



Scottish Public
Pensions Agency
Buidheann Peinnseanan
Poblach na h-Alba

Annual Report and Accounts 2022/23

What's inside

1. Performance Report	3
2. Accountability Report	37
3. Governance Statement	41
4. Independent Auditors Report	64
5. Financial Statements	69
6. Notes to the accounts	73
7. Accounts Direction	86

Laid before the Scottish Parliament by
the Scottish Ministers under Section
22(5) of the Public Finance and
Accountability (Scotland) Act 2000.

SG/2023/XXX

SPPA Annual Report and Accounts 2022/23

Performance Report

1.1 Introduction

This report is produced in accordance with HM Treasury's published 'Government Financial Reporting Manual 2022/23.'

The Performance Overview contains:

- A high-level summary of the SPPA's performance from 1 April 2022 to 31 March 2023, including an overview of our Purpose, Vision, and ways of working
- A review of our 2022/23 performance as measured against our priorities and KPIs, as well as a summary of principal risks, key projects, and our plans for the year ahead

The Performance Analysis contains:

- Further detail on our 2022/23 performance as measured against our priorities and KPIs
- A summary of our financial performance

1.2 Chief Executive Statement by David Robb



In April 2022 we launched our Corporate Plan 2022-27, an ambitious five-year strategy which aims to guide the Agency on the journey to reduce complexity, improve our operations and provide a better service to members. Ultimately, we are striving to deliver our vision – to protect our members' financial futures by giving them greater understanding and control of their pension.

Stability and improvement have been the watchwords in year one. We have a lot to do, and it is important that we face the future with a workforce who are well supported to deliver the improvements our members are looking for.

Our People

Our people are our greatest asset, and I'm proud we have such a dedicated workforce committed to providing a great service to over 600,000 key workers in Scotland.

We are working to build a more modern pensions agency, one which utilises data and insight, improves processes, embraces new technology and evolves in line with external pressures and customer demand. That's a lot of change for our colleagues, and we need to provide clear leadership and equip them to thrive in this new and exciting environment.

In recognition of the need to build capability, this year we have increased our investment in learning and development resulting in a substantial increase in time colleagues spend in formal training.

Alongside this focus on capability, we have been working to improve our capacity to help us deal with the major changes ahead. We've developed a workforce plan which will ensure we don't just have the skills we need now, but we have the skills we will need in the future.

Our Performance

We have made some important progress this year. We have maintained performance levels in our core operations, and we've seen improvements in customer service where call waiting times have reduced considerably, thus decreasing the number of members who abandon their call completely. We have also improved our use and understanding of data and introduced new performance reporting across the Agency.

In terms of external engagement, we've made substantial changes to our website, driven by member feedback, and enhanced our relationship with employers, introducing a new bi-monthly employer newsletter. Other user-led service redesign work has begun and is starting to make a real difference to the experience of service users.

These changes are yet to impact on our customer satisfaction scores, however once they have bedded in and we continue to implement improvements, we expect we'll begin to see a growing volume of members reporting they are satisfied with our service.

Overall, it's been a challenging year for the Agency; many of our key performance indicators haven't been fully achieved. They were perhaps an ambitious set of KPIs so early in our improvement journey and it's fair to say this year has highlighted the need to narrow our focus on those priorities which will make the biggest difference to our customer service.

Our Place

Over the past few years, the way we work has changed, from working almost exclusively in the office, to everyone working at home and now to a hybrid model. Colleagues can do a mix of office and home working to best suit them and the business needs.

I've been really pleased to see our staff embrace this new way of working, with more and more colleagues regularly spending time onsite, enabling more effective collaboration, and regenerating that community spirit which has always been such a big part of the SPPA. We now regularly see over a third of our workforce in the office and we have also welcomed the opportunity to offer co-location office space to colleagues from the NHS and Scottish Enterprise.

The 2015 McCloud Remedy

Another focus has been preparing to deliver the 2015 McCloud Remedy which will come into force in October 2023. This is a significant project for the Agency and as such we've brought together an experienced project team who have mapped out the approximately 70 products we have to develop for each scheme to ensure members receive their dual calculations within the specified timeframe.

Investing in our people, building on a more stable operating environment with better partnerships with employers, suppliers and key stakeholders will all help us continue to improve how we work. This will provide clearer value for money and further enhance our service to the people of Scotland. I look forward to continued progress as the Scottish Public Pensions Agency meets the challenges ahead.

Thank you for your interest in our work.

David Robb
Chief Executive

1.3 Statement of Purpose

The Scottish Public Pensions Agency (SPPA) is an Executive Agency of the Scottish Government. We administer pensions in Scotland for employees of the National Health Service, for teachers, the police, and firefighters. Our central purpose is to pay pensions accurately and on time, with a focus on delivering excellent customer service. Our customers include all members of these four public sector pension schemes, including pensioners, those who are still working and paying into their pension, and those who have deferred their pension and chosen to take it later than the scheme retirement age. We also engage with the employers of each scheme.

1.4 Scope of Responsibility

- Administering, on behalf of the Scottish Ministers, the public service pension, premature retirement compensation, and injury benefit schemes.
- Advising Scottish Ministers on public sector pensions policy.
- Preparing, in accordance with government policy, the regulations governing these and other schemes for which the Scottish Ministers have regulatory responsibility.
- Developing the regulations covering; the National Health Service Superannuation Scheme (Scotland) (NHSSS), the Scottish Teachers' Superannuation Scheme (STSS), and the Police and Firefighters' Pension Schemes in Scotland.
- Being a national centre for the administration of public pensions and the provision of policy advice.
- Developing the regulations for Scotland's Local Government Pension Scheme.
- Providing pension administration services to third parties on a contract basis. Current customers include the Scottish Parliamentary Pension Scheme and the Scottish Legal Aid Board.
- Following regulatory guidance and codes of practice issued by the UK Pensions Regulator in observance of its powers under the Pensions Act 2004.

1.5 Strategic Business Planning

The Agency introduced a new Corporate Plan for 2022-27¹ following engagement with stakeholders, colleagues, and our Scottish Government (SG) sponsors. The Corporate Plan outlined our roadmap to 'build a better SPPA' with a focus in 2022/23 on stability and improvement. The 2022/23 Annual Business Plan² then set out the priorities the Agency needed to deliver.

Our Purpose

Effectively administer pensions and support over half a million of Scotland's key workers - paying pensions accurately and on time.

Our Vision

We will protect our members' financial futures by giving them greater understanding and control of their pension.

¹ [SPPA Corporate Plan 2022-27](#)

² [SPPA Annual Business Plan 2022/23](#)

Our Strategic Aims

- Deliver excellent services for our members
- Build our capability and become an employer of choice
- Be change positive
- Be proud of our workplace

Our ways of working

To deliver on these Aims, we have committed to ways of working that will drive everything we do.

- We will **bring the outside in** to make full use of the expertise and skill that we have access to as a Government Agency, through our Boards and our employers and member networks.
- We will strive to ensure that **everything we do adds value**.
- We continue to learn and **improve every day**.

1.6 Our priorities

The priorities set out in our 2022/23 Annual Business Plan were:

- | | |
|---|--|
| 1. Member driven operational improvement | 6. Improved external engagement |
| 2. Successfully progress the Pension Platform Programme | 7. Embed the new risk management and reporting frameworks |
| 3. Mobilise and motivate our people | 8. Better support and deliver regulatory change |
| 4. Improved performance reporting | 9. Embrace hybrid working and become an employer of choice |
| 5. Develop and sustain an effective workforce plan | 10. Have a positive impact on our environment |

The Annual Business Plan set out the activities required to deliver each priority. The Plan also explained how progress would be measured and monitored.

1.7 Key Performance Indicators (KPIs)

In 2022/23, the Agency committed to improving how we measure performance and developed a varied and practical set of overarching KPIs to represent our key activities.

These were:

1. Increased member satisfaction
2. Effective engagement with all our members and stakeholders
3. Better engagement with our people
4. Improved capability
5. More efficient processes
6. Demonstrable improvement in financial and commercial awareness
7. Measurably increased risk awareness across the Agency
8. All regulatory requirements are met
9. A more inclusive and diverse SPPA
10. Protect our environment

1.8 Our structure

Executive Team

- Chief Executive: David Robb
- Chief Operating Officer (Interim): Craig Gardiner (left October 2022)
- Chief Operating Officer (Interim): Garry Cossar (covering this role until Frances Graham joined)
- Chief Operating Officer: Frances Graham (joined April 2023)
- Head of Finance, Procurement and Risk: Karen Morley (left June 2023)
- Head of People, Strategy and Communications: Garry Cossar
- Head of Policy: Iain Coltman

1.9 Our Pension Scheme members

Membership numbers have continued to grow with an increase of 2.2% in 2022/23. In total we've seen a 13.1% increase in members in the past five years as shown in Table 1.9a.

Table 1.9a

Membership	2022/23	2021/22	2020/21	2019/20	2018/19
Total members	625,533	611,799	593,486	572,640	564,895
Difference from previous year	13,734	18,313	20,846	7,745	11,571
Difference from previous year (%)	+2.2	+3.1	+3.6	+1.4	+2.1

1.10 Customer Service Performance

100% of existing pensions paid on time
Over 625,000 members
Over 136,000 emails received
Over 79,000 calls received
£3 billion paid out to members this year



2. Performance overview

In this section we set out a high-level report on performance against the ten KPIs and accompanying 26 performance indicators set out in our Annual Business Plan.

