



Scottish Public
Pensions Agency

Buidheann Peinnseanan
Poblach na h-Alba

Annual Report and Accounts 2020-21

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SG/2021/302

1. Performance Report

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1.1 Chief Executive Statement

I am pleased to be writing this foreword as Interim Chief Executive of the Scottish Public Pensions Agency (SPPA), having joined the organisation in April 2021. As well as a year of change across the globe, it has been a year of change within the Agency.

The previous SPPA Chief Executive, Penelope Cooper, left the Agency and joined the core Scottish Government in November 2020 to provide key leadership as part of the COVID-19 response. At that point, Matt Valente, previously Head of Business Management, assumed Accountable Officer responsibility as Interim Chief Executive until April 2021. I would like to thank Matt for his leadership of the Agency and I wish him all the best in his future career within the Scottish Government.

I have worked in and around the core Scottish Government for over 30 years, starting as a policy trainee, then moving into a series of roles in customer-facing delivery bodies, including most recently serving two years as the CEO of the Student Awards Agency Scotland. My appointment has reduced risk from a governance perspective and retain effective leadership and accountability pending the recruitment of a permanent Chief Executive.

Brilliant basics

My goal is to provide strategic direction to our Senior Leadership Team, whose focus is on developing and promoting our strategy and objectives and driving further improvements in core operational performance. The impact of the global pandemic has meant managing significant change to our ways of working, as well as how to better prioritise the needs of our members. Our focus this year has been on effective and brilliant basics – the safe and timely delivery of public pensions underpinned by excellent customer service. This will remain our key priority throughout the Agency and putting this into practice will build a strong foundation for our future success.

Impact of COVID-19

Since our last financial year-end, the Agency has, like many organisations, set up a remote working operation – only key security and administration functions have operated on a limited basis in our office in the Scottish Borders. This has meant a reduction on the range of services we have been able to provide to our customers and members through remote working. I am, however, pleased to report that we are almost back to a full service provision for our members (with this expected to be in place by December 2021). Working with the Scottish Government and our own Business Continuity team, we delivered in March and April 2020 an efficient continuity plan – with colleague safety at the core (more on this is on page 11). As we move forward, we will continue our work on the delivery of key development projects, such as our Pensions Platform Programme (see page 21) and the 2015 remedies (see page 23).

Thank you to our colleagues and members

This business year has been challenging for the Agency, yet this has been met head on by our dedicated colleagues who have driven forward with a view to continually improve our business processes and outcomes. Working from home, the team has, on a daily basis, had to balance various work and personal life commitments – and in some cases deal with ill health or loss of loved ones. I applaud their dedication and resilience.

In a similar vein, my thanks and admiration go to our pension scheme members who have been on the pandemic front line protecting our safety, looking after our people and educating our children. We are proud to support you. Despite the challenges we have all faced, the core mission of our Agency is to persevere in the safe delivery of one of the most valuable elements of our members' future – financial security. It is a unique privilege for the Agency to serve our country in this way and we are proud to have played a small part in holding firm in the face of extreme hardship.



David Robb
Interim Chief Executive

17 November 2021

Performance Report

Overview

1.2 Statement of Purpose

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

Our efforts remain 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).

SPPA scope of responsibility

- 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.
- 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 Vision

To provide excellent customer service, combining skills and technology to maximise efficiency and deliver best value to taxpayers in Scotland.

Our Mission

To put our customers' needs at the heart of all we do.

Our Strategic Aims and Strategic Objectives

Our Strategic Aims are aligned to the Scottish Government's National Performance Framework and reflect our Vision, Mission, priorities and people (customers and colleagues). In March 2021, the Senior Leadership Team (see page 27) conducted a review of our Strategic Aims and Strategic Objectives with remote working and emphasis on colleague safety, connectivity and wellbeing firmly in mind.

It was agreed that, in order to deliver excellent customer service within our new remote working arrangements, the Strategic Aim '**Great Place to Work**' that was introduced in 2019-20 should be replaced with '**Collaborate effectively**' to better identify the need for colleagues to stay connected and always support each other whilst working in respective remote environments. Within this, we have prioritised colleague wellbeing and collaboration, both of which have been challenged during the last year.

We have also reviewed our process of objective setting across the Agency; ensuring that the clarity of our Strategic Objectives to inform department, team and individual colleague objectives will allow us to better measure all contributions to the overall Agency objectives.

Our Strategic Aims

Customer first: Better understand what matters most to our customers. Improve the customer journey and experience.

Operational excellence: Actively take ownership and accountability to improve what we do. Build sustainable quality into our operation.

Develop our people: Attract, develop and retain talented colleagues. Continuously improve and share best practices.

Collaborate effectively: Improve colleague collaboration. Evidence clear improvements in our approach to wellbeing, diversity, inclusion and sustainability.

Our Strategic Objectives

National Performance Framework	Strategic Aim	Strategic Objective
Economy: We have a globally competitive, entrepreneurial, inclusive and sustainable economy	Customer first	Better understand what matters most to our customers
		Improve the customer journey and experience
Fair Work and Business: We have thriving and innovative businesses, with quality jobs and fair work for everyone	Operational excellence	Actively take ownership and accountability to improve what we do
		Build sustainable quality into our operation
Education: We are well educated, skilled and able to contribute to society	Develop our people	Attract, develop and retain talented colleagues
		Continuously improve and share best practices
Human Rights: We respect, protect and fulfil human rights and live free from discrimination	Collaborate effectively	Improve colleague collaboration
Environment: We value, enjoy, protect and enhance our environment		Evidence clear improvements in our approach to wellbeing, diversity, inclusion and sustainability

Our structure

In November 2020, then Chief Executive, Penelope Cooper, was asked to join the Scottish Government as Director of Outbreak Management as part of the COVID-19 response. The SPPA's then Head of Business Management, Matt Valente, assumed responsibility as Accountable Officer and Interim Chief Executive with effect from 15 November 2020.

In January 2021, under Matt's leadership, the SPPA created an interim structure with the following six departments:

- Colleague Experience
- Customer Services
- Digital Transformation and IT
- Finance, Procurement and Risk
- Operational Excellence
- Regulatory Affairs

Each department has a head of delivery, reporting directly to our Interim Chief Executive, who together form SPPA's Senior Leadership Team (see page 27).

On 26 April 2021 David Robb was appointed Accountable Officer and interim Chief Executive (see below) and has retained the interim structure outlined above.

Interim Chief Executive

In response to unforeseen circumstances, with the support of the Scottish Government, further interim arrangements were put in place in March 2021 to provide continuity of Accountable Officer responsibilities prior to the appointment of David Robb. Members of our Management Advisory Board, Audit and Risk Committee, Audit Scotland and Scottish Government Internal Audit were kept apprised and provided support, as appropriate.

David, as Interim Chief Executive and Accountable Officer, is answerable to Scottish Ministers and the Scottish Parliament 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.

The changes are summarised on page 27.

Our Membership

In the last five years, we have seen a 13% increase in the number of members active in the schemes under administration and a 23% increase in the number of pensioners in those schemes, with 569,011 members in total either currently active, deferred or receiving a pension including widows and dependents.

We pay more than 225,000 pensioners over four pension schemes to a value of £2.3bn annually by carrying out 1,426 pay runs.

1.3 COVID-19 response

COVID-19 has had a major impact on our operation, customer service and ways of working. Since the initial outbreak of COVID-19 in Scotland in February 2020, we have continued to follow all Scottish and UK Government guidelines and taken appropriate measures to ensure the ongoing safety of colleagues and members of the public. We were able to quickly adapt our ways of working that ensured all of our members continued to be paid their pensions on time.

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, we pulled together an internal communications plan based on colleague wellbeing – with safety at the core. This involved regular and official streams of information from the Scottish and UK Government with agreed SPPA specific interventions. This plan is based on applying the information we have been presented with to our unique environment and putting the Agency on the front foot for the duration of the COVID-19 pandemic emergency.

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.
- **Maintaining 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.

Colleague welfare

- Colleagues were provided with the right technology and equipment to work from home.
- Improvements in online communication channels were implemented through the use of online collaboration tools, such as Skype for Business and Microsoft Teams
- Mental health and wellbeing has been a key priority with our HR team conducting 2,200 wellbeing calls.
- Our 2020 People Survey included COVID-19 specific questions to give colleagues a voice on how they felt about the SPPA's response to the pandemic. Feedback showed that the majority of colleagues felt that communication and working relationships had either not been affected or had in fact improved through the pandemic (86% positive feedback score).

Stakeholder Management

- We provided our wide array of key stakeholders with timely and relevant communications via appropriate channels including our Pension Boards, Management Advisory Board, Audit and Risk Committee and public website to ensure that key messages were delivered clearly and effectively.

Maintaining Operational Activity

- Swift implementation of our business continuity plan ensured that all operational issues were considered and ways of working adapted to ensure we were able to support our key activities.
- Telephony lines were reduced to critical calls for those members who had bereavement, injury benefit and ill health enquiries whilst staff worked from home ensuring that critical services remained at the core of our delivery model. In April 2021 lines reopened to a full service in the mornings only with a continuation of a reduced service in the afternoon. A full reopening of phones lines has been delayed to 1 December 2021 which is in line with the arrival and training of new colleagues who will be supporting this area of work.

The next steps will be working with the Scottish Government to deliver a safe and inclusive hybrid working environment.

Provision of Policy Advice

Provision of expert policy advice to varied stakeholders, including Scottish Ministers and HM Treasury, has been considerable during the past year. The Agency played a critical role in supporting Department of Health colleagues in the development of the Coronavirus Life Assurance Scheme. This Scheme, rapidly introduced, afforded many medical workers critical to the frontline fight against the pandemic the assurance of working with pension benefits irrespective of their status in the pension scheme.

Working collegiately with the Scottish National Investment Bank, policy officials delivered a significant piece of advice regarding future infrastructure investment to Scottish Ministers taking into consideration complex investment and pension landscapes. As part of the UK Government's 2015 Remedy solution to address age discrimination in the pension reforms of 2015, the SPPA led, and continues to lead on, the policy aspects for the Scottish schemes we administer whilst also playing a wider role in leading cross-Whitehall development of primary legislation specifically on the areas of divorce, early retirement and late retirement.

Social Care Death in Service Scheme

On 17 March 2020 the NHS Scotland and Social Care Coronavirus Life Assurance Scheme 2020 came into force, the regulations of which govern the Death in Service Scheme to provide a one-off payment of £60,000 to dependents of a social care worker who has died in service as a result of, or the suspected result of, contracting COVID-19 at work.

Performance Report

On 18 March 2020 the Scottish Government Cabinet Secretary for Health and Sport authorised the SPPA to make all payments on behalf of the Scheme. Payments are subsequently recharged by the SPPA to SG Director General Health and Social Care. All payments made in 2020-21 were fully recharged by the 31 March 2021. As a result the costs of the Scheme have no impact on the Agency's 2020-21 financial statements or those of NHS Pension Scheme (Scotland).

The payments made in 2020-21 by the SPPA on behalf of the Scheme are detailed in table 1.3a below:

Table 1.3a: Social Care Death in Service Scheme 2020-21 Payments.

	Number of cases	£000
NHS Employees	7	420
Social Care Employees	11	660
Total	18	1,080

1.4 Performance summary

This report is prepared in accordance with HM Treasury's published 'Addendum to the Government Financial Reporting Manual 2020-21: minimum reporting requirements'.

1.4.1 2020-21 Key Performance Indicators (KPIs)

We recognised the need to improve our ability to plan and measure our performance and, in the restructure of January 2021, established a new Operational Excellence function for the Agency with overall responsibility for planning and monitoring performance. The future development of business intelligence and management information will create better performance analysis across the Agency, enabling effective, efficient, evidence-based decision making as well as identifying opportunities for continuous improvement (through better use of management information).

