SPPA

Scottish Public Pensions Agency

Buidheann Peinnseanan Poblach na h-Alba

Annual Report and Accounts 2019-20

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1. Performance Report

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1.1 Chief Executive Statement

Penelope Cooper

Investing in our future

Pensions are an investment in our future. This year we have invested in the creation of a new Senior Leadership Team and a new Agency structure. Key to the success of this structure is the development of our systems, processes and – most importantly – our colleagues.

This new shape of our Agency gives a sharp focus on operational excellence. This means ensuring we are embedding a culture of continuous improvement in order that we can take advantage of the undoubted opportunities that lie ahead.

Meeting our objectives requires that our people are united – working together towards a common purpose with a shared culture – by creating a Great Place to Work to attract, retain and nurture the talent that we have.

This process starts with leadership. Part of my role is to bring more certainty in an uncertain world. That means we are putting in place better planning and capability to set us up to be future fit – and best placed to deliver on our 'Customer First' Strategic Aim.

A digital focus on our customers

The last financial year brought the delivery of intense change across our Agency – and we are now preparing for similar challenges across the pensions industry and global economy. This includes key changes to Pensions regulation (as a result of the McCloud Sargeant case) and readying for any impact that may arise from Brexit and COVID-19.

A key objective since I became Chief Executive in July 2017 has been to oversee the build of a better integrated pensions platform. I am pleased to report progress on this front as we ready ourselves to begin a Pensions Platform Programme with clear aims, improved capability and a collaborative working rhythm with the Scottish Government in place.

Our focus, of course, is on meeting the needs of our customers – primarily our members who have faced their own challenges in the 'COVID-19 world'. Our duty and privilege is safeguarding their future. To do this we want to build a system that provides a simpler and more accessible service. One that will bring more certainty in this uncertain world and hand back control to our members.

The heavy lifting is underway and this has put strong foundations in place. With the development of a shared continuous improvement culture across the business, I look forward to reporting on our progress.

Penelope Cooper

Penelope Cooper
Chief Executive
17 November 2020

1.2 Statement of purpose

The Scottish Public Pensions Agency (SPPA) is an Agency of the Scottish Government. Our principal purpose is to administer pensions on behalf of the Scottish Government for Teachers, the Police and Firefighters as well as for employees of the National Health Service in Scotland.

We also have responsibility for:

- Developing the regulations covering the National Health Service Superannuation Scheme (Scotland) (NHSSS), Scottish Teachers' Superannuation Scheme (STSS), Police and Firefighters pension Schemes in Scotland.
- Developing the regulations for Scotland's Local Government Pension Scheme.
- Determining appeals made by members of these Schemes.
- Providing pension administration services to third parties on a contract basis. Current customers include the Scottish Parliamentary Pension Scheme and the Legal Aid Board for Scotland.
- Administering, on behalf of the Scottish Ministers, the public service pension, premature retirement compensation and injury benefit schemes for which the Scottish Ministers have administrative responsibility.

Our Vision
Provide excellent customer service, combining skills and technology to maximise efficiency and deliver best value to taxpayers in Scotland.

Our Mission
Putting customers' needs at the heart of all we do.

- Preparing, in accordance with government policy, the regulations governing these and other schemes for which the Scottish Ministers have regulatory responsibility.
- Following regulatory guidance and codes of practice issued by The UK Pensions Regulator in observance of its powers under the Pensions Act 2004.
- Advising the Scottish Ministers on public sector pensions policy.
- Being a national centre of excellence for the administration of public pensions and the provision of policy advice.

Our Strategic Aims

1.2 Statement of purpose

Our efforts are focused on delivering excellence in customer service. As a delivery arm of the Scottish Government responsible for pension administration, our 'customers' include scheme pensioners, current and deferred members and employing organisations in the public sector schemes (for which responsibility rests with the Agency).

We are committed to putting our customers at the heart of every decision we make. In the last three years we have invested in our people and capability to deliver continuous improvement while adding capability within our resource and more robust processes in our operation.

Our structure

We are structured into five departments:

- Business Affairs
- Business Management
- Customer Services
- Digital Transformation & IT Operations
- Finance and Procurement

Each department has a head of delivery, reporting directly to our Chief Executive, Penelope Cooper, who together form the SPPA Senior Leadership Team (SLT) (see page 45).

Penelope is answerable to Scottish Ministers for the operation of the Agency; for our day-to-day management in accordance with the Framework Document and the Strategic Plan; and for planning our future development. Penelope reports to Scottish Ministers regularly on an agreed basis.

Other parts of Scottish Government and Ministers regularly receive other services, including business as usual policy input and specially commissioned projects.

We also demonstrate a commitment to colleagues through our People Strategy (see page 33) and policies and to suppliers through a commitment to best procurement practice.

We are aware of, and act upon, the principles of Corporate Social Responsibility both in our dealings with our neighbours and to the environment.

Our membership

In the last four years, we have seen a 13% increase in the number of members active in the schemes under administration – and a 29% increase in the number of pensioners in those schemes, with 569,000 members in total either currently active, deferred or receiving a pension.

We pay more than 210,000 pensioners over four pension schemes to a value of £3.0 billion annually by carrying out 720 pay runs.

"What should be the glory of the profession is that a doctor should be able to meet patients with no financial anxiety."

Aneurin Bevan

Our Digital Vision

Our digital operations exist within the context of various internal and external plans, strategies and standards that influence our approach to digital technology. The key influences are:

Internally

- **The SPPA Strategic Plan 2020-25** describes our overall strategic business objectives, and how we will embrace digital technology.
- **The SPPA Strategic Architecture Review** completed in February 2020 outlines the upgrade of our core pensions administration platforms.
- **The SPPA Environmental Strategy 2019-23** influences how we will procure and develop digital services in an environmentally friendly way and reduce our impact on the environment.
- **The SPPA Records Management Plan and Policy** guides how digital technology will support records management.
- **The SPPA Information Assurance Strategy** shapes how digital will help to deliver secure records management, business continuity, information sharing and the preservation of public records.

Scottish Government

- **Realising Scotland's full potential in a digital world**. This sets the national digital framework within which we operate, in particular in areas such as developing digitally mature businesses and delivering digital public services.
- **Digital Scotland Service Standards** describe the minimum standards required when delivering a digital public service in Scotland. These have been incorporated into the Digital Principles.
- **The Scottish Approach to Service Design** guides how we will approach the user centred design (UCD) of our digital services.

Our Digital Objectives

Pensions Platform Programme

Our highest priority over the next five years is to more effectively put our customers first in every decision we make and process we design.

To support this, we will implement a Programme of major change to our core pensions platforms, consisting of:

- Improved core administration and payroll systems
- Enhanced self-service portals for members and employers
- Improved management and operational reporting
- Open and extractable calculations and business rules.

In all areas the Programme will deliver improved usability, accessibility, resilience, availability, scalability, quality and security. It is currently exploring the priority and means of delivering these functions.

Other digital objectives

The size, scale and cost of the Pensions Platform Programme means we will carefully prioritise our other digital initiatives in order to keep technical and business change within manageable levels.

Other digital objectives (continued)

There are specific and large areas of digital change that are likely to happen within the next five years, such as support for:

- Changes arising from the McCloud Sargeant judgement.
- The proposed UK Pensions Dashboard.

We may also develop a payments shared service in partnership with the Scottish Government. Outside these areas and the Programme, our ambition is to extend our digital services over the next five years. However, we recognise that our ability to achieve significant improvements will be shaped by the Programme and our available resources.

A digital context

Business drivers

The evolution of our digital services over the next five years will be driven by business factors and the expectations of our users and stakeholders. There will be opportunities arising from advances in technology that will support our digital solutions, as well as constraints relating to our legacy digital technologies, resource availability, and how easily we can obtain solutions in the market.

Digital evolution

There are a number of major business factors that will have a significant impact on how our digital services evolve. The pensions landscape is becoming increasingly complex – driven by policy changes, increasing retirement ages and more complicated benefit arrangements.

At the same time public sector budgetary pressures will continue, driving the need for improved efficiencies supported by value for money digital solutions. The COVID-19 pandemic has already placed unprecedented demands on our digital services in areas such as remote working, and has underlined our needs for resilient digital capabilities.

Being flexible to a new world

Socio-economic and technological change may also require digital developments, and will impact on the resources available to deliver these changes. Digital also has a key role in helping us meet our environmental obligations in areas such as the reduced use of paper and energy consumption.

Taking a long-term view

In the long-term we need digital platforms that support our ambition to be a centre of excellence and the partner of choice for pension administration in Scotland. Digital must help us exploit our unique size and expertise in the Scottish public sector pensions market. The platforms we use must facilitate the take-on of new schemes, and the development of shared services.

> "...the pensions landscape is becoming increasingly complex."

User expectations

We have a wide range of member customers, with varied digital expectations – influenced by their aptitude, levels of online access, first language, the type of services required, and other personal circumstances.

1.3 Key risks and issues

The SPPA manages risks at three levels:

- Operational
- Project/Programme specific
- Strategic

These are maintained on risk registers, with each department having an operational register and a process to allow escalation of these risks to the strategic risk register. Each of the four Pension Boards also has a risk register.

Our Risk Registers are reviewed by an operational group of senior managers from each department to assess the level of risk, the effectiveness of controls, and ensure actions to mitigate the risks are being progressed. These are then reviewed by the SLT to ensure that they are being prioritised and managed appropriately.

Consideration at the strategic level involves assessing risks in the operational and wider political, economic, social, technological, legal and environmental context whilst also taking account of our risk appetite. Once the internal bottom-up and top-down processes are complete, the Strategic and Operational Risk Registers are shared with the Audit and Risk Committee on a quarterly basis for non-executive member review.

Similarly, the Pension Scheme Risk Registers are shared with Pension Boards on a quarterly basis with a further emphasis in the narrative on the impact of risk on our customers. The registers are used primarily as a tool in managing and mitigating our short, medium and long-term risks. For each of our risks there is a regular review of our internal controls and identified actions to bring risk assessments down to a targeted level of acceptable residual risk-based on our declared risk appetite.

The threats which materialised and that were identified were addressed by pre-determined compensating internal controls aimed at mitigating risk to the business area. All actions during the year were time-bound and reported upon to the Audit and Risk Committee. Risk management arrangements in our operation are considered to comply with generally accepted best practice principles and relevant guidance.

Risks and uncertainties

A new Risk Management Framework was approved by the SLT and circulated to the Audit and Risk Committee (ARC) in May 2020, following several workshops between both Groups. This has changed the way we manage risk at both an operational and strategic level. The key risks and uncertainties facing the SPPA are contained within the Strategic and Operational Risk Registers. These are informed by a number of sources including project, fraud and directorate risk registers.

The risk registers will now be reviewed on a monthly basis by both operational and strategic groups. The Group takes responsibility for preparing and reviewing the risk registers, prior to sharing with the ARC and Pension Boards. At least every six months, the SLT will meet to horizon scan, discuss concurrent risk, and what mitigations need to be put in place.

Each meeting of the ARC examines risk management as an agenda item and carries out 'horizon scanning' and 'deep dive' exercises (see page 44).

Risks and uncertainties (continued)

Changes to the risk universe draw upon a wide pool of new information, but may relate to areas where we have no direct control, such as UK legislation on reserved matters, which can present a number of changes to both threats and opportunities.

COVID-19 response

The SPPA started planning for the COVID-19 pandemic in February 2020. To date, we've followed Scottish and UK Government Guidance and taken the appropriate preventative measures internally. The SPPA Business Continuity Plan has been in place for a considerable period of time and this has focused on making sure we have robust contingency plans, whilst looking after our colleagues by providing recognised guidance and education. Working with the Scottish Government and our own Business Continuity team, a COVID-19 response plan was created – with colleague safety at the core. This involved regular and official streams of information from the Scottish and UK Government and with agreed Agency specific interventions. This plan is based on applying the information we have been presented with to our unique environment in order we are best prepared for the escalation of the pandemic. Our plan has three basic tenets:

- **Colleague welfare:** Making sure our colleagues are informed with the right information at the right time – and are equipped to do the job.
- **Stakeholder management:** Providing our wide array of key stakeholders with timely and relevant communications that reinforce our plans, deliver confidence in our operation and mitigate any reputational risk.
- **Operational activity:** Having a clear view on all operational considerations and how the changes to our ways of working and processes are reflected in our communication processes and channels.

To do this, in March we moved all colleagues to a home working environment. This included the safe removal of office equipment and checks on homeworking set-up to make sure that our colleagues are physically safe and have the correct workstation set-up.

We have also increased our mental health and wellbeing provision with new channels and sessions available for our colleagues to stay connected. We remain well prepared for the spread of the virus with core functions ready and continuing to deliver our service to customers. We have operated a reduced telephony service with our teams responding to ill health, injury and bereavement enquiries only. For colleague safety, our Mailroom is also on a reduced resource.

Key risks

Key risks more often relate to corporate objectives where the inherent risks are of such magnitude, such as our ambitious change 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 they should feature in the Register. The cause and effect of each threat and opportunity is identified and the mitigating internal controls are considered alongside any further practicable actions.

The Strategic Risk Register

The Strategic Risk Register was dominated by three key risk areas which were monitored and reported upon during the year – Business Intelligence, Data Quality, and Cyber Security.

Business Intelligence

The Target Operating Model will address most of the factors that are limiting the confidence of controls on this risk. Roles that have been identified which need filling as soon as practicable are Performance & Planning Manager, Business Intelligence Analyst, and Data Scientist. This is also accompanied by graduate apprentices to ensure succession planning and to limit the risk of a single point of failure.

Data Quality

We are going through an exercise to strengthen the relationship with our employment partners. This will enhance the quality of the data received and therefore improve the product and service we give to our customers. Within the Customer Services organisational structure, there are several partnership roles to facilitate this.