We also have four priorities which were not measured with specific KPIs and are reported on below – progress the Pension Platform Programme, improved performance reporting, better reporting and delivery of regulatory change, and embrace hybrid working and become an employer of choice.

2.1 Priority: Member-driven operational improvement

KPI: Increase member satisfaction

- Member satisfaction scores have fallen mainly due to delays in responding to enquiries. This decreased satisfaction was reflected in an increasing volume of complaints – from 93 in 2018 to 292 in 2022. The introduction of new technology will enhance our processes and overall service provision.
- We have made a significant improvement in our phone call abandon rate which is now 3% (having previously been 22.7%) due to decentralising our contact centre. Call waiting times also decreased with members waiting an average of 78 seconds for their call to be answered (it was previously over seven minutes).

KPI: More efficient processes

- The planned process audit was not completed.
- The amount of resource spent on customer contact could not be reduced given the high numbers of queries and the impact of the 2015 McCloud Remedy rectification.

KPI: All regulatory requirements are met

- We met the 100% target on Annual Allowance.
- 94.6% of Annual Benefits Statements (ABS) were made available to members. We reported late ABS provision for firefighters, and non-provision of NHS and teachers ABS requirements to the Pensions' Regulator.
- We have a robust process for managing Freedom of Information (FOI) requests and continue to hit our 100% target and respond to each within the timescale.
- The Pensions Act 1995 requires all occupational pension schemes to have formal Internal Dispute Resolutions Procedures (IDRP). We aim to resolve all disputes within four months of receiving them. We only met this target in the case of firefighter members, with all other schemes we did not always manage to resolve these in time.

- Annual Report and Accounts will be completed on time as per the reporting schedule. Agency accounts were presented within regulatory timescale, however, Scheme accounts were not presented within the regulatory timescale.

2.2 Priority: Improved external engagement

KPI: Effective engagement with all our members and stakeholders

- We scored highly in an external engagement survey (carried out in summer 2022) achieving an average score of 71%.
- 1,434 people were contacted to respond to this survey across all four schemes. 1,246 received this and 122 responded giving us a response rate of 9.8%
- We have also made considerable progress in engagement this year. We have:
 - Introduced a successful bimonthly employer newsletter.
 - Established two new communications forums involving representatives from our NHS and Teachers' Scheme Advisory Boards.
 - Launched an online Remedy Hub for our members.
 - Improved the SPPA website in line with member feedback to better reflect the pension life cycle and improve our content so it is clearer and simpler.

2.3 Priority: Mobilise and motivate our people

KPI: Better engagement with our people

- We set ourselves a target of achieving a score of 55 in the Employee Engagement Index (EI) in the 2022 Civil Service People Survey. This would have been an increase of three points from 2021. However, it wasn't achieved: our score dropped by one point to 51.
- As Operations colleagues scored lower on engagement than other colleagues, we introduced new internal communications channels for this group, including events and a newsletter.

KPI: Demonstrable improvement in financial and commercial awareness

- Core service delivery was achieved within budget allowing the absorption of a proportion of the costs of our development projects. The remainder of our unfunded project costs resulted in a 3% net overspend for SPPA (see table 8.1b). The most significant of these projects was the 2015 McCloud Remedy project.
- Some progress was made in 2022/23 including five colleagues completing commercial awareness training, and seven completing delegated authority training.

KPI: A more inclusive and diverse SPPA

- There was a slight dip in our inclusion and fair treatment scores in the 2022 People Survey, going from 70% in 2021 to 68% in 2022. We missed our 75% target.
- The SPPA supports and promotes SG policies around inclusion including the mandatory inclusive culture training for all staff and the requirement for all recruiting managers and panel members to complete the inclusive recruitment training prior to participating in any recruitment campaigns.
- We raised awareness about issues around equality, diversity and inclusion using our internal channels.

2.4 Priority: Develop and sustain an effective workforce plan

KPI: Improved capability

- The Capacity and Capability review undertaken by SG Internal Audit in 2021/22 highlighted four key recommendations which have been our focus in 2022/23. Our first area of focus was to improve our approach to performance management and leadership capability. This led to the creation of our Leadership Development Programme; a five-day course for colleagues at band B/C. This programme resulted in a 63.8% increase in our development activity as noted in our KPIs (page 14). It should be noted that the internal audit report provided insufficient assurance.
- We have developed a workforce plan which focuses on analysing the current workforce, forecasting and scenario planning, assessing gaps against future needs, and monitoring and evaluating progress.

2.5 Priority: Embed the new risk management and reporting frameworks

KPI: Measurably increased risk awareness across the Agency

- As well as conducting our risk maturity assessment, recent reviews have shown that we have now progressed in four of the eight areas identified.
- We have adopted the SG corporate risk management training and included it in our annual mandatory training. We have also rolled out biannual risk training for our team leaders and continued to develop our risk champions network welcoming Customer Service representatives for the first time.
- The Risk Champions Network meets fortnightly and is an open forum for any staff member to raise a risk or issue for discussion and or seek help on the documenting or escalation of a risk.

2.6 Priority: Have a positive impact on our environment

KPI: Protect our environment

- We reduced non-recyclable waste by 18%, against a target of 25%. We also reduced our recyclable waste by 10.3%.
- We have reduced our printing from 383,899 items to 350,273 items which is a decrease of 8.76%, falling well short of our target of a 20% reduction.
- One area which will help us here is our use of 'hybrid mail' which we will be rolling out across the SPPA after a successful trial early in 2023.

Additional performance reporting

2.7 Priority: Successfully progress the Pension Platform Programme (the IT system we use to calculate and pay pensions)

- Procurement was successfully completed with the contract awarded to the current supplier in October 2022.
- We then undertook a proof-of-concept exercise to demonstrate the supplier could provide the necessary functionality and service levels. This delayed the signing of the contract until June 2023, but this additional diligence will ensure the service is delivered successfully.
- Our transformation business case was signed off by the Minister in May 2023 which means in 2023/24 we will be able to focus on making substantial improvements to deliver a better service for our members.

2.8 Priority: Improved performance reporting

- To improve our effectiveness in tracking performance against plans we have: developed a balanced scorecard, produced, and shared new reports on customer service performance, and improved how we review and report organisation performance across the Agency.

2.9 Priority: Better support and deliver regulatory change

- With a very substantial piece of regulatory change on the horizon – the 2015 McCloud Remedy – we put in place an experienced project team to ensure members receive their Remedy choice within the required timescale.
- This team has ensured we have effective plans in place to contact over 200,000 members affected by Remedy, sharing clear and relevant information, so members can make an informed choice.
- We will begin contacting members in October 2023 and complete the process by the deadline of March 2025.

2.10 Priority: Embrace hybrid working and become an employer of choice

- Our Hybrid Working Vision: To provide a safe environment that can be used flexibly to meet our colleagues' diverse needs.
- Following the re-opening of our Tweedbank office in February 2022 we have seen a steady increase in the number and frequency of colleagues returning to the office with well over 100 colleagues regularly on site.
- Many colleagues are supportive of our hybrid working approach where they can work in a way that suits them and get the benefit of coming onsite and working collaboratively in a busy and vibrant office. The feedback we have received for our onsite training has been positive.

2.11 Priorities and KPIs: Performance at a glance

The following table summarises how the SPPA has performed against our KPIs. Several new indicators were added in 2022/23 based on the priorities in the Annual Business Plan and therefore this year acted as a baseline for ongoing improvement. Where no previous data or trend analysis was available, this is noted in the results below.

Table 2.11a: SPPA KPI 2022/23 Performance (*denotes new metric)

Priority	KPI	Performance indicators	2022/23 results	2021/22
Member driven operational improvement	Increase member satisfaction	Improve customer satisfaction by 2% per quarter (8% annually to 57%)	42.5%	49% (using previous methodology)
		98% of complaints will be resolved within five working days at stage one and 20 days at stage two	77%	88%
		Our customer contact abandon rate will not exceed 5% month on month by October 2022*	3.4% in October and has remained under 3% month on month	Start point in April was 22.8%
		Respond to 90% of customer emails within one working day	40%	30%
	More efficient processes	Complete a process audit by July 2022*	Not complete	N/A
		Reduce the amount of resource required to respond to customer contacts *	Not achieved	N/A
	All regulatory requirements are met	100% of eligible members will receive an Annual Benefits Statement by 31 August 2022	94.6%	97.2%
		100% of eligible members will receive an Annual Allowance Pension Savings Statement by 6 October 2022	100%	100%

Priority	KPI	Performance indicators	2022/23 results	2021/22
		Annual Report and Accounts will be completed on time as per the reporting schedule*	Agency accounts presented within regulatory timescale. Scheme accounts not presented within regulatory timescale	
		All freedom of information requests (FOI) will be responded to within 20 working days	100%	100%
Mobilise and motivate our people	Better engagement with our people	We will achieve an engagement score of 55% in the 2022 Civil Service People Survey	51%	52%
	Demonstrable improvement in financial and commercial awareness	Ensure colleagues have completed appropriate training for procurement and commercial awareness*	Commercial awareness training completed by five colleagues. Seven colleagues completed training on delegated purchasing authority	N/A
		All significant projects will be underpinned with a clear investment decision, defined budget, and return on investment monitored through our project management framework*	Authority to spend was granted for all projects by SG's Chief Finance Officer and the Minister (for the Pension Platform Programme); this resulted in each project having a dedicated 'whole life' budget against which progress is being measured.	

