report and accounts

#### Agency administration finance

- responsible for raising invoices (e.g. pension sharing on divorce income) and expenditure (e.g. makes supplier payments)
- provides a cashier function for the Agency
- prepares the Agency's annual budget and provides monitoring reports, performance analysis and forecasting over the financial year
- prepares statutory annual report and accounts on behalf of the Agency

#### Other

- supports the Agency's annual benchmarking exercise
- supports the Agency's Business Transformation Programme

- supports the implementation of sound internal controls and risk management , by inter alia, reviewing training needs, considering fraud issues (reflected in the Agency Fraud Risk Register), applying best practice to change programme
- ensures that regular assurance mapping and updates to the Corporate Risk Register takes place in the light of change
- supports the work of the Audit and Risk Committee
- supports the Comprehensive and Scottish Spending Review processes.

## **2.9.2 Key achievements in 2014-15**

Following a period of extensive planning in 2013-14, the Agency has concentrated on executing an ambitious programme of business change during the period to 31 March 2015 that impacts either directly or indirectly on the work of the Finance Directorate. For instance, there have been a range of projects in which the Directorate has played a cross-cutting role with the aim of making sufficient resources available for their achievement. Most significant of all for the Directorate was the ministerial decision in October 2013 to move pension administration for both the Police and Fire services from 9 predominantly local authority providers to SPPA. Running in tandem with the migration of Police and Fire services by March 2015 was; the implementation of the new Altair pension administration and management system; preparing a specification for a new integrated pension and payroll system by 2017; and working through options to achieve a 'digital' agency approach to servicing stakeholder needs.

## **2.9.3 Implementation of business strategy**

Our key performance outcomes for the period from 1 April 2015 to 31 March 2016 are to:

- embed financial services provided to Fire and Police services in accordance with the SLA
- ensure complete, accurate and timely reports of relevance to the Pension Board/Scheme Advisory Boards
- review the feasibility of introducing alternative budgeting, forecasting and reporting software into financial processes relating to both the schemes and agency
- build on the introduction of EASEbuy software and commitment accounting to strengthen in-year reporting
- strengthen the role of the finance business partner working alongside other directorates, including project teams, and to employ more advanced financial modelling techniques and hence provide more accurate in-year financial forecasting
- put into place rolling 3-year budgets to strengthen the Agency's UK and Scottish Spending Review submissions and provide greater assurance to the Programme Board on the affordability of projects
- play a full role in implementing workforce planning and ensuring the capture of relevant data for budgeting and forecasting purposes, including applying sensitivity analysis
- provide relevant training to Agency staff on policies such as risk management
- ensure that the Audit and Risk Committee secretariat is strengthened by providing appropriate induction and training to all new members during 2015-16
- ensure Programme Board's financial information requirements are satisfied
- build on the accreditation given to the Directorate by professional accounting bodies to consider supporting an accounting trainee
- re-consider the Directorate structure in the light of revised processes introduced in the 2017 IT procurement and the 'Digital Agency' proposition.

The 2015-16 year will be crucial in the successful development of the 2017 IT re-procurement. The Directorate will need to be at the heart of preparations for planning 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 employer web portal, Epicor debtor management system and EASEbuy procurement system alongside the application of commitment

accounting to secure greater time efficiencies and improve the quality of services. Building on the dialogue established with colleagues from HM Treasury, NHS and Teachers pension schemes in England and Wales, National Audit Office and Government Actuary's Department, the Finance Directorate will work to ensure appropriate assumptions are used in the preparation of resource accounts and that correct accounting treatment and narrative reporting is adopted as a consequence of any changes in reporting guidance.

## **2.10 Business Strategy: Policy Directorate**

### **2.10.1 Background**

The Agency's policy function blends policy development with the on-going interpretation and maintenance of existing policy. 2014-15 remained a period of live and wide-ranging policy development as we played the lead role in finalising reforms under [The Public Service Pensions Act 2013](#) of the five main pension schemes that have been executively devolved to Scottish Ministers - those for local government, the NHS, teachers, police officers, and fire-fighters in Scotland. The year also brought focus on the impact of constitutional reform on occupational pensions and the team provided key support and information around this critical area.

Alongside, these strategic issues, business as usual activities included dealing with correspondence about public service pensions policy; routine interpretation of existing scheme rules for stakeholders including scheme administrators, employers and members; and processing final appeals on Ministers' behalf across the various pension schemes.

### **2.10.2 Key achievements in 2014-15**

#### **Policy strategy and development**

Concluding the development of policy for the 2015 reforms to deliver new scheme designs and new governance arrangements, together with making the nineteen individual pieces of secondary legislation to introduce those changes, dominated the directorate's key priorities for the year to 31 March 2015. This HM Treasury controlled reform programme remained challenging in terms of its content and the timetable for its delivery.

#### **Public service pension reforms**

High priority was given to the provision of advice to Scottish Ministers and to working closely with the various negotiating forums to address outstanding policy issues. This included working with stakeholders around final adjustments to scheme member contributions, following the increases of the preceding three years. In doing so, the Agency continued to represent the Scottish Government at UK level in cross-scheme policy discussions, such as in the HM Treasury-chaired Mini Official Committee on Pensions (MOCOP).

The directorate led activity across negotiating partners to ensure delivery of the 2012 actuarial valuations under [The Public Service Pensions \(Valuation and Employer Cost Cap\) Directions 2014](#). Working closely with the schemes' actuaries, the Government Actuary's Department (GAD), the team ensured that both internal and external stakeholders were engaged in discussion on scheme specific valuation assumptions and around valuation process. This work culminated in valuations for NHS, Teachers', Police and Firefighters' pension schemes which introduced: revised employer contribution rates payable from 1 April 2015 (for Teachers' from 1 September 2015) to 31 March 2019; and new employer cost caps for each scheme, against which future movements in scheme cost will be measured.