Cyber Security

Due to the increased remote working undertaken at the year-end, the control confidence has been reduced to 'limited'. This has been mitigated with an increased regime of training for all colleagues, with 100% completion rates. In February 2020, we hosted a National Centre for Cyber Security (NCCS) workshop covering the assessment of cyber security provision using case studies and industry best practice. We have also separated the operational, strategic and governance elements of the Cyber Security to adopt a multi-defence model.

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.

1.3 Key risks and issues

Risk governance

The governance and transparency in operation and the effectiveness of the risk and control framework is informed by comments made by Audit Scotland in letters to management and other reports shared with members of the Audit and Risk Committee. These include the annual report to the SPPA and to the Auditor General for Scotland.

The PS Pensions Project was closed in February 2018. Following this, Audit Scotland reviewed the project and presented a Section 23 report to the Scottish Parliament's Public Audit and Post-legislative Scrutiny (PAPLS) Committee.

The SPPA was called to give evidence to the PAPLS Committee in September 2019. At this meeting, the SPPA Chief Executive, Penelope Cooper and Chair of the Audit and Risk Committee, Helen Mackenzie, provided evidence to demonstrate that we had identified lessons learned and had already begun to implement these. There were some key messages and actions arising that were addressed during and beyond the reporting year.

Close working relationships have been established across the Scottish Government Digital, Procurement and Commercial departments for the current suite of in-flight projects. Also the Portfolio, Programme and Project Assurance and Digital Assurance divisions will support major procurements in the Agency going forward.

Risk assurance

The assurance arrangements being put into place include the following:

- Major Project Review – digital programme assurance.
- Gateway reviews – programme governance assurance.
- Digital First Assessments – technical project assurance.
- Internal Audit – independent and objective assurance on risk and controls.

Key improvements to governance arrangements have included the following:

- The Target Operating Model (TOM) process identified a new structure for the Digital Transformation & IT Operations which gives appropriate weight to the need for Project Management skills and expertise. This will ensure that our portfolio of digital improvement initiatives has robust governance and is continually reviewed, tested and moved forward.
- The TOM will support the putting into place, effective and consistent project management capability to ensure governance is understood and applied in a well-planned and structured fashion.

The recruitment of experienced managers to fill senior vacancies has strengthened the Senior Leadership Team and supports the strategy of succession planning to ensure continuity of leadership.

Risk 'Deep Dives'

During the 2019-20 period there were a number of Deep Dives conducted with the Audit and Risk Committee. These were:

Successful delivery of Annual Benefit Statements for four pension schemes to time and quality required. Overall effect of outcome on SPPA reputation amongst stakeholder groups.

Summary of actions: We will look at the feasibility of turning the in-house Practitioner calculator into a more robust, easy to access and maintain, application. This would reduce the 'single point of failure' in this area of the business. Currently the SPPA has very few colleagues skilled enough to maintain and use this calculator. This presents a high risk to the Agency – Practitioner members have experienced an improvement in the provision and quality of Annual Benefit Statements in the last two years and it would not be good customer service if this was to suddenly change. **Ongoing**

Technology and customer data and services compromised and/or vulnerable to 3rd party attack on business systems and/or potential fine imposed by Information Commissioner. Overall effect of outcome on SPPA reputation amongst stakeholder groups.

Summary of actions: The target risk score is based on the actions currently available and that a range of resilience measures are being embedded into processes such as procurement that will help achieve the target risk. Quarterly review by Risk Governance Group. Annual Quarterly review of documentation; Annual Business Continuity Test; Health and Safety committee formed and will undertake quarterly reviews. Maintain awareness of the collective responsibility regarding access permissions. Line managers play an essential role in ensuring that permissions are kept up to date, particularly when colleagues move in to a new post and no longer require certain permissions. **Completed**

Successful delivery of the Target Operating Model (TOM) and Workforce Plan with minimal disruption to core business and providing a sound foundation for the achievement of the Agency's vision and meeting stakeholders' expectations.

Summary of actions: Interim Head of Department for Head of Customer Services, Interim Head of Business Evolution, current Head of Policy covering parts of Business Affairs and Chief Financial Officer covering part of Business Manager brief. A TOM team member is assigned to focus on the planning and delivery of recruitment, working closely with SPPA HR. The TOM Business Change Manager has adopted a phased approach to transition to the new structure, ensuring that all essential responsibilities are maintained through utilising tasks lists and consulting with colleagues. Colleague engagement to be encouraged through communication, including monthly bulletins, Consultation Group sessions, and surveys. **Completed (TOM) / Ongoing (Workforce Plan)**

Audit Scotland Section 23 Pensions Project Report: Lessons Learned

Conclusion: We have already implemented significant changes since the report was published. Further changes are planned to support the procurement of the replacement system. The recent successful implementation of the Payroll Migration Project demonstrates the Agency's improved project delivery capability. **Completed**

Other key risks

Business continuity

A hard copy version of the comprehensive Business Continuity Plan is held off-site by all Heads of Departments and by members of the disaster recovery team. Key findings are regularly fed back to the SLT and changes are made to the Plan. Each year SPPA undertakes tests of Business Continuity.

During the reporting period, two such exercises followed the National Cyber Security Centre's Exercise in a Box format covering the subjects of insider threat and malware infection.

During quarter four, the rapidly emerging risks associated with COVID-19 were closely monitored leading to the successful implementation of the Operational (Bronze), Tactical (Silver) and Strategic (Gold) incident management structure to manage SPPA's response.

Internal controls

We operate a comprehensive system of internal controls, designed to safeguard our 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 internal controls include financial delegations and policies include those on counter fraud and corruption, bribery and whistle-blowing, which are approved by the SLT and reviewed by the Audit and Risk Committee. Reportable breaches of health and safety and data security were reported to the Audit and Risk Committee at meetings throughout the reporting year.

Reliance on experts

We work closely with subject matter experts in a variety of different areas. 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. The District Valuer periodically reviews the SPPA premises, the last of which was carried out as at 31 March 2018 and reflected in the 2017-18 Annual Report and Accounts.

Health and safety

Each area of the SPPA has specific duty holders. These are in the form of Health and Safety Liaison Officers (HSLOs), First Aiders including Mental Health First Aiders, and Fire Marshals. They perform key health and safety functions which help managers discharge their own responsibilities and form part of the Health and Safety Committee. The Facilities Manager is responsible for co-ordinating and reviewing Risk Assessments throughout the business. Quarterly Fire Safety Inspections are undertaken, along with Health and Safety inspections. All actions and findings are overseen by the SLT to ensure compliance.

Project management

We have delivered several programmes of work during the financial year, in a series of projects. These include the production of Annual Benefit Statements; the Annual Pension Increase; upgrades to our Pension Administration system, Altair; and capital investment projects, such as upgrading car park lighting and development of a first-aid room.

1.4 Performance summary

2019-24 SPPA Strategic Plan

The initial five year Strategic Plan was established in 2018 and reviewed at the year-end. The year-end iteration of the plan followed a review and update by the Senior Leadership Team (SLT) in cooperation with the Management Advisory Board (MAB). The initial version laid out the three stages of transition, with 2018-19 as the year of 'Foundation and Transition'.

Operational delays prevented us from completing this first phase within the original time period. These included the changes to the system development project and the need to implement the Target Operating Model in a phased way. Therefore 2019-20 has continued the plan to establish the Foundation and Transition phase.

Our Strategies

We carried out a full review of our key strategies in 2019-20. Where applicable these are in alignment with Scottish Government strategies, but local action plans will be agreed to take objectives forward.

2020-25 Strategic Aims and Objectives

There are now four Strategic Aims, each with two Strategic Objectives that steer the actions of each Department to support these.

Customer First

- Better understand what matters most to our customers.
- Improve the customer journey and experience.

Operational Excellence

- Take ownership and improve what we do.
- Build sustainable quality into our operation.

Develop our People

- Attract, develop, and retain talented colleagues.
- Share better practices that will effectively prepare us for tomorrow, today.

Great Place to Work

- Better collaborate and support each other to build a Great Place to Work.
- Take care of our environment.

Great Place to Work was added to reflect the National Performance Framework and Programme for Government focus on the Climate Emergency, as this was absent from the previous Strategic Plan. It was agreed with the MAB that as the Aims and Objectives are at the strategic level, these would be likely to remain applicable for the duration of the Strategic Plan. The tactical activity to support these would change as we develop over the course of the plan, and would be reflected in each Annual Plan.

The SLT has taken the strategic objectives for the overall five-year plan and identified objectives for the 2020-21 plan, with associated activities.

The Climate Change objective was changed after discussion with the MAB so that it focuses on the wider environment.

1.4 Performance summary

2019-20 Strategic Objectives

Reviewing the objectives from 2019-20 highlighted that these were tactical and too detailed to operate as strategic objectives. Many have been achieved, however, and where this was not the case, this was linked to the delay in filling the Senior Leadership Team vacancies.

The 2019-20 Strategic Objectives were the following:

- Complete a process audit and prioritisation exercise for all of our processes (Customer First, Operational Excellence, NPF Economy) **Complete**
- Complete delivery of member self-service enhancements as per agreed schedule (Customer First, Operational Excellence; NPF Economy) **Ongoing**
- Complete delivery of the Target Operating Model Project and develop the workforce plan (Customer First, Operational Excellence, Developing our People, NPF Fair Work and Business, Economy) **Ongoing**
- Improve administration and payroll system efficiency and reliability by delivering the payroll integration project (Operational Excellence; NPF Economy, International) **Complete**
- Update the Quality Assurance Strategy to ensure a risk-based quality assurance approach and pilot its implementation for prioritised activities (Operational Excellence; NPF Economy, International) **Complete**
- Develop a stakeholder engagement and feedback strategy to ensure that internal and external stakeholder feedback is embedded in all relevant processes (Customer First, Operational Excellence, NPF Economy, International) **Complete**
- Draft a management information strategy to deliver timely and appropriate information that meets all stakeholder needs (Customer First, Operational Excellence; NPF Economy) **Complete**
- Attract, develop and retain talented colleagues in key areas of specialism with targeted investment in professional development and relevant qualifications (Developing our People; NPF Education, Economy) **Complete**

Now that the team is complete, and learning from the review of the previous objectives, the 2020-21 objectives have been set at a more strategic level. This allows each Department to interpret them appropriately for its area, and keeps them relevant across the organisation.

1.4 Performance summary

Key performance indicators

The Agency has a number of Key Performance Indicators. These include specific Strategic KPIs, and Regulatory KPIs. The below figures are for the period 1 April 2019-31 March 2020.

Strategic KPIs

KPI	% Target	% Performance
Pay existing pensions on the due date	100	100
Pay new awards within one month of the due date	98	100
New pension awards correct at the point of authorisation	95	95

Regulatory KPIs

Internal Dispute Resolution Procedure requests

	NHS		Teachers		Police		Fire	
	Medical	Non-Medical	Medical	Non-Medical	Medical	Non-Medical	Medical	Non-Medical
Received	71	33	29	5	N/A**	6	N/A**	6
Outstanding	37	17	9	1		3		0
KPI*	**75%**	**26%**	**83%**	**67%**		**100%**		**100%**

* Processed within four month period from receipt. Target is 100%.
** Medical cases are processed by the relevant authority.

Collation of evidence has a dependency on obtaining relevant medical records in order for the medical advisors to base a verdict often leads to delays in processing.

Freedom of information requests

Received	Processed	Closed	Processed on time (20 days)	Late	Target	Actual
36	36	6	35	1	95%	**97%**

Ministerial correspondence requests

Received	Processed	Closed	Processed on time (20 days)	Late	Target	Actual
60	60	60	57	3	100%	**95%**

The cases completed out with the required timeframe were subject to delays in receiving external advice.

1.5 Performance analysis

Agency Projects and Programmes

On the discontinuation of the 'PS Pensions Project' in February 2018 the Agency sought the Cabinet Secretary for Finance, Economy and Fair Work's approval in May 2018 for an increase in funding prior to extending existing IT software contracts. The Cabinet Secretaries gave approval to vary the existing contract with Aquila Heywood to allow services to continue to March 2024. The purpose of the extension was to protect service continuity and progress improvements to services on the 'Altair' platform. The whole life costs were estimated to be £10.5 million.

During the year, Scottish Government agreed to meet the additional cost of employer's pension contributions to the Agency of £1.595 million and in order to achieve a balanced financial position, additional funding was provided to meet the costs associated with:

- Rectification and equalisation work associated with the payment of Guaranteed Minimum Pensions (£1 million)
- Extending the pension administration and payroll software system contract with Aquila Heywood (£1.95 million).

	Revenue £000	Depreciation £000	Capital £000	Total £000
Baseline – received	12,755	1,900	4,025	18,680
Allocation for GMP	1,000	0	0	1,000
Allocation to support increase in % rate of employer pension contributions	1,595	0	0	1,595
Allocation for project support	1,950	0	0	1,950
Initial budget allocation	**17,300**	**1,900**	**4,025**	**23,225**
Additional allocation received to partly support the increase in employer pension contribution rate	354	0	0	354
Actuarial services – budget transfers received from Health, Education, Police and Fire, but not Local Government	1,270	0	0	1,270
Total budget allocation	**18,924**	**1,900**	**4,025**	**24,849**
Transfer of excess budget at Spring Budget Revision (SBR) to Scottish Government	(1,000)	(400)	0	(1,400)
Revised budget allocation	**17,924**	**1,500**	**4,025**	**23,449**

Guaranteed Minimum Pensions Project

Between 6 April 1978 and 5 April 2016 employees with a pension scheme which provided an approved alternative to the additional state pension scheme, such as schemes administered by the SPPA, were able to 'contract out' of paying extra National Insurance contributions. Also between 6 April 1978 and 5 April 1997, schemes could contract their employees out as long as the scheme paid at least as much as they would have been entitled to receive from the state. This protection is known as the Guaranteed Minimum Pension (GMP). This GMP element will come into effect when most scheme members reach State Pension age.