Priority	KPI	Performance indicators	2022/23 results	2021/22
		Deliver core services within our budget allocations*	Core services were strategically delivered within the budget allocation to absorb the resource pressures created by approved unfunded projects. Unfunded projects resulted in a (3%) net overspend for SPPA. (See table 8.1b).	
	A more inclusive and diverse SPPA	We will achieve 75% for inclusion and diversity in the 2022 Civil Service People Survey	68%	70%
Develop and sustain an effective workforce plan	Improved capability	Create a workforce plan by 31 August 2022*	Complete	N/A
		Increase the amount of formal development undertaken by our people across the Agency by 10%*	63.8% increase	N/A - 3060.5 hours completed in 2021/22
		Reduce the overall number of seconded roles to less than 5% of our headcount by March 2023*	6.8%	9.8%
Improved external engagement	Effective engagement with all our members and stakeholders	Quarterly increase in stakeholder survey*	71.1%	Survey run just once
Embed the new risk management and reporting frameworks	Measurably increase risk awareness across the agency	Conduct a risk maturity assessment by December 2022*	Complete	N/A
		At least 95% of our people complete their data protection e-learning within 12 months of their last assessment date*	91.5%	N/A

Priority	KPI	Performance indicators	2022/23 results	2021/22
		100% of our IT, Data and Governance team to be members of the Cyber Information Sharing Partnership by June 2022*	53.3%	N/A
Have a positive impact on our environment	Protect our environment	Create an Agency environmental plan by January 2023	Not achieved	N/A
		Reduce our volume of printing by 20% year on year*	Not achieved (reduced by 8.8%)	N/A
		Decrease our amount of non-recyclable waste by 25% as part of the Scottish Government 'zero waste' plan*	Not achieved (reduced by 18%)	N/A
		Have at least 50% of our people attend an environmental training session*	Not achieved. Green champions have been trained within our Estate and Environment team	N/A

3 Social Care Death in Service Scheme

On 17 March 2020, the NHS Scotland and Social Care Coronavirus Life Assurance Scheme 2020 came into force. These regulations 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 because of, or as the suspected result of, contracting Covid-19 at work.

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 the Scottish Government's Director General Health and Social Care. Payments made out that have not been recharged at 31st March 2023 are recognised as a receivable balance in the financial statements of the NHS Pension Scheme (Scotland).

The payments made in the past three financial years by the SPPA on behalf of the Scheme are detailed in table 3a.

Table 3a

Year	Number of cases	£000
2022/23	5	240
2021/22	25	1,500
2020/21	18	1,080
Total	48	2,820

4 Risk Summary

We review our risks in line with the Annual Business Plan to make sure they are aligned with our key priorities.

We now have a more focused risk register which the Executive Team review every month - details are provided in the Accountability report. At the close of 2022/23 our principal risks remained unchanged, with one exception: our review found that internal engagement was no longer a key strategic risk due to improvements made in this area.

Principal risks

- **Data:** This focuses on how a lack of appropriate, accurate employer data could negatively impact strategic priorities including improving our services, better supporting and delivering regulatory change and successfully progressing the Pensions Platform Programme. To reduce the impact of this risk we have developed mitigations including a data improvement project, as well as delivering the first stage of data profiling. This will give us a far better view of how complete our data is, as well as help us map out how better to engage with employers and to cleanse and validate our data. We have introduced improvements in our data monitoring and improved the controls we have in place to reduce the impact of this risk and this will remain a critical focus of our strategic risk monitoring.
- **Cyber:** This risk highlights just how important it is that we meet our cyber security requirements. It ranks particularly highly due to the hugely negative impact a cyber security breach could have on our members and the organisation, and this isn't likely to change. We are midway through implementing the recommendations of the internal

audit of our Cyber Governance and anticipate on completion the likelihood score will reduce. Mitigations such as a dedicated cyber risk register and an updated cyber incident response plan will be key to reducing this risk. Key project controls to minimise SPPA's vulnerability to cyber-attack are evidenced through maturing procurement and contract management processes in relation to our supply chain. Furthermore, an internal review of the structure of SPPA's IT Team has determined the roles and resources required to provide technical resilience proportionate to this risk.

- **Capability:** Previously this was our top strategic risk due to skills shortages and lack of workforce planning which could impact our ability to deliver all our strategic priorities. This risk has decreased thanks to mitigations including a leadership development programme, an improved induction process, succession, and workforce planning. We reviewed our training requirements to ensure we were building the skills needed to deliver our strategic priorities. This training, combined with restructuring some areas of the organisation, helped us deliver current priorities while futureproofing the organisation against new challenges.
- **Capacity:** Following the capacity and capability internal audit review, we reviewed this risk and the likelihood score reduced to reflect our work on the Strategic Workforce Planning Framework. The impact score increased due to pressure on a small proportion of knowledgeable colleagues to support the many projects and activities the SPPA is delivering. Mitigating for this risk resulted in reorganisation of some teams to support the delivery of high-profile priorities such as the 2015 Remedy and the Pension Platform Programme.
- **2015 McCloud Remedy:** The likelihood of not delivering this project on time has reduced slightly, but Remedy is a complex project with a legislated deadline for delivery impacting over 200,000 members. Setting the Agency up with the right skills, software and quality input has been a major project and the risk has been mitigated by bringing in experts in policy and operations areas working within the Scottish Government. Delivering the 2015 Remedy has impacted on our business as usual as well as some of our other priorities, with some experienced staff being moved to focus solely or largely on Remedy. This impact was planned for and mitigated as much as possible through workforce planning and flexibility, with some reprioritisation.
- **Emerging risks:** Further detail in Section 7.

5 Performance Analysis

This section provides further analysis and information on the priorities and KPIs outlined in the Overview above.

5.1 Priority: Member-driven operational improvements

KPI: Increase member satisfaction

During the reporting period, 1,789 members completed our contact satisfaction survey, with 42.5% reporting they were satisfied with our service. The survey link is included in agent signatures when they respond to customer emails. In 2022/23 we responded to 93,448 emails which is a 1.9% response rate.

Table 5.1a
Customer Satisfaction by Year

	2021	2022
Sample Size	1,344	1,789
Satisfied Members	662	761
Satisfied %	49.3%	42.5%

The data clearly shows a decreasing proportion of members are satisfied with our service, and improving this situation is now a key Agency priority. Data shows that low satisfaction levels are driven by response times, delays, and issues logging in to MyPension Online (one of our online self-service portals).

In 2022/23 we began a project to review our feedback data to allow us to standardise our approach and better benchmark against our peers. This involved:

- Introducing an updated online satisfaction survey with revised questions. As well as supporting with benchmarking, this will also allow us to monitor new measures on enquiry resolution.
- Relaunching our end of call survey (questions on both online and call survey were aligned, which had not been the case previously). This will give us consistent data on satisfaction, scheme breakdown and member segmentation.

We reviewed the question set and answer scale for email and call surveys to:

- Introduce a satisfaction question that will allow us to benchmark our performance with our peer group.
- Use a 5-point satisfaction scale so it's easier for members to respond.
- Introduce new questions on enquiry resolution and repeat contact.
- Standardise segmentation questions, so we can better track which scheme members are contacting us and where they are in the pension lifecycle.

We are also developing a customer dashboard which will bring together a range of data sources to help us better understand the customer experience. This will act as an early warning system so we can focus on the most needed, and most effective, improvement activities.

Customer Complaints

We regard a complaint as any expression of dissatisfaction about our action or lack of action, or about the standard of service provided by us or on our behalf. Anyone who receives, requests or is directly affected by our services can make a complaint to us. This includes the representative of someone who is dissatisfied with our service (for example, a relative, friend, advocate, or adviser).

In recent years, the number of complaints we receive has been rising and our response time has also been increasing:

- 124 (+73.8%) more complaints were received in 2022/23 than in the previous year.
- 76.8% of closed complaints over 2022/23 financial year were closed on time, down from the previous year where 89.2% were closed on time.

The increasing volume has resulted in increased workloads within teams and affected our ability to respond within SLA timescales.

Complaint top three themes:

- Response times to provide pension estimates
- Response times to requests for refunds
- Annual Benefits Statements - response times, errors, or not being able to get one

The following actions are being taken to improve complaint handling:

- New and streamlined processes
- A new complaints team will be formed in June 2023 dealing with complaints from customers and stakeholders, as well as Subject Access Requests (SARs)
- Improvement in complaints trend analysis and monitoring to help shape positive change

Call Performance

In September 2022 we moved call handling from a central contact team to all pension administrators handling these directly. This dramatically increased the resource available to answer calls which brought wait times down and improved our abandon rate to the point it was within target for the remainder of the year.

Moving customer contacts into the relevant teams has begun to reduce failure demand because customers can get a more accurate answer about progress, reducing chaser calls.