From late spring 2014 onwards, detailed work began to introduce [new governance arrangements](#) including statutory Scheme Advisory Boards and Pension Boards for each pension scheme. This included iterative discussion with stakeholders and with the Pensions Regulator around the regulator's draft regulatory strategy and code of practice. The directorate also supported internal and external work on communicating the impact of the reforms to stakeholders, building on the original lists of Frequently Asked Questions as the Agency established [a suite of customer-facing information](#) on the reformed schemes.

Throughout the year, the team worked tirelessly to finalise, as far in advance of 1 April 2015 as possible, the necessary Scottish Statutory Instruments (SSIs) to put in place the 2015 schemes and their new governance arrangements. Late developments in UK Government policy also saw the directorate required to bring forward, for the first time, a set of four SSIs made under affirmative Parliamentary procedures, rather than the negative procedures under which SSIs are normally made. All of the necessary legislation was in place in time for the implementation of the new schemes.

### Business as usual

Undertaken alongside reform work, specific business highlights for 2014-15 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.

### Regulations delivered during year:

#### NHS

- The National Health Service Superannuation Scheme (Scotland) (Miscellaneous Amendments) Regulations 2014 (SSI 2014/154)
- The National Health Service Pension Scheme (Scotland) Regulations 2015 (SSI 2015/94)
- The National Health Service Pension Scheme (Transitional and Consequential Provisions) (Scotland) Regulations 2015 (SSI 2015/95)
- The National Health Service Superannuation Scheme (Miscellaneous Amendments) (Scotland) Regulations 2015 (SSI 2015/96)
- The National Health Service Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (SSI 2015/145)

#### Teachers

- The Teachers' Pension Scheme (Scotland) (No.2) Regulations 2014 (SSI 2014/292)
- The Teachers' Pension Scheme (Scotland) Amendment Regulations 2015 (SSI 2015/97)
- The Teachers' Superannuation (Scotland) Amendment Regulations 2015 (SSI 2015/98)
- The Teachers' Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (SSI 2015/146)

#### LGPS

- The Local Government Pension Scheme (Scotland) Regulations 2014 (SSI 2014/164)
- The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 (SSI 2014/233)
- The Local Government Pension Scheme (Scotland) Amendment Regulations 2015 (SSI 2015/87)
- The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 (SSI 2015/60)

#### Police

- The Police Pensions (Consequential Provisions) (Scotland) Regulations 2015 (SSI 2015/118)
- Police Pensions Scheme (Scotland) Regulations 2015 (SSI 2015/142)

#### Fire

- The Firemen's Pension Scheme (Amendment No 2) (Scotland) Order 2014 (SSI 2014/108)
- The Firefighters' Compensation Scheme (Scotland) Amendment Order 2014 (SSI 2014/109)
- The Firefighters' Pension Scheme (Scotland) Amendment (No 2) Order 2014 (SSI 2014/110)
- The Firefighters' Pension Scheme (Scotland) Amendment (No 3) Order 2014 (SSI 2014/149)
- Firefighters' Pension Scheme (Scotland) Regulations 2015 (SSI 2015/19)
- The Firefighters' Pension Scheme (Consequential Provisions)(Scotland) Regulations 2015 (SSI 2015/117)

- The Firemen’s Pension Scheme (Amendment) (Scotland) Order 2015 (SSI 2015/140)
- The Firefighters’ Pension Scheme (Amendment) (Scotland) Regulations 2015 (SSI 2015/141)
- The Firefighters’ Compensation Scheme and Pension Scheme (Amendment) (Scotland) Order 2015 (SSI 2015/143).

### 2.10.3 Implementation of business strategy

2015-16 will be characterised by:

- working closely with stakeholders to bed-in the new governance arrangements – in particular providing the secretariat for the NHS, Teachers’, Police and Firefighters’ Scheme Advisory Boards and working to support the knowledge and understanding of Pension Board members for those four pension schemes
- identifying the need for and make any further amendments to scheme regulations
- identifying and reacting to changes in government pensions policy, in which role the directorate will continue to represent the Scottish Government’s interests at a UK level.

## 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 responsibility 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 2014-15

#### 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<sub>2</sub>e)
- kilowatt energy consumption for gas and electricity.

#### Corporate target – carbon emissions

#### Maintain carbon emissions from energy consumption to within +/- 3% of 2013-14 totals by March 2015

2013-14	Actual	171.52	tonnes CO <sub>2</sub> e
2014-15	Target	166.37 – 176.66	tonnes CO <sub>2</sub> e
2014-15	Actual	202.43	tonnes CO <sub>2</sub> e

#### Progress

Not achieved. The increase in overall carbon emissions in 2014-15 was 18% compared to 2013-14 (4% for gas and 24% for electricity).

**Reason**

During Phase 1 of the implementation of the carbon reduction commitment, SPPA were required to use the 2008 Defra emission factors for electricity from 2010-11 to 2013-14. Factors are applied to kilowatt-hour consumption to convert them to CO<sub>2</sub> emissions. As these factors were fixed over the period, any movement in emissions were a direct reflection of changes in electricity consumption. For Phase 2, however, conversions were based on the most up to date Defra factors available each year. Hence, the conversion factor for 2014-15 for electricity increased by approximately 11%. This increase in conversion factor, and the 12% increase in electricity usage per kilowatt hour (mainly due to the rise in staff numbers) were the primary reasons for the Agency failing to meet the corporate target for carbon emissions.