The reconciliation of scheme 'contracted out' and GMP data between the Agency and HMRC affects deferred, active and pension members with scheme service between 6 April 1978 and 5 April 2016. Due to the change to a single tier state pension from 6 April 2016, we are required to reconcile member data which falls within the DWP's 'contracting out' period, from 6 April 1978 to 5 April 2016, with HMRC. The reconciliation ensures the data we hold is accurate.

The £1 million funding the SPPA received from Scottish Government in 2018-19 and 2019-20 supported the reconciliation and rectification process. We entered into a contract variation agreement with Aquila Heywood's third party supplier as the least -cost option, who were able to progress the process on our behalf. The work has, however, continued into 2020-21 on an unfunded basis to ensure that when the latest delayed data cuts from HMRC's Scheme Reconciliation Service was received, the rectification arising from the reconciliation would allow the calculation of over or under-paid pensions. A key dependency was the receipt of data cuts for all affected members and their validation by HMRC's 'GMP checker'. The project is due to conclude in spring 2021.

The benefits of successfully completing the project will be to improve data quality and be compliant with legislation and the UK Pension Regulators requirements in this area. Clearly it is important that we use the most up to date and reliable data available in order to make accurate payments to members.

Altair Improvement Programme: Overall

Following the termination of PS Pension Project, Aquila Heywood were contracted to deliver the Altair Improvement Programme. The project commenced upon the signing of the contract in June 2018 and will conclude at its termination in March 2024 at an estimated cost of £1.2 million. We received funding of £1.95 million in 2019-20 to support the improvement programme and the additional cost of support and maintenance. The scope of the programme included to:

- Migrate the payrolls for NHS and Teachers schemes from incumbent supplier Northgate to Aquila Heywood's Altair software (indicative overall budget: £2 million)
- Undertake a continuous improvement initiative to develop better use of the Altair software in the administration area of the NHS and Teacher's schemes (indicative overall budget: £1.2 million).
- Implement the Altair member self-service web portal and the i-Connect employer web portal to improve on-line experiences for customers (indicative overall budget: £2.4 million).

1.5 Performance analysis

Altair Improvement Programme: Payroll Migration Project

Aquila Heywood's 'Altair' platform administers pensions for the following schemes: NHS Pension Scheme (Scotland); Scottish Teachers' Pension Scheme; Police Pensions Scheme (Scotland); and, Firefighters Pension Scheme (Scotland). Pensioner payroll for the Police and Fire schemes is also run on Altair, but Pensioner Payroll for the NHS and Teachers' schemes was managed until summer 2019 on Northgate's 'ResourceLink' software. During August – December 2019, a project to consolidate the technology platforms took place in which pensioner payroll for NHS and STSS was moved from Resourcelink to Altair. The benefits of delivering the project were fourfold:

- Enable a standardisation of working practices, ensuring consistency of service to members and improving operational efficiency.
- Provide a scalable platform for potential future expansion.
- Reduce or eliminate manual activities which are carried out in respect of payroll, significantly reducing risk of errors and increasing productivity.
- Improve the quality of data by eliminating the need for member records to be kept on and reconciled between two different systems.

Altair Improvement Programme: Continuous improvement

At the last Programme Board to take place in 2020-21 it was agreed that progress against benefits would be reported upon. This information will be available for the 2020-21 Annual Report and Accounts.

At the inception of the programme there were a number of anticipated benefits

- Streamline business processes
- Accurate and consolidated management information
- IT cost reduction and systems consolidation
- Reduction of pension administration costs
- Reduced training costs
- Improved regulatory & legal compliance
- Increased productivity and efficiency (workflow vs. manual)
- Improved accuracy and valuable data relating to key performance indicators which will allow managers to manage their resources more effectively
- Greater automation
- Self-service functionality for both SPPA users and external customers
- Improved data quality through better validation

Altair Improvement Programme: i-connect and member self-service

One of the advantages of the i-connect facility is to act as the data interchange between employers and the SPPA. Its introduction has sought to refresh the methods used for gathering data from employers for the purpose of building an accurate record of members' service history. Member Self Service is a portal available to active and pensioner scheme members which gives access to their details and the ability to update personal details if required. The project is due to run from October 2018 and finish in November 2020.

1.5 Performance analysis

Website Refresh Project

The overall website refresh project formed an important part of our wider business transformation programme which aims to make us a leader in customer service. It supported other digital projects including enhancing online member/employer self-service systems and introducing a live web chat function and social media channels as part of the Agency's communication strategy.

The existing website was built in 2010, with a further microsite introduced in 2015 to support communication about pension reforms. Website development and user experience has changed significantly over this time and the project was designed to replace an existing site which was no longer fit for purpose. The benefits of the project were again fourfold:

- Improved user experience i.e. faster website speed, better website performance, mobile and tablet compatible.
- Availability of website analytics and increased ability to update the website in response to user feedback.
- Increased customer satisfaction surveys.
- Reduction in enquiries to our Customer Contact Team.

Phase 2 of the project which was completed in-year and which cost £30,000 was designed to make further improvements and optimise the digital content.

Liabilities

In terms of liabilities there are no contingent liabilities for the year. Note 10 of the Accounts makes mention of a provision made at 31 March 2019 for the reinstatement of an individual's membership of the National Health Service Pension Scheme (Scotland). In March 2013, £367,000 was transferred out of the National Health Scheme at the request of a member. Subsequently the member had difficulty in managing that transfer with the receiving scheme.

The member contended that we failed to carry out sufficient due diligence on the transfer and in 2018-19 appealed to the Pensions Ombudsman. When in October 2019, the Pensions Ombudsman ruled that the complaint was not upheld against and the provision for the liability was reversed.

Annual Benefits Statements

Annual Benefit Statements were issued to 98% of active scheme members in 2018 -19 by 31 August 2019. Whilst this does not meet the statutory obligation to meet the 100% target by 31 August, it represents an improvement from 96% in 2017-18 and 83% in 2017-18. The continuous improvement initiative, 'ABS Max', which began in 2017-18 and continued in 2019-20 resulted in 100% of members of the Police and Firefighters schemes, 98.39% of members of the Teachers schemes and 97.66% of members of the NHS schemes receiving their annual statement on time. By 31 March 2020, the figures had risen to 100% for Teachers and 99.86% for NHS.

Firefighters

Scheme	Statements produced	% on time
Fire 1992	856	100
Fire 2006	259	100
Fire 2015	4,925	100
Total	**6,040**	**100**

Police

Scheme	Statements produced	% on time
Police 1987	2,595	100
Police 2006	173	100
Total	**2,768**	**100**

Teachers'

Scheme	Statements produced	% on time	Total issued	% after recovery period
Teachers' final salary	7,627	98.8	7,669	100
Teachers 2015	63,293	98.2	63,750	100
Total	**70,920**	**98.2**	**71,419**	**100**

NHS

Scheme	Statements produced	% on time	Total issued	% after recovery period
NHS final salary	26,809	99.1	27,003	100
NHS Officers 2015	140,228	96.7	143,384	99.8
Total	**167,037**	**97.1**	**170,387**	**99.8**

Our financial position

The SPPA operated within our budget allocation for 2019-20. A summary of actual expenditure out-turn compared to budget is detailed in the table below.

	Final budget allocation £000	Actual outturn £000	Over-spend/ (underspend) £000
Resource	17,924	16,607	(1,317)
Depreciation	1,500	1,345	(155)
Capital	4,025	3,473	(552)
Total expenditure	23,449	21,425	(2,024)

The resource underspend of £1.317 million is mainly attributable to the greater than expected savings in salary costs. As described in previous annual reports, we have embarked on an ambitious review of the colleagues establishment in 2018-19. It became apparent during 2019-20 that the full year financial effect of implementing the new Target Operating Model would not be seen until its completion in 2020-21. In rolling out the new model, we have been especially mindful of achieving a balanced financial position on a sustainable, year-on-year, basis.

The financial effect of the extended implementation timeline and deferred recruitment of newly created posts became more apparent at the year-end. This was exacerbated further by the priority given to satisfying the resource requirements brought by COVID-19. We had anticipated the need to set aside a sum to address the remedy following the unlawful age discrimination identified in the McCloud Sargeant case in the previous financial year. The case, which affects all public sector pension schemes, will be very resource intensive based on the number of known cases captured in the Court of Appeal's ruling. However, at the year end, we were still awaiting details of the proposed final way forward and the contingency funds, originally assigned to implement the ruling, will be carried into 2020-21.

A number of other smaller underspends over a range of cash resource expenditure categories occurred during the year. Re-profiling of costs associated with two major projects – the procurement of the new pension system and the guaranteed minimum pensions (GMP) project – were necessary as each was delayed due to a range of circumstances. For instance, delays in receiving corroborated data from third parties to be uploaded into the Agency's Altair system had a major impact on the timescales associated with the GMP project. The underspend on non-cash resource expenditure which includes depreciation of £0.155 million, related to the gain on indexation of property, plant and machinery of £0.109 million. Capital expenditure was under budget by £0.552 million, which included lower than anticipated spend on the programme to make improvements to the pension administration and payroll system. Further analysis of the financial results for the year to 31 March 2020 is detailed from page 67 together with long-term expenditure trends.

Note: The SPPA has taken into account the addendum to the 2019/20 FReM, which sets out the minimum reporting requirements for the Annual Report and Accounts as a result of the impact of COVID-19.

Financial resources and expenditure

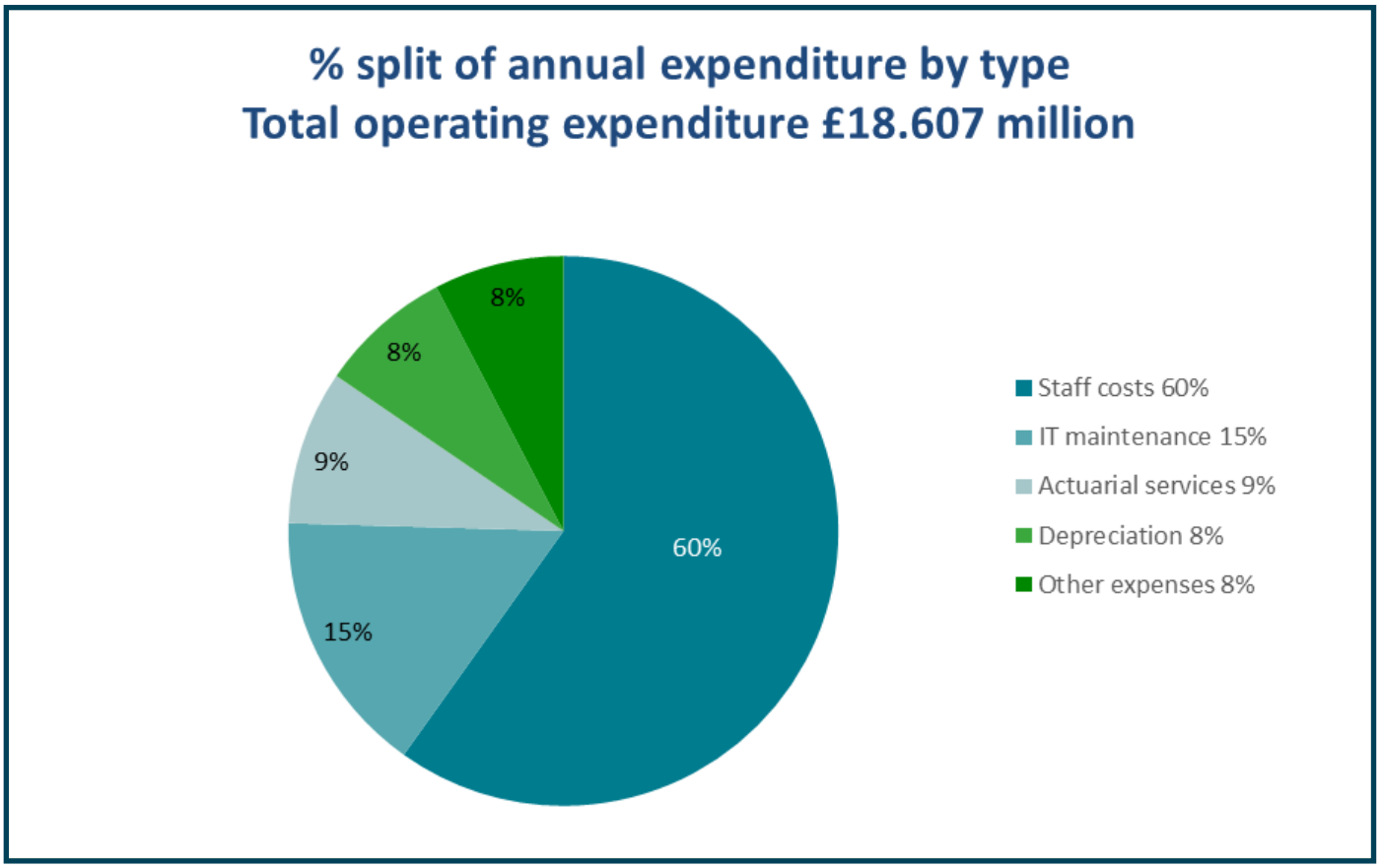
	2019-20 £000	2018-19 £000		2019-20 £000	2018-19 £000
Income	(254)	(927)	**Total assets**	19,717	21,800
Expenditure	18,607	17,399	**Total liabilities**	(11,094)	(9,082)
Net ex-penditure	18,353	16,472	**Net assets**	8,623	12,718

Income

Income of £0.254 million (2018-19: £0.227) consists of work associated with pension sharing on divorce and from the provision of pension calculation services to third parties. Income in 2018-19 also included £0.7 million from a supplier in settlement of a dispute.