Table 5.1b

Scheme/Category	2021	2022
Fire	2,642	2,569
NHS	44,296	51,026
Other	10,518	7,943
Police	5,882	6,022
STSS	13,953	17,536
	77,291	85,096

When calling, members most often enquire about:

- Retiring and their retirement award – information is being improved online and the call routing system amended to highlight where members can find information they need
- Online registration and logon details – technical issues with the My Pension registration have driven a high number of enquiries from customers. A two-phase plan to resolve these issues and improve provision is in progress.
- Death of a member
- Payroll / payment queries

Email Performance

As with calls, emails were moved from a central contact team to pension administrators to handle directly.

Our average time to process emails has increased from 70.6 hours in Q1 to 132.6 hours in Q4. This is despite the number of direct emails being received reducing by 8,264. However, we still receive a large number of emails each year with over 136,000 recorded in 2022/23.

Table 5.1c

Scheme/Category	2021	2022
Fire	4,593	4,317
NHS	71,904	69,576
Other	34,209	29,909
Police	15,069	13,877
STSS	19,015	18,847
	144,790	136,526

In 2022/23, 40% of emails were replied to within the Service Level Agreement (SLA) target of 24 hours. This indicator is being revised for 2022/23 to ensure it's both realistic while still providing members with a satisfactory service.

Our research indicates that members most often enquire about:

- Online registration / logon support
- Retirements / awards
- Death of a member

As we move into 2023/24 our focus will be on improving the quality of our responses as well as timeliness, to improve customer experience.

Quality Assurance

We continue to exceed our KPI of 95% in our quality assurance checks, with the figure for the year being 95.9%.

KPI: Improve processes

- The process audit was not completed. In 2023/24 we will be working on improving processes as part of the Pension Platform Programme and transformation activity.
- Work was undertaken by an Agile Coach - a person who is responsible for developing Agile ways of working - to review our ways of working and how we collaborate and start to review processes aligned to the future SPPA.

- Improvement is a major focus in this year's Annual Business Plan. One of our five priorities for 2023/24 is improve our service, which will be measured by a KPI – improve our customer satisfaction scores.

KPI: All regulatory requirements are met

Annual Benefits Statements

The SPPA has a legislative responsibility to make Annual Benefits Statements available to all eligible active members (as of 31 March each year) no later than the 31 August that same year.

Final figures across all schemes as of 31 August 2022:

Table 5.1d

Scheme	% ABS received on time
NHS	94.6
Teachers	93.4
Police	100
Fire	98.7
All	94.6

- 94.6% of eligible members across all schemes had their statement available to view
- Teachers results dropped slightly to 93.4% (down from 95.2% in 2021)
- NHS results dropped slightly to 94.6% (down from 97.8% in 2021)
- Fire results dropped slightly to 98.7% (down from 100% in 2021)
- Police remains the same at 100%

Table 5.1e

Description	2022	2021	2020 recovery	2020	2019	2018	2017
Active members who qualify for an ABS at 31/08/2022	291,630	280,712	268,527	268,527	265,032	257,267	265,977
ABS issued by 31 August	275,963	272,973	244,521	28,913	258,778	246,309	220,073
Percentage issued	94.6%	97.2%	91.1%	10.8%	97.6%	95.7%	82.7%
Percentage variance to previous year	-2.6%	6.1%	80.3%	-86.8%	1.9%	13%	8.5%

We did not meet our target due to some annual returns – data we need from public sector employers – not being submitted or being submitted late.

The SPPA has carried out an investigation into these issues and taken steps to mitigate these in 2023/24.

Annual Pensions Increase

The Annual Pensions Increase exercise was completed successfully, meaning that eligible pensioner and dependant members in all schemes had their pensions increased by 3.1% by 11 April 2022.

Annual Allowance

All identified eligible members (approximately 7,000) received access to their annual allowance statements on time.

Internal Dispute Resolution Procedure (IDRP)

All occupational pension schemes must have formal Internal Dispute Resolution Procedures (IDRP). The SPPA determine IDRPs on behalf of the Scottish Ministers under a one-stage process.

Over the last 12 months, the SPPA has been able to conclude 54% of cases within the four-month timeframe, an improvement of 12% from the reporting period 2021/22. In most cases, where the KPI has not been met, this has been where members are appealing a rejected ill health retirement application. The delays with medical cases are mostly due to provision of medical evidence from the member. The SPPA works with independent medical advisers to consider medical appeal cases and regularly advises members where there is not enough medical evidence to determine permanent ill health. These cases are extended beyond the four-month target while members are given time to submit additional medical evidence, otherwise, without the evidence, the applications for ill health retirement would not be successful.

Over the course of 2022/23 a process change has been introduced into the management of medical cases, which has impacted positively on dispute handling and ill health retirement applications from NHS and Teachers' scheme members. This process, agreed with the independent medical advisors, encourages a fuller investigation and gathering of evidence at the initial application stage. This provides for a more thorough assessment at an earlier stage and will reduce the number of appeals, thus improving the customer experience during what can be a sensitive and challenging time for our members.

Where non-medical cases are not concluded within four months, this is often because the SPPA requires further information to complete a full investigation from the employer or are required to seek actuarial or legal advice because of the complexity of the case.

Ministerial correspondence

Ministerial correspondence is managed through the SPPA and the Scottish Government Public Engagement Unit. Responses are drafted in the name of the appropriate Minister for issue within 20 working days of receipt. The SPPA received 43 cases during the reporting period of which four were re-assigned. All remaining cases were processed and completed, with two cases completed outside the 20-working day timescale.

Freedom of Information (FOI) requests

In the 2022/23 reporting period, the SPPA received 48 Freedom of Information requests. All were responded to within the statutory timescale.

Annual Report and Accounts

Agency accounts were presented within regulatory timescale, however Scheme accounts for NHS and Teachers were not presented within the regulatory timescale.

5.2 Priority: Improve external engagement

KPI: Effective engagement with all our members and stakeholders

- The survey we ran in 2022 showed we had a good relationship with employers, with 80% of respondents saying they feel positive towards the SPPA.
- The survey also highlighted ways we could improve our relationship with employers which is why we introduced a newsletter which is published every two months. Statistics below show that over time more recipients are opening the newsletters and clicking links for more information (see table 5.2a).
- Work is underway to engage more closely with Firefighters' pension scheme stakeholders on external communications.
- The Agency maintains strong relationships with many of our major stakeholders, including our public sector employers through our boards and committees. The Agency reports quarterly to the pension boards (one for each of the four schemes).
- The Agency has launched an online Remedy Hub to support members who are eligible for Remedy and will be piloting new direct-to-member activities over the summer: a newsletter and a series of two webinars which will enable better engagement with members.
- The SPPA website is being improved in line with member feedback so that our website navigation reflects the pension lifecycle, and our content is clear, simple, and easy to read. Our new design of the NHS section of the website – which reduced the number of pages from 70 to 28 to make it more user friendly – went live early in 2023.
- In April 2023, we only sent the teachers newsletter to one of two relevant mailing lists resulting in fewer subscribers than usual receiving it. This was a user error and lists are now being amalgamated to ensure all subscribers receive the newsletter in future.

Table 5.2a Newsletter analytics

Scheme	Fire		
Date/Month	Apr-23	Dec-22	Oct-22
Subscribers	72	35	28
Open Rate %	77.5%	45.7%	39.3%
Clicks %	56.3%	8.6%	14.3%

Scheme	NHS		
Date/Month	Apr-23	Dec-22	Oct-22
Subscribers	1,623	1,618	1,592
Open Rate %	85.4%	43.6%	59.9%
Clicks %	81.8%	7.4%	48.7%

Scheme	Police		
Date/Month	Apr-23	Dec-22	Oct-22
Subscribers	38	37	34
Open Rate %	62.2%	32.4%	21.2%
Clicks %	54.1%	5.4%	3.0%

Table 5.2a Newsletter analytics - continued

Scheme	Teachers		
Date/Month	Apr-23	Dec-22	Oct-22
Subscribers	592	902	930
Open Rate %	45.6%	22.8%	23.1%
Clicks %	36.1%	6.0%	7.7%

5.3 Priority: Mobilise and motivate our people

KPI: Better engagement with our people

- As noted in the overview, 2022/23 saw a drop in colleague engagement as measured by the People Survey's Engagement Index (see table 5.3a). This measure looks at employees' commitment to our goals and values, their motivation to contribute to organisational success, and their wellbeing.
- To better support colleagues, we have improved our internal communications rhythm to ensure that they get regular and timely updates from senior leaders. We now publish Executive Team minutes and agendas on our intranet following colleague feedback.
- To improve engagement with operations colleagues – a group we identified as needing specific support – we launched a weekly Operations Update and initiated a programme of engagement events, which have been very well received.
- We have also established a colleague recognition mechanism which is well used by staff to celebrate good work and positive outcomes.
- Colleague engagement remains a key priority for the Agency, and we continue to look for new ways to improve.