KPIs: How we performed

- Pay 100% of existing pensions on the due date: **100% achieved**
- Pay 98% of new awards within one month of the due date: **99.6% achieved**
- A minimum of 95% of all new pension awards are correct at the point of authorisation: **95% achieved**
- 98% Complaints resolved within 5 days for stage 1 complaints and within 20 days for stage 2 complaints: **97.3 % achieved¹**

Regulatory KPIs

- **Internal Dispute Resolution Procedure (IDRP):** IDR is available to members to provide an avenue for escalation of a previous complaint, seek determination on an administrative error or to seek or contest an adjudication to a medical determination for ill health benefit. 63% of cases reached a determination within the target four-month timescale.
- **Ministerial Correspondence:** Ministerial correspondence is managed through SPPA and the Scottish Government Public Engagement Unit with responses drafted in the name of the appropriate Minister for issue within 20 working days of receipt. The SPPA received 42 cases during the reporting period. In the 2020-21 reporting period, all cases were processed and completed, with seven cases completed outside the 20-day working day timescale due to resourcing constraints or reasons out with the direct control of the SPPA.
- **Freedom Of Information Requests:** The Coronavirus (Scotland) Act 2020 made a number of significant temporary modifications to the Freedom of Information (Scotland) Act 2002 (FOISA). These were intended to give public authorities some additional time when responding to requests under FOISA. In the 2020-21 reporting period, the SPPA received 27 requests. All were responded to within the statutory timescales.

¹ Target was missed due to reasons out-with SPPA's direct control.

1.4.2 KPIs

Our 2020-21 Objectives were set at a more strategic level in order we have clear priorities to deliver across the Agency and performance against these measures is on page 13.

This has led to the creation of KPIs for 2021-22 which are central to our purpose and linked to our Strategic Aims. These are aligned with our five year strategic plan (which currently covers the period 2019-24). The KPIs are set by the SLT and supported by the Management Advisory Board (see page 36). As part of our 'Brilliant Basics' approach, the SPPA will use the following strategic KPIs to manage and track our performance against our Strategic Aims.

Customer first

- Improvement in our "Net Promoter Score" customer satisfaction measure
- Increase the number of members using our online services
- 100% of eligible customers to receive their Annual Benefit Statement / Annual Allowance on time
- Pay 98% of new awards within 1 month of due date
- Complaints: 98% to be resolved within 5 days for stage 1 and within 20 days for stage 2

Operational excellence

- Increase productivity in the Agency (customers served per person per day)
- Operational Cost Improvements: Reduce the cost to serve per member
- Quality Assurance: 95% of all checks to be accurate

Develop our people

- Increase in the number of colleagues having taken part in formal learning
- Increase in the number of Scottish Government assisted qualifications.
- Increase in the annual UK Civil Service Government People Survey in the following areas:
 - Reform and culture
 - Leadership and change
 - Learning and Development

Collaborate effectively

- Obtain 75% approval rating from feedback on colleague engagement events (such as our '60 minutes with the SLT')
- Increase in the colleague engagement section of the annual people survey
- Increase in the colleague PERMA² index in the annual people survey

² This index measures the extent to which employees are 'flourishing' in the workplace; it is based around the 5 dimensions: Positive emotion, Engagement, Relationships, Meaning and Accomplishment, as detailed in [the Civil Service People Survey](#)

1.4.3 Key risks and issues

During 2020-21, our highest rated risks retained the same titles as 2019-20 but had evolved with the external environment and our skilled resources; they largely reflected the delayed updating of our IT systems.

- **Security / Cyber:** A full year of home working and all the distractions and infrastructure changes this has presented, this risk has been ever present in SPPA decisions. Following a high-profile cyber-attack on another Government body in December 2020, we have continued our regular internal communications and training and are regularly reviewing first and second line defences to reduce our exposure. Our annual actions, accreditations and mitigations have managed this risk for 2020-21 successfully but in reviewing the risks for 2021-22 it is reasonable to assume security will remain a top risk in some form.
- **Data Quality:** We are reliant on employers' submissions for our incoming data quality and last year at the start of COVID we were concerned for the pipeline of information. The mitigations we installed have successfully managed this risk from having operational impact and we are reviewing if it remains a high concern for 2021-22.
- **Business Intelligence:** Being a key area of focus the interim directorate of Operational Excellence was established and includes a new team of Business Intelligence Analysts, among others. Operational Excellence has made great strides in improving the quality and detail of data available. Further recruitment is in train and our SLT are currently sharpening the definitions of management information required, tools available and drawing insights from the regular data provided. The risk scores for this area have reduced over the year but remain higher than the target due to the mentioned lack of infrastructure to support delivery. The risks facing SPPA in 2021-22 assume improving our internal consumption and organisation of data will remain a key lever to SPPA.

1.5 Performance analysis

1.5.1 Financial position at the end of the year

Table 1: Financial overview

	Revenue £000	Depreciation £000	Capital £000	Total £000
Baseline - received	19,645	2,400	1,800	23,845
Initial budget allocation	19,645	2,400	1,800	23,845
Autumn Budget Round Transfer in from Scottish Government Health in respect of Actuarial Services	425	-	-	425
Spring Budget Round COVID-19 pandemic – additional staff costs	500		-	400
Release of budget		(100)		
Revised budget allocation	20,570	2,300	1,800	24,670

The SPPA operated within our budget allocation for 2020-21. A summary of actual expenditure outturn compared to budget is detailed in the table below.

Table 2: Performance against budget in 2020-21

	Final budget allocation £000	Actual outturn £000	Overspend/ (underspend) £000
Resource	20,570	17,994	(2,576)
Depreciation	2,300	2,025	(275)
Capital	1,800	1,533	(267)
Total expenditure	24,670	21,552	(3,118)

- The resource budget underspend of £2.576m is mainly in salary costs and attributable to a recruitment freeze resulting in budgeted posts being unfilled during the year and changes to our ways of working during the COVID-19 pandemic. Travel and subsistence costs were reduced due to travel restrictions imposed nationally to manage the pandemic and training events were disrupted. Premises and office related expenditure reduced, notably utilities and facilities maintenance and postage costs reduced as efficiencies

were realised – mostly as a result of the enforced changes from the COVID-19 pandemic.

- The Spring budget allocation of £500k was not required and contributed to the reported underspend.
- Actual costs increased from 2019-20 reflecting increases in overtime worked and interim workers were retained as partial mitigation to below establishment staffing arising from the Scottish Government recruitment freeze. Workforce planning has continued to develop and organic business evolution will make sure the Agency adapts to meet its aims and objectives through business as usual resourcing.
- In adapting to the changing work environment, we have been especially mindful of planning to achieve a balanced financial position on a sustainable, year on year, basis.
- It was not until February 2021 that the UK Government confirmed its intent to proceed with the 2015 Remedy (see page 23). However having established a formal programme to manage the development of our response, in-year costs were met from our baseline funding allocation.
- Costs associated with ongoing major projects – the procurement of the new pension platform system and the guaranteed minimum pensions (GMP) project – were met from our baseline allocation.
- The underspend on non-cash resource expenditure includes an underspend on depreciation of £0.275m (2019-20 £0.155m) and a gain on indexation of property, plant and machinery of £0.063m (2019-20 £0.109m).
- Capital expenditure was under budget by £0.267m (2019-20 £0.552m), 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 2021 is detailed below together with long-term expenditure trends.

1.5.2 Financial resources 2020-21 and expenditure trends

Table 3: Headline figures

	2020-21 £000	2019-20 £000		2020-21 £000	2019-20 £000
Income	(184)	(254)	Total assets	18,214	19,717
Expenditure	20,020	18,607	Total liabilities	(9,041)	(11,094)
Net expenditure	19,836	18,353	Net assets	9,173	8,623

- Income of £0.184m (2019-20: £0.254m) consists of £0.149 million from work associated with pension sharing on divorce and £0.03m from the provision of pension calculation services to third parties.
- Expenditure has increased by £1.4m (7.59%) to £20.02m in 2020-21 from £18.607m in 2019-20 as explained in Table 4 on page 18.

Table 4: Comparison of expenditure over 5-year period

	2020-21 £000	2019-20 £000	2018-19 £000	2017-18 £000	2016-17 £000
Staff costs	12,302	11,138	10,368	9,877	9,142
IT maintenance	2,438	2,901	1,913	1,897	1,896
Actuarial services	1,700	1,692	1,641	2,148	1,008
Depreciation	2,025	1,454	950	837	4,218
Other expenses	386	429	478	500	492
Accommodation costs	379	366	354	370	300
Reform of guaranteed minimum pensions	193	298	438	322	0
Notional charges	271	292	278	286	259
Postage	150	209	311	215	241
Professional & technical advisory services	154	185	294	163	339
Compensation payments	21	(357)	374	23	26
Write-off of intangible non-current assets	0	0	0	1,621	0
Expenditure	20,019³	18,607	17,399	18,259	17,921
Expenditure relating to revaluations	(63)	(109)	(108)	(306)	(136)
Total expenditure	19,956	18,498	17,291	17,953	17,785

- **Staff costs** of £12.302m (2019-20 £11.138m) an increase of £1.164m due to an increase in staff employed; the annual pay rise and pay scale progression. Further detail is available on pages 56 and 57.
- **IT maintenance** has decreased by £0.463m to £2.438m (2019-20 £2.901m) due to a reduction in costs associated with our pensions administration and payroll systems.
- **Actuarial services** totalled £1.7m [2019-20 £1.692m], which was £0.008m increase from the previous year. Costs are dependent on the valuation cycle for the pension liabilities of the NHS Scotland, Scottish Teachers', Fire and Rescue Services, Police Service of Scotland and Local Government pension schemes, and pension legislation changes.
- **Depreciation** of property, plant and equipment and information technology was £2.025m on for 2020-21 [2019-20 £1.454m], which was £0.571m increase on the prior year. The increase relates mainly to assets associated with the enhancement of the existing pension administration and payroll systems.
- **Notional charges** cover services provided by the Scottish Government of £0.111m, and Audit Scotland's audit fee of £0.160m. These costs are met from the central Scottish Government's budget.

³ Rounding difference from financial statements

- **Professional & technical advisory services** have decreased by £0.031m to £0.154m (2019-20 £0.185m). The majority of costs were incurred to support a rapid review of the business
- **Compensation payments** in 2020-21 include payments in respect of 12 cases taken through our internal dispute resolution procedure.
- **Revaluation gain** of £0.063m in 2020-21 [2019-20 £0.109m] 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.

Table 5: Comparison of assets and liabilities over a 5-year period

	2020-21	2019-20	2018-19	2017-18	2016-17
	£000	£000	£000	£000	£000
Property, plant and equipment	4,900	5,038	4,964	5,030	4,928
Computer software and licenses	5,019	5,311	3,257	1,060	3,059
Trade and other receivables*	8,295	9,368	13,579	19,309	16,464
Total assets	18,214	19,717	21,800	25,399	24,451
Trade and other payables*	(9,029)	(11,094)	(8,715)	(8,127)	(8,811)
Provisions for liabilities and charges	(12)	0	(367)	0	0
Total liabilities	(9,041)	(11,094)	(9,082)	(8,127)	(8,811)
Net assets	9,173	8,623	12,718	17,272	15,640

*Other receivables and payables include balances relating to the payment of pensions on behalf of the Scottish Police and Fire and Rescue Service pensions.

- **Total assets** decreased by £1.503m to £18.214m at 31 March 2021, and comprised:
- **Property, plant and equipment** of £4.9m, which included £4.511m of freehold land and buildings
- **Computer software and licenses** of £5.019m, a decrease of £0.292m from last year mainly due to decommissioning legacy software and therefore saving licencing and support costs following completion of the improvement programme for the pension administration and payroll system
- **Trade and other receivables** of £8.295m, a decrease of £1.073m from 2019-20, included balances of £6.46m relating to Scottish Police and Fire-fighters' 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** reduced to £9.041m from £11.094m in 2019-20. The balance at 31 March 2021 included £7.633m (2019-20: £9.338m) payable to HMRC relating to the administration of Police Service of Scotland and Scottish Fire and Rescue Service - pensions. The decrease is due to the impact of a reduction in commencement lump sums by value and by number of associated members.

Further information on the Agency's income, expenditure, assets and liabilities can be found in the Financial statements.

1.5.3 Agency Projects and Programmes

1.5.3.1 Annual Benefits Statements

The Agency has a legislative responsibility to provide all eligible active members as (of 31 March each year) with an Annual Benefits Statement (ABS) by no later than the 31 August that same year. If an administrator is unable to meet this requirement and this breach is significant then the administrator must report this to the Pensions Regulator.