It should be noted that energy usage during 2014-15 of 202.43 tonnes of CO<sub>2</sub> equivalent was still below the level of 204.79 tonnes registered in 2009-10.

**Target No 1 – electricity**

**Maintain kilowatt-hour consumption of electricity used per full time equivalent employee (FTE) to within +/- 3% of 2013-14 levels by March 2015**

2013-14	Actual	1,110.36	kWh per FTE
2014-15	Target	1,077.05 – 1,143.67	kWh per FTE
2014-15	Actual	1,151.87	kWh per FTE

**Progress**

Not achieved. The increase in electricity consumption in 2014-15 was 3.7% compared to 2013-14.

**Reason**

A contributing factor was the substantially higher levels of operational activity in the Tweedbank office required to achieve the significant business change that the Agency was called upon to make by its stakeholders. For instance, higher levels of operational activity were reflected in the increased level of overtime worked during the week and week-ends. The Agency has put into place a variety of measures to minimise its electricity usage including solar-sensitive lighting, stringent controls on timed lighting, and consideration of energy efficiency when procuring new items of electrical equipment. SPPA will continue to monitor usage closely in the coming year to draw out patterns of usage and possible ways of mitigating excess usage.

**Target No 2 – gas**

**Maintain kilowatt-hour consumption of gas used per m<sup>2</sup> to within +/- 3% of 2013-14 levels by March 2015**

2013-14	Actual	93.96 per m <sup>2</sup>	total usage 269,094 kWh
2014-15	Target	91.14 – 96.78 per m <sup>2</sup>	total usage 261,021 – 277,167 kWh
2014-15	Actual	97.32 per m <sup>2</sup>	total usage 278,710 kWh

**Progress**

Not achieved. The increase in gas consumption in 2014-15 was 3.6% compared to 2013-14.

**Reason**

It should be noted that this target was also negatively affected by higher levels of operational activity and associated levels of overtime. Clearly, variations in climatic conditions may impact positively and negatively from year to year.

**Objective – use natural resources efficiently to minimise environmental impact**

**Target No 1 - natural resources target**

**Maintain water consumption (m<sup>3</sup> per full-time equivalent member of staff - FTE) to within +/- 3% of 2013-14 totals by March 2015**

2013-14	Actual	5.67	m <sup>3</sup> per FTE
2014-15	Target	5.50 – 5.84	m <sup>3</sup> per FTE
2014-15	Actual	7.87	m <sup>3</sup> per FTE

**Progress**

Not achieved. The increase in water consumption in 2014-15 was 38.8% compared to 2013-14.

**Reason**

Although there are regular preventative maintenance visits at SPPA, some plant and equipment became faulty in the latter half of the year causing a substantial increase in water usage. Following the plant's replacement and other repairs it is anticipated that water consumption in the coming year will revert to more normal levels of usage.

**Scottish Public Pensions Agency sustainability report for the year ended 31 March 2015**

Greenhouse gas emissions		2014-15	2013-14
Non-Financial Indicators	Total gross emissions for scope 1 (direct emissions from consuming gas) & scope 2 (indirect emissions from electricity consumption)	202.43 tonnes CO <sup>2</sup> equivalent	171.52 tonnes CO <sup>2</sup> equivalent
	Gross emissions scope 3 (business travel)	26.80 tonnes CO <sup>2</sup> equivalent	28.71* tonnes CO <sup>2</sup> equivalent
Related Energy Consumption	Electricity	305,262 kWh	273,849 kWh
	Gas	278,710 kWh	269,094 kWh
Financial Indicators	Expenditure on energy	£47k	£43k
	Expenditure on official business travel	£46k	£41k

**Performance commentary**

\*restated

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 it plays a full and leading part in its delivery and improving Scotland's overall sustainability/environmental performance.

Changes in the emission factors for electricity and the increase in staff numbers were the largest contributors for the failure to achieve the performance target carbon emissions.

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.

<b>Controllable impacts commentary</b>				
<p>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.</p> <p>SPPA also complies with the Scottish Governments travel policies and promotes the use of video conferencing to reduce travel requirements.</p>				
<b>Overview of influenced impacts</b>				
<p>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.</p> <p>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<sub>2</sub> emissions.</p>				
<b>Waste</b>		2014-15	2013-14	
Non Financial Indicators	Total waste		45.83 tonnes	32.21 tonnes
	Non hazardous waste	Landfill	8.16 tonnes	8.48 tonnes
		Reused/recycled	37.67 tonnes	23.73 tonnes
		Percentage of waste reused/recycled	82.20%	73.67%
Financial Indicators	Total disposal cost		£6k	£7k
	Non hazardous waste	Landfill	*	*
		Reused/recycled	*	*
<p><i>* = absorbed in total waste figure. Disaggregation of costs for individual waste streams identified for future development by our waste contractors</i></p>				
<b>Performance commentary</b>				
<p>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.</p> <p>The Agency's recycling commitment was negatively affected as the contractor for glass recycling removed this service from the Scottish Borders in 2013-14, but it is expected to be re-introduced early in 2016 as part of the new Facilities Management contract.</p> <p>SPPA has achieved its aim of ensuring that at least 80% of its waste is recycled or reused by 2015.</p>				
<b>Controllable impacts commentary</b>				
<p>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.</p>				



Finite resource consumption - water			2014-15	2013-14
Non Financial Indicators	Water consumption	Supplied	2,085 cubic metres	1,398 cubic metres
		Disposed	1,981 cubic metres	1,328 cubic metres
Financial Indicators	Water supply costs		£10.6k	£10.0k
<b>Performance commentary</b>				
<p>It is not anticipated that the problem with faulty plant and equipment driving up water usage during 2014-15 will be repeated going forward.</p> <p>Toilets are fitted with water reduction flushers and taps have an automatic shut off.</p>				

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](http://www.financial-reporting.gov.uk)
2. The above report has been prepared using factors published by Defra in May 2014.
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.