Table 5.3a

	2022	2021	2020	2019
People Survey Engagement Index score	51%	52%	49%	47%

KPI: Demonstrable improvement in financial and commercial awareness

- As well as the delegated purchasing authority, commercial awareness, and procurement training, 26 colleagues also completed contract training.
- We promoted Commercial Awareness Week in May 2022 with the aim of raising awareness of how we purchase and pay for items at the SPPA. The communication campaign encouraged colleagues to attend SG-led webinars on a range of related topics including procurement, project delivery, and value for money.

KPI: A more inclusive and diverse SPPA

- Over the past two years our scores on inclusion and fair treatment in the Civil Service People Survey have generally been trending upwards, see table 5.3b.
- Human Resources colleagues have created an Equality, Diversity & Inclusion (ED&I) section on the SPPA intranet. This raises awareness around ED&I and highlights links to the SG's mandatory inclusive culture training.
- Recruiting managers and panel members are required to complete the mandatory inclusive recruitment training prior to participating in any recruitment campaigns.

- The SPPA raised awareness about issues around equality, diversity and inclusion using methods such as Yammer (staff discussion forum) and the SPPA intranet.
- This includes events such as:
 - Women's Equality Day
 - National Inclusion Week
 - Dyslexia Awareness Week
 - International Men's Day
 - Menopause awareness sessions

Table 5.3b

People Survey: Inclusion and fair treatment scores	2018	2019	2020	2021	2022
I am treated fairly at work	72	60	62	73	72
I am treated with respect by the people I work with	75	70	74	80	82
I feel valued for the work I do	52	41	46	57	53
I think that my organisation respects individual differences (for example cultures, working styles, backgrounds, ideas, etc.)	65	52	61	68	68

5.4 Priority: Develop and sustain an effective workforce plan

KPI: Improved capability

- The Capacity and Capability review undertaken by SG Internal Audit in 2021/22 produced the following key recommendations; produce a workforce strategy, develop a profile of current workforce knowledge and skills as well as a skills matrix, and review and allocate outstanding actions. We have successfully progressed these priority recommendations while maintaining business as usual priorities. Our first area of focus was improving our approach to performance management and leadership capability. This led to the creation of our Leadership Development Programme; a five-day course for colleagues at band B/C. As noted in 2.4, the internal audit report provided insufficient assurance.
- This training is critical to enhancing our leadership capability and management maturity in an increasingly complex people environment. The programme resulted in a 63.8% increase in our development activity as noted in our KPIs (page 14). This was performed in carefully managed staggered tranches over a period of six months to allow for the right balance between learning, collaboration and focus on business-as-usual priorities.

5.5 Priority: Embed the new risk management and reporting frameworks

KPI: Measurably increase risk awareness across the Agency

- We have made steady progress on improving our understanding of, and our approach to, risk. Over the past two years work on the language, the systems, the governance

discussions, and the consolidation of frameworks, has taken the Agency forward in our approach to risk.

- Most of the risk governance is scored as a three on a five-point scale due to the wider Agency maturity in this area. Risk ownership is an area of development focus for 2023/24.
- The benefits of our Risk Champions Network include the breakdown of historic siloed working, sense checking and real time view of corporate risks and a wider appreciation of the implications for different teams of any mitigations put in place.
- Risk management and reporting frameworks echo the SG guidance to cascade through management lines.

5.6 Priority: Have a positive impact on our environment

KPI: Protect our environment

- As noted in the overview we missed our targets for decreasing printing and non-recyclable waste, although we did reduce both.
- Other areas where we have made environmental improvements this year include:
 - Reduction in electricity usage by 14.9% in the past year which exceeds our target of 3% year on year reduction.
 - Reduction in our gas usage by 18.5% in the past year, this exceeds our annual target of 3% reduction.
 - We also planted a wildflower meadow in our grounds to increase biodiversity.
- We have recently appointed a Sustainability Consultant who will be working to ensure the SPPA meets our objectives in 2023/24 as well as helping the Agency meet all other sustainability targets.

Our new Sustainability and Environmental Plan was pushed back to 2023-24 but we are currently working on it and expect it be published later in 2023.

Additional performance reporting

5.7 Priority: Successfully progress the Pension Platform Programme – the IT system we use to calculate and pay pensions

- Procurement successfully completed with the contract awarded to the current supplier, Heywood Pension Technologies, on 5 October 2022.

The goals of the programme are:

1. To ensure continuity of service for members
2. Improving our core administration and payroll systems
3. Enhancing self-service portals for members and employers
4. Improved management and operational reporting

The contract award is a significant milestone in the programme and allowed the SPPA to progress to the next phase. In the second part of the year, we commenced our discovery and mobilisation phase, where we have been negotiating with the supplier to ensure the goals of the programme are met.

Improving our data is important to the successful delivery of this programme as it is one of our strategic risks. The data improvement programme that has been set up aims to address and mitigate this risk.

Transformation

The programme will also be delivering:

- Enhanced testing capability and industry best practice
- A competent test team to provide full-time technical support

To support the transformation element, a Change Leadership Team (CLT) was created to work with operational leaders to set clear strategic direction for transformation. This aims to support teams and managers across the business to adapt to new ways of working.

The CLT provide an objective view of challenges, resource limitations and priorities to set conditions for projects like the Pension Platform Programme to succeed in improving member and colleague experience. This group support the delivery of large service improvements, multi-team change and the introduction of any major improvements that impact the delivery of multiple services.

5.8 Priority: Improved performance reporting

In 2022 the Corporate Office was formed which sits within People, Strategy and Communications. This team is composed of a Planning and Performance Manager, Business Intelligence, Executive Administration and Communications.

In 2022/23 the Corporate Office has:

- Redesigned and implemented the Executive Team operating rhythm, with clearer agendas, minutes, and action tracking.
- Developed a balanced scorecard which is used for monitoring and reporting the Agency's strategic KPIs.
- Developed customer service-led reporting data, which is issued daily, weekly, and monthly.
- Developed and continually improved an Agency-wide performance reporting rhythm.

Understanding and managing our performance is a key activity that we are taking forward into 2023. The Business Intelligence Team are working to develop and improve on the foundations laid last year, with a focus on:

1. Engagement - working closely with other areas of the business to identify their needs and to assist with performance analysis
2. Ongoing development of meaningful data
3. Making better use of performance measuring and reporting tools

5.9 Priority: Better support and deliver regulatory change

The 2015 McCloud Remedy is the largest regulatory change that the public sector pensions industry has seen for a long time. Ensuring the SPPA is ready for this has been complex, requiring significant resource and differing skills to ensure the right processes, systems, and customer experience journeys are in place. As a result, the 2015 McCloud Remedy is one of

our strategic risks. The data improvement work will also be important for the success of this project.

Delivery preparations for the 2015 McCloud Remedy included:

- Members who were in the legacy scheme have been moved to the reformed CARE scheme.
- Additional resources have been recruited to build capacity in Operations to help meet the additional demands coming from Remedy.
- All Provision Definition Documents (PDDs) have been reviewed and issues logged. These documents set out the handling of Remedy and inform our change processes.
- We are engaging with employers and other stakeholders to support members and work together on the implementation of Remedy.
- We have created a knowledge hub on our intranet to support colleagues involved with the implementation of Remedy.
- We provided members with an online Remedy calculator so that they can get an illustration of pension entitlement and assess the impact of Remedy on legacy and reformed scheme benefits.

5.10 Priority: Embrace hybrid working and become an employer of choice

After we returned to the office post pandemic, we adopted ‘smarter working’ principles and now operate a desk booking system. We converted the Directors’ offices into meeting spaces, and so have a variety of different meeting rooms available. This has enabled colleagues and teams to book desks together, or meeting rooms, to work collaboratively. The new set up has been welcomed by colleagues and is working well.

We are upgrading the audio/visual equipment in our largest meeting rooms which will improve the user experience in hybrid meetings and events. The second phase is the installation of better audio/visual equipment in all other meeting rooms and the training room.

We will also shortly be rolling out hybrid mail, a system we successfully piloted early in 2023. Hybrid mail allows people working from home to organise a postal delivery from their home office. We’ve found it cuts costs and is more environmentally friendly.

The Permanent Secretary announced in October 2022 that the Scottish Government is committed to hybrid working in the long term with an updated set of principles published in April 2023. Whilst there is no mandate for a centrally fixed amount of time to be spent in the workplace each week, arrangements are agreed locally so that business needs are met. This recognises that there are benefits to individuals, teams, and the organisation in spending time together in person, as well as with stakeholders.

Reaching a settled hybrid position is one of the Scottish Government’s corporate transformation priorities for 2023 and the SPPA will continue to act in accordance with the guidance set out.

Sustainability report

The SPPA is dedicated to supporting the Scottish Government's commitment to get to net zero greenhouse gas emissions by 2045. In the past year we have exceeded most of our targets on reducing carbon emissions, such as electricity and gas usage and all recycling targets. This is a real improvement considering we have seen many more colleagues return to the office in 2022/23.

- We have reduced electricity usage by 14.9% exceeding our target of a 3% year on year reduction.
- We have also reduced our gas usage by 18.5% exceeding our target of a 3% year on year reduction.
- The only target we did not meet was for water consumption where we aimed to reduce consumption by 3% but saw it increase by 335%. This is due to the increase in staff numbers on-site each day.
- Through educating our colleagues on recycling in the workplace we have increased the proportion of waste we recycle from 64.1% to 74.3% in 2022/23. We have several different waste streams that colleagues can use to ensure we maximise our recycling and reduce the amount of waste going to landfill.
- We upgraded the irrigation system on the roof to ensure the sedum is watered regularly, improving its condition, and supporting biodiversity.
- We also participated in events such as Climate Week and Environment Day to raise awareness of our work to reduce carbon emissions and promote recycling across the SPPA.