NHS and Teachers

The ABS planning and delivery was the first major project to be conducted via remote working leading to additional challenges that required adaption at pace. All statements were made available to members online between 29-31 August 2020. On 31 August, we were aware of an issue which indicated that statements were inaccurate and required amending. Analysis of the issue identified the error occurred due to insufficient planning and quality assurance.

As soon as this issue was identified a dedicated recovery group was formed to rectify the inaccuracy. As a result, 97.93% of Teachers' members were delivered by 25 September – rising to 99.5% by 30 November. For NHS members, 99.08% had a statement available online by the end of December.

Police and Fire

All Police and Fire calculations were successfully completed on time and those members who have registered for our online Member Self Service (MSS) had access to their statement by 31 August 2020. A formatting issue was however identified on 27 August which resulted in a delay to the printing and posting of the statements for those members who had not yet registered for the online service.

This was recognised to have an impact on achieving the target delivery date of 31 August, thus putting the SPPA in a breach of regulations. Revised distribution of letters with the supplier was swiftly arranged with these being posted to members on the 31 August.

The SPPA reported all of the above to the Pensions Regulator with no further action being taken.

1.5.3.2 Pension Platform Programme

Background

In February 2018 we closed the PS Pensions project, which had aimed to deliver an integrated pensions administration and payment system designed to make efficiencies and help meet the additional requirements of the Public Sector Pensions Act 2013. This Act introduced career average revalued earnings (CARE) pension schemes and new governance arrangements for public pension schemes.

Since May 2018 the Pension Platform Programme has been in development.

Programme Aim

The aim of the project is support the Agency's future transformation, operation and service delivery improvement by modernising our skills and processes and procuring long-term contract(s) for the provision of pensions administration platform(s).

Programme Objectives

The objective of the project is to ensure that we have (an) appropriate (set of) tools, and compliant contractual coverage for the ongoing provision, support and maintenance of those tools. Those tools should:

- Be in line with the [Agency's Digital Strategy](https://pensions.gov.scot/corporate-publications/digital-strategy) (found here: <https://pensions.gov.scot/corporate-publications/digital-strategy>) operate in accordance with applicable regulatory and statutory requirements currently in force and enable compliance with future updates to those regulations.
- Represent value for money for Scottish Ministers and the people of Scotland.
- Support the Agency in achieving its strategic objectives including having the flexibility to expand to enable take on of additional pension schemes.

Programme Scope

The programme scope is to deliver the following:

- A business case that clearly demonstrates and evaluates the options available for ensuring the Pension and Payroll administration platform will meet the needs of the Agency's strategic objectives and also be economically advantageous, to the Scottish Government and Taxpayers.
- A procurement and commercial strategy that supports the business case and clearly outlines the approach for the provision of a future pension and payroll administration platform.
- An extension to the support and maintenance contract of the current Pension and Payroll administration platform.
- A plan and approach for implementation and transition to a future platform.
- Executing and delivering the procurement and commercial strategy to a successful conclusion.
- Delivery and implementation of the chosen solution – subject to the outcome of the business case and any subsequent procurement.
- Governance for the Agency Digital Strategy – note that delivery is the responsibility of the SPPA Digital and IT team in conjunction with the Scottish Government Digital Transformation Services.

Programme Timeline for 2021-22

Ministerial sign off will be sought for the business case by end October 2021. Provided this is secured, the following timeline will be followed:

- Pre-procurement assurance gateway scheduled for mid-November 2021
- Tender launch scheduled for early December 2021.
- Contract award June 2022.

1.5.3.3 Altair Improvement Project

The main focus of the Altair Improvement Project (AIP) was to improve the quality of the calculation functionality, removing impediments to processing such as manipulation of the system and manually created pension accounts. The project closed and a post project interim benefits review was conducted in August 2020 which outlined 30 enhancements which, as of 31 July 2020, had produced cost savings of £67,933. An additional 19 outputs were assessed as having had a likely cost saving of an additional £30,759, the most notable of which included making redundant six manual calculation processes as a direct consequence of reviewing calculations across the platform.

1.5.3.4 Altair Payroll

The delivery of the new Altair Payroll System was designed to reduce systems costs, consolidate systems, and improve productivity and efficiency. The system was fully launched in January 2020. In a review in August, a number of operational issues were discovered that slowed the realisation of benefits in this area. This included an increase in administrative work to run additional processes including the Bulk Retirement Processor and Arrears Calculator.

Additionally, the Balance of Pensions process resulted in a number of areas where the administrative load has increased. These issues were, and continue to be, addressed between the SPPA and the supplier, Aquila Heywood, with some improvements being made in the Altair 11 release (update) in February 2020. Additionally the customer services team conducted a full review of the balance of pensions process resulting in a more streamlined and time efficient process.

There have also been some improvements such as efficiencies in the time taken to process a monthly payroll calculation compared to the previous system. As at November 2020, there was an annual saving of circa £156,000 following the decommissioning of legacy software. This saving represents what would have been spent on licencing and support.

1.5.3.5 I-Connect

Mobilisation of the I-Connect data portal and a move to monthly data collection for our Firefighters members in February 2020 and Police members in March 2021 has proved to be beneficial. The Agency has made a saving by not having to complete an end of year return with our colleagues in the Scottish Fire & Rescue and Police services.

I-Connect has also led to a marked improvement in the data quality. All members of the scheme are up-to-date to within one month. This represents a substantial

improvement in an area where many historic data problems have existed since the Agency took on administration of the scheme.

1.5.3.6 Member self-service (MSS)

The MSS portal went live for members and pensioners of the Police Pensions Scheme & Fire and Rescue Service Pension scheme in November 2019. The Agency took the decision, supported by the pension boards, to 'soft' launch the MSS portal without actively promoting it to the participating schemes. Member pages of our website were updated and all employers notified which led to limited numbers of scheme members enjoying the benefits of the portal during 2021. This approach allowed the agency to assess the volume and nature of support that would be generated from the portal, allow a planned response to be developed and inform a formal launch plan.

Formal launch is planned over Summer 2021 with participating employers and we are targeting a switch to paperless payslips and benefit statements by the end of Summer 2021. We are reviewing when this service can be made available to NHS and Teachers pension scheme members.

1.5.3.7 Our Strategy for implementing the 2015 Remedy ('McCloud')

(found here: <https://pensions.gov.scot/2015-remedy>)

On 4 February 2021 the UK Government announced its intention to proceed with the deferred choice underpin remedy proposal. There remains a number of key outstanding technical and legal points which will be subject to discussion over the coming months with HM Treasury, HMRC and scheme policy leads. SPPA Scheme Advisory Boards have been, and will continue to be, engaged during this process. These outstanding issues are complex, particularly those areas that interact with existing tax legislation.

Our technical solution approach to 2015 Remedy is based on the fundamentals of the Digital Strategy with the emphasis on developing common approaches and making use of existing functionality to minimise development costs. In addition, any necessary development should be reusable and modular allowing portability as the solution will need to be applied for several decades to come as the point of decision for members is not until point of benefit crystallisation.

1.5.3.8 Guaranteed Minimum Pension (GMP) Rectification

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 second state pension. 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. Due to the change to the single tier state pension from 6 April 2016, we are required to reconcile member data which falls within the Department for Work and Pensions (DWP's) 'contracting out' period, from 6 April 1978 to 5 April 2016, with HMRC (Her Majesty's Revenue and Customs). The reconciliation of scheme 'contracted out' and

GMP data between the Agency and HMRC affects active, deferred and pension members and ensures the data we hold is accurate.

We received funding from the Scottish Government in 2018-19 and 2019-20 supporting the reconciliation and rectification process. Work continued in 2020-21 with costs met from our baseline allocation. The rectification, arising from reconciliation, corrects any GMP values and over or under-paid pensions established during the reconciliation. The rectification project, which has suffered delays in receiving reconciliation data from HMRC which led to resourcing pressures for the Agency, is complete for the Police and Fire schemes and in progress for NHS and Teachers.

1.5.3.9 Customer contact channels

During the COVID-19 pandemic, we had to significantly adapt our ways of working and customer contact methods to ensure that we can continue to meet the needs of our members whilst supporting colleagues with the challenges of home working. To achieve this, we moved to a reduced telephony service in April 2020 prioritising critical calls for those who had queries in relation to bereavement, ill health and injury benefits. All other customers were invited to contact us via email.

From 1 April 2020 to 31 March 2021, Customer Services colleagues answered 25,518 calls (whilst maintaining our target to answer all customer calls within 60 seconds). During this period, the monthly volume of email enquiries has increased significantly from 8,165 in April 2020 to a high of 18,116 in September 2020. Whilst we have been unable to maintain our aim to answer all emails within 24 hours of receipt due to this increased volume, we have improved our service quarter on quarter from 48% in Q1 to 66% in Q4.

1.5.3.10 Environmental Performance

The Climate Change (Scotland) Act 2009 places climate change duties on Scottish public bodies. Each year we submit our climate change duties report, detailing the climate change performance of our estate for that financial year, to the Scottish Sustainable Network. We recognise the importance of tackling climate change and are committed to reducing our impact on the environment through effective sustainable management of our operations and estate.

Our building has been designed to minimise the environmental impact upon the surrounding rural landscape. Our building benefits from the use of natural and renewable resources, including specifying untreated timber for windows, doors and external cladding. The specification also included the use of recycled materials such as newspaper-based cellulose insulation and water minimisation such as low flush WCs. As reduction of CO2 emissions is also a key objective and the building is predominantly naturally ventilated and lit by the use of large areas of glass including clerestory windows. In 2020 we installed electrical vehicle charging points in our car park to further promote and support the use of electrical vehicles for colleagues and visitors alike.

Performance Report



David Robb
Interim Chief Executive

17 November 2021

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

2.1.1 Funding and Structure

During 2020-21 the SPPA was part of the Finance, Economy and Fair Work Portfolio of the Scottish Government. We remain funded for our operations through the Scottish Government's Programme Budget.

2.1.2 Directors and management structure

The Directors and senior management of the Agency who served during 2020-21 were:

Senior managers (Structure at 31 March 2020)

- **Penelope Cooper:** Chief Executive
- **Dev 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 managers (Structure at 31 March 2021)

- **Matt Valente:** Interim Chief Executive (David Robb – with effect from 26 April 2021)
- **Garry Cossar:** Interim Head of Colleague Experience
- **Dev Dey:** Head of Customer Services
- **Rachel Miller:** Interim Head of Operational Excellence
- **Andre Morelli:** Head of Digital Transformation and IT Operations.
- **Karen Morley:** Head of Finance, Procurement and Risk (with effect from 1 February 2021)
- **Tom Nash:** Head of Regulatory Affairs
- **Ian Waugh:** Chief Financial Officer (retired 5 April 2021).

Non-Executive members

- **Helen Mackenzie:** Non-executive Member and Audit and Risk Committee Chair
- **Liz Holmes:** Non-executive Member
- **Ian Forbes:** Non-executive Member
- **Jane Malcolm:** Non-executive Member
- **Mark Adderley:** Non-executive Member
- **Norman McNeil:** Non-executive Member
- **Gordon Wales:** Non-executive Member nominated by the Director General Exchequer, Scottish Government (until July 2020)
- **Lesley Fraser:** (Director General: Corporate for the Scottish Government), with effect from July 2020

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 on page 27, of a temporary or interim nature, were created as part of an interim organisational review that is ongoing and due to be concluded in 2021-22.

2.1.3 Personal data related incidents

Under Data Protection legislation, SPPA is required to report personal data breaches to the Information Commissioner's Office (ICO) if risk to the individual is considered likely. During 2020-21 there were no reportable breaches referred to the ICO.

2.1.4 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, paid and unpaid 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 2020 survey, which was completed by 223 colleagues (over 70% return rate), the Senior Leadership Team agreed that the focus for improvement should be based around the three themes of planning, collaboration and improved performance management.

2.1.5 Investors in People (IiP)

The SPPA has 'Gold' status accreditation from IiP. The final review before re-accreditation was due to take place during the summer of 2020, but due to COVID-19 restrictions has now taken place virtually during June/July 2021 with a final outcome in place in November 2021.

2.1.6 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.