**Ross Paterson**  
**Chief Executive**  
**28 July 2015**

### 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](http://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](http://www.civilservicecommissioners.gov.uk).

#### 3.2 2014-15 Remuneration disclosure

##### 3.2.1 Non-Executive Directors

Non-executive directors during the whole of 2014-15 were James Taylor (chair), Alex Smith, Julia Edey, Sheena Cowan and Alyson Stafford.

The non-executive directors are not salaried, but received the following in fees and expenses in connection with their duties: Alex Smith - £2,683; James Taylor - £10,665; Julia Edey - £2,017; Sheena Cowan - £2,790; and Alyson Stafford - £nil.

##### 3.2.2 Senior Management Team

The Senior Management Team in 2014-15 comprised Nicolette Harrison (interim Chief Executive from 27 March 2015), Neville Mackay (Chief Executive to 27 March 2015), Pam Brown, Marion Chapman, Chad Dawtry, Ian Waugh, and Susan Gray. Neville Mackay left the SPPA on 31 March 2015 on Voluntary Early Severance terms. The total cost of the early severance was £81k.

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	2014-15			2013-14		
	Salary	Pension benefits	Total	Salary	Pension benefits	Total
	£000	£000	£000	£000	£000	£000
<b>Neville Mackay Chief Executive</b>	80-85	27	110-115	75-80	20	95-100
<b>Nicolette Harrison Interim Chief Executive (appointed 27 March 2015)</b>	0-5 (part year salary, 75-80 full year equivalent)	1	0-5	n/a	n/a	n/a
<b>Pamela Brown Director of Operations</b>	65-70	7	75-80	65-70	9	75-80
<b>Ian Waugh Director of Finance</b>	55-60	22	75-80	45-50 (part year salary, 50-55 full year equivalent)	35	80-85
<b>Chris Fenton Director of Finance (voluntary early severance May 2013)</b>	n/a	n/a	n/a	5-10 (part year salary, 60-65 full year equivalent)	0	0
<b>Chad Dawtry Director of Policy</b>	65-70	25	90-95	60-65	20	80-85
<b>Marion Chapman Director of Corporate Services</b>	50-55	59	110-115	45-50	73	120-125
<b>Susan Gray Director of Business Change Programme (FTE 0.95)</b>	40-45	18	60-65	15-20 (part year salary, 30-35 full year equivalent)	5	20-25

No director received any bonus payments or benefits in kind during the year ended 31 March 2015.

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 2014-15 was £80k-£85k (2013-14, £75k-£80k). This was 4.4 times (2013-14, 4.2) the median remuneration of the workforce, which was £18,782 (2013-14, £18,382).

### 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 15 and related lump sum	CETV at 31 March 15	CETV at 31 March 14*	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	£000
<b>Neville Mackay Chief Executive</b>	0-2.5 and 0-2.5 lump sum	15-20 plus 0-5 lump sum	317	276	23
<b>Nicolette Harrison Interim Chief Executive (appointed 27 March 2015)</b>	0-2.5 and 0-2.5 lump sum	20-25 plus 70-75 lump sum	448	447	0
<b>Pamela Brown Director of Operations</b>	0-2.5 and 0-2.5 lump sum	30-35 plus 90-95 lump sum	576	545	5
<b>Ian Waugh Director of Finance</b>	0-2.5 and 2.5-5 lump sum	10-15 plus 40-45 lump sum	303	269	19
<b>Chad Dawtry Director of Policy</b>	0-2.5 and 2.5-5 lump sum	10-15 plus 40-45 lump sum	270	236	20

<b>Marion Chapman Director of Corporate Services</b>	2.5-5 and 7.5-10 lump sum	15-20 plus 50-55 lump sum	327	266	47
<b>Susan Gray Director of Business Change Programme</b>	0-2.5 and 0- 2.5 lump sum	5-10 plus 0- 5 lump sum	48	36	7

\*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 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium, classic plus and nuvos**. Benefits in **classic** accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and 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](http://www.civilservice-pensions.gov.uk)

New career average pension arrangements will be introduced from 1 April 2015 and the majority of **classic, premium, classic plus** and **nuvos** members will join the new scheme. Further details of this new scheme are available at: <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>



**Ross Paterson**  
**Chief Executive**  
**28 July 2015**

## 4. 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 62 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.



**Ross Paterson**  
**Chief Executive**  
**28 July 2015**

## 5. Governance statement

### 5.1 Framework

The Agency's advisory 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
- receiving 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 pension 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 Programme. 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 (Audit Scotland) and internal audit (Scottish Government Internal Audit Service). 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 also given by the Director of Business Change Programme to the Audit and Risk Committee and to the External 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.



## **5.2 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.

## **5.3 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.

## **5.4 Performance during the year**

### **5.4.1 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.

### **5.4.2 Information strategy**

Staff are reminded through the SPPA Information Strategy that it is their responsibility to know where information is held, how to retrieve it and to understand what can be shared. It is the Agency's responsibility to provide staff with appropriate training and guidance that helps ensure standards are applied that protects information assets and enables the organisation to function effectively, safely and securely. This document was refreshed and reported to the SMT in July 2014.

The purpose of the Agency's Information Assurance Framework document is to evidence the actions, procedures and policies undertaken by the Agency to meet the standards and best practice guidelines set out by the HMG Security Policy Framework. This forms part of SPPA's strategic approach to Information Assurance. An annual assessment was carried out and reported to the SMT (September 2014) and Audit and Risk Committee (October 2014) with members noting improvements over the previous year and gaining assurance that a proportionate and risk managed approach was being applied to data security.