Expenditure

Expenditure has increased by £1.208 million (7%) from £17.399 million in 2018-19 to £18.607 million in 2019-20 as explained below.



Comparison of expenditure over a five year period

	2019-20	2018-19	2017-18	2016-17	2015-16
	£000	£000	£000	£000	£000
Colleague costs	11,138	10,368	9,877	9,142	8,261
IT maintenance	2,901	1,913	1,897	1,896	1,789
Actuarial services	1,692	1,641	2,148	1,008	1,544
Depreciation	1,454	950	837	4,218	3,271
Other expenses	429	478	500	492	495
Accommodation costs	366	354	370	300	290
Reform of guaranteed minimum pensions	298	438	322	0	0
Notional charges	292	278	286	259	290
Postage	209	311	215	241	412
Professional & technical advisory services	185	294	163	339	86
Compensation payments	(357)	374	23	26	2
Write-off of intangible non-current assets	0	0	1,621	0	0
Pension reform communication	0	0	0	0	163
Expenditure	**18,607**	**17,399**	**18,259**	**17,921**	**16,603**
Expenditure relating to revaluations	(109)	(108)	(306)	(136)	(55)
Total expenditure	**18,498**	**17,291**	**17,953**	**17,785**	**16,548**

Colleague costs

Colleague costs of £11.138 million for 2019-20 have increased by £0.770 million since last year due to: a rise in employer pension contribution rates applicable from 1 April 2019 of approximately 6%; regrading from 1 April 2019 arising from the Target Operating Model exercise and the annual pay rise and pay scale progression. These increases have been offset by a decrease in the number of colleagues employed by 10 FTE.

IT maintenance

IT maintenance has increased by £0.988 million to £2.901 million due to a programme of improvements to the pension system including web services for employers and members web services, and a new integrated payroll system.

Comparison of expenditure over five year period (continued)

Actuarial services

Actuarial services totalled £1.692 million in 2019-20, which was £0.051 million higher than the previous year. Costs are dependent on the valuation cycle for the pension liabilities of the NHS, Teachers', Firefighters', Police and Local Government schemes, and pension legislation changes.

Depreciation

Depreciation of property, plant and equipment and information technology was £1.454 million for 2019-20, which was £0.504 million in excess of the prior year. The increase relates mainly to assets associated with the enhancement of the existing pension administration and payroll systems.

Compensation

Compensation payments in 2019-20 include the write-off of a provision of £0.367 million for the reinstatement of an individual's membership of the National Health Service Pension Scheme (Scotland). The Pensions Ombudsman ruled in October 2019 that the complaint was not upheld against the SPPA. Refer to Note 10 in 'Notes to the accounts' in the Financial Statements.

Advisory services

Professional and technical advisory services have decreased by £0.109 million to £0.185 million. Costs were incurred to support a number of projects including a strategic architecture review for the procurement of a new pension system.

Notional charges

Notional charges cover services provided by the Scottish Government of £0.136 million, and Audit Scotland's audit fee of £0.156 million. These costs are met from the central Scottish Government's budget.

Revaluation

The revaluation gain of £0.109 million in 2019-20 represents the annual indexation of property, plant and machinery which is in line with indexation applied in the prior year. Revaluations are undertaken at least every five years by the District Valuer.

Comparison of assets and liabilities over a five year period

	2019-20	2018-19	2017-18	2016-17	2015-16
	£000	£000	£000	£000	£000
Property, plant and equipment	5,038	4,964	5,030	4,928	5,014
Computer software and licenses	5,311	3,257	1,060	3,059	5,296
Trade and other receivables*	9,368	13,579	19,309	16,464	8,173
Total assets	**19,717**	**21,800**	**25,399**	**24,451**	**18,483**
Trade and other payables*	(11,094)	(8,715)	(8,127)	(8,811)	(7,696)
Provisions for liabilities and charges	0	(367)	0	0	0
Total liabilities	**(11,094)**	**(9,082)**	**(8,127)**	**(8,811)**	**(7,696)**
Net assets	**8,623**	**12,718**	**17,272**	**15,640**	**10,787**

*Other receivables and payables include balances relating to the payment of pensions on behalf of the Scottish Police and Firefighters' pensions.

Total assets

Total assets decreased by £2.083 million to £19.717 million at 31 March 2020, and comprised:

- Property, plant and equipment of £5.038 million, which included £4.568 million of freehold land and buildings
- Computer software and licenses of £5.311 million, an increase of £2.054 million from last year mainly relating to the improvement programme for the pension administration and payroll system.
- Trade and other receivables of £9.368 million, a decrease of £4.211 million from 2018-19, included balances of £8.74 million relating to Scottish Police and Firefighters' pensions. Year end balances are lower year on year as a change in procedures has resulted in a higher proportion of pension payments processed in March being reimbursed to SPPA before the year-end.

Total liabilities

Total liabilities rose to £11.094 million from £9.082 million in 2018-19. The balance at 31 March 2020 included £9.338 million (2018-19: £7.413 million) payable to HMRC relating to the administration of Scottish Police and Fire-fighters' pensions. This increase is due to the impact of the higher lump sum commutation factors introduced from October 2018.

Further information on the SPPA's income, expenditure, assets and liabilities can be found in the Financial statements. We can confirm that there were no cases of fraud reported during the year. Our policy on anti-corruption, bribery and counter fraud is available to all colleagues on our intranet. This includes a fraud response plan should a potential case occur.

1.6 Efficiency and effectiveness

We remain committed to securing a good return on our IT and estate capital investment. Areas for making efficiencies have been identified for future monitoring and reporting.

The Altair Investment Programme has led to a reduction in headcount of around nine FTEs at band A3 and A4 level. Time savings that translate into cost savings in excess of £50,000 have also resulted from improvements in the delivery of retirement, death and transfer cases and the number of cases manually built on the system.

Increasing effectiveness

In terms of effectiveness, seizing opportunities to make improvements to data quality will feed through into improved service standards. An example of this commitment was the correction work of 390,000 common and conditional NHS and Teachers data cases carried out in 2019.

The project to migrate NHS and Teachers' pension records from the legacy Zellis payroll system onto the integrated Altair platform helped minimise the duplication of member data and reduced the need for reworking of customer records.

Migrated data was 'scrubbed' and current systems and processes were streamlined and simplified to rectify historical data anomalies.

As a result of the migration phase, which was completed in December 2019, and the subsequent annual pension increase project that followed in January 2020, over 10,000 payroll specific data anomalies were corrected.

i-Connect

Mobilisation of the employers' i-Connect data exchange portal and move to monthly data collection in February 2020 for the Scottish Firefighters' Scheme members proved beneficial in terms of improved data quality.

i-Connect includes time saving tasks, such as automation of firefighter group classifications for subsequent processing and allowing members details to be up to date to within one month. This represents a substantial improvement in an area where there were legacy issues before the SPPA took responsibility for administering the scheme.

The benefits of this will be seen in 2020-21 when calculating annual pension increases and in producing annual benefit statements. We are already applying more data analytics (such as google analytics) and forecasting (such as workload planning and customer demand) tools.

Commissioning this work is being done in conjunction with drawing up more targeted Key Performance Indicators and drawing more relevant performance dashboards.

The more performance-centric approach being taken overall also enhances overall governance arrangements and, in particular, reporting to Pension Boards and the Management Advisory Board.

In terms of employers, the creation of customer focused 'partnership' teams as part of the new Target Operating Model will support closer employer liaison and sharing of intelligence.

Increased data validation checks at source using our EDM and i-connect data exchanges systems will be possible by applying new web based system functionality.

Paperless communication

In terms of members, increased rates of online customer registration to encourage more member self-service continues to facilitate more paperless and postage-free communication.

Facilitating member channel shift to enhanced web-based digital services includes access to member self-serve. The ability to access calculators and achieve straight-through transaction processing will go some way to increasing the flexibility and accessibility of the service offering. Statistical analysis is now being used to monitor performance and make improvements in this area.

COVID-19 has meant that almost all colleagues have moved to a remote working environment. Dependent on the length of time to resume office based working, this provides an opportunity for more software based solutions, such as back office transaction processing and digital customer service delivery.

Adopting more flexible working patterns and utilising enhanced technology provides an opportunity to secure greater productivity.

Examining office space utilisation will also feature as part of the implementation of our Estate Strategy going forward. Employing more sustainable and energy efficient heat, light and power already features as part of our Environmental Strategy.

Some of the benefits of this approach will be reported upon in future Sustainability Reports.

1.7 Business development and corporate planning

People Strategy

Our 2020-21 People Strategy is being developed to support our Strategic Aims and the Scottish Government 'SG2020' focus, which is about becoming the organisation 'we need to be and want to be for the future'.

Strategic Plan

We prepared a five year rolling Strategic Plan commencing in 2018-19 to reflect new implementation timescales for its change management programme. This document was updated during the year in line with new budget information, referencing any changes in the strategic direction or any relevant policy change in Scottish Government.

Strategies

We are scheduled to carry out a full review of our key strategies in 2020-21. Where applicable these are in alignment with Scottish Government strategies, but local action plans will be agreed to take objectives forward.

Penelope Cooper

Penelope Cooper
Chief Executive
17 November 2020

2. Accountability Report

Corporate Governance Report

2.1 Directors' Report
2.2 Statement of Accountable Officer's responsibilities
2.3 Governance statement

Remuneration and Staff Report

2.4 Remuneration Report
2.5 Staff Report

2.1 Directors' Report

Funding and structure

The SPPA is part of the Finance, Economy and Fair Work Portfolio of the Scottish Government. We remain funded through the Scottish Government's Programme Budget, which is overseen by the Scottish Government's Chief Financial Officer, Gordon Wales.

Directors and management structure

The Directors' and senior management of the SPPA who served during the 2019-20 financial year were:

Senior Managers

- **Penelope Cooper** Chief Executive (and Accountable Officer)
- **Ian Waugh** Chief Financial Officer
- **Paplu Dey** Head of Customer Services (from 12 August 2019)
- **Carole Johnston** Temporary Head of Customer Services (to 31 October 2019)
- **Tom Nash** Head of Business Affairs (from 4 November 2019)
- **Lorimer Mackenzie** Interim Policy Director (to 1 November 2019)
- **Matt Valente** Head of Business Management (from 18 November 2019)
- **Mark Fisher** Temporary Head of Peoples Services (from 27 November 2019 to 5 February 2020)
- **Sally Paterson** Interim Head of People Services (to 27 October 2019)
- **Andre Morelli** Head of Digital Transformation & IT Operations (from 18 November 2019)
- **Philip Heywood** Temporary Head of Business Evolution (to 27 November 2019)
- **Marion Chapman** Corporate Services Director (to 6 April 2019)

Non Executive members

- **Helen Mackenzie** Non-executive Member and Audit and Risk Committee Chair (from 1 April 2019)
- **Liz Holmes** Non-executive Member
- **Ian Forbes** Non-executive Member
- **Jane Malcolm** Non-executive Member
- **Sheena Cowan** Non-executive Member to 30 September 2019
- **Mark Adderley** Non-executive Member from 1 April 2019
- **Norman McNeill** Non-executive Member from 1 April 2019
- **Gordon Wales** Non-executive Member nominated by the Director General Exchequer, Scottish Government (until July 2020)

Notes:

- None of the Directors held any company directorship or other significant interests, which may have conflicted with their responsibilities during the year. Penelope Cooper is a Director of the Wise Group, a social enterprise, which receives funding from the Scottish Government.
- The posts listed above, of a temporary or interim nature, were due to an organisational review that is ongoing and due to be concluded in 2020-21.

Colleague policies and culture

The People Services Team adhere to Scottish Government policies and procedures and current employment law. The team hold regular awareness sessions for colleagues covering attendance management, performance management and flexible working. This helps ensure that all colleagues are working consistently within our policies.

We support a wide range of family-friendly policies such as flexible working (including a number of alternative working patterns such as term time working), parental leave, paternity leave, special leave, career break opportunities, and childcare vouchers.

As an Agency of the Scottish Government, our colleagues are invited to participate in the annual Civil Service People Survey.

Based on the findings of the 2019 survey, which was completed by 242 colleagues (76% return rate), the Senior Leadership Team agreed that the focus for improvement should be based around the three themes of managing change, leadership, and wellbeing.

People Strategy

The SPPA People Strategy is our commitment to supporting our colleagues and recognising that they are our most important resource. The aim is to have a motivated, productive and highly skilled workforce that has both a customer and risk mind-set

Having the right people in the right place at the right time will help to achieve a happy, effective and productive workforce. Empowering our people to bring and achieve their best is a central element of our People Strategy. Creating a happy, safe and productive workplace is achieved by the behaviours promoted. All of these actions will support our SPPA Vision to provide excellent customer service, combining skills and technology to maximise efficiency and deliver best value to taxpayers in Scotland.

Carer positive

In 2019 we were recognised as a 'Carer Positive' employer, supporting working carers in their workplace. 'Carer Positive' aims to raise awareness of the growing number of carers in the workforce, and to award recognition to those employers with good practice, offering support and practical tools and advice for colleagues.

Investors in People

The SPPA has 'Gold' status accreditation from IiP. An interim review took place during November 2019 and highlighted that focus was needed around objective setting, embedding our values (and associated behaviours) into all business activities, introducing succession planning, supporting colleagues in decision making and greater awareness of equality and diversity.

Prioritising our colleagues

We recognise the importance of good industrial relations and we are committed to effective colleague communications. The monthly 'all colleague' sessions provide colleagues with regular briefings on developments and a forum to discuss issues and ask the Senior Leadership Team questions. Our 'open door' policy, 'drop-in' sessions and wellbeing workshops reinforce the commitment to colleagues and physical and mental health being a priority.