2.1.7 Developing Our People

In March 2021 we launched our colleague journey. This is our commitment to our colleagues that we will start to actively promote a culture of learning that will better prepare and develop our colleagues at every step of their journey with the SPPA and as part of the Scottish Government – but most importantly how we will achieve this through collaborating with other areas of the SPPA and offering training and development opportunities for all colleagues across the Agency. This is underpinned by a Learning & Development team and culture that promotes collaboration, innovation and continuous improvement.

2.1.8 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](https://beta.gov.scot/publications/equality-impact-assessment-results-race-equality-framework-scotland-2016-2030/) (found here: <https://beta.gov.scot/publications/equality-impact-assessment-results-race-equality-framework-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](http://www.gov.scot/Topics/People/Equality/18507/EqualityImpactAssessmentSearch) (found here: <http://www.gov.scot/Topics/People/Equality/18507/EqualityImpactAssessmentSearch>).

In-house courses continued for staff 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 87 colleagues (2019-20: 94) currently work part-time with a further 16 full-time colleagues (2019-20: 10) working contracted alternative working patterns.

2.1.9 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.

2.1.10 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:

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

Throughout the last year, despite all our colleagues working from home we have continued to carry out quarterly Health & Safety and fire safety inspections. All related risk assessments have been maintained and kept updated. The People Services team have kept in regular contact with colleagues working from home to address any concerns they may have around Health & Safety or setup of Display Screen Equipment. Due to mobilisation of our colleagues working from home, there were no reportable incidents in 2020-21.

2.1.11 Youth employment

We continue to work closely with the Developing the Young Workforce (DYW) – Scottish Borders team and local schools and colleges. Due to COVID-19 restrictions we have been unable to attend any career events, open days or working groups during the reporting year. To help support young people initiatives, earlier this year we worked with DYW and local schools on a collaborative 'real life project' where SPPA colleagues mentored groups of young people (including Foundation Apprenticeships) over a period of six weeks.

We look forward to introducing more Modern Apprentices in 2021-22. The Modern Apprentices will be represented across all business areas and recruitment is expected to begin in early 2022, ensuring that the roles are advertised when young people are most likely to be considering their next steps.

2.1.12 EASEbuy

We run the Scottish Government's EASEbuy e-procurement system that carries out online 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. During 2020-21 financial support was given to one contract in accordance with Government guidance during the pandemic.

2.1.13 Environment

We work closely with the Scottish Government Environmental Team to collate energy data and therefore support the Scottish Government in the preparation of its annual report on 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 2020-21 and our annual Environmental and Sustainability reports are published on our website:

<https://pensions.gov.scot/corporate-publications/environmental-performance-targets>

2.1.14 Risk management strategy

Risk Management is a key element in our governance arrangements. We have embedded our new risk management framework, built on the best practices from both the Scottish Public Finance Manual, central Scottish Government Risk Management guidance and the public and private sectors. We consider our framework to be dynamic in that it is a living document and reflects the changing needs and advice on this topic.

We have Agency wide and Departmental Risk Registers formatted to leverage best practice within SPPA and follow Scottish Government Guidance. The high level Agency Risk Register, previously the Strategic Risk Register, is reviewed monthly by SLT and covers the top risks to the Agency. This is underpinned by work carried out by the Risk Governance Group. The Risk Governance Group involves key members of staff from every directorate of the Agency and champions the role of risk while also sense checking the impact of new proposals.

Our Risk Strategy focus is on the engagement, culture and education of the Agency in relation to risk. This is progressing well with Risk Registers being embedded at all directorate levels, a Risk Blog being established on the intranet and open discussions of how we identify, prioritise and mitigate involving all colleagues.

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 Strategic Risk Register on a quarterly basis and takes into account the risk emanating from the environment.

2.1.15 Risk Management Counter fraud

The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. It 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 schemes 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.

NFI data matching exercise and mortality screening described above provides valuable tools in preventing fraud and error. A further data matching tool was embedded into our armoury last year with the adoption of a web-based system provided by 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 scheme membership data to over 300 million records that are captured as part of the NFI mandate exercise.

This past year we have trialled a new electronic identity verification software successfully and are considering how to further support our counter fraud defences through process redesign, software and training working with public sector partners to learn from others and develop our own best practice.

Our SPPA Counter Fraud policy is available to all colleagues on the intranet, and is being reformatted for ease of accessibility for 2021, it is supported by the central mandated training on Counter Fraud Bribery and Corruption learning packages and the SG guidance on Fraud.

2.1.16 Fraud

The Agency can confirm that there were two cases of fraud reported during the year, both arising from the identity theft of individual members, allowing the fraudster to effect a change of member bank account. See also Governance Statement, page 43.

Our policy on anti-corruption, bribery and counter fraud is available to all staff on the Agency intranet. This includes a fraud response plan should a potential case occur.

Authorisation and direction

Auditors

The accounts are audited by Audit Scotland. The notional fees are reported in the Financial statements at Note 3.3. Audit Scotland has provided only audit services to the SPPA during the year. Internal audit services are provided by the Scottish Government Internal Audit 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.

Accounts direction

The 2020-21 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.

Date accounts authorised for issue

The Accountable Officer authorised these financial statements for issue on Wednesday 17 November 2021.

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 83 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 are set out in the Memorandum to Accountable Officers from the Principal Accountable Officer. They include 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. 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.



David Robb
Interim Chief Executive

17 November 2021

2.3 Governance Statement

2.3.1 The Governance Framework

The Governance Framework is designed to ensure that the Agency complies with the highest standards of integrity 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.

Over the period of these accounts until the date of signing, the corporate governance systems operated as set out in this Governance Statement.

2.3.2 Scope of responsibility

During the last year, Penelope Cooper left the SPPA to take up a position as Director of COVID-19 Outbreak Management within Scottish Government. Matt Valente was appointed Chief Executive on an interim basis. This change resulted in an interim structure being implemented for the Senior Leadership Team, see section 8 for further details. At year-end Matt Valente held the position of Interim Chief Executive and Accountable Officer. Due to a long-term absence, Matt was replaced as Interim Chief Executive by David Robb in April 2021. As Accountable Officer, David 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 David is personally responsible in accordance with the responsibilities assigned to him.

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.

2.3.3 Agency's Framework Document

The Framework Document 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 that underpins our Vision in practical ways. In terms of governance, the Regulatory Affairs department is responsible for putting into place sound governance arrangements to provide accountability to Scottish Ministers and organisational direction in order 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, performance management measures and resources framework within which we operate.

The Agency’s Framework Document has been refreshed in terms of its content and presentation and on 26 July 2021 was signed off by Tom Arthur MSP, Minister for Public Finance, Planning and Community Wealth.

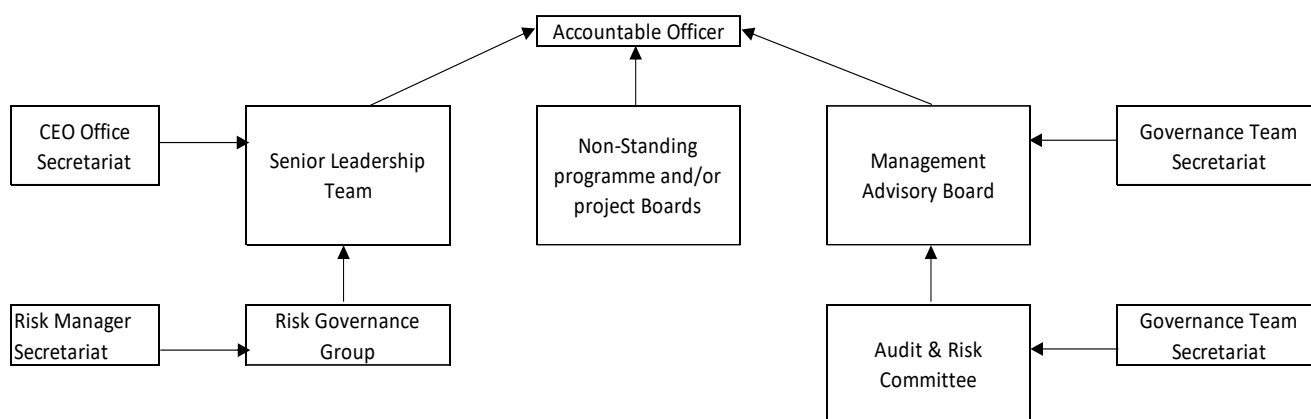
2.3.4 Our Vision

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 2019 to 2024 was agreed during the 2019-20 year. Strategic objectives are cascaded to departments through senior leadership team planning sessions at which key team tasks and priorities are identified.

As we continue to evolve, the five-year strategic plan will be updated regularly in order to best reflect the programme of change and any significant changes in central government funding. Through our Management Advisory Board (MAB), the senior leadership team regularly share updates on business planning and strategy with our MAB members where they are invited to share their knowledge and express their views.

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 [here](#).

2.3.5 Agency’s primary governance bodies designed to ‘advise’ the Accountable Officer



2.3.6 Corporate governance management arrangement changes

There were no changes to MAB members during the year. There is a gender balance on the Board. Both the MAB and the Audit and Risk Committee (ARC) carried out a self-assessment of their effectiveness. Also, the ARC provided a full account of its activities on a quarterly basis to the MAB. Corporate governance arrangements, overall, were considered to comply with generally accepted best practice principles and relevant guidance.

2.3.7 Management Advisory Board

The advisory nature of the MAB is one that is set out in the Scottish Government's publication 'On Board: A Guide for Members of Management Advisory Boards'. Board members are appointed to act in an advisory capacity to the SPPA's Accountable Officer and Chief Executive and are, therefore, neither personally nor collectively accountable for the Agency's performance.

As part of the annual review of the Framework Document (see page 34) and in line with best practice, the Terms of Reference of the MAB were reviewed and amended with approval agreed at the January 2021 meeting. During the year, the MAB met on six occasions. The board's work has included:

- Considering the content of our 2020-21 strategic planning update and the aims and objectives within.
- Receiving updates on our operational response to COVID-19.
- 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 recommending mitigations to the risks assessed in the Agency's risk register.
- Considering financial statements such as our draft Annual Report and Accounts and draft annual report and accounts 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 the Pension Platform Programme, NHS Practitioners Funding, Annual Pension Increase and Annual Benefit Statements.

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)
- Lesley Fraser (Director General: Corporate for the Scottish Government), with effect from July 2020

Biographies and meeting minutes are on the SPPA website [here](#).

2.3.8 Senior Leadership Team

As referenced on page 9, an interim structure was implemented during the year for the senior leadership team (SLT) and at year-end a number of the team remains interim. The interim SLT structure will continue until the appointment of a permanent Chief Executive in 2021-22 at which point it will be reviewed (as below):

- **Matt Valente:** Interim Chief Executive (David Robb – with effect from 26 April 2021)
- **Garry Cossar:** Interim Head of Colleague Experience
- **Dev Dey:** Head of Customer Services
- **Rachel Miller:** Interim Head of Operational Excellence
- **Andre Morelli:** Head of Digital Transformation and IT Operations.
- **Karen Morley:** Head of Finance, Procurement and Risk (with effect from 1 February 2021)
- **Tom Nash:** Head of Regulatory Affairs
- **Ian Waugh:** Chief Financial Officer (retired 5 April 2021).

SLT meetings are held several times weekly and are focussed on key, short-term deliverables and actions based around people, process, performance and customers. Additionally, a monthly meeting of the team focuses on strategic planning of priorities.

Full biographies of the SPPA SLT can be found on our website (<https://pensions.gov.scot/>)

2.3.9 Audit and Risk Committee

The MAB is supported by an Audit and Risk Committee (ARC) which comprises three of the MAB members. During the year, ARC met on five occasions (once less than MAB due to an extraordinary meeting to discuss the COVID-19 operational response). The Committee's work has included:

- Receiving updates and reports from senior managers to provide assurance in an Annual Report to the Accountable Officer and Management Advisory Board.
- Directing the work of and receiving progress reports from Internal Audit.
- Reviewing Audit Scotland's Annual Audit Plan and reports where appropriate, which includes an Audit Scotland Interim Management Letter and Annual Audit Report including an ISA 260 report.
- 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 a quarterly risk management update for review and discussion including the implementation of the risk management framework, risk registers, third party reports, tracking of audit recommendations and a deep dive into a specific risk or issue.