6 Agency Projects and Programmes

6.1 Goodwin

The Goodwin ruling was a court case that identified that male survivors of opposite sex marriages and civil partnerships were treated less favourably than survivors in same sex marriages and civil partnerships. This ruling only affects the NHS and teachers' pension schemes where the scheme rules were changed to ensure equality moving forward.

The Goodwin Project was split into three stages.

1. Stage one was to amend all existing calculations to ensure all dependants' benefits are accurate moving forward. **This stage is complete** with all dependants' benefits now calculating accurately which means the volume of cases we need to make amendments to will not increase.
2. Stage two was to refund all dependant members who had elected to purchase additional family benefits service. The court ruling means that the members would not have needed to purchase these additional benefits, they would have been entitled to receive these automatically. **This stage is complete** with no further action required.
3. Stage three relates to dependant benefits already paid out at a lower value than the dependant is now entitled to. **This stage of the project has not yet been concluded.** There are a total of 4,903 payments that need to be amended with a new pension put into payment and arrears payments due.

6.2 Practitioners' Contributions

A pilot exercise to work out the root cause of these under and overpayments found several causes including: member having multiple employments and the contribution rate not being

applied correctly, missing annual return or leaver form, and members on the wrong contribution tier. After the pilot, an options paper was developed setting out next steps. This focused on prevention and remediation – either in the form of refund or the recovery of underpayment.

Remediation – refund

In 2023/24 the SPPA will work to outline the approach and timescale for refunding practitioners who have overpaid.

Remediation – underpayment

Several questions where legal advice was needed were identified in the options paper and this advice is in the process of being sought. Once received, the SPPA will agree next steps.

7 Risks

Table 7.1a: Principal risk ratings

Risk	Impact	Likelihood	Current risk score
Data	50	4	200
Cyber	50	3	150
Capability	50	3	150
Capacity	50	3	150
2015 McCloud Remedy	50	2	100

Data

Data is a risk which underpins the Agency's major projects and delivery obligations. As such we have embarked on a full scoping on data quality to ensure we are setting ourselves up for the best possible delivery of the 2015 McCloud Remedy and a new Pensions Platform. Our data comes from pension scheme employers, but life events or work pattern changes, can impact the accuracy of pension calculations. Previously any calculation and or quality checking was done on a case-by-case basis. We are currently considering other methods, and this may result in changes to our operational models.

Cyber

As we modernise our software and ensure we have the IT capability to deliver the 2015 McCloud Remedy we anticipate facing new software and online vulnerabilities. The Internal Audit review gave assurance that we are taking the right steps to mitigate this risk and we continue to work closely with the Scottish Government to support our infrastructure. Cyber security is likely to be a continual risk as we adopt better technology. We are taking an informed approach to our decision making with a good understanding of these potential threats.

Capability and capacity

The SPPA started the year with risks to our capability (related to readiness for future capability requirements), this risk has reduced but remains a challenge.

Our major projects require specialist skills which are also under significant demand across the Scottish Government so the chance to 'borrow' from other departments is limited. This has led to the SPPA needing to carefully manage different projects with the limited expertise available, while asking these experts to train other colleagues in the required technical knowledge.

A sister risk is capacity and is similarly impacted by our need for specialist skills. The SPPA has made leaps forward in the past few years in workforce planning and resilience but churn in any operational delivery body will impact results.

The 2015 McCloud Remedy

Planning for the 2015 McCloud Remedy has understandably impacted day to day operations with experienced staff co-opted onto the project team to inform and support with the large-scale planning process. This requirement has largely been mitigated by careful co-ordination of the overall impact across the SPPA in the short, medium, and longer term.

Emerging risks

The new and emerging risks we are monitoring include areas such as financial resourcing. The Agency has grown in head count in recent years partly to deliver major projects and this will need to be carefully managed.

8 Financial position at the end of the year

8.1 Financial overview

Budget is allocated from the Scottish Government's Finance Portfolio as presented to the Scottish Parliament. Budget for 2022/23 is shown in table 8.1a.

Table 8.1a

	Revenue	Depreciation	Capital	Total
	£000	£000	£000	£000
Baseline – received	19,279	4,400	4,600	28,279
Initial budget allocation	19,279	4,400	4,600	28,279
Autumn Budget Round				
Transfer in from Scottish Government	18	-	-	18
Spring Budget Round				
Return of the capital budget related to the Pensions Platform Programme that is non-capital in nature	-	-	(4,000)	(4,000)
Funding to cover spend on the Pensions Platform Programme not classified as capital expenditure	1,761	-	-	1,761
Reduction of budget requirements for non-cash depreciation	-	(1,930)	-	(1,930)
Miscellaneous minor transfers in	407	-	18	425
Revised budget allocation	21,465	2,470	618	24,553

Table 8.1b: Performance against budget in 2022/23

	Final budget allocation	Actual outturn	Overspend
	£000	£000	£000
Resource	21,465	21,992	527
Depreciation	2,470	2,430	(40)
Capital	618	676	58
Total expenditure	24,553	25,098	545

Notes

- Core services were strategically delivered within the budget allocation to absorb the resource pressures created by approved unfunded projects. Unfunded projects resulted in a 2% net overspend for SPPA.
- In adapting to the changing work environment, we have been especially mindful of planning for a balanced financial position on a sustainable year on year basis and submitted considered and affordable plans to the Scottish Government's resource spending review, published in May 2022.
- The overspend on non-cash resource expenditure includes an underspend on depreciation of £0.04m (2021/22 £0.224 underspend).
- Capital expenditure was over budget by £0.058m (2021/22 - £1.695m under budget).

8.2 Financial resources 2022/23 and expenditure trends

Table 8.2a: Headline figures: Summary of financial resources and expenditure trends

	2022/23 £000	2021/22 £000		2022/23 £000	2021/22 £000
Income	(227)	(258)	Total assets	52,253	38,763
Expenditure	24,649	21,452	Total liabilities	(15,564)	(10,628)
Net expenditure	24,422	21,194	Net assets	36,689	28,135

Notes

- Income of £0.227m (2021/22 - £0.258m) consists of £0.198m from work associated with pension sharing on divorce, £0.014m from the provision of pension calculation services to third parties and £0.015m from sub-letting of office space.
- Expenditure has increased by £3.197m (14,9%) to £24.649m in 2022/23 from £21.452m in 2021/22 as detailed in table 8.2b.
- Net expenditure has increased by £3.228m from 2021/22 driven by increases in staffing (£2.82m), IT maintenance (£0.178m) and professional and technical advisory fees (£0.26m) (see table 8.2b). Figures include revaluation surplus of £0.343m (£0.397 2021-22).
- Table 8.2c provides the detail of the increase in assets and decrease in liabilities from 2021/22.

Table 8.2b: Comparison of expenditure over five-year period

	2022/23	2021/22	2020/21	2019/20	2018/19
	£000	£000	£000	£000	£000
Staff costs	16,540	13,720	12,302	11,138	10,368
IT maintenance	2,585	2,407	2,438	2,901	1,913
Depreciation	2,430	2,426	2,025	1,454	950
Actuarial services	1,785	1,800	1,700	1,692	1,641
Other expenses	462	524	386	429	478
Accommodation costs	379	386	379	366	354
Professional & technical advisory services	338	78	154	185	294
Notional charges	279	279	271	292	278
Postage	163	162	150	209	311
Reform of guaranteed minimum pensions	15	65	193	298	438
Compensation payments	15	3	21	(357)	374
Expenditure	24,992	21,850	20,019	18,607	17,399
Expenditure relating to revaluations	(343)	(397)	(63)	(109)	(108)
Total expenditure	24,649	21,453	19,956	18,498	17,291

Notes

- Staff costs of £16.540m (2021/22 – £13.720m) an increase of £2.82m of which £1.8m is attributable to the annual pay rise and pay scale progression and new salaried appointments and £0.9m to Agency (contingent) workers. Further detail is available on page 59.
- Depreciation and amortisation of property, plant and equipment and information technology was £2.430m for 2022/23 (2021/22 - £2.426m) which was a £0.004m increase on the prior year. The increase relates mainly to assets associated with the improvement of the existing pension administration and payroll systems.
- Actuarial services totalled £1.785m (2021/22 - £1.8m), which was £0.015m reduction from the previous year. Costs are dependent on the valuation cycle for the pension liabilities of the NHS Scotland, Scottish Teachers, Scottish Fire and Rescue Service, Police Scotland and Local Government pension schemes, and pension legislation changes.

- Notional charges cover services provided by the Scottish Government of £0.115m, and Audit Scotland's audit fee of £0.164m.
- Reduced expenditure for the reform of the Guarantee Minimum Pension (GMP) reflects closure of the programme in March 2022. This relates to the GMP reconciliation only. A project to consider GMP equalisation will be started in 2023/24.