Our People Services team and local Trade Union members hold monthly meetings to discuss issues and colleagues concerns. The half-yearly 'Partnership' meetings also provide the means for representatives of colleagues and management to discuss matters of concern or mutual interest and is based on a local Partnership Agreement. The Target Operating Model project team have worked closely in partnership with local and central Scottish Government union colleagues to agree the formal process for the project to ensure a fair approach to the proposed changes.

Equality and diversity

We are an equal opportunities employer and follow the Scottish Government's commitment to treat everyone with dignity and respect. We are also committed to meeting public sector duties under the Equality Act 2010.

Policies are in place to guard against discrimination, and as an Agency of the Scottish Government, the Race Equality Framework for Scotland 2016-2030 is adhered to with on-going development of in-house structures and systems to ensure that equality is an integral part of thinking and behaviour.

Where we have introduced a new or revised policy or undertaken a project, which has a direct impact on internal or external stakeholder, an Equality Impact Assessment is prepared and published as a Scottish Government publication, and can be referenced at Equality Impact Assessment Search.

In-house courses continued for colleagues during the year. All those involved on interview panels must complete the Civil Service 'Unconscious Bias' training in advance to ensure a fair, transparent and consistent approach to recruitment. As part of the induction programme, all new starts must successfully complete Diversity training.

We are continuing to support alternative working and 94 colleagues (2018-19: 91) currently work part-time with a further 10 full-time colleagues (2018-19: 9) working contracted alternative working patterns.

Human rights

Non-discrimination is a cross-cutting principle in international human rights law. 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.

Health and safety

We provide a safe and healthy working environment for all colleagues. The Scottish Government's Health and Safety Management Systems and procedures are applied, and to ensure this, we:

- Have a Health and Safety Committee
- Work in partnership with Trade Union representatives to address any safety issues
- Encourage a proactive safety culture
- Have a number of Health and Safety Liaison officers
- Complete inspections and workplace assessments
- Hold annual reviews of risk assessments
- Complete quarterly workplace assessments
- Complete weekly fire alarm testing and quarterly fire prevention inspections
- Implement all legislative requirements.

We have trained colleagues to advise on safe systems and working environments, and on health and safety developments. Commitment to training is demonstrated by full and refresher training sessions on first aid at work, fire marshalling, and display equipment assessment.

As a result of these procedures, reportable incidents are low with seven minor cases reported in 2019-20 requiring first aid (2018-19: five cases).

Youth employment

Due to our ongoing re-structuring, it has not been possible to recruit new colleagues to the Modern Apprenticeship scheme. However, this is an initiative we will continue to support in the future and we recognise that the scheme has had a positive impact on the our operations and culture.

We work closely with the Developing the Young Workforce (Scottish Borders) team and regularly attend career events, meetings and open days at all nine of the secondary schools to promote SPPA and the Scottish Government.

Support also continues to be given to student placements, work experience and pupil placements, and to providing advice and mentoring in relation to job applications and interview techniques to secondary school pupils and college students.

Corporate Social Responsibility

We always aim to make a difference across a range of areas that encompass Corporate Social Responsibility (CSR). Our colleagues make a valuable contribution to communities across the Scottish Borders and beyond. The sense of responsibility towards the community (socially, economically and environmentally) in which we operate contributes to the Scottish Government's National Performance Framework. Here are some of the other areas where CSR policies have made a difference:

Environmental

- Install electric car chargers as part of our carbon neutral commitment.
- Encouraging the use of the Scottish Borders Railway, cycling and car share arrangements.
- Promoting the use of virtual meetings (such as Skype).

Social and Philanthropic

- Facilitating more volunteering in the community in areas such as Special Constables, Children's Panel Member, and Victim Support.
- Providing multi-media sites in the building to promote information sharing on a range of work and social subjects from a range of in-house and external information sources.
- Encouraging fundraising events held for annually nominated charities, My Name'5 Doddie and Alzheimer Scotland.

Economic

- Recruiting employees under the Scottish Government's Modern Apprentice Programme.
- Contributing to further cost reduction initiatives incorporating the principles set out in our new Procurement Strategy
- Building online pension calculators to provide scheme members with the information and tools needed to make more informed decisions about retirement and therefore help optimise their income stream in retirement.

Legal and Regulatory

- Prioritising funding for the Disability Discrimination Act 1995 compliant estate.
- Building disability needs into new pension service software design.
- Prioritising customer centred approaches to enable compliance with the UK Pension Regulator guidance.

Ethical

- Building an ethical approach into Agency policy and practices such as debt recovery and bad debts write-offs.
- Considering the wider interests of stakeholders in decision making including the use of Impact Assessments.
- Facilitating greater use of flexible working arrangements for colleagues in response to changes in shortened local school opening times on Fridays.

We are also continuing to support health and wellbeing policies for colleagues and the 'Healthy Working Lives' initiative to maintain our Investors in People Gold status.

Sustainable environment

The SPPA is conscious that it has a part to play in meeting the Scottish Government's environmental targets as well as contributing to the wider social and economic sustainability agenda. We remain committed to improving environmental performance as part of the wider commitment to sustainable development. We recognise that we have a legal and ethical responsibility to protect and enhance the environment and we are working towards sustainable practices in the use and disposal of materials, energy, and transport and landscape management.

Building sustainability

Where there are opportunities to build sustainability into planning this will continue. A commitment to sustainability is built into our business cases, procurement strategy and 'invitations to tender'. Typically, contracts have been signed with suppliers that commit to reducing the consumption of materials and harmful emissions as part of the goods and services procured and provided.

EASEbuy

We run the Scottish Government's EASEbuy e-procurement system that carries out on-line three-way matching of orders, goods received and invoices for day-to-day business procurement needs. We look to streamline contracts when they fall due, as it did when a number of existing facilities management contracts were consolidated into one new provider contract.

The Scottish Borders Railway

The Scottish Borders Railway opened in September 2015 and has transformed the transportation landscape for the local population and colleagues. It has opened up the possibility of door-to-door rail travel from the Tweedbank office to Scottish Government offices in Edinburgh in a little over one hour. This option has reduced the call on the travel and subsistence allowance in addition to reducing greenhouse gases by migrating from car to train. The Tweedbank to Edinburgh service also provides a feeder system to further pan-Scotland transport connections.

Technology

We have exponentially increased our use of teleconferencing, videoconferencing, and 'clickshare' technology for document access and sharing. 'Wi-Fi' for colleagues and visitors linked into the Scottish Government's 'Scots' network is available to visitors attending Pension Board meetings, in addition to other governance meetings.

Our office

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

Working with the Scottish Government

We work 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. Efforts to improve environmental performance, increase energy efficiency, and, where possible, minimise our use of resources continues.

We have set environmental targets in carbon emissions, gas and electricity usage, water consumption, and remain committed to waste recycling. The targets were either met or exceeded in 2019-20. Further information about the SPPA's performance during the year can be found on the SPPA website: **https://pensions.gov.scot/corporate-publications/environmental-performance-targets**

Risk management strategy

Risk Management is a key element in our governance arrangements. We have developed a new Risk Management Framework based on best practices from both the Scottish Public Finance Manual and the private and public sectors. The basis of risk management policy setting also uses the approach laid out in the Scottish Government publication 'Risk Management: The Scottish Government Guide' for managing risk.

We have a Strategic and Operational Risk Registers, which are reviewed quarterly by the Senior Leadership Team. The Strategic Risk Register is underpinned by work carried out by the Risk Governance Group and has since been charged with ensuring the Strategy is delivered and risk management is embedded.

The Management Advisory Board provides high-level governance and strategic oversight and is supported by an effective Audit and Risk Committee, which examines the changes to the Corporate Risk Register on a quarterly basis and takes into account the risk emanating from the environment.

Risk Management counter fraud

We continue to participate in the biennial National Fraud Initiative (NFI) facilitated by Audit Scotland and in a biannual mortality screening exercise in order to maintain the integrity of member records. The last biennial NFI data cut exercise was conducted in October 2018 and all bar one were pursued in 2019 and 2020 (awaiting outstanding paperwork). From the 13 cases pursued, overpayments of £36,280 were identified, of which £26,602 has been recovered with a reminder in recovery or with payment plans put into place.

As part of business as usual biannual mortality screening, matched data is received back within three months after submission. A raft of data analysis is required to identify the appropriate response required in cases relating to reemployment, mortality and deferral. Following initial analysis, appropriate action is taken, such as, the suspension of a pension, the imposition of an earning limit or the updating of pension and payroll record. As a further check, we undertake an annual exercise to collate earnings and revalue earnings limits in order to prevent members infringing re-employment rules under each scheme.

Risk Management counter fraud (continued)

The Audit Scotland Report on the biennial National Fraud Initiative results for 2016-17 was issued in August 2018. The data collected in 2018-19 is included in the national report issued in July 2020. The NFI provides pension administrators with an effective way of checking that they are only paying people who are alive. As people choose to continue to return to work beyond their scheme's normal retirement age, it is important to receive corroborated data to ensure that earnings limits are observed when there are pensions already in payment.

The sharing of dates of death, status change, and record notations all assist in improving data quality, with the added benefit of making the quadrennial scheme valuations more accurate.

Over recent years the number of cases rectified through the NFI route has fallen from 153 cases in 2016-17 to 12 cases in 2018-19. The most likely causes for the reduction in number of cases is the adoption of the UK's 'tell us once' reporting process which enhances the timeliness of reporting deaths. This source of notification alongside the use made of 6-monthly mortality screening has become more embedded over recent years. A beneficial impact of a reduction in new cases to be rectified has been a consequent reduction in the number of overpayments we needed to pursue.

The NFI data matching exercises and mortality screening described above provides valuable tools in preventing fraud and error. A further data matching tool was embedded into our armoury with the adoption of a web-based system provided by the Cabinet Office called 'AppCheck'. Operated on an annual licence, it leverages the NFI database to help prevent fraud or mistaken payments by public sector delivery bodies. By using it to its full potential, it allows us to match its membership data to over 300 million records that are captured as part of the NFI mandate exercise.

Authorisation and direction

Date accounts authorised for issue

The Accountable Officer authorised these financial statements for issue on 17 November 2020.

Accounts direction

The 2019-20 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.

Auditors

The accounts are audited by Gemma Diamond of Audit Scotland who was assigned the Agency's audit from 2019-20 to 2020-21. The notional fees are reported in the Financial statements. Audit Scotland has provided only audit services to the SPPA during the year. Internal audit services are provided by the Scottish Government Internal Audit Directorate; the scope of work of Internal Audit is determined following discussion with management and is subject to approval by the Audit and Risk Committee.

2.2 Statement of Accountable Officer'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 61 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 state of affairs of the Agency and of its income and expenditure, Statement of financial position, 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.

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. 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.

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.
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Penelope Cooper

Penelope Cooper
Chief Executive
17 November 2020

2.3 Governance Statement

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 customers and other stakeholders, and being fully accountable for its actions. The SPPA complies with the guidance contained in the Scottish Public Finance Manual (SPFM) and guidance note 2 of 'On Board: A Guide for Members of Management Advisory Boards' published by Scottish Government.

Scope of responsibility

As Accountable Officer, Penelope Cooper is 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 Penelope is personally responsible in accordance with the responsibilities assigned to her.

We adhere to the SPFM 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.

Agency's Framework Document

The Framework represents an agreement between the SPPA and Scottish Ministers that lays out the relationship in terms of the respective roles and responsibilities for carrying out our functions. It forms the basis for our five-year Strategic Plan (with a rolling six-monthly review by the Senior Leadership Team) and other planning documents that underpin our Vision in practical ways. The Minister for Public Finance and the Digital Economy signed-off the latest Framework Document on 12 December 2018.

In terms of governance, we are responsible for putting into place sound governance arrangements to provide accountability to Scottish Ministers and organisational direction so as to positively influence behaviour and cultures. As the principal source of reference for governance, the 'Framework Document' describes and sets out the:

- Relationship between SPPA and Scottish Ministers roles and functions of SPPA.
- Responsibilities of the Accountable Officer and Scottish Ministers.
- Our objectives and performance measures management and resources framework within which we operate.

Our Vision

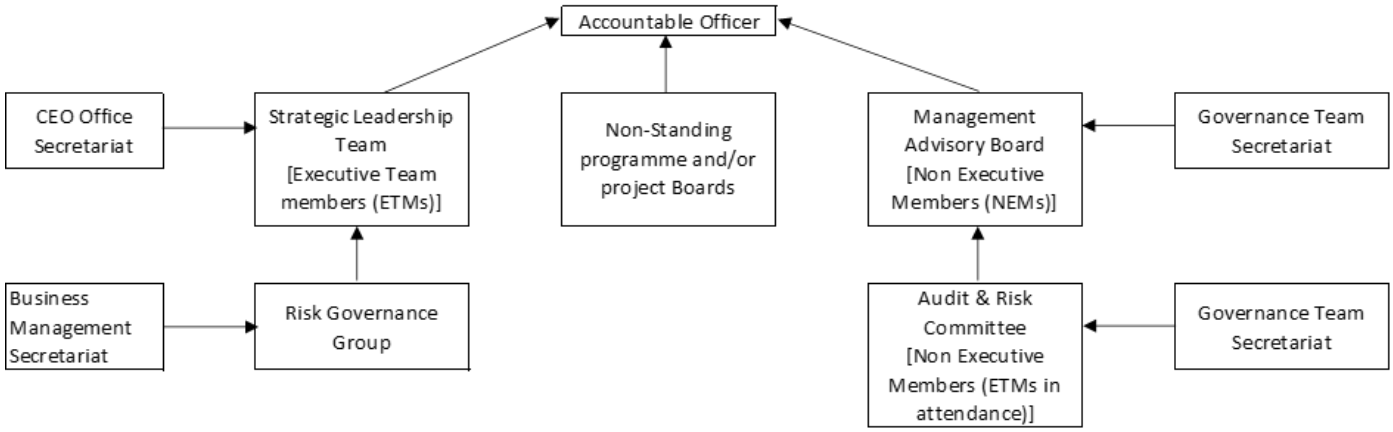
Our Vision is 'to provide excellent customer service, combining skills and technology, to maximise efficiency and deliver best value to taxpayers in Scotland'. A Strategic Plan for the period 2018 to 2023 was agreed during the 2018-19 year and this has been subsequently reviewed during the 2019-20 year by the new Senior Leadership Team setting out key deliverables and linking it to an indicative budget.