2.3.10 Pension Boards and Scheme Advisory 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.

The SPPA 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:

- 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.
- Participated in HM Treasury-led working and steering groups established to develop remedy proposals to remove the age discrimination in pension scheme reforms
- Supported Scottish Ministers' introduction of the coronavirus life assurance scheme providing cover for health service and social care workers.
- 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.

During the year SPPA governance team 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 secretariat services to and attended the NHS, Teachers', Police and Firefighters' Pension Boards.

2.3.11 Project Management

The Agency has delivered several projects of work during the financial year. 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 the installation of electric car charging points at our offices in Tweedbank.

As scheme manager, the SPPA has responsibility for issuing the annual benefit statements (ABS) to members. The deadline for this is 31 August each year but in 2020 the deadline was missed. As noted in Section 1.5.4, in the case of the Police and Firefighters' schemes this was due to an error at the outsourced printing company (all statements were delivered by 4 September) whilst with the NHS and Teachers schemes, members ABS were discovered to contain an unacceptable number of errors and were removed from the online portal (corrected and reissued by the end of December 2020).

All relevant stakeholders were informed of these delays and The Pensions Regulator accepted our revised plans. Following a review of the 2020 ABS process we are comfortable we understand the issues that led to these delays and have taken positive steps to address them. At year end, as a result of the interim SLT structure (see page 27), management of all SPPA projects, including ABS, now sit under a new project management team within the Operational Excellence area. The alignment of this function within a specific team will improve the overall support, coherence and governance of SPPA projects moving forward.

2.3.12 Pension Platform Programme

To ensure future service continuity, the SPPA Pension Platform Programme formally commenced in June 2020 predicated on the assumption of proceeding with a competitive procurement exercise to replace the current aging system and set the Agency up for success in a rapidly changing world of technological advancement and customer expectation. That approach was recommended by the SPPA Strategic Architecture Review (undertaken in 2020) and is also required by the Procurement Reform (Scotland) Act 2014.

The SPPA subsequently went out to market on the 27 August, 2020 with the publication of a Prior Information Notice and to date, multiple vendors have expressed their interest. During further analysis of the market, it has become apparent that, in order to achieve the strategic & digital aims of the Agency and Scottish Government, a more transformative approach should be considered. From a governance and oversight perspective, the key governance activities of the programme are managed through:

- The Programme Board – which meets monthly and is attended by SPPA Senior Leadership Team, commercial, assurance and technical representatives of Scottish Government, external and colleague representatives. Lesley Fraser, DG Corporate, is the programme sponsor.
- Programme Integrated Assurance and Approval Plan – (IAAP) which is designed to ensure that appropriate assurance activities are effectively planned, scheduled, coordinated and that resources are secured in advance and covers the whole programme scope, such as all digital and non-digital elements.

In addition to the above, the programme also provides regular updates to SPPA SLT, MAB, ARC and the Pension Boards.

2.3.13 Data Assurance

An undertaking to report serious⁴ breaches to the Scottish Government's Data Protection and Information Assets Team 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 ARC within an end of year report, even if escalation to the Scottish Government is not warranted under the Memorandum.

During 2020-21, 28 low risk personal data breaches were reported internally to the SPPA Data Protection Officer – a decrease of four on 2019-20. One further breach was categorised as reportable to the Information Commissioner's Office on the basis that it would likely cause distress to individuals and/or reputational damage. This breach occurred during October 2020 where by the personal data of 19 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 per an established process. Relevant stakeholders were informed; this included the Information Commissioner's Office (ICO) within the 72-hour statutory reporting timescale. Internal controls were reviewed immediately to introduce more robust preventative measures. On this occasion ICO did not investigate further as the breach was judged not to have met the threshold for reporting.

Continued data protection awareness amongst colleagues enables mistakes to be monitored, understood and rectified. A step-by-step guide to handling breaches is available on SPPA's internal 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 confirmed in February 2020 with re-accreditation affirmed in April 2021. The accreditation process helps organisations demonstrate a baseline of security standards that mitigate the risk of data losses and breaches. Resilience actions are being aligned to the Scottish Government's Cyber Resilient Scotland: strategic framework launched during Q4 2020-21.

2.3.14 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.

⁴ Any incident which may cause potential detriment to people and/or reputational damage to Scottish ministers should be considered serious.

This forms part of our strategic approach to Information Assurance. The annual Information Assurance Maturity assessment carried out in May 2021 demonstrated we have achieved a steady state.

2.3.15 Business Continuity

A hardcopy 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 fed back to the SLT and changes are made to the plan in the light of lessons learned.

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. A further exercise looked at the response to a scenario concerning a positive case of COVID-19 within the SPPA workplace.

From March 2020 to May 2020, the SPPA's response to COVID-19 was co-ordinated by the successful implementation of the Operational (Bronze), Tactical (Silver) and Strategic (Gold) incident management structure. The Agency enabled productive remote working at short notice whilst implementing safe on-site working practices for Mailroom and Facilities functions. There have been no reported cases of COVID-19 within the SPPA building since the outbreak of the pandemic.

2.3.16 Risk Management and Internal Controls

SPPA risk management has undergone a thorough review in 2020-21. A new Risk Management Framework was presented to the ARC in May 2020. The Framework uses Scottish Government best practice and tools to enable us to focus on three levels of risk; strategic, programme and operational, each supported by risk registers and processes that enable information to flow between areas.

While embedded and established in the strategic and programme realm, we are still iterating the operational risk reporting processes that cascade through the Agency and will consider the extent to which the pension board registers might be impacted by this.

At a strategic level risk discussions are supported by risk cards documenting, among other elements, the impact, likelihood, mitigations and key milestones/dependencies. These inform the regular SLT discussions and when requested provide detail for discussions around the strategic risks at MAB and ARC.

SPPA recognise they have managed risk to enable effective operational delivery, but there is scope to improve and develop a more refined and universal risk culture in the Agency. A theme throughout the current phase of Risk Management development is leveraging the learning, processes and culture that allow some teams in SPPA to deliver above average results and embed these throughout SPPA.

Strategic Risk Register Risks

During 2020-21, our highest rated risks retained the same titles as 2019-20 but had evolved with the external environment and our skilled resources; they largely reflected the delayed updating of our IT systems.

- **Security, Cyber:** A full year of home working and all the distractions and infrastructure changes this has presented, this risk has been ever present in SPPA decisions. Following a high-profile cyber-attack on another Government body in December 2020, we have continued our regular internal communications and training and are regularly reviewing first and second line defences to reduce our exposure. Our annual actions, accreditations and mitigations have managed this risk for 2020-21 successfully but in reviewing the risks for 2021-22 it is reasonable to assume security will remain a top risk in some form.
- **Data Quality:** We are reliant on employers' submissions for our incoming data quality and last year at the start of COVID we were concerned for the pipeline of information. The mitigations we installed have successfully managed this risk from having operational impact and we are reviewing if it remains a high concern for 2021-22.
- **Business Intelligence:** Being a key area of focus the interim directorate of Operational Excellence was established and includes a new team of Business Intelligence Analysts, among others. Operational Excellence has made great strides in improving the quality and detail of data available. Further recruitment is in train and our SLT are currently sharpening the definitions of management information required, tools available and drawing insights from the regular data provided. The risk scores for this area have reduced over the year but remain higher than the target due to the mentioned lack of infrastructure to support delivery. The risks facing SPPA in 2021-22 assume improving our internal consumption and organisation of data will remain a key lever to SPPA.

Areas for enhanced development

- **Maturity and distribution of risk management skills:** While not a new concept the prominence of risk as a discussion involving every colleague is an evolution. We are actively developing regular internal communications and discussing with Scottish Government Governance and Risk team training options to build confidence. Key individuals lead by example, demonstrating excellent risk management skills and behaviours to the wider SPPA.
- **Business planning:** A revised Strategic Business Plan was prepared for 2020-21. Although this was not published due to diverting resource to respond at pace to the pandemic, it acted to underpin priorities and targets. We have learnt from this and by the end of quarter 1 of 2021-2022 had directorate plans and individual performance objectives confirmed.
- **Internal financial monitoring and budgeting:** The formal process of internal interaction with the Finance directorate was not reinforced in the Agency until quarter 4 of 2020-21. The previous situation allows scope to improve with 2021-22 budget plans delivered and a lead from SLT focussed on establishing appropriate financial instructions. Adjacent to this is the understanding of relevant financial controls, such as those surrounding special payments, and

a top-down discussion with budget holders to reinforce financial management is part of their responsibility.

- **Controls:** An aspect of the Risk Management Framework SPPA have planned for 2021-22 is the evidencing and documenting of effective compliance controls; currently the robustness of controls to review and improve performance is insufficient. We use risk cards to great effect at a strategic level but this recording of discussion and decisions relating to risks is not routine throughout the Agency.

Programmes of Change

While the risks related to our Pension Platform Programme and the forthcoming 2015 Remedy work following the McCloud/Sargeant legal case are not of a strategic or operational nature the requirements they place upon the Agency will be substantial. Each has a separate project team focusing on ensuring we have the right people in the right places at the right times with detailed risk, issues, assurances, and dependencies recorded and reviewed regularly.

Reviewing Systems

In addition to our MAB and ARC, we benefit from four Pension Boards. All our boards ensure we are focused on our customers' needs and demonstrate good governance. Major proposals are scrutinised by MAB and ARC whilst the Pension Boards assist us in our scheme manager activities. They act as a critical friend when developing plans and help us to present relevant information clearly.

We work closely with Audit Scotland and Internal Audit throughout the year on several reviews and reports. This push to explain systems and decisions to an independent external party can surface controls we have considered but not documented and enable us to prioritise the development of the structure of our processes.

Fraud

There were two instances of fraud identified and reported during the year of which one incurred a loss of £3,634.88, one incurred no financial loss. Both instances stemmed from pensioners being victims of identity thefts which allowed the fraudster to exploit a weakness in the operational controls associated with data requests submitted via the MyPension portal. The Police were notified of both cases of identity theft and crime numbers allocated to the individuals. Internal controls have been reviewed and steps taken to address the vulnerability highlighted.

Leadership changes

Our Audit and Risk Committee also flagged up the transition risks arising from changes at CEO level and in the senior leadership team. These risks have been mitigated, in part, by the appointment of an interim CEO.

2.3.17 Audit

In 2020-2021 Internal Audit and Assurance Directorate produced the following reports with the SPPA:

- Assurance Reviews:
 - Contract Management – Reasonable assurance
 - Customer Complaints – Reasonable assurance
 - Financial Governance – Reasonable assurance
- Advisory Support:
 - Pensions Platform Programme
 - Risk Management
- Follow Up Reviews
 - Workforce planning: IT
 - Overtime
 - Data Quality and Management Information
 - Accounts Payable Phase Two – Final Report
 - Teachers Retirals

Historically the SPPA has accepted every recommendation made by Internal Audit and struggled to respond showing evidence of implementation due to resourcing, in turn leading to a backlog of open recommendations. By the end of quarter 1 2021-22 this has been significantly reduced.

IAAD's annual assurance report for 2020-21 gave an overall assurance rating of Limited for the year, meaning controls are developing but weak. Despite no individual audits receiving limited assurance, the rating took account of a number of wider factors relating to risk management, control and governance arrangements.

We received no exceptional reports from our External Auditors (Audit Scotland), only the standard Annual Audit Report in respect of the SPPA Annual Report and Accounts and the NHS and Teachers' Pension Scheme Accounts.

From the Annual Audit Report for the Agency, there were five recommendations:

- **Financial Sustainability:** The SPPA is investigating and clarifying its long-term goals to inform the long-term financial strategy. SPPA maintains a rolling five-year financial forecast which forms the basis of more detailed annual forecasting and submissions to SG, including informing the Capital Spending Review, for which settlement was announced in November 2020 and Resource Spending Review, which commenced in Summer of 2021.
- **Workforce capacity:** In July 2021, the SLT approved a revised resource plan acknowledging the limitations of the current structure (as a by-product of target operating model) and with a view on how we can effectively deliver what we have set out in our business plan. The plan will support the four strategic aims while mitigating known risks and addressing issues faced.
- **Governance and Transparency:** All roles within the Governance team had been substantively filled by the first quarter of 2021-22 and work has been ongoing to ensure the governance arrangements for the Agency are fit for purpose and transparent. Minutes of all governance boards are published on

the SPPA Website following approval at the following meeting of the relevant board.