### **5.4.3 Staff resource, resilience and succession planning**

The number of FTE staff in post at 31 March 2015 was 278.9 (2014: 261.3). Operations, Finance and Corporate Services have a deputy post within their directorate. The Agency has started the process of examining the scope for creating new Band A4 posts to fill the gap in responsibilities between Band A3 and Band B1. The second stage of the process will be to complete an Agency Workforce Plan by the end of 2015. Current workforce planning has been a continuous process of planning for staffing needs based on the current need of implementing the changes in the Transformation Programme. The Agency Workforce Plan will address the future needs once those changes are embedded into business as usual.

Work has been carried out during the year to develop and implement policies and practices to enhance the effectiveness of the workforce, such as the review of the SPPA people strategy, the

corporate learning plan and management development opportunities. It is envisaged that as workforce planning evolves it will become more fully integrated with the strategic and operational planning processes to ensure the alignment of strategies to continuously deliver the right people in the right place at the right time. Assessing workforce requirements in SPPA in 2014-15 has had to be a dynamic process during recent changes in workload. Looking forward, the preparation of a 3-year Corporate Plan 2016-19 tied to a new Spending Review settlement will need to be informed by a robust Agency Workforce Plan.

#### **5.4.4 Internal Audit**

The Agency directs the work of Internal Audit, informed by the Agency's risk registers, its Assurance Map 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 2014-15, Internal Audit finalised a review of *contingency planning*. There were two further audits on *overpayments* and *annual allowances* due for completion in the period under review. Follow-up audits were conducted in three audit areas – *IT systems projects and contracts*; *financial control systems*; *financial reporting arrangements*; and *risk management arrangements*. A Scottish Government-wide review on usage of the *Government Procurement Card* included field testing of transactions at SPPA.

Reports received during the period provided senior management with the requisite level of assurances on reviews to date. Apart from one low level recommendation due to be completed after the year end, all follow-up audit recommendations were completed satisfactorily. No substantive errors were reported in the review of the *Government Procurement Card* at SPPA. The Internal Audit *Annual Assurance Statement* is scheduled for consideration at each July meeting of the Audit and Risk Committee in which an overall level of assurance is provided to the Accountable Officer.

#### **5.4.5 External Audit**

The effectiveness of the risk and control framework is informed by comments made by Audit Scotland in management letters and other reports.

#### **5.4.6 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. Policies are reviewed and refreshed at pre-determined intervals.

#### **5.4.7 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 re-tested in October 2014, and subsequently revised in the light of the findings of the test. The plan is subject to annual in-depth reviews and regular reviews by the SMT.

#### **5.4.8 Pension liabilities**

The Agency relies on the work of experts. This includes taking advice from the Government Actuary's Department on matters including, but not limited to, the annual assessment of the value of pension liabilities.

## **5.5 Assessment of corporate governance**

The Agency has a comprehensive set of risk registers at directorate and agency level that are reviewed quarterly by the SMT. 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.

Each of the governance committees produces a rolling programme of work areas to consider as part of the 'meeting planner'. This approach ensures an appropriate division of responsibility and coverage of significant areas requiring scrutiny over the year.

The External Management Board appointed a new member representative from Scottish Government Finance in October 2014. The new member joins four existing non-executive members, three of whom have acquired seven years SPPA board experience. Both the Board and the Audit and Risk Committee have carried out a self-assessment of their effectiveness during 2014-15 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.

## **5.6 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. The Agency has also produced and regularly updates an 'assurance map' that effectively links sources of internal and external assurance on internal controls in place to mitigate risks and facilitate the achievement of targets tied to outcomes.

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. In March 2014, the Agency received substantial assurance on the effective operation of its risk management controls following an Internal Audit review. A course was run for staff in March 2015 to explain the Scottish Government's approach to risk management and facilitate ideas to be generated on current risk areas.

An 'away day' was held for members of the Audit and Risk Committee and External Management Board on 7 October 2014 to consider significant issues faced by the Agency following the Scottish Referendum vote. One of the key areas of continuing development is the Agency's digital vision. The scope for future digital innovation will be heavily influenced by close working with the contractor appointed to deliver an integrated pension and payroll system in August 2015.

A number of projects, such as fire and police migration and pension reform legislation, reached their completion in 2014-15 and were removed from the Risk Register. The risks associated with the development and implementation of the digital agency vision remain high due to its relatively early stages. Similarly, the procurement of the integrated pension and payroll system remains at a relatively early stage until a contract award is made in August 2015 and contains a high degree of residual risk. However, the number of key risks to the Agency have fallen from 15 in April 2014 to 9 in April 2015.

## **5.7 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 fully 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. In 2014 SPPA hosted a site visit of world-wide CEM benchmarking participants to view how the agency carries out its functions. The results of the CEM benchmarking survey itself consistently demonstrate that the Agency is a low-cost and high-quality provider of pension administration services.

The Agency also participates in the Investors in People process on a rolling accreditation basis and has continued to maintain its Gold status, which was first achieved during 2012. It also runs an annual customer satisfaction survey which demonstrated that in 2014 customer satisfaction was 89% (2013: 89.8%). The Agency also participated in a UK Government led annual staff survey in which the Agency's staff engagement index in 2014 was 60% (2013: 63%).

## **5.8 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, the Chief Executive 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.