Our commitment to change has been demonstrated over the 2019-20 year through the work carried out to establish an SPPA-wide Target Operating Model (TOM). The TOM has been designed with our future direction in mind and over the last year we have appointed individuals into the Senior Leadership Team roles of Head of Business Management, Head of Business Affairs, Head of Customer Services and Head of Digital Transformation & IT Operations. Throughout the 2020-21 year each of these respective areas will complete their TOM.

The aforementioned Head of Business Management, since appointment, has been leading on business planning. Participation in business planning is taken seriously at all levels of the organisation. Strategic objectives are cascaded to departments through business planning sessions at which key team tasks are identified. Key business planning messages are disseminated across the SPPA at regular 'all-colleagues sessions'. As we continue to evolve, the five-year Strategic Plan will be updated on a rolling six-monthly basis in order to best reflect the programme of change and any significant changes in central government funding. Through our Audit and Risk Committee (ARC) and Management Advisory Board (MAB), the Senior Leadership Team regularly share updates on business planning and strategy with our non-executive members where they are invited to share their knowledge and express their views.

Agency's primary governance bodies designed to 'advise' the Accountable Officer

A schematic of the bodies assisting the Accountable Officer in the governance of the Agency is provided below. A schematic for pension scheme governance is provided on the Agency's website at **http://www.sppa.gov.uk/Documents/Governance/2%20Governance%20Schematic.pdf**



Management Advisory Board

The advisory nature of the Board is one that is set out in the Scottish Government's publication 'On Board: A Guide for Members of Management Advisory Boards'. Non-executive members are appointed to act in an advisory capacity to the SPPA's Accountable Officer and Chief Executive and are, therefore, neither personally or collectively accountable for the Agency's performance.

As part of the annual review of the Framework Document and in line with best practice, the Terms of Reference of the Board were reviewed and amended. A number of changes were reflected in the updated Terms of Reference, for example in line with other Executive Agencies from 1 April 2019 it was agreed that the Board will be chaired by the Chief Executive. A self-assessment of the operation and effectiveness of the Board took place with Board members at the beginning of the 2019-20 financial year. Due to the limited resource available within the Governance Team during the year, many of the actions have unfortunately not progressed. A fresh self-assessment will now take place during the 2020-21 financial year.

This year, the Board has benefited from an experienced cohort of six non-executive members, together with a representative from Scottish Government - the Agency's 'Fraser figure'.

During the year, the Management Advisory Board met on four scheduled occasions. The Board's work has included:

- Considering the content of our Annual Business Plan and 5-Year Strategic Plan.
- Receiving reports from the Chief Executive on our progress in achieving key tasks and meeting performance indicators.
- Receiving reports on the work of the Audit and Risk Committee and contributing towards the risks assessed in the Agency's Risk Register.
- Considering financial statements such as our draft Annual Report and Accounts and drafts for the NHS Scotland and Scottish Teachers' Pension Schemes.
- Receiving quarterly financial and budgetary updates from the Chief Financial Officer.
- Receiving regular updates on projects such as Guaranteed Minimum Pensions, Annual Benefit Statements and the Target Operating Model projects.

The Management Advisory Board are:

- Mark Adderley
- Ian Forbes
- Liz Holmes
- Helen Mackenzie
- Jane Malcolm
- Norman McNeil
- Gordon Wales (Chief Financial Officer Scottish Government until July 2020)

Biographies and meeting minutes are on the SPPA website here: **https://pensions.gov.scot/about-us/management-advisory-board**

Audit and Risk Committee

The Management Advisory Board is supported by an Audit and Risk Committee which comprises three non-executive members of the Board. During the year, it met on four scheduled occasions. The Committee's work has included:

- Reviewing the SPPA's risks and risk management processes (see Risks and Issues on page 9) to provide assurance in an Annual Report to the Accountable Officer and Management Advisory Board.
- Directing the work of Internal Audit, receiving progress updates and an Annual Assurance Statement.
- Receiving progress reports from Internal Audit and receiving the conclusions of its work.
- Reviewing Audit Scotland's Annual Audit Plan and cross-cutting reports where appropriate.
- Receiving reports from our senior management on: finance, procurement, governance; counter fraud initiatives; security breaches; health and safety reportable incidents; business continuity; risk and internal controls.
- Reviewing our budget and out-turn position alongside financial performance against key metrics.
- Reviewing our Annual Report and Accounts and Scottish Teachers' Pension Scheme and NHS Pension Scheme Scotland's Annual Report and Accounts.
- Receiving an Audit Scotland Interim Management Letter and Annual Audit Report including an ISA 260 report.
- Receiving a quarterly Risk Management minute including:
  - The latest versions of the Corporate Risk Register incorporating changes made by the Risk Governance Group and Senior Leadership Team.
  - The latest 'Assurance Map' linking Key Outcomes to Key Risks and to levels of assurance i.e. internal, external and independent third party sources.
  - Independent third party reports where applicable, such as technical assurance 'health check'
  - 'Deep dives' on key risks to the Agency's business from respective parts of the SPPA.
- Reviewing and tracking all recommendations emerging from reports produced by external audit (Audit Scotland) and internal audit (Scottish Government Internal Audit Directorate).
- Horizon scanning to inform future committee business.

Corporate governance management arrangements changes

Two non-executive members left the SPPA at 31 March 2019 and three members joined. The gender balance of the six non-executive members on the Board since the joining of the three new members is evenly split 50% male and female. During the year permanent members of the Senior Leadership Team were appointed; joining the Chief Executive and Chief Financial Officer. Both the Board and the Audit and Risk Committee carried out a self-assessment of their effectiveness using criteria set by the Scottish Government. Both were deemed to be effective in carrying out their functions. Also the Audit and Risk Committee provided a full account of its activities on a quarterly basis to the Management Advisory Board. Corporate governance arrangements, overall, were considered to comply with generally accepted best practice principles and relevant guidance.

The Senior Leadership Team (SLT)

The SLT at the year-end comprised of:

- Penelope Cooper: Chief Executive
- Paplu Dey: Head of Customer Services
- Andre Morelli: Head of Digital Transformation and IT Operations
- Tom Nash: Head of Business Affairs
- Matthew Valente: Head of Business Management
- Ian Waugh: Chief Financial Officer

Senior Leadership Team (SLT) meetings are held at least monthly with senior colleagues representation from across departments. Meetings are designed to focus on key, short-term deliverables and actions based around people, process, performance and customers.

As part of its remit to consider business strategy, SLT met outside its usual cycle of meetings to give more detailed consideration to the development of agency strategy following the formation of the new SLT team.

Full biographies of the SPPA SLT can be found on our website here: **https://pensions.gov.scot/about-us/our-senior-leadership-team**

Scheme Boards

The SPPA assumes the day-to-day role of Scheme Manager as set out in the Public Service Pensions Act 2013 (the PSP Act) for Scotland's NHS, Teachers', Police and Firefighters' pension schemes, as delegated by Scottish Ministers.

It should be noted, though, that from a financial perspective for the Police and Firefighters' schemes, 'administration' includes the provision of financial services but not contribution collection, preparation of annual accounts, budget or financial management.

Our Policy team also acted as the key policy adviser and custodian of scheme regulations for the four schemes we administer nationally (as above) and for the locally managed Local Government Pension Scheme (LGPS).

During the year SPPA policy officials:

- Supported Scotland's statutory NHS, Teachers', Police and Firefighters' Pension Boards which assist the Scheme Manager of those schemes in securing compliance with regulatory requirements.
- Provided ad-hoc secretariat services to and attended the NHS, Teachers', Police and Firefighters' Pension Boards.
- Participated in and provided general and technical pensions policy advice to the tri-partite Scheme Advisory Boards for the Police, Firefighters', NHS and Teachers' Scheme Advisory Boards and in the case of the Police and Firefighters' Scheme Advisory Boards provided the Chair at meetings.
- Represented the Scottish Government as observers on and provided general and technical pensions policy advice to the bi-partite LGPS Scheme Advisory Board.
- Provided general policy advice to Scottish Ministers and support to officials on a range of pension-related matters.
- On behalf of Scottish Ministers, determined appeals from scheme members under the single stage internal disputes resolution procedure for the four unfunded schemes, and the second stage appeals for local government. schemes.

Annual Benefits Statements 2020

As Scheme Managers, the SPPA has responsibility for issuing the Annual Benefit Statements (ABS) to members (as noted in the Performance Report). The deadline for this is 31 August 2020. In the years to 2019 the performance against this target has steadily improved. In October 2020, the deadline was missed. In the case of the Police and Fire schemes this was due to an error at the outsourced printing company, and all statements were delivered by 4 September.

The NHS and Teachers scheme members ABS were discovered to contain an unacceptable number of errors and were removed from the portal, and a plan to correct and reissue them all by the end of October was put in place. All relevant stakeholders were informed, including the Pension Regulator, which accepted the revised plan. The investigation into the root cause of this event will report through the normal governance routes once the corrective action is completed.

Assurance

Data assurance

An undertaking to report 'serious' breaches to the Scottish Government's Office of Protective Security is outlined within a Memorandum of Understanding and agreed with Scottish Ministers. During the reporting period, the SPPA maintained established processes to monitor the processing of personal data. We record and report any breach to the Audit and Risk Committee even if escalation to the Scottish Government is not warranted under the Memorandum.

During 2019-20, 32 'minor' security breaches were reported internally to the Head of Security - an increase of seven on 2018-19 No breach was categorised as reportable to the Information Commissioner's Office (for example, that 'would cause harm or reputational damage').

Post year-end (October 2020) an incident occurred in which the personal data of 20 scheme members was sent to incorrect recipients. An initial investigation of the personal data breach identified a batch of misaligned printed payslips which had not been checked before issue. As in the case of previous incidents, relevant stakeholders were informed. Internal controls were reviewed immediately to introduce more robust preventative measures.

Continued data protection awareness amongst colleagues about what constitutes a breach coupled with established reporting procedures enable mistakes to be monitored, understood and rectified.

A step-by-step guide to handling breaches is available on the colleagues intranet and is also included within the Business Continuity Plan. It is designed to give full consideration to the consequences of the breach in order to minimise harm to the data subject and to put in place the appropriate corrective measures.

'Cyber Essentials' accreditation was renewed during 2018-19 as part of the annual cycle. The accreditation process helps organisations demonstrate a baseline of security standards that mitigate the risk of data losses and breaches. There is an expectation placed upon all 'Cyber Catalyst' organisations to progress to 'Cyber Essentials plus' status in due course.

Information assurance

Colleagues are reminded through the Agency's Information Assurance Strategy that it is their responsibility to know where information is held, how to retrieve it and to understand what can be shared. We provide colleagues with appropriate training and guidance to enforce compliance with standards in the protection of information assets to enable the organisation to function more effectively, safely and securely.

Our Information Assurance Framework document evidences 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 our strategic approach to Information Assurance. The annual Information Assurance Maturity assessment carried out in April 2020 demonstrated we have achieved a steady state.

Best Value

The Accountable Officer has a duty to secure Best Value in the services the SPPA provides. Best Value principles are embedded in the Agency's planning, governance and business decision arrangements. For instance, colleagues fully participate in the annual business planning process and output from events is compiled and communicated to colleagues through formal and informal communication channels. Minutes of Management Advisory Board and Pension Boards are uploaded onto the SPPA website **(https://pensions.gov.scot/)** for public inspection.

The Agency uses a range of mechanisms to obtain feedback from its customers and stakeholders. Market intelligence and research is received from Pension Boards, targeted groups (such as the Retired Police Officers Association Scotland), desk -top research, data including comments routinely gathered on customer service from surveys and complaint feedback supports a user-centred approach. Single event and continuous customer satisfaction surveys act together to provide event driven and more real-time feedback on services and service levels provided. Though take-up rates remain low, this information is utilised by departments to look at opportunities to improve service delivery.

We have continued to participate in the 'Investors in People' (renamed Re:markable) accreditation programme. We first achieved 'Gold' status in 2012 and which was most recently reconfirmed in January 2017. We are now subject to a new set of standards (the sixth generation) going forward. The Investors in People scheme has now added a further level above the Gold status, named 'Platinum'. Our aspiration is to achieve this on its next formal assessment in 2020. A Partnership Agreement is in place between the SPPA and the Trades Union to encourage participation in joint decision-making processes. Working as partners to reach mutually acceptable arrangements, the intention is to benefit colleagues and ensure we run effectively. In addition to the Partnership Agreement, we have set up a Colleagues Consultative Group in advance of work on the TOM and this participative approach has worked well during delivery of the TOM over the last year with good representation across colleagues grades.

During October 2019, we participated in a UK Civil Service-led annual colleagues survey for civil servants which identified a colleagues engagement level of 47% (2018-19: 54% and 2017-18: 55%) based on an 76% response rate. In response to the results, we are carrying out a number of initiatives to improve this response; this has included a Great Place to Work Group, Wellbeing sessions, and virtual coffee sessions, whilst office facilities have not been available. We held our own Pulse Survey to track progress against the above engagement score in May 2020. The Agency continues to implement its communication plans and seek new forums in which to involve colleagues as a sounding board for, and a source of, new ideas to improve colleagues engagement.