- **Performance Reporting:** Ongoing remote working enforced by the pandemic combined with changes to the SLT structure in January 2021, prevented lessons learned from 2019-20 from being satisfactorily embedded. Key planning and performance manager roles remained vacant throughout 2020-21 leading to a further revision of the delivery plan for the annual report and accounts.
- **Replacement of Pensions Platform:** The recommendations are well embedded and progress of the programme is reported on page 21 of this report.
- **Governance arrangements (brought forward from 2018-19):** Change of Chief Executive Officer reported on pages 4 and 9 prevented the CEO from completing a review of the effectiveness of arrangements for chairing the MAB. A review of the Agency's governance arrangements and subsequent improvements was completed as reported under governance and transparency point above. MAB undertook a self-assessment as reported on page 35.

2.3.18 Health & Safety

Our policy on health and safety is a partnership between the Agency Senior Leadership Team, Staff and Trade Unions. The Agency provides competent and trained personnel to advise on safe systems and working environment and keep staff informed of health and safety developments that could affect them. The Agency consults with trade union representatives and values the benefits of a joint approach to health and safety.

COVID-19 Pandemic

As noted on page 10, we worked closely with the Scottish Government on planning and organising the Agency to enable our colleagues to work from home safely. We distributed laptops and equipment to all colleagues in the Agency to enable them to work from home. Since then, we have liaised with the Scottish Government Health and Safety Branch to ensure that staff working from home do so in a safe environment.

Our HR department have made wellbeing calls to all colleagues throughout the year as well as carrying out wellbeing surveys. We have communicated with staff throughout the year regarding Display Screen Equipment (DSE) and IT issues and sent our colleagues equipment and furniture, including desks, chairs, DSE equipment and monitor risers to enable them to work from home comfortably.

We have produced guidance for colleagues who attend the site to make them aware of the COVID-19 protocols. For our colleagues that continue to work on-site we have put in place several safety measures. These include:

- Signs highlighting the need to maintain physical distancing (2 metres)
- One-way systems to ensure people are not within 2 metres of each other
- Hand sanitisers throughout the office
- Risk assessments carried out and updated throughout the year
- Individual risk assessments carried out by staff to determine whether low/medium/high risk and able to work on-site
- Staff rota system in place to reduce risk of business critical staff on-site being infected or having to self-isolate.
- Targeted cleaning regime, with a focus on touch points, desks etc.
- Rules regarding wearing masks whilst moving around the office.
- Windows must be opened to ensure adequate ventilation
- Protocols for entering and exiting the office
- COVID-19 Health and Safety induction for all staff attending the site

Accident Statistics 2020-21

The Agency is committed to eliminating all accidents and incidents relating to staff and third parties that may be affected by our operations. An accident and incident reporting system is in place, including the reporting of near misses which are also analysed and actioned accordingly. Due to the COVID-19 pandemic, where we have facilitated the mobilisation of almost all of our staff to work from home in March 2020, we have had a very small number of colleagues on-site since then to work on business critical tasks and have had no accidents/incidents to report and no near miss incidents on-site for the year.

We have worked with colleagues and teams across the Agency to remind them that they still should report any incidents through the relevant channels.

Quarterly Workplace Inspections

We carried out four Quarterly Health and Fire Safety inspections; the main issues identified were predominantly housekeeping issues or minor repairs which are being addressed with our planned preventative and reactive maintenance contractor. We carried out two Fire Evacuations throughout the year and both were a success in that the building was fully evacuated within two minutes. We carry out a health and safety induction of all colleagues who work in the office to ensure they are aware of all our health and safety and fire safety protocols whilst working in the office.

2.3.19 Reliance on Experts

The Agency relies on the work of experts. This includes taking advice from the Government Actuary's Department on matters including, but not limited to, the annual assessment of the value of pension liabilities. The District Valuer periodically reviews the Agency's premises, the last of which was carried out as at 31 March 2018 and reflected in the 2017-18 Annual Report and Accounts.

2.3.20 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. Output from events is compiled and communicated to colleagues through formal and informal communication channels and minutes of the Management Advisory Board, Audit and Risk Committee and Pension Boards are uploaded onto the SPPA website (<https://pensions.gov.scot/>) for transparency.

The Agency uses a range of mechanisms to obtain feedback from its customers and stakeholders; this includes from our Pension Boards which have member and employer representatives, targeted groups (such as the British Medical Association Scotland), desk-top research and complaint feedback. Together, all this information provides event driven feedback on services and service levels provided and is utilised by departments to look at opportunities to improve service delivery. 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 a Colleague Collaboration Group with representatives from across the Agency.

2.3.21 Written assurances provided to the Chief Executive

The Interim Chief Executive has received detailed statements of the current position from all Heads of Department regarding the operation and effectiveness of internal controls in the areas for which they are responsible. Additionally, the interim Chief Executive has received assurance from the previous Chief Executive and the Scottish Government's Director General Corporate in respect of the Scottish Government's human resources, payroll and financial systems that are shared with the Agency.

Remuneration and Staff Report

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

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

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

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

2.4.1 Remuneration disclosure

2.4.1.1 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:

Name	2020-21 £'000	2019-20 £'000
Mark Adderley	0-5	0-5
Ian Forbes	0-5	0-5
Liz Holmes	0-5	0-5
Helen Mackenzie	0-5	0-5
Jane Malcolm	Nil	0-5
Norman McNeil	0-5	0-5
Lesley Fraser (with effect from July 2020)	Salary paid by SG	-
Sheena Cowan (to September 2019)	Nil	0-5
Gordon Wales (to July 2020)	Nil	0-5

2.4.1.2 Senior Leadership Team (audited information)

The following sections provide details of the remuneration and pension entitlements of the Senior Leadership Team of the Agency.

Single total figure of remuneration						
Name and Title	2020-21			2019-20		
	Salary	Pension benefits (to nearest)	Total	Salary	Pension benefits (to nearest)	Total
	£'000	£1000) ⁵	£'000	£'000	£1000)	£'000
Penelope Cooper, Chief Executive (to 15 Nov 2020)	50-55 (part year salary, 85-90 full year equivalent)	21	70-75	80-85	33	115-120
Matthew Valente, Head of Business Management (to 14 Nov 2020) Interim Chief Executive Officer (from 15 Nov 2020)	70-75	28	95-100	20-25 (part year salary, 60-65 full year equivalent)	9	30-35

⁵ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Accountability Report

Ian Waugh, Chief Financial Officer	85-90 ⁶	28	115-120	70-75	20 ⁷	90-95
Paplu Dey, Head of Customer Services	65-70	66	135-40	40-45 (60-65 full year equivalent)	42	80-85
Tom Nash, Head of Business Affairs	75-80	31	105-110	25-30 (70-75 full year equivalent)	11	40-45
Andre Morelli, Head of Digital Transformation & IT Operations	80-85	31	110-115	25-30 (70-75 full year equivalent)	10	35-40
Karen Morley, Head of Finance, Procurement and Risk (from 1 Feb 2021)	10-15 (65-70 full year equivalent)	10	20-25	-	-	-
Garry Cossar, Interim Head of Colleague Experience (from 25 Jan 2021)	15-20 (60-65 full year equivalent)	5	20-25	-	-	-
Rachel Miller, Interim Head of Operational Excellence (from 25 Jan 2021)	15-20 (60-65 full year equivalent)	4	20-25	-	-	-
Mark Fisher, Temporary Head of People Services (from 27 November 2019 to 5 February 2020)	-	-	-	35-40 (170-175 full year equivalent)	n/a	35-40
Sally Paterson, Interim Head of People Services (to 27 October 2019)	-	-	-	25-30 (45-50 full year equivalent)	12	40-45
Philip Heywood, Temp. Director of Business Evolution (from 4 March 2019 to 27 November 2019) ⁸	-	-	-	115-120 (170-175 full year equivalent)	n/a	115-120

⁶ Salary includes payment in respect of untaken annual leave during the year to March 2021.

⁷ Prior year figure restated following a retrospective update to Added Pension contributions in 2019/20 return.

⁸ Temporary Agency staff with the salary stated being the invoiced value including VAT.

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Marion Chapman, Director of Corporate Services (to 6 April 2019)	-	-	-	0-5 (70-75 full year equivalent)	1	0-5
Carole Johnston, Temporary Head of Customer Services (from 20 August 2018 to 31 October 2019) ⁹	-	-	-	45-50 (80-85 full year equivalent)	n/a	45-50
Lorimer Mackenzie, Interim Policy Director (to 1 November 2019)	-	-	-	45-50 (75-80 full year equivalent)	17	60-65

- No director received any bonus payments or benefits in kind during the year ended 31 March 2021.
- 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 staff including senior management. Total remuneration includes gross salary; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.
- In accordance with the Government Financial Reporting Manual (FRoM), 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 staff paid through the Agency's payroll, and covers both permanent staff and those on fixed term contracts. It does not include temporary Agency staff 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 2020-21 was £85-90,000 (2019-20: £80-£85,000). This was 3.5 times (2019-20: 3.65) the median remuneration of the workforce, which was £24,706 (2019-20: £22,617).
- Remuneration ranged from £4,767 (reflecting part-time working patterns) to £85,987 (2019-20: £5,000 to £85,000).
- The median pay increase is due to the overall increase in staff numbers, and particularly the increase at senior management level as shown in tables at 2.5.1 on page 55
- Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

⁹ Temporary Agency staff with the salary stated being the invoiced value including VAT.

2.4.1.3 Pension benefits (audited information)

Name and title	Accrued pension at pension age as at 31 March 21 and related lump sum	Real increase in pension and lump sum at pension age	CETV at 31 March 2021	CETV at 31 March 2020	Real increase/ (decrease) in CETV
	£'000	£'000	£'000	£'000	£'000
Penelope Cooper, Chief Executive (to 15 Nov 2020)	5-10 plus 0-5 lump sum	0-2.5 plus 0-2.5 lump sum	99	78	14
Ian Waugh, Chief Financial Officer	25-30 plus 75-80 lump sum	0-2.5 plus 2.5-5 lump sum	644	610	29
Paplu Dey, Head of Customer Services	15-20 plus 0-5 lump sum	2.5 - 5 plus 0-2.5 lump sum	274	219	43
Tom Nash, Head of Business Affairs	5-10 plus 0-5 lump sum	0-2.5 plus 0-2.5 lump sum	70	50	12
Matthew Valente, Head of Business Management (to 14 Nov 2020) Interim Chief Executive Officer (from 15 Nov 2020)	0-5 plus 0-2.5 lump sum	0-2.5 plus 0-2.5 lump sum	18	4	8
Andre Morelli, Head of Digital Transformation & IT Operations	0-5 plus 0-2.5 lump sum	0-2.5 plus 0-2.5 lump sum	33	8	19
Karen Morley, Head of Finance, Procurement and Risk (from 1 Feb 2021)	25-30 plus 60-65 lump sum	0-2.5 plus 0-2.5 lump sum	554	546	7
Garry Cossar, Interim Head of Colleague Experience (from 25 Jan 2021)	0-5 plus 0-2.5 lump sum	0-2.5 plus 0-2.5 lump sum	21	17	2
Rachel Miller, Interim Head of Operational Excellence (from 25 Jan 2021)	0-5 plus 0-2.5 lump sum	0-2.5 plus 0-2.5 lump sum	9	7	1
Marion Chapman, Director of Corporate Services (to 6 April 2019)	-	-	-	574	1
Lorimer Mackenzie, Interim Policy Director (to 1 November 2019)	-	-	-	847	18
Sally Paterson, Interim Head of People Services (to 27 October 2019)	-	-	-	264	7

2.4.1.4 Civil Service Pension Scheme

Background

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 switch into **alpha** sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below).