**Ross Paterson**  
**Chief Executive**  
**28 July 2015**

## 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 2015 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 2014/15 Government Financial Reporting Manual (the 2014/15 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 2015 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 2014/15 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  
Assistant Director  
Audit Scotland  
18 George Street  
Edinburgh  
EH2 2QU

30 July 2015

## **7. Scottish Public Pensions Agency Annual Accounts 2014-15**

## Scottish Public Pensions Agency

### Statement of comprehensive net expenditure

for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Staff costs	2	7,740	6,983
Other admin costs	3	4,157	3,505
Depreciation	5,6	2,095	1,606
<b>Total operating costs</b>		<b>13,992</b>	<b>12,094</b>
Operating income	4	(195)	(160)
<b>Net operating costs</b>		<b>13,797</b>	<b>11,934</b>
<b>Other comprehensive expenditure</b>			
Net (gain)/loss on revaluation of property, plant & equipment	5	(42)	(113)
<b>Total comprehensive expenditure for the year</b>		<b>13,755</b>	<b>11,821</b>

The above results relate to continuing activities.

The notes on pages 51 to 61 form part of these financial statements.



## Scottish Public Pensions Agency

### Statement of financial position

as at 31 March 2015

	Note	2014-15 £000	2013-14 £000
<b>Non-current assets</b>			
Tangible non-current assets	5	4,680	4,560
Intangible assets	6	6,173	4,096
Trade and other receivables	7	12	0
<b>Total non-current assets</b>		<b>10,865</b>	<b>8,656</b>
<b>Current assets</b>			
Trade and other receivables	7	7,415	256
<b>Total current assets</b>		<b>7,415</b>	<b>256</b>
<b>Total assets</b>		<b>18,280</b>	<b>8,912</b>
<b>Current liabilities – less than 1 year</b>			
Trade and other payables	8	(7,444)	(2,533)
Provisions for liabilities & charges	9	(0)	(12)
<b>Total current liabilities</b>		<b>(7,444)</b>	<b>(2,545)</b>
<b>Non-current assets less net current liabilities</b>		<b>10,836</b>	<b>6,367</b>
<b>Net assets/(liabilities)</b>		<b>10,836</b>	<b>6,367</b>
<b>Taxpayers equity</b>			
General fund		10,681	6,254
Revaluation reserve		155	113
<b>Total taxpayers equity</b>		<b>10,836</b>	<b>6,367</b>

The notes on pages 51 to 61 form part of these financial statements.



**Ross Paterson**  
Chief Executive  
28 July 2015

## Scottish Public Pensions Agency

### Statement of cash flows

for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
<b>Cash flows from operating activities</b>			
Net operating cost		(13,797)	(11,934)
Adjustments for non cash transactions			
Depreciation		2,095	1,606
Property impairment		0	0
Notional costs for services provided	3.3	255	268
Movements in working capital			
(Increase)/decrease in trade and other receivables		131	(28)
Increase/(decrease) in trade and other payables		(22)	432
Movements in provisions	9	(12)	(12)
<b>Net cash outflow from operating activities</b>		<b>(11,350)</b>	<b>(9,668)</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible non-current assets		(223)	(92)
Purchase of intangible assets		(3,735)	(167)
<b>Net cash outflow from investing activities</b>		<b>(3,958)</b>	<b>(259)</b>
<b>Cash flows from financing services</b>			
Net funding - Agency		(15,308)	9,927
Net funding - pension payments on behalf of Scottish police and fire services		(2,661)	0
<b>Total net funding</b>		<b>17,969</b>	<b>9,927</b>

The notes on pages 51 to 61 form part of these financial statements.

## Scottish Public Pensions Agency

### Statement of changes in taxpayers' equity

#### for the year ended 31 March 2015

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 31 March 2014</b>		<b>6,254</b>	<b>113</b>	<b>6,367</b>
Net gain/(loss) on revaluation of tangible non-current assets	5	0	42	42
Non cash charges – SG services	3.3	255	0	255
Transfers between reserves		0	0	0
Net operating cost for the year		(13,797)	0	(13,797)
Net funding		17,969	0	17,969
<b>Balance at 31 March 2015</b>		<b>10,681</b>	<b>155</b>	<b>10,836</b>

#### for the year ended 31 March 2014

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 31 March 2013</b>		<b>7,993</b>	<b>0</b>	<b>7,993</b>
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
<b>Balance at 31 March 2014</b>		<b>6,254</b>	<b>113</b>	<b>6,367</b>

The notes on pages 51 to 61 form part of these financial statements.

## Scottish Public Pensions Agency

### Notes to the accounts

For the year ended 31 March 2015

#### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the Government *Financial Reporting Manual (FReM)* issued by the Financial Reporting Advisory Board (FRAB). 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 do not come into force until future accounting periods and therefore are not yet applied to these financial statements. All new standards issued and amendments made to existing standards are reviewed by the Financial Reporting and Advisory Board (FRAB) for subsequent inclusion in the FReM in force for the year in which the changes become applicable. The standards that are considered relevant to the Agency and the anticipated impact on the accounts are as follows:

##### IFRS 13 – Fair value measurement (new standard)

This standard will come into effect for 2015-16 with the purpose of defining fair value and providing guidance on fair value measurement techniques. Although IFRS 13 applies to public sector bodies without adaptation, IAS 16 and IAS 38 have been adapted and interpreted for the public sector context to limit the circumstances in which a valuation is prepared under IFRS 13. The impact on the accounts has not been determined.

##### IAS 36– Impairment of assets (amendment to standard)

This standard is due to come into effect from 2015-16 with the expectation that it will be applied when IFRS 13 is introduced in the FReM. The adaptation of this standard may result in modification to disclosure requirements regarding measurement of any recoverable amount of impaired assets in the accounts. The impact on the accounts has not been determined.