Table 8.2c: Comparison of assets and liabilities over a five-year period

	2022/23	2021/22	2020/21	2019/2020	2018/19
	£000	£000	£000	£000	£000
Property, plant, and equipment	5,358	5,175	4,900	5,038	4,964
Computer software and licenses	1,624	3,219	5,019	5,311	3,257
Trade and other receivables*	45,271	22,496	8,295	9,368	13,579
Total assets	52,253	30,890	18,214	19,717	21,800
Trade and other payables*	(15,522)	(2,745)	(9,029)	(11,094)	(8,715)
Provisions for liabilities and charges	(42)	(1)	(12)	0	(367)
Total liabilities	(15,564)	(2,746)	(9,041)	(11,094)	(9,082)
Net assets	36,689	28,144	9,173	8,623	12,718

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

Notes:

- Total assets increased by £21.363m to £52.253m, and comprised:
 - Property, plant, and equipment of £5.358m, which includes £4.886m of freehold land and buildings.
 - Computer software and licenses of £1.624m, a decrease of £1.595m from last year due to reduced capital expenditure. The balance includes £0.312m of assets under development.
 - Trade and other receivables of £45.271m including balances relating to the payment of pensions on behalf of Police Scotland of £22.145m (2021/22 - £17.4m) and Scottish Fire and Rescue Service of £4.470m (2021/22 - £2.8m). There is an additional balance relating to a prepayment of payrolls on behalf of Police Scotland of £13,511m and Scottish Fire and Rescue Service of £3,463m included in the balance.
 - Year end balances are higher due to a higher proportion of pension payments processed in March not being reimbursed to the SPPA before the year end.

- Total liabilities increased to £15.564m from £2.746m in 2021/22.
- Trade and other payables balance on 31 March 2023 of £15.522m included £14.655m (2021/22 - £1.479m) payable to HMRC relating to the administration of Police Scotland and Scottish Fire and Rescue Service pensions; and £0.791m of accrued and deferred income.

Further information on the SPPA's income, expenditure, assets, and liabilities can be found in the financial statements and the notes to the accounts.



David Robb
Chief Executive

26 October 2023

Accountability report

9 Corporate governance report

9.1 Directors' report

The Chief Executive is the Accountable Officer of the Agency and is supported by the SPPA Executive Team. The SPPA Management Advisory Board supports the Agency to deliver its functions by offering strategic advice and constructive challenge to the Chief Executive and Executive Team. Full details of the governance structure and risk management arrangements in operation at the SPPA are provided as part of the Governance Statement on page 41.

Funding and structure

The Agency is part of the portfolio of the Minister for Community Wealth and Public Finance, of the Scottish Government. It continues to be funded through the Scottish Government's Programme Budget. The Chief Executive also has a direct line management reporting line to the Director General: Corporate (DG:C), who is also the Agency's Portfolio Accountable Officer (sometimes referred to as 'Fraser Figure').

9.2 Directors and management structure

The SPPA Management Advisory Board 2022/23

The members of the Management Advisory Board who served the Agency during 2022/23 are shown in the table 9.2a.

During the 2022/23 year the Management Advisory Board agreed to introduce a rotating Chair for meetings instead of the Board being chaired by the Chief Executive. Responsibility for chairing the Board will rotate between each member of the Board from meeting-to-meeting.

Table 9.2a Management Advisory Board 2022/23

Chief Executive and Accountable Officer	David Robb
Non-Executive Advisory Members	Mark Adderley Management Advisory Board and People Committee Ian Forbes Management Advisory Board and Audit & Risk Committee Helen Mackenzie Management Advisory Board and Chair of Audit & Risk Committee Jane Malcolm Management Advisory Board and People Committee Norman McNeil Management Advisory Board

	<p>Elaine Cameron Management Advisory Board and People Committee (Tenure commenced 1 May 2022, resigned 19 January 2023)</p> <p>Liz Holmes Management Advisory Board and Audit & Risk Committee (Tenure ended 30 April 2022)</p> <p>Clare Scott Management Advisory Board and Audit & Risk Committee (Tenure commenced 23 May 2022)</p>
--	--

A revised Framework Document was signed by the Minister for Public Finance, Planning and Community Wealth on 5 September 2022. With effect from this date, it was agreed that the Portfolio Accountable Officer for SPPA, Director General: Corporate, would no longer be a member of the Management Advisory Board.

The SPPA Executive Team

The members of the Executive Team who served the SPPA during 2022/23 are shown in table 9.2b.

Table 9.2b

SPPA Executive Team	<p>David Robb Chief Executive</p> <p>Karen Morley Head of Finance, Procurement and Risk (to 30 June 2023)</p> <p>Iain Coltman Head of Policy (Permanent from 1 July 2022)</p> <p>Garry Cossar Head of People, Strategy and Communications (permanent from 1 July 2022; interim COO from November 2022 to March 2023)</p> <p>Craig Gardiner Chief Operating Officer (Interim) (Secondment ended 28 October 2022)</p> <p>Frances Graham Chief Operating Officer (Permanent from 6 March 2023)</p>
---------------------	---

Full biographies of the SPPA Executive Team can be found on [the 'about us' section of our website³](#).

Company directorships and other significant interests

No Executive Team members or members of the Management Advisory Board undertook any material transactions with the SPPA or reported any conflicts in respect of other interests.

Information Security Incidents reported to the Information Commissioner (ICO)

During 2022/23 there were no (2021/22 Nil) reportable breaches referred to the ICO.

Auditors

Our Accounts are audited by Audit Scotland. The notional fees are reported in the financial statements at Note 3. Audit Scotland has provided only external audit services to the SPPA during the year.

Internal audit services are provided by the Scottish Government's Directorate of Internal Audit and Assurance. The scope of work of Internal Audit is determined and agreed following discussion with management and reported to the Audit and Risk Committee.

Accounts direction

The 2022/23 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 26 October 2023

³ [SPPA website: about us](#)

9.3 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 86 of these financial statements, detailing the resources required, held, or disposed of during the year and the use of resources by the SPPA 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 SPPA 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 SPPA'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 SPPA 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
Chief Executive

10 Governance Statement

10.1 The SPPA's Governance Framework

The [Governance Framework](#)⁴ is designed to ensure that the SPPA complies with the highest standards of integrity whilst delivering value for money for Scottish taxpayers, safeguarding public funds, delivering good quality service to its members 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 two of '[On Board: A Guide for Members of Management Advisory Boards](#)'⁵ published by the 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.

The Framework Document represents an agreement between the SPPA and Scottish Ministers that lay out the relationship in terms of the respective roles and responsibilities for carrying out our functions. As the principal source of reference for our corporate governance arrangements, the 'Framework Document' describes and sets out the:

- Relationship between the SPPA and Scottish Ministers.
- Responsibilities of the Accountable Officer and Scottish Ministers.
- The frameworks within which we operate regarding Resource, Finance and Human Resources.

The SPPA Framework document was last amended and approved by the Minister for Public Finance, Planning and Community Wealth in September 2022.

10.2 Scope of responsibility

As Accountable Officer, David Robb is responsible for maintaining an adequate and effective system of internal control, which supports the delivery of the SPPA's vision, business priorities, aims, 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 Scottish Public Finance Manual (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.

10.3 Primary Governance Bodies Schematic

The bodies which assist the Accountable Officer in the governance of the SPPA is available on our website with a [Governance Schematic](#)⁶. The schematic illustrates the different governance arrangements in place for both Agency Corporate Governance and Pension Scheme Manager delivery.

Governance arrangements, overall, were considered to comply with generally accepted best practice principles and relevant guidance.

⁴ [SPPA framework document](#)

⁵ [On Board: A Guide for Members of Management Advisory Boards](#)

⁶ [Governance Schematic](#)

10.4 Management Advisory Board

The advisory nature of the Management Advisory Board (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 (Chief Executive, David Robb) and are, therefore, neither personally nor collectively accountable for the SPPA's performance.

The role of the MAB is to support the SPPA to deliver its functions on behalf of Ministers. Members of the Board offer strategic advice and constructive challenge to the Chief Executive Officer and Executive Team, seek to improve performance, promote good governance, and advise on identifying and managing risk.

During the year, the MAB met on six occasions. The Board's work has included:

- Receiving reports from the Chief Executive on our progress in achieving key tasks outlined in our business objectives and the continued development of performance metric reporting.
- Receiving reports on the work of the Audit and Risk Committee and contributing towards recommending mitigations to the risks assessed in the SPPA's risk registers.
- Receiving quarterly financial and budgetary updates from the Head of Finance, Procurement and Risk; to review our budget and out-turn position alongside financial performance against key metrics.
- 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 regular updates on our Pension Platform Programme.

There is currently a gender balance on the Board. The Management Advisory Board are listed on table 9.2a and [biographies and meeting minutes](#)⁷ are published on the SPPA website.

One of our MAB members, Liz Holmes, stepped down from the MAB following the April 2022 meeting after serving on the Board since 2017. In April 2022, the SPPA Chief Executive wrote to the Minister confirming that following a successful Public Appointments recruitment process, two new members would be joining the MAB; Clare Scott and Elaine Cameron. Both Clare and Elaine commenced their roles on MAB with effect from May 2022. Elaine stepped down from the MAB in January 2023 due to securing a role at the Scottish Public Services Ombudsman which would have created a conflict of interest.

Both the MAB and the Audit and Risk Committee (ARC) regularly carry out a self-assessment of their effectiveness. The Terms of Reference of the MAB were last amended and approved by MAB in July 2022.

10.5 Audit and Risk Committee (ARC)

The MAB is supported by an ARC which comprises three of the MAB members. The ARC supports the Accountable Officer in discharging responsibilities for issues of risk and controls, finance, governance, and associated assurance through a process of review, constructive challenge and providing relevant advice.

⁷ [MAB biographies and meeting minutes](#)

During the year, ARC met on six occasions. The Committee's work has included:

- Receiving updates and reports from the SPPA Executive Team and senior managers to provide assurance in an Annual Report to the Accountable Officer and Management Advisory Board.
- Supporting the work of, and receiving progress reports from, Internal Audit.
- Reviewing Audit Scotland's Annual Audit Plan and reports where appropriate, which includes an Annual Audit Report including an ISA 260 report.
- Reviewing our Annual Report and Accounts and Scottish Teachers' Pension Scheme and NHS Pension Scheme Scotland's Annual Report and Accounts. Agency accounts were presented within regulatory timescale, however Scheme accounts for NHS and Teachers were not presented within regulatory timescale.
- Receiving a quarterly risk management update for review and discussion, this includes risk registers and tracking of audit recommendations.
- Regular review and scrutiny of the SPPA Agency Risk register.

During 2022/23 a series of short, quarterly focus meetings with the ARC, referred to as 'Deep Dives' took place. These are in addition to the regular ARC meetings and allowed the ARC to discuss and seek assurance on particular risk areas within SPPA. Topics during 2022/23 have included fraud, pension liabilities forecasting and employer data flows.

The ARC provided a full account of its activities on a quarterly basis to the MAB. The ARC annual report for 2022-23 was issued in May 2023 and is available on the website.⁸

10.6 People Committee

During the year, the SPPA introduced a new sub-committee of MAB to focus on people related matters. The Terms of Reference for this sub-committee were presented to MAB and agreed in October 2022. Two non-executive members of MAB form the membership of the People Committee and report back to MAB and the Chief Executive on the matters discussed.

The People Committee supports the Chief Executive in discharging responsibilities for key people related issues, such as:

- Colleague engagement
- People development and capability
- Health and wellbeing
- Capacity and resourcing
- Recruitment and resourcing
- Equality, diversity, and inclusion

During the year, the People Committee met on two occasions. The Board's work has included:

- A review of the Agency performance indicators that relate to People
- An overview of the current workforce issues in the Agency and the workforce planning underway to address this
- Receiving updates on Agency recruitment
- A review of the colleague engagement Pulse survey results

⁸ [Audit and Risk Committee | SPPA \(pensions.gov.scot\)](https://www.pensions.gov.scot/audit-and-risk-committee)

10.7 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 for Scotland's NHS, Teachers', Police and Firefighters' pension schemes, as delegated by Scottish Ministers. It should be noted 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.

In their role to assist the Scheme Manager, the Pension Boards are expected to provide advice and scrutiny over the governance and operation of the scheme administration and to ensure that the legal and administrative requirements of the scheme are being met. During the year, each Pension Board met on at least four occasions.

The work of the Pension Boards has included:

- Receiving reports from the SPPA Executive Team and senior managers on our progress in achieving key tasks.
- Receiving reports on scheme-specific performance metrics allowing the Board to discuss and assist in key performance areas.
- Receiving regular updates on projects such as the Pension Platform Programme, 2015 Remedy and Annual Benefit Statements.
- Receiving reports on quarterly risk reporting and supporting the SPPA by recommending mitigations at a scheme specific level.

Producing Annual Reports to reflect their discussions and the effectiveness of their work that year.

10.8 The SPPA Executive Team

Please refer to the 'The SPPA Executive Team' section of the Directors' Report – table 9.2b.

10.9 The Policy Team

The SPPA Policy team acts as the key policy adviser to the Scottish Ministers on public service pensions and manages the scheme regulations for the executively devolved schemes and other associated workforce provisions. During the 2022/23 year, the SPPA's policy officials:

- Provided policy advice to Scottish Ministers on a range of pension-related matters.
- Undertook a number of consultations on policy issues across the schemes.
- Engaged with key employer and member stakeholders through the five tri-partite Scheme Advisory Boards, as well as providing secretariat support to four of those boards.
- Participated in HM Treasury-led working and steering groups established to develop 2015 Remedy proposals to remove the age discrimination in pension scheme reforms.
- Introduced miscellaneous amendments to the Local Government Pension Scheme (Scotland).
- On behalf of Scottish Ministers, determined appeals from applicants under the devolved schemes' internal dispute resolution procedures (as detailed in the Performance Report).

10.10 Risk Management, control, and assurance

The SPPA maintains a consistent, tiered approach to the management of risk. Risk management is used to alert us to actual threats or emerging issues likely to impact the achievement of our objectives.

The risk appetite of the SPPA is being shaped to ensure that planning and decision making adequately reflects the risks we are prepared to take to achieve our objectives.

The Executive Team key strategic risks for 2022/23 are as follows and considered below:

Table 10.10a Key Strategic Risks

Key Risk	Impact	Key mitigating activity	Impact on risk of mitigating activities
Data: quality is not in a fit and proper state	Our ability to rely upon it to carry out our responsibilities and obligations is compromised.	Dedicated Data improvement lead appointed. Established data profiling for basic member records.	Identified the most 'at risk' data tables allowing controls to be focussed here and increase confidence in quality of data in low risk tables.
Operational delivery: risk of failure to pay pensions accurately and on time.	Pensioners will not be paid leading to loss of confidence and reputational damage for the Agency. Failure to deliver our purpose, responsibilities and service level agreements with Scottish Government, The Pensions Regulator, members, and employers.	Detailed and closely monitored operational delivery plans allow agile resource management. Developing demand forecasting for all in-flows of work.	Resources are mobilised to priority areas in sufficient time to meet forecast demands and focus on processing pensions awards in priority order.
Capability: having the correct skills and experience in house to effectively meet today's and tomorrow's demands.	Our ability to meet the needs of our stakeholders and deliver our priorities will be compromised.	Staffing establishment/budget in place. Recruitment and resourcing controls operational. People Transformation lead appointed.	Identification and prioritisation of core/critical skills supports all recruitment, resourcing, and training decisions, maximising positive outcomes for teams and the SPPA.

Key Risk	Impact	Key mitigating activity	Impact on risk of mitigating activities
Capacity: Insufficient resources or inappropriate operating model.	Failure to meet our vision, deliver improvements identified for the business and have a negative impact on colleague wellbeing.	Executive Team recruitment completed. Restructured Customer Services leadership team. Recruitment and resourcing controls in place.	Robust leadership at Executive level. Increased resilience and improved reporting lines from Executive Team through operational delivery teams.
Cyber: SPPA does not meet baseline cyber requirements.	SPPA will be in breach of our obligations resulting in customers and staff exposed and vulnerable to effects of poor cyber security.	Working with colleagues in Scottish Government IT team to ensure network is maintained appropriately. Annual Cyber awareness sessions held. NIST cyber principles agreed and plan in place to deliver.	Provides tangible assurance of steps taken to comply with recognised standards and approaches. Provides an opportunity to identify areas for further improvement allowing enhanced actions to be taken.

The key strategic risks identified and managed by the Executive Team for 2022/23 were:

- Staff skills
- Engagement
- Internal Controls
- Data Protection

Developing our annual strategic view, we have streamlined the corporate risks to reflect the key challenges to delivery of the annual business plan. Our highest risks from last year were the challenges of skills and engagement. The focus has shifted this year to **capability** and **capacity** as separate risks both scoring lower than last year. This is in part due to the work undertaken ahead of and advised by an internal audit review of these areas.

Our highest risk for this year has been ensuring internal **data quality** with the large transformation programmes of Remedy and Pension Platform Programme (both recognised on the risk register as their own risks of non-delivery) supporting this focus. Considerable work has been done too in partnerships with employers to ensure incoming data is correct and we continue working on our continuous improvement of our processes.

Another key risk is the risk of failure to deliver our Agency purpose, '*paying pensions accurately and on time*,' referred to as failure of **operational delivery**. This is a new high-level risk recognising the purpose of the SPPA and the importance of the holistic Agency approach to actions and planning.

We have also narrowed the view of last year's broad security themed risk to specifically ensure our cyber security is a more visible risk. This is a natural consequence as we embed new technical solutions to address the challenges of Remedy and Pension Platform Programme.

We continue to be led by the Scottish Government's Risk Management guidance. Our Risk Champions Network has matured and is planning an extension in April 2023, providing useful cross-agency soundings and insight.

Risks continue to be identified by workshop, business plan analysis or colleague feedback, with risk owners leading scoring and contextual discussion on the risks and controls. Risks are reviewed monthly at leadership level and a minimum of quarterly at operational level. Strategic risks, highest scoring of which are summarised above, are presented to all the scheme Pension Boards and Audit and Risk Committee quarterly and open to challenge.

Business Continuity

The Business Continuity Alert Document has been revised and is up to date. Routine Fire Marshal, Display Screen Equipment