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 defined contribution (money purchase) pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on 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 updated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) 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 accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

2.5 Staff Report

2.5.1 Staff numbers, costs and pensions (audited information)

Administration costs	2020-21	2019-20
	£000	£000
Wages and salaries	8,349	7,942
Social security costs	758	711
Other pension costs	2,056	1,937
Agency staff costs	1,139	548
Total administration staff costs	12,302	11,138

Average number of full time equivalent persons employed	2020-21			2019-20		
	Female	Male	Total	Female	Male	Total
Senior civil servant	1	0	1	1	0	1
Senior management	1	5	6	1	3	4
Other permanent staff	144	131	275	137	130	267
Agency staff	10	8	18	6	5	11
	156	144	300	145	138	283
Included in the numbers above						
Number of staff on capital projects			0			4

- The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes but 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](#) (found here: <http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>)
- For 2020-21, employers’ contributions of £2.047 million were payable to the PCSPS (2019-20 £1.926m) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, 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 2020-21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

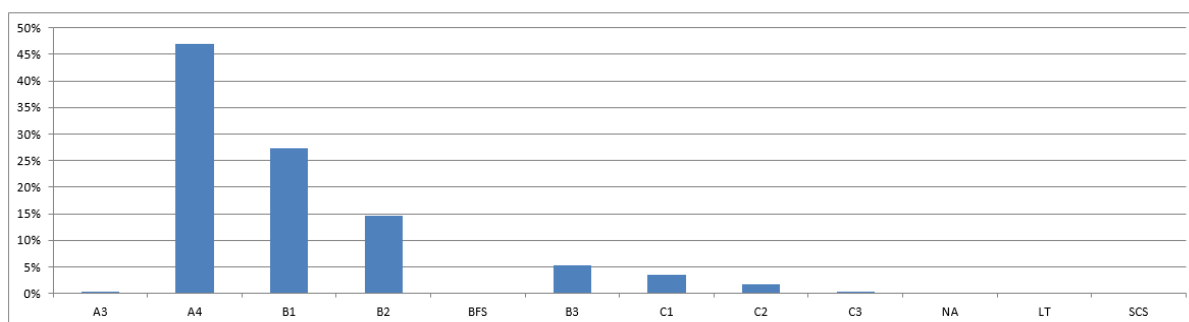
Accountability Report

- Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £0.009m (2019-20 £0.011 million) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%.

2.5.2 Staffing

Staff turnover for 2020-21 was 7.3% equating to 23.6 FTE members of staff (2019-20: 12.4% equating to 35 FTEs). Included within staff turnover were eight members of staff who left the Agency to join other Scottish Government departments and four retirements. It is likely that the COVID-19 pandemic accounted for fewer people choosing to leave in the year 2020-21.

Chart 9 – headcount percentage of permanent and fixed term staff by pay range¹⁰ at end of Mar 2021.



2.5.3 Employee recruitment

Recruitment and promotion campaigns undertaken by the Agency were carried out on the basis of fair and open competition, selection on merit and in accordance with Scottish Government guidance and the Civil Service Commissioners Recruitment Principles. Interim structure changes have been outlined elsewhere in this report; these remain in place at time of writing. A recruitment campaign to fill four A4 Pension Administrator vacancies is ongoing, and a further three A band posts were filled internally. Of 15 B Band posts, five were filled externally or from wider SG and the remainder were filled from within SPPA. Three C band posts were filled, all from within other SG or Government departments.

¹⁰ Pay ranges are in accordance with the Public Sector Pay Policy for 2020-21; confirmation of pay grades is contained within section three of the [technical guide](#)

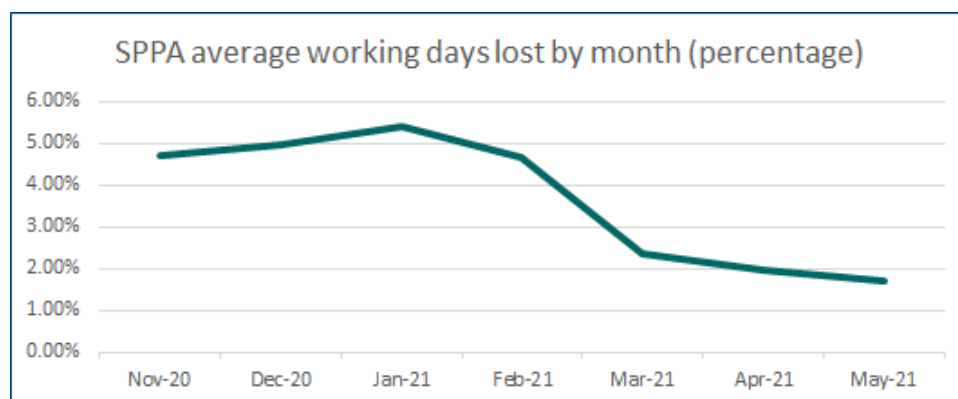
2.5.4 Sickness absence management

The Agency's HR team monitors attendance management and supports managers in applying the Scottish Government attendance management policy. The HR 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. Staff awareness sessions were held to ensure a consistent management approach and in order to effectively manage some persistent long term absences, which account for the difference from SG average working days lost.

The total average working days lost in 2020-21 was 11.1 per member of staff (2019-20: 11.5) compared to the SG figure of 5.3 (calculated on a rolling 12-month basis). Monthly monitoring of the situation shows the position improving significantly since early 2021 (as can be seen on chart 10 below) and this trend continues. Enhanced metrics are being developed to identify trends and the drivers behind sickness absence, which will inform future actions aimed at improving attendance management processes.

Our reasons for absence are similar to SG and other delivery bodies, with stress, anxiety or upset being the reason for over 50% of absences.

Chart 10: Average working days lost



2.5.5 Employees with disabilities

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

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

Number and cost of exit packages		
Exit packages Cost band	No of departures agreed 2020-21	No of departures agreed 2019-20
Less than £10,000	0	1
£25,000-£50,000	0	0
£50,000-£100,000	0	0
Total number of exit packages	0	1
Total cost of exit packages	£Nil	£5,882

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 2020-21 or in the prior year.

2.5.7 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.

3 Parliamentary accountability report

3.1 Losses and special payments

There were no material losses or special payments incurred in the year to 31 March 2021.

3.2 Fees and charges

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

3.3 Remote contingent liabilities

There were no remote contingent liabilities to report as at 31 March 2021.



David Robb

Interim Chief Executive

17 November 2021

4. Independent auditor's report

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 Scottish Public Pensions Agency for the year ended 31 March 2021 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of comprehensive net expenditure, Statement of financial position, Statement of cash flows, Statement of changes in taxpayers' equity and notes to the financial statements, 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 2020/21 Government Financial Reporting Manual (the 2020/21 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 2021 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 2020/21 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 for 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 two years. 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the

Independent Auditor's Report

body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from 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](#), 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

Independent Auditor's Report

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.

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; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities to detect material misstatements in the financial statements in respect of irregularities, 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.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Statutory other information

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Performance Report

Independent Auditor's Report

and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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; and
- 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 Staff 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

In 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

Gemma Diamond, Audit Director
Audit Scotland 4th Floor,
102 West Port,
Edinburgh,
EH3 9DN

17 November 2021

5. Financial Statements 2020-21

**Statement of comprehensive net expenditure
for the year as at 31 March 2021**

**Statement of financial position as at 31 March
2021**

**Statement of cash flows for the as at 31 March
2021**

**Statement of changes in taxpayers' equity for
the year as at 31 March 2021**

**Notes to the accounts for the year ended
March 2021**

Accounts direction

Statement of comprehensive net expenditure for the year ended 31 March 2021

		2020-21	2019-20
	Note	£000	£000
Staff costs	2	12,302	11,138
Other admin costs	3	5,692	6,015
Depreciation	5, 6	2,026	1,454
Total operating costs		20,020	18,607
Operating income	4	(184)	(254)
Net operating costs		19,836	18,353

Other comprehensive expenditure		2020-21	2019-20
	Note	£000	£000
Net (gain) on revaluation of property, plant & equipment	5	(63)	(109)
Total comprehensive expenditure for the year		19,773	18,244

The above results relate to continuing activities.

The notes on pages 69-82 form part of these financial statements.

Statement of financial position for the year ended 31 March 2021

	Note	2020-21 £000	2019-20 £000
Non-current assets			
Tangible non-current assets	5	4,900	5,038
Intangible assets	6	5,019	5,311
Total non-current assets		9,919	10,349
Current assets			
Trade and other receivables	7.1	8,295	9,368
Total current assets		8,295	9,368
Total assets		18,214	19,717
Current liabilities			
Trade and other payables	8.1	(9,029)	(11,094)
Provisions for liabilities and charges	9	(12)	0
Total current liabilities		(9,041)	(11,094)
Total assets less current liabilities		9,173	8,623
Non-current liabilities			
Trade and other payables	8.3	(14)	0
Total non-current liabilities		(14)	0
Net assets/(liabilities)		9,159	8,623
Taxpayers equity and other reserves			
General fund		8,228	7,755
Revaluation reserve		931	868
Total taxpayers equity		9,159	8,623

The notes on pages 69-82 form part of these financial statements.



David Robb
Interim Chief Executive

17 November 2021

Statement of cash flows for the year ended 31 March 2021

	Note	2020-21 £000	2019-20 £000
Cash flows from operating activities			
Net operating cost		(19,836)	(18,353)
Adjustments for non-cash transactions			
Depreciation	5,6	2,026	1,454
Notional costs for services provided	3.3	271	292
Movements in working capital			
Decrease in trade and other receivables	7	1,073	4,211
Increase/(Decrease) in trade and other payables	8	(2,065)	2,384
Increase/(Decrease) in property, plant and equipment trade and other payables	8	67	(68)
Increase/(Decrease) in intangible asset trade and other payables	8	834	(375)
Increase/(Decrease) in provisions	9	12	(367)
Net cash outflow from operating activities		(17,618)	(10,822)
Cash flows from investing activities			
Purchase of tangible non-current assets	5	(157)	(273)
Increase/(Decrease) in property, plant and equipment trade and other payables	8	(49)	68
Purchase of intangible assets	6	(1,376)	(3,200)
Increase/(Decrease) in intangible asset trade and other payables	8	(834)	375
Net cash outflow from investing activities		(2,416)	(3,030)
Capital element of finance lease payments		(5)	(5)
Net funding – Agency		20,685	20,434
Net funding – pension payments on behalf of Scottish police and fire services		(646)	(6,577)
Total net financing		20,034	13,852
Increase/(decrease) in cash and cash equivalents		0	0

The notes on pages 69-82 form part of these financial statements.

Statement of changes in taxpayers' equity for the year ended 31 March 2021

Statement of changes in taxpayers' equity For the year ended 31 March 2021		General Fund £000	Revaluation Reserve £000	Total Reserves £000
	Note			
Balance at 31 March 2020		7,755	868	8,623
Net gain on revaluation of tangible non-current assets	5	0	63	63
Non-cash charges - SCOTTISH GOVERNMENT services	3.3	111	0	111
Non-cash charges - Auditors remuneration	3.3	160	0	160
Net operating cost for the year		(19,836)	0	(19,836)
Net funding		20,039	0	20,039
Balance at 31 March 2021		8,229	931	9,160

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

Statement of changes in taxpayers' equity For the year ended 31 March 2020		General Fund £000	Revaluation Reserve £000	Total Reserves £000
	Note			
Balance at 31 March 2019		11,959	759	12,718
Net gain on revaluation of tangible non-current assets	5	0	109	109
Non-cash charges - SCOTTISH GOVERNMENT 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

The notes on pages 69-82 form part of these financial statements.

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2020-21 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.

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 as follows:

IFRS 16 – Leases

Originally planned to come into effect for accounting periods beginning after 1 April 2020, the distinction between finance and operating leases is removed and all leases become “on balance sheet”. Due to the impact of the Coronavirus crisis, FRAB has agreed to postpone the adoption of IFRS 16 by a further year, and therefore will not come in to force until 1 April 2022. The FReM interprets and adapts IFRS 16 for the public sector context in several ways. Information is currently being gathered to identify all right of use and leased assets not currently capitalised. These assets will be included on the statement of financial position from 1 April 2022, in accordance with the transition arrangements set out in IFRS 16 application guidance issued by HM Treasury in April 2019.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment (PPE), intangible assets and where material, inventories to fair value as determined by reference to their current costs.

1.2 Property, plant and equipment (PPE)

- **Recognition:** All PPE assets will be accounted for as non-current assets unless they are deemed to be held-for-sale and will be accounted for under IAS 16 Property, Plant and Equipment. Scottish Ministers hold the legal title or effective control over all land and buildings shown in the accounts.
- **Valuation:** 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.