These projects always have the resource and structure to provide appropriate governance which includes an SRO, Project Manager, and Project Team. Following projects, either cyclical or ad-hoc, there will be a lessons learned session to ensure that these are taken forward for future projects.

2.3 Governance Statement

Written Assurances

The Chief Executive has received written assurances from all Heads of Department 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 Organisational Development and Operations, and Internal Audit in respect of the Scottish Government's human resources, payroll and financial systems that are shared with the Agency.

2.4 Remuneration Report

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 colleagues
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services
- The funds available to departments as set out in the Government's departmental expenditure limits
- The Government's inflation target.

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

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

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

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

Further information about the work of the Civil Service Commission can be found at **http://civilservicecommission.independent.gov.uk/**.

Remuneration disclosure

Non-Executive Directors (audited information)

The Non-Executive Directors are not salaried, but received the following in fees and expenses in connection with their duties:

	2019-20 £000	2018-19 £000
Mark Adderley (from 1 April 2019)	0-5	n/a
Sheena Cowan (to September 2019)	0-5	0-5
Ian Forbes	0-5	0-5
Liz Holmes	0-5	0-5
Helen Mackenzie (from 1 April 2019	0-5	n/a
Jane Malcolm	0-5	0-5
Norman McNeill (from 1 April 2019)	0-5	n/a
Stuart Smith (to March 2019)	n/a	5-10
Gillian Thompson (to March 2019)	n/a	0-5
Gordon Wales	0-5	0-5

2.4 Remuneration Report

Senior Leadership Team (audited information) The following sections provide details of the remuneration and pension entitlements of the Senior Leadership Team.
Please see Notes on page 53.

Name and Title	2019-20 Salary	Pension benefits	Total	2018-19 Salary	Pension benefits	Total
	£000	£000	£000	£000	£000	£000
Penelope Cooper, Chief Executive	80-85	33	115-120	80-85	33	115-120
Ian Waugh, Chief Financial Officer	70-75	30	100-105	65-70	44	110-115
Paplu Dey, Head of Customer Services (from 12 August 2019)	40-45 (part year salary, 60-65 full year equivalent)	42	80-85	n/a	n/a	n/a
Carole Johnston, Temporary Head of Customer Services (from 20 August 2018 to 31 October 2019)*	45-50 (part year, 80-85 full year equivalent)	n/a	45-50	55-60 (part year, 85-90 full year equivalent)	n/a	55-60
Eleanor Guthrie, Interim Head of Customer Services (to 31 May 2018)	n/a	n/a	n/a	10-15 (part year salary, 60-65 full year equivalent)	6	65-70
Tom Nash, Head of Business Affairs (from 4 November 2019)	25-30 (part year salary, 70-75 full year equivalent)	11	40-45	n/a	n/a	n/a
Lorimer Mackenzie, Interim Policy Director (to 1 November 2019)	45-50 (part year salary, 75-80 full year equivalent)	17	60-65	75-80	25	100-105
Matthew Valente, Head of Business Management (from 18 November 2019)	20-25 (part year salary, 60-65 full year equivalent)	9	30-35	n/a	n/a	n/a
Mark Fisher, Temporary Head of People Services (from 27 November 2019 to 5 February 2020)*	35-40 (part year salary, 170-175 full year equivalent)	n/a	35-40	n/a	n/a	n/a
Sally Paterson, Interim Head of People Services (to 27 October 2019)	25-30 (part year salary, 45-50 full year equivalent)	12	40-45	45-50	22	65-70
Andre Morelli, Head of Digital Transformation & IT Operations (from 18 November 2019)	25-30 (part year salary, 70-75 full year equivalent)	10	35-40	n/a	n/a	n/a
Philip Heywood, Temporary Director of Business Evolution (from 4 March 2019 to 27 November 2019)*	115-120 (part year salary, 170-175 full year equivalent)	n/a	115-120	10-15 (part year salary, 185-190 full year equivalent)	n/a	10-15
Tony Bayliss, Temporary Director of Digital Transformation (to 31 October 2018)**	n/a	n/a	n/a	50-55 (part year salary, 95-100 full year salary)	n/a	50-55
Marion Chapman, Director of Corporate Services (to 6 April 2019)	0-5 (part year salary, 70-75 full year equivalent)	1	0-5	55-60	36	91-95
Jeanette Innes, Temporary Head of Governance (to 21 December 2018)*	n/a	n/a	n/a	50-55 (part year, 80-85 full year equivalent)	n/a	50-55

2.4 Remuneration Report

Pension benefits (audited information)

Name and title	Real increase/ (decrease) in pension and lump sum at pension age	Total accrued pension at pension age as at 31 March 20 and related lump sum	CETV at 31 March 20	CETV at 31 March 19*	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	22
Penelope Cooper, Chief Executive	0-2.5 plus 0-2.5 lump sum	5-10 plus 0-5 lump sum	78	48	22
Ian Waugh, Chief Financial Officer	0-2.5 plus 2.5-5 lump sum	25-30 plus 70-75 lump sum	610	575	32
Paplu Dey, Head of Customer Services (from 12 August 2019)	0-2.5 plus 0-2.5 lump sum	15-20 plus 0-5 lump sum	219	188	27
Tom Nash, Head of Business Affairs (from 4 November 2019)	0-2.5 plus 0-2.5 lump sum	5-10 plus 0-5 lump sum	50	30	4
Lorimer Mackenzie, Interim Policy Director (to 1 November 2019)	0-2.5 plus 0-2.5 lump sum	40-45 plus 0-5 lump sum	847	818	18
Matthew Valente, Head of Business Management (from 18 November 2019)	0-2.5 plus 0-2.5 lump sum	0-5 plus 0-2.5 lump sum	4	n/a	3
Sally Paterson, Interim Head of People Services (to 27 October 2019)	0-2.5 plus 0-2.5 lump sum	15-20 plus 30-35 lump sum	264	247	7
Andre Morelli, Head of Digital Transformation & IT Operations (from 18 November 2019)	0-2.5 plus 0-2.5 lump sum	0-5 plus 0-2.5 lump sum	8	n/a	6
Marion Chapman, Director of Corporate Services (to 6 April 2019)	0-2.5 plus 0-2.5 lump sum	25-30 plus 75-80 lump sum	574	572	1

*The figure may be different from the closing figure in last year's accounts. This is due to the cash equivalent transfer value (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.

Notes from Senior Leadership Team remuneration

*Temporary agency colleagues with the salary stated being the invoiced value including VAT.

**Seconded from a public sector organisation and is not a member of the Civil Service Pension Scheme. The salary stated represents the invoiced value (including VAT) but excluding employer national insurance, pension contributions and travel expenses.

- No member received any bonus payments or benefits in kind during the year ended 31 March 2020.
- The pay of the Chief Executive, as a member of the Senior Civil Service, is 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 colleagues including senior management. Total remuneration includes gross salary; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.
- In accordance with the Government Financial Reporting Manual (FReM), reporting bodies are required to disclose the relationship between the remuneration of the highest paid member of the Senior Leadership Team and the median remuneration of the organisation's workforce. The median calculation includes directly employed colleagues paid through the Agency's payroll, and covers both permanent colleagues and those on fixed term contracts. It does not include temporary agency colleagues paid by invoice. The ratio is calculated as the mid-point of the highest band divided by the median total remuneration. The banded remuneration of the highest paid permanent director in the SPPA in the financial year 2019-20 was £80k-£85k (2018-19: £80k-£85k). This was 3.65 times (2018-19: 4.0) the median remuneration of the workforce, which was £22,617 (2018-19: £20,732). Colleagues remuneration across SPPA ranged from £5k-£10k (reflecting part-time working patterns) to £80-85k (2018-19: £5k-£10k to £80k-£85k).

Civil Service Pension Scheme

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Colleague contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium.

In nuvos a member builds up a pension based on 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

2.4 Remuneration Report

Civil Service Pension Scheme (continued)

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider – Legal & General.

The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha.

The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.

Further details about the Civil Service pension arrangements can be found at the website **www.civilservicepensionscheme.org.uk**

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the 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.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer as a result of salary changes and service. 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.

2.5 Staff Report

Colleagues numbers, costs and pensions (audited information)

Administration costs

	2019-20 £000	2018-19 £000
Wages and salaries	7,942	7,767
Social security costs	711	676
Other pension costs	1,937	1,457
Agency colleagues costs	548	468
Total administration colleagues	**11,138**	**10,368**

Average number of full time equivalent persons employed

	2019-20			2018-19		
	Female	Male	Total	Female	Male	Total
Senior civil servant	1	0	1	1	0	1
Senior management	1	3	4	1	2	3
Other permanent colleagues	137	130	267	146	135	281
Agency staff	6	5	11	6	2	8
Total	**145**	**138**	**283**	**154**	**139**	**293**
Number of staff in capital projects (Included in the numbers above)			4			3

The PCSPS and alpha are unfunded multi-employer defined benefit schemes. The SPPA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation. For 2019-20, employers' contributions of £1,926k were payable to the PCSPS/alpha (2018-19: £1,450k) at one of four rates in the range 26.6% to 30.3% (2018-19: 20% to 24.5%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when a member retires, and not the benefits paid during this period to existing pensioners.

As stated at above, colleagues can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Contributions paid by the Agency in 2019-20 were £11k (2018-19: £7k).

2.5 Staff Report

Turnover

Colleagues turnover for 2019-20 was 12.4% equating to 35 FTE colleagues (2018-19: 6.6% equating to 19 FTEs). Included within colleagues turnover were nine colleagues who left the Agency to join other Scottish Government departments and seven retirements. This year's figures also including eight paid summer students.

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 and the Civil Service Commissioners Recruitment Principles. Due to re-structuring the Agency recruited four Head of Department roles and five senior managers at Band C1 during the year. There were also five Band B posts filled internally.

The Agency offered two assignments from the Civil Service Fast Stream Programme (which aims to develop young people into Senior Civil Service roles) and supported eight paid summer students.

Sickness absence management

The Agency's People Services team monitors attendance management and supports managers in applying the Scottish Government attendance management policy. Colleague awareness sessions were held to ensure a consistent approach. The total average working days lost in 2019-20 was 11.5 per colleague (2018-19: 9.8) compared to the SG figure of 8.1. It is recognised that this is an area of concern.

The People Services team provides support and advice to ensure early intervention, and encourages those coming back from long term sick leave to return on part time medical grounds. Enhanced metrics are being developed to identify trends and the reasons for the rise in sickness absence, which will inform future actions aimed at improving the absence rate.

Colleagues 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. There are a number of colleagues with disabilities who continue to be supported in confidence.

2.5 Staff Report

Reporting of Civil Service and other compensation schemes – exit packages (audited information)

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. Where the Agency has agreed early retirements, the additional costs are met by the Agency and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

There were no compulsory redundancies in 2019-20 or in the prior year.

Trade Union facility time disclosures

The Trade Union (Facility Time Publication Requirements) Regulations came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published each year on a website maintained by or on behalf of the employer before 31 July each year. As SPPA is not listed as a separate body under the terms of the Legislation, the Scottish Government's reporting will include SPPA.

Number and cost of exit packages

Exit packages Cost band	No of departures agreed 2019-20	No of departures agreed 2018-19
Less than £10,000	1	0
£25,000-£50,000	0	1
£50,000-£100,000	0	1
Total number of exit packages	**1**	**2**
Total cost of exit packages	**£5,882**	**£130,000**

3. Parliamentary Accountability report

Losses and special payments

There were no material losses or special payments incurred in the year to 31 March 2020.

Fees and charges

Information on fees and charges raised during the year are provided at note 4 to the Financial statements.

Remote contingent liabilities

There were no remote contingent liabilities to report as at 31 March 2020.

Penelope Cooper

Penelope Cooper
Chief Executive
17 November 2020

4. Audit of the Financial Statements

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

Independent Auditor's Report to the Scottish Public Pensions Agency, the Auditor General for Scotland and the Scottish Parliament

Report on the Audit of the Financial Statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of the Scottish Public Pensions Agency for the year ended 31 March 2020 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 notes to the accounts, including a summary of significant accounting policies. 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 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

In my opinion the accompanying 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 2020 and of its net expenditure 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 2019/20 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.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the **Code of Audit Practice** approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 5 March 2020. The period of total uninterrupted appointment is one year.

I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- The use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website (**https://www.audit-scotland.gov.uk/**), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

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Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Colleagues Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income

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.
- 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.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Independent Auditor's Report to the Scottish Public Pensions Agency, the Auditor General for Scotland and the Scottish Parliament

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Colleagues Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. Also, in my opinion, based on the work undertaken in the course of the audit:

- The information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- Adequate accounting records have not been kept; or
- The financial statements and the audited part of the Remuneration and Colleagues Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

I addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

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 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gemma Diamond
Audit Director
Audit Scotland
4th Floor
102 Westport
Edinburgh
EH3 9DN
17 November 2020

5. Financial Statements 2019-20

Statement of comprehensive net expenditure for the year as at 31 March 2020

Statement of financial position as at 31 March 2020

Statement of cash flows for the as at 31 March 2020

Statement of changes in taxpayers' equity for the year as at 31 March 2020

Notes to the accounts for the year ended March 2020

Statement of comprehensive net expenditure for the year as at 31 March 2020

	Note	2019-20 £000	2018-19 £000
Colleagues costs	2	11,138	10,368
Other admin costs	3	6,015	6,081
Depreciation	6,7	1,454	950
Total operating costs		**18,607**	**17,399**
Operating income	4	(254)	(227)
Other income	5	0	(700)
Net operating costs		**18,353**	**16,472**
Other comprehensive expenditure			
Net (gain)/loss on revaluation of property, plant and equipment	6	(109)	(108)
Total comprehensive expenditure for the year		**18,244**	**16,364**

The notes on pages 71-80 form part of these financial statements.