##### IAS 1 – Presentation of financial statements (amendment to standard)

This standard is due to come into effect from 2016-17. The amendments may result in modification to what information is disclosed in the financial statements and where and in what order information is presented. 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. During intervening years, any minor additions have been reported at depreciated historic cost as a proxy for fair value.

Depreciated historic cost has been used as a proxy for the fair value of furniture and fittings, equipment, and information technology 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 property, plant and equipment is £1,000.

Equipment assets were re-valued on the basis of indices at 31 March 2015.

### 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	- 5 to 20 years
Equipment	- 5 to 10 years
Information technology	- 3 to 7 years

The useful economic life of individual assets is reviewed annually and the asset life adjusted accordingly.

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 7 years.

The useful economic life of individual assets is reviewed annually and the asset life adjusted accordingly.

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.

### **1.10 Police & Fire services**

SPPA has statutory responsibility to act as Pension Scheme Manager on behalf of Scottish Ministers and has responsibility for processing pension payments for the police and fire fighters' pension schemes under a service level agreement with PSoS and SFRS. Under its Agency status SPPA has access to and utilises Scottish Government designated bank accounts in order to carry its functions, including that assigned in its 'Framework Agreement', for administering fire and police pensions.

Under current funding arrangements, police and fire pensions paid to members require to be reimbursed to SPPA by PSoS and SFRS. Amounts made to HMRC by SPPA relating to police and fire pensions obligations follow similar reimbursement arrangements. The account balances due at the year-end are included in SPPA's Statement of Financial Position. The temporary funding of these balances is included in the Statement of Cash Flows.

PSoS and SFRS account for pensions expenditure and the related funding from the Scottish Government in their financial statements and is, therefore, not included in SPPA's financial statements. Scottish Ministers determine the scope of SPPA's responsibilities in administering the police and fire fighters' schemes and these accounting arrangements have been agreed with them.

### **1.11 Going concern**

The Agency receives its funding from the Scottish Government and its annual operating budget is approved and published each year, as part of the Scottish Government's budget, by the Scottish Parliament. Funding requirements have been agreed with the Scottish Government that give the External Management Board reasonable expectation that the Agency will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in the preparation of the annual report and accounts.

## 2 Staff numbers, costs and pensions

	2014-15	2013-14
	£000	£000
Administration costs	6,043	5,558
Wages and salaries	388	363
Social security costs	1,037	979
Other pension costs	188	13
Early departure costs	84	70
Agency staff costs	7,740	6,983
<b>Total administration staff costs</b>	<b>7,740</b>	<b>6,983</b>

Average number of whole-time equivalent persons employed	2014-15	2013-14
Senior management	6	6
Other permanent staff	259	241
Agency staff	1	1
	<b>266</b>	<b>248</b>

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 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2014-15, employers' contributions of £1,037k were payable to the PCSPS (2013-14 £979k) at rates in the range of 16.7% to 24.3% (2013-14 16.7% to 24.3%) 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 2014-15 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, or 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 2014-15 were £nil (2013-14 £nil).

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

#### 2014-15 (2013-14)

	Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
1	£10,000 to £25,000	0 (0)	6 (0)	6 (0)
2	£25,000 to £50,000	0 (0)	1 (0)	1 (0)
3	£50,000 to £100,000	0 (0)	1 (1)	1 (1)
	<b>Total number of exit packages</b>	<b>0 (0)</b>	<b>8 (1)</b>	<b>8 (1)</b>
	<b>Total resource cost £000</b>	<b>0 (0)</b>	<b>184 (10)</b>	

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 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 £188k detailed in Note 2 include the £184k detailed above plus adjustments of £2k to exit packages agreed in prior years, and to other early retirement costs of £2k.

### 3 Other administration costs

#### 3.1 General administration expenses

	2014-15 £000	2013-14 £000
Actuarial services	1,454	1,415
Compensation payments	1	4
Medical services	83	100
Travel and subsistence	57	56
Consultancy	33	4
Printing and copying	12	10
Telephone charges	16	16
Training	64	90
Stationery	14	19
Office machinery	8	4
IT maintenance	1,236	985
Financial & legal services	12	12
Postage costs	224	112
Recruitment & advertising	20	8
Corporate governance	20	0
Communication – pension reform	188	0
Other minor running costs	140	121
	<u>3,582</u>	<u>2,956</u>

#### 3.2 Accommodation and support services

	2014-15 £000	2013-14 £000
Rates	122	113
Maintenance	92	67
Other accommodation costs	106	101
	<u>320</u>	<u>281</u>

#### 3.3 Notional charges

Services provided by the Scottish Government	97	112
Audit fee	158	156
	<u>255</u>	<u>268</u>
<b>Other administration costs total</b>	<u><b>4,157</b></u>	<u><b>3,505</b></u>



**4 Income**

	<b>2014-15</b>	<b>2013-14</b>
	<b>£000</b>	<b>£000</b>
Pension sharing on divorce	(161)	(125)
Other income	(34)	(35)
	<u><b>(195)</b></u>	<u><b>(160)</b></u>

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

## 5 Property, plant & equipment

For the year ended  
31 March 2015

	Land	Buildings	Information Technology	Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At 1 April 2014	411	4,037	352	217	573	5,590
Additions	0	46	109	2	104	261
Disposals	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Revaluations	4	40	0	0	0	44
<b>At 31 March 2015</b>	<b>415</b>	<b>4,123</b>	<b>461</b>	<b>219</b>	<b>677</b>	<b>5,895</b>
<b>Depreciation</b>						
At 1 April 2014	0	115	256	174	485	1,030
Charged in year	0	115	40	15	13	183
Disposals	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Revaluations	0	2	0	0	0	2
<b>At 31 March 2015</b>	<b>0</b>	<b>232</b>	<b>296</b>	<b>189</b>	<b>498</b>	<b>1,215</b>
<b>NBV at 31 March 2015</b>	<b>415</b>	<b>3,891</b>	<b>165</b>	<b>30</b>	<b>179</b>	<b>4,680</b>
NBV at 31 March 2014	411	3,922	96	43	88	4,560