Losses in value reflected in valuations are accounted for in accordance with IAS 36, Impairment of Assets as adapted by the FReM which states that impairment losses that arise from a clear consumption of economic benefit should be taken to the outturn statement. The balance on any revaluation reserve (up to the level of impairment) to which the impairment would have been charged under IAS 36 should be transferred to the general fund.

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.

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.

Capitalisation

The minimum level for capitalisation of PPE is £1,000.

1.3 Depreciation and Amortisation

Land is considered to have an indefinite life and is not depreciated. Assets under construction are not depreciated. For all other property, plant and equipment and intangible assets depreciation or amortisation is charged from the year they are brought into service. Rates are calculated to write off their valuation by even instalments over their estimated useful lives which are 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.

1.4 Intangible assets

In accordance with the FReM, Intangible assets are accounted for in line with the requirements of IAS 38 Intangible Assets, and are valued at depreciated replacement cost. Revaluations are carried out according to IAS 38 for assets over a valuation threshold. Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of IAS 38 Intangible Assets for assets that do not generate income. IAS 38 defines future economic benefit as, 'revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity.'

Intangible assets other than assets under development are amortised on a straight line basis over their estimated useful lives. Impairment reviews are carried out if there are any indicators that impairment should be considered.

Intangible assets under development are not amortised.

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. 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

The SPPA measures and presents financial instruments in accordance with IAS 32, IFRS 7, IFRS 13 and IFRS 9 as interpreted by the FReM. IFRS 9 came in to force in 2018-19, replacing IAS 39. IFRS 9 contains three principal classification categories for financial assets:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified and subsequently measured at amortised cost. The SPPA has classified its financial instruments as follows:

- **Financial Assets:** Cash and cash equivalents, trade receivables, short term loans, prepayments, accrued income and amounts receivable will be classified as amortised cost.
- **Financial Liabilities:** Borrowings, trade payables, accruals, payables, bank overdrafts and financial guarantee contracts are classified as 'Other Liabilities'.

Financial instruments are initially measured at fair value. The fair value of financial assets and liabilities is determined as follows:

- The fair value of cash and cash equivalents and current non-interest bearing monetary financial assets and financial liabilities approximate their carrying value; and
- The fair value of other non-current monetary financial assets and financial liabilities is based on market prices where a market exists, use of appropriate indices or has been determined by discounting expected cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

Financial instruments subsequent measurement depends on their classification:

- Fair value through the profit and loss is held at fair value with any changes going through the outturn statement.
- Financial assets and liabilities held at amortised cost are not revalued. Any impairment losses go through the outturn statement.

As the cash requirements of the SPPA 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 Revenue

Operating income is income that relates directly to the operating activities of the SPPA. It includes fees and charges for services provided, on a full cost basis, to external customers and public repayment work. Operating income is stated net of VAT.

1.7 Pensions

The SPPA as an employer

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 for its employees on a systematic and rational basis over the period during which it benefits from their services by payment to the PCSPS of amounts calculated on an accruing basis (relevant disclosures are included in the Remuneration and Staff report) (see pages 52-56). Liability for payment of future benefits is a charge to the PCSPS. Separate scheme statements for the PCSPS as a whole are published.

The SPPA as a scheme administrator

The SPPA has responsibility for processing pension payments for the following pension schemes under service level agreements with the organisations:

- NHS Scotland Pension Scheme
- Scottish Teachers' Superannuation Scheme
- Police Service of Scotland Pension Scheme
- Scottish Fire and Rescue Service Pension Scheme

The arrangements for these pension schemes are reported and explained in the annual accounts of the relevant bodies.

1.8 Value added tax (VAT)

Most of the activities of the SPPA are outside the scope of VAT, and in general output tax does not apply and input tax on purchases is not recoverable.

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts relating to operating costs, purchase cost of fixed assets and operating income are stated net of VAT. The SPPA is registered for VAT as part of The Scottish Government, which is responsible for recovering VAT from HM Revenue and Customs (HMRC) on behalf of the Agency.

1.9 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 Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease.

1.10 Provisions

IAS 37 Provisions, Contingent Liabilities and Contingent Assets applies in full, and in these accounts provisions are made for legal or constructive obligations which are of uncertain timing or amount at the statement of financial position date on the basis of the best estimate of the expenditure required to settle the obligation. Where material, they have been discounted using the appropriate discount rate as prescribed by HM Treasury.

1.11 Contingent Liabilities

Contingent liabilities include those required to be disclosed under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

1.12 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an estimate of likely impairment. Impairment of trade receivables is calculated through an expected credit loss model.

1.13 Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.14 Short term employee benefits

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

1.15 Police Service of Scotland (PSoS) and Scottish Fire and Rescue Service (SFRS)

SPPA has a statutory responsibility to act as Pension Scheme Manager on behalf of Scottish Ministers and has responsibility for processing pension payments for the PSoS and SFRS pension schemes under a service level agreement with the organisations. Under its Agency status the 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 PSoS and SFRS pensions. Under current funding arrangements, PSoS and SFRS pensions paid to members are required to be reimbursed to the SPPA by PSoS and SFRS.

Amounts paid to HMRC by the SPPA relating to PSoS and SFRS pension scheme obligations follow similar reimbursement arrangements. The account balances due at the year-end are included in the SPPA's Statement of Financial Position. The temporary funding of these balances is included in the Statement of Cash Flows.

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

1.16 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. Staff numbers, costs and pensions

Information is detailed in the Accountability Report on pages 55-58.

3. Other administration costs

	2020-21	2019-20
3.1 General administration expenses	£000	£000
IT Maintenance	2,438	2,901
Actuarial Services	1,700	1,692
Reform of Guaranteed Minimum Pension (GMP)	193	298
Professional & technical advisory services	154	185
Postage	150	209
Subscriptions	132	99
Other minor running costs	104	177
Training	79	34
Medical services	69	79
Compensation payments	21	(357)
Travel & subsistence	2	40
	5,042	5,357
3.2 Accommodation and support services		
Rates	126	126
Maintenance	90	73
Other accommodation costs	163	167
	379	366
3.3 Notional charges		
Services provided by the Scottish Government	111	136
Audit fee	160	156
	271	292
Other administration costs total	5,692	6,015

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.

4. Operating income

	2020-21 £000	2019-20 £000
Pension sharing on divorce – charges to courts and solicitors	149	212
Pension calculation services for third parties	30	30
Other	5	12
	184	254

5. Property, Plant and Equipment

For the year ended 31 March 2021	Land £000	Buildings £000	Information Technology £000	Equipment £000	Furniture and Fittings £000	Total £000
Cost or valuation						
At 1 April 2020	420	4,448	896	112	708	6,584
Additions	0	41	58	19	39	157
Disposals	0	0	(111)	(26)	0	(137)
Revaluations	6	63	0	0	0	69
At 31 March 2021	426	4,552	843	105	747	6,673
Depreciation						
At 1 April 2020	0	300	541	91	614	1,546
Charged in year	0	161	162	12	23	358
Disposals	0	0	(111)	(26)	0	(137)
Revaluations	0	6	0	0	0	6
At 31 March 2021	0	467	592	77	637	1,773
NBV at 31 March 2021	426	4,085	251	28	110	4,900
NBV at 31 March 2020	420	4,148	355	21	94	5,038

Equipment includes assets held under finance leases with a net book value of £26k (2019-20: £5k).

5a. Property, Plant and Equipment

For the year ended 31 March 2020	Land	Buildings	Information Technology	Equipment	Furniture and Fittings	Total
Cost or valuation	£000	£000	£000	£000	£000	£000
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 2021	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

6. Intangible assets

For the year ended 31 March 2021	Software Licences £000	IT Software £000	Assets Under Development £000	Total £000
Cost or valuation				
At 1 April 2020	2,126	11,790	203	14,119
Additions	1,200	176	0	1,376
Disposals	(2)	(52)	0	(54)
Transfers	0	203	(203)	0
At 31 March 2021	3,324	12,117	0	15,441
Depreciation				
At 1 April 2020	1,295	7,513	0	8,808
Charged in year	323	1,345	0	1,668
Disposals	(2)	(52)	0	(54)
At 31 March 2021	1,616	8,806	0	10,422
NBV at 31 March 2021	1,708	3,311	0	5,019
NBV at 31 March 2020	831	4,277	203	5,311

6a. Intangible assets

For the year ended 31 March 2020	Software Licences £000	IT Software £000	Assets Under Development £000	Total £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)
Transfers ¹¹	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)
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

¹¹ Incorrectly reported as "Revaluation" in 2019-20 ARA

7. Trade receivables and other current assets

7.1 Amounts falling due within one year	2020-21 £000	2019-20 £000
Trade receivables	2	24
Prepayments and accrued income	1,814	604
Cash in transit	17	0
Other receivables*	6,462	8,740
Total receivable within one year	8,295	9,368

7.2 Intra-government balances	2020-21 £000	2019-20 £000
Balance with bodies external to government	8,295	9,368

*Other receivables relate to the payment of pensions on behalf of Police Service of Scotland and Scottish Fire and Rescue Service.

8. Trade payables and other current liabilities

8.1 Amounts falling due within one year	2020-21 £000	2019-20 £000
Trade payables	522	1,220
Accruals and deferred income	777	531
Taxation and social security*	7,633	9,338
Other payables*	92	0
Finance lease	5	5
Total due within one year	9,029	11,094

8.2 Intra-government balances falling due within one year	2020-21 £000	2019-20 £000
Balances with other central government bodies**	731	587
Balances with bodies external to government	8,298	10,507
	9,029	11,094

8.3 Amounts falling due after more than one year	2020-21 £000	2019-20 £000
Finance lease	14	0
Total due after one year	14	0

8.4 Intra-government balances falling due after more than one year	2020-21 £000	2019-20 £000
Balances with bodies external to government	14	0
	14	0

*Taxation and social security liabilities and Other payables relate to the payment of pensions on behalf of the Police Service of Scotland and Scottish Fire and Rescue Service.

**Includes accrued employee benefits.

9. Provisions for liabilities and charges

	2020-21 £000	2019-20 £000
Provision at 1 April	0	0
Provided in the year	12	0
Balance as at 31 March	12	0
Analysis of expected timing of any resulting outflows of economic benefits		
Payable in 1 year	12	
Total as at 31 March	12	

NHS Scotland Pension Scheme and Scottish Teachers' Superannuation Scheme

The provision at 31 March 2021 of £12k relates to scheme member compensation claims (£nil as at 31 March 2020), which are being dealt with by the SPPA's Internal Disputes Resolution Procedure and the Pensions Ombudsman Service.

10. Capital commitments

Capital commitments at 31 March 2021 not otherwise included in these accounts.

	2020-21 £000	2019-20 £000
Property, plant and equipment		
Contracted capital commitments for which no provision has been made	90	41
Intangible Assets		
Contracted capital commitments for which no provision has been made	31	84

2020-21 property, plant and equipment commitments include future payments of £90k (2019-20: £41k) in respect of orders for 140 laptop computers due for delivery in May and July 2021.

2020-21 Intangible asset commitments relate to planned pension platform change requests.

11. Commitments under leases

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

11.1 Obligations under operating leases comprise:	2020-21	2019-20
	£000	£000
Office Equipment		
Not later than one year	13	13
Later than one year and not later than five years	4	17
	17	30

11.2 Obligations under finance leases comprise:	2020-21	2019-20
	£000	£000
Office Equipment		
Not later than one year	5	6
Later than one year and not later than five years	16	0
Less interest element	(3)	(1)
	18	5

12. Related-party transactions

- The SPPA is a Scottish Government executive Agency, which is therefore regarded as a related party.
- During the year the SPPA has had a number of material transactions with the Scottish Government.
- During the year, none of the Board Members, key managerial staff or other related parties has undertaken any material transactions with the SPPA.

13. Contingent Liabilities disclosed under IAS 37: Provisions, Contingent Liabilities and Contingent Assets

The definition of a contingent Liability under IAS 37: Provisions, Contingent Liabilities and Contingent Assets is:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- A possible obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

NHS Scotland Pension Scheme and Scottish Teachers' Superannuation

Schemes Related: Compensation claims of £1k (£nil at 31 March 2020).

14. 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.**

A handwritten signature in blue ink, appearing to read 'Alison Stelfox'.

Signed by the authority of the Scottish Ministers

17 January 2006