Statement of financial position as at 31 March 2020

	Note	2019-20 £000	2018-19 £000
Non-current assets			
Tangible non-current assets	6	5,038	4,964
Intangible assets	7	5,311	3,257
Total non-current assets		**10,349**	**8,221**
Current assets			
Trade and other receivables	8.1	9,368	13,579
Total current assets		**9,368**	**13,579**
Total assets		**19,717**	**21,800**
Current liabilities			
Trade and other payables	9.1	(11,094)	(8,710)
Provisions for liabilities and charges	10	0	(367)
Total current liabilities		**(11,094)**	**(9,077)**
Total assets less current liabilities		**8,623**	**12,723**
Non-current liabilities			
Trade and other payables	9.3	0	(5)
Total non-current liabilities		**0**	**(5)**
Net assets/(liabilities)		**8,623**	**12,718**
Taxpayers equity and other reserves			
General fund		7,755	11,959
Revaluation reserve		868	759
Total taxpayers equity		**8,623**	**12,718**

The notes on pages 71-80 form part of these financial statements.

Penelope Cooper

Penelope Cooper
Chief Executive

17 November 2020

Statement of cash flows for the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
Cash flows from operating activities			
Net operating cost		(18,353)	(16,472)
Adjustments for non cash transactions			
Depreciation	6,7	1,454	950
Notional costs for services provided	3.3	292	278
Movements in working capital			
(Increase)/decrease in trade and other receivables	8	4,211	5,730
Increase/(decrease) in trade and other payables	9	2,384	593
(Increase)/decrease in property, plant and equipment trade and other payables	9	(68)	(2)
(Increase)/decrease in intangible asset trade and other payables	9	(375)	(454)
Increase/(decrease) in provisions	10	(367)	367
Net cash outflow from operating activities		**(10,822)**	**(9,010)**
Cash flows from investing activities			
Purchase of tangible non-current assets	6	(273)	(139)
Increase/(decrease) in property, plant and equipment trade and other payables	9	68	2
Purchase of intangible assets	7	(3,200)	(2,834)
Increase/(decrease) in intangible asset trade and other payables	9	375	454
Net cash outflow from investing activities		**(3,030)**	**(2,517)**
Capital element of finance lease payments		(5)	(5)
Net funding - Agency		20,434	16,312
Net funding - pension payments on behalf of Scottish police and fire services		(6,577)	(4,780)
Total net financing		**13,852**	**11,527**
Increase/(decrease) in cash and cash equivalents		**0**	**0**

The notes on pages 71-80 form part of these financial statements.

Statement of changes in taxpayers' equity for the year ended 31 March 2020

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2019		**11,959**	**759**	**12,718**
Net gain/(loss) on revaluation of tangible non-current assets	6	0	109	**109**
Non cash charges - SG services	3.3	136	0	**136**
Non cash charges - Auditors remuneration	3.3	156	0	**156**
Net operating cost for the year		(18,353)	0	**(18,353)**
Net funding		13,857	0	**13,857**
Balance at 31 March 2020		**7,755**	**868**	**8,623**

For the year ended March 2019

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2018		**16,621**	**651**	**17,272**
Net gain/(loss) on revaluation of tangible non -current assets	6	0	108	**108**
Non cash charges - SG services	3.3	125	0	**278**
Non cash charges - Auditors remuneration	3.3	153	0	**0**
Net operating cost for the year		(16,472)	0	**(16,472)**
Net funding		11,532	0	**11,532**
Balance at 31 March 2019		**11,959**	**759**	**12,718**

The notes on pages 71-80 form part of these financial statements.

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2019-20 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

The accounts are prepared using accounting policies, and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles set out in International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors. Changes in accounting policies, which do not give rise to a prior year adjustment, are reported in the relevant note.

The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 New accounting standards

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 standard that is considered relevant to the Agency and the anticipated impact on the accounts is IFRS 16 – Leases.

This standard will come into effect for accounting periods beginning after 1 April 2021 superseding the existing IAS 17. FRAB has delayed the implementation from 1 April 2020 due to the circumstances caused by COVID-19. The distinction between finance and operating leases is removed and all leases become 'on balance sheet'. The FReM interprets and adapts IFRS 16 for the public sector. The cost of recognising these additional lease liabilities, which relate to equipment, at present value is estimated at £30,000.

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 2018 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, the FReM, and RICS Valuation Professional Standards.

A professional revaluation of the property will be undertaken at least every five years, 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.

Upwards movements in value are taken to the revaluation reserve. Downward movements are set off against any credit balance held in the revaluation reserve until the credit is exhausted and thereafter charged to the statement of comprehensive net expenditure.

1.2 Property, Plant and Equipment (continued)
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.

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 normally in the following ranges:

- Buildings: 31 years (valuation as at 31 March 2018)
- Furniture and fittings: 3 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 is greater than £1,000 or where the pooled value exceeds £1,000. 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. The amortisation period is over 2 to 5 years. Intangible assets under development are not amortised. 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 available for use.

1.5 Financial instruments

All financial assets held by the SPPA have been classified as trade receivable, prepayments and accrued income, and cash 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. 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

Where output tax is charged or input VAT is recoverable, the amounts of operating costs, purchase cost of fixed assets and operating income are stated net of VAT. 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

As directed by the FReM, IAS 17 Leases and SIC15 Operating Leases apply. Where substantially all the risks and rewards of ownership of a leased property are borne by the entity, it is recorded as a non-current asset and a corresponding payable recorded in respect of the debt due to the lessor, with the interest element of the finance lease payment charged to the operating cost statement. Leases other than finance leases are treated as operating leases, and rentals payable in respect of operating leases will be charged to the operating cost statement on a straight line basis over the term of the lease.

1.9 Short term employee benefits

A liability and an expense is recognised for holiday days, holiday 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 the Police Service of Scotland (PSoS) and Scottish Fire and Rescue Service (SFRS). Under its Agency status SPPA has access to and utilises Scottish Government designated bank accounts in order to carry out 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 Management Advisory 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. Colleagues numbers, costs and pensions

Information is detailed in the Staff Report on page 57

3. Other administration costs

3.1 General administration expenses

	2019-20	2018-19
	£000	£000
IT maintenance	2,901	1,913
Actuarial services	1,692	1,641
Reform of GMP	298	438
Postage	209	311
Professional & technical advisory services	185	294
Other minor running costs	177	169
Subscriptions	99	96
Medical service	79	84
Travel and subsistence	40	45
Training	34	84
Compensation payments	(357)	374
	5,357	**5,449**

Note: Compensation payments in 2019-20 include the release of a provision of £367k for the reinstatement of an individual's membership of the National Health Service Pension Scheme (Scotland). Refer to note 10. The SPPA has reviewed items of income and expenditure as a result of COVID-19 and taken the view that these are not sufficiently material enough for disclosure.

3.2 Accommodation and support services

	2019-20	2018-19
	£000	£000
Rates	126	124
Maintenance	73	77
Other accommodation costs	167	153
	366	**354**

3.3 Notional charges

	2019-20	2018-19
	£000	£000
Services provided by the Scottish Government	136	125
Audit fee	156	153
	292	**278**
Other administration costs total	**6,015**	**6,081**

4. Operating income

	2019-20 £000	2018-19 £000
Pension sharing on divorce – charges to courts and solicitors	212	203
Pension calculation services for third parties	30	18
Other	12	6
	254	**227**

5. Other income

Other income in 2018-19 represents £700,000 from a supplier in settlement of a dispute.

Notes to the accounts as at 31 March 2020

6. Property, plant and equipment

For the year ended 31 March 2020

	Land	Buildings	Information technology	Equipment	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2019	**410**	**4,329**	**817**	**110**	**706**	**6,372**
Additions	0	13	256	2	2	**273**
Disposals	0	0	(177)	0	0	**(177)**
Revaluations	10	106	0	0	0	**116**
At 31 March 2020	**420**	**4,448**	**896**	**112**	**708**	**6,584**
Depreciation						
At 1 April 2019	**0**	**144**	**594**	**79**	**591**	**1,408**
Charged in year	0	149	124	12	23	**308**
Disposals	0	0	(177)	0	0	**(177)**
Revaluations	0	7	0	0	0	**7**
At 31 March 2020	**0**	**300**	**541**	**91**	**614**	**1,546**
NBV at 31 March 2020	**420**	**4,148**	**355**	**21**	**94**	**5,038**
NBV at 31 March 2019	**410**	**4,185**	**223**	**31**	**115**	**4,964**

	Land	Buildings	Information technology	Equipment	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2018	**400**	**4,185**	**710**	**97**	**730**	**6,122**
Additions	0	18	107	13	1	**139**
Disposals	0	0	0	0	0	**0**
Revaluations	10	126	0	0	(25)	**111**
At 31 March 2019	**410**	**4,329**	**817**	**110**	**706**	**6,372**
Depreciation						
At 1 April 2018	**0**	**0**	**460**	**68**	**564**	**1,092**
Charged in year	0	141	134	11	27	**313**
Disposals	0	0	0	0	0	**0**
Revaluations	0	3	0	0	0	**3**
At 31 March 2019	**0**	**144**	**594**	**79**	**591**	**1,408**
NBV at 31 March 2019	**410**	**4,185**	**223**	**31**	**115**	**4,964**
NBV at 31 March 2018	**400**	**4,185**	**250**	**29**	**166**	**5,030**

Notes to the accounts as at 31 March 2020

7. Intangible assets

For the year ended 31 March 2020

	Software licences	IT software	Assets under development	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2019	**1,507**	**7,683**	**1,785**	**10,975**
Additions	627	710	1,863	**3,200**
Disposals	(8)	(48)	0	**(56)**
Revaluations	0	3,445	(3,445)	**0**
At 31 March 2020	**2,126**	**11,790**	**203**	**14,119**
Depreciation				
At 1 April 2019	**865**	**6,853**	**0**	**7,718**
Charged in year	438	708	0	**1,146**
Disposals	(8)	(48)	0	**(56)**
Revaluations	0	0	0	**0**
At 31 March 2020	**1,295**	**7,513**	**0**	**8,808**
NBV at 31 March 2020	**831**	**4,277**	**203**	**5,311**
NBV at 31 March 2019	**642**	**830**	**1,785**	**3,257**

For the year ended 31 March 2019

	Software licences	IT software	Assets under development	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2018	1,217	6,924	0	8,141
Additions	290	223	2,321	2,834
Disposals	0	0	0	0
Write off of intangible non-current assets	0	536	(536)	0
At 31 March 2019	1,507	7,683	1,785	10,975
Depreciation				
At 1 April 2018	374	6,707	0	7,081
Charged in year	491	146	0	637
Disposals	0	0	0	0
Write off of intangible non-current assets	0	0	0	0
At 31 March 2020	865	6,853	0	7,718
NBV at 31 March 2019	**642**	**830**	**1,785**	**3,257**
NBV at 31 March 2018	**843**	**217**	**0**	**1,060**

8. Trade receivables and other current assets

8.1 Amounts falling due within one year

	2019-20 £000	2018-19 £000
Trade receivables	24	7
Prepayments and accrued income	604	180
Cash in transit	0	64
Other receivables*	8,740	13,328
Total receivable within one year	**9,368**	**13,579**

*Other receivables relate to the payment of pensions on behalf of Scottish police and fire services.

8.2 Intra-government balances falling due within one year

Balances with bodies external to government	**9,368**	**13,579**

9. Trade payables and other current liabilities

9.1 Amounts falling due within one year

	2019-20 £000	2018-19 £000
Trade payables	1,220	664
Accruals and deferred income	531	628
Taxation and social security*	9,338	7,413
Finance lease	5	5
Total due within one year	**11,094**	**8,710**

9.2 Intra-government balances falling due within one year

Balances with other central government bodies**	587	441
Balance with bodies external to government	10,507	8,269
Total	**11,094**	**8,710**

9.3 Amounts falling due after more than one year

Finance lease	0	5

9.4 Intra-government balances falling due after more than one year

Balances with bodies external to government	0	5

*Taxation and social security liabilities relate to the payment of pensions on behalf of Scottish police and fire services.
**Includes accrued employee benefits.

10. Provisions for liabilities and charges

	2019-20 £000	2018-19 £000
Provision at 1 April	367	0
Provided in the year	0	367
Provisions not required written back	**(367)**	0
Provision at 31 March	**0**	**367**

The provision at 31 March 2019 was for the reinstatement of an individual's membership of the National Health Service Pension Scheme (Scotland). In March 2013, £367,000 was transferred out of the National Health Scheme at the request of a member. Subsequently the member had difficulty in managing that transfer with the receiving scheme. The member contends that SPPA failed to carry out sufficient due diligence on the transfer and in 2018-19 appealed to the Pensions Ombudsman. In October 2019, the Pensions Ombudsman ruled that the complaint was not upheld against SPPA.

11. Capital commitments

Capital commitments at 31 March 2020 not otherwise included in these accounts.

	2019-20 £000	2018-19 £000
Contracted for at 31 March	125	2,947

The capital commitments of £2.947 million as at 31 March 2019 related to the enhancement of the existing pension administration and payroll system.

12. Commitments under leases

Total future minimum lease payments under leases are given in the table below for

Obligations under operating leases comprise	2019-20 £000	2018-19 £000
Office Equipment		
Not later than one year	13	4
Later than one year and not later than five years	17	0
Total	**30**	**4**

Obligations under finance leases comprise	2019-20 £000	2018-19 £000
Office Equipment		
Not later than one year	6	6
Later than one year and not later than five years	0	5
Less interest element	(1)	(1)
Total	**5**	**10**

13. 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 colleagues or other related parties has undertaken any material transactions with the SPPA.

14. Contingent liabilities

There were no contingent liabilities as at 31 March 2020.

15. Important events occurring after the year end

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

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