For the year ended  
31 March 2014

	Land	Buildings	Information Technology	Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
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
<b>At 31 March 2014</b>	<b>411</b>	<b>4,037</b>	<b>352</b>	<b>217</b>	<b>573</b>	<b>5,590</b>
<b>Depreciation</b>						
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
<b>At 31 March 2014</b>	<b>0</b>	<b>115</b>	<b>256</b>	<b>174</b>	<b>485</b>	<b>1,030</b>
<b>NBV at 31 March 2014</b>	<b>411</b>	<b>3,922</b>	<b>96</b>	<b>43</b>	<b>88</b>	<b>4,560</b>
NBV at 31 March 2013	400	3,932	36	46	66	4,480

## 6 Intangible assets

### For the year ended 31 March 2015

	Software Licences £000	IT Software £000	Development* £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2014	405	10,210	1,402	12,017
Additions	17	1,916	2,056	3,989
Disposals	(5)	0	0	(5)
Transfers	0	1,127	(1,127)	0
Revaluations	0	0	0	0
<b>At 31 March 2015</b>	<b>417</b>	<b>13,253</b>	<b>2,331</b>	<b>16,001</b>
<b>Depreciation</b>				
At 1 April 2014	322	7,599	0	7,921
Charged in year	69	1,843	0	1,912
Disposals	(5)	0	0	(5)
Revaluations	0	0	0	0
<b>At 31 March 2015</b>	<b>386</b>	<b>9,442</b>	<b>0</b>	<b>9,828</b>
<b>NBV at 31 March 2015</b>	<b>31</b>	<b>3,811</b>	<b>2,331</b>	<b>6,173</b>
NBV at 31 March 2014	83	2,611	1,402	4,096

### For the year ended 31 March 2014

	Software Licences £000	IT Software £000	Development* £000	Total £000
<b>Cost or valuation</b>				
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
<b>At 31 March 2014</b>	<b>405</b>	<b>10,210</b>	<b>1,402</b>	<b>12,017</b>
<b>Depreciation</b>				
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
<b>At 31 March 2014</b>	<b>322</b>	<b>7,599</b>	<b>0</b>	<b>7,921</b>
<b>NBV at 31 March 2014</b>	<b>83</b>	<b>2,611</b>	<b>1,402</b>	<b>4,096</b>
NBV at 31 March 2013	134	3,736	78	3,948

\*Assets under construction.

## 7 Trade receivables and other current assets

	2014-15	2013-14
	£000	£000
<b>Amounts falling due within one year</b>		
Trade receivables	19	20
Prepayments and accrued income	94	236
Cash in transit	141	0
Other receivables*	7,161	0
<b>Total receivable within one year</b>	<b>7,415</b>	<b>256</b>
<b>Amounts falling due after more than one year</b>		
Prepayments and accrued income	12	0
<b>Total receivable after one year</b>	<b>12</b>	<b>0</b>

\*Other receivables for 2014-15 relate to the payment of pensions on behalf of Scottish police and fire services.

## 8 Trade payables and other current liabilities

	2014-15	2013-14
	£000	£000
<b>Amounts falling due within one year</b>		
Trade payables	997	32
Accruals and deferred income	1,547	2,267
Taxation and social security*	4,641	0
Other payables	259	234
<b>Total due within one year</b>	<b>7,444</b>	<b>2,533</b>

\*Taxation and social security liabilities for 2014-15 relate to the payment of pensions on behalf of Scottish police and fire services.

## 9 Provisions for liabilities and charges

	Early Departure Costs £000
Balance as at 1 April 2014	12
Provided in the year	0
Provisions not required written back	0
Provisions utilised in year	(12)
Borrowing costs (unwinding of discount)	0
<b>Balance as at 31 March 2015</b>	<b>0</b>

### 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. As at 31 March 2015, the provision for these employees was nil as all had reached normal retirement age.

### 10 Capital commitments

Capital commitments at 31 March 2015 not otherwise included in these accounts.

	2014-15 £000	2013-14 £000
Contracted for at 31 March	549	1,894
Approved at 31 March	0	1,925
	<b>549</b>	<b>3,819</b>

### 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	2014-15 £000	2013-14* £000
<b>Office Equipment</b>		
Not later than one year	7	16
Later than one year and not later than five years	0	7
Later than five years	0	0
	<b>7</b>	<b>23</b>

\*Restated as the lease contract variation was not reflected in the 2013-14 annual report and accounts.

### 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 Receivables amounts falling due after more than one year £000	Trade Payables amounts falling due within one year £000	Trade Payables amounts falling due after more than one year £000
Balances with other central government bodies	0	0	*533	0
Balances with Local Authorities	0	0	24	0
Balances with bodies external to government	7,415	12	6,887	0
<b>At 31 March 2015</b>	<b>7,415</b>	<b>12</b>	<b>7,444</b>	<b>0</b>
Balances with other central government bodies	0	0	*768	0
Balances with local authorities	0	0	0	0
Balances with bodies external to government	256	0	1,765	0
<b>At 31 March 2014</b>	<b>256</b>	<b>0</b>	<b>2,533</b>	<b>0</b>

\*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.**

Signed by the authority of the Scottish Ministers

17 January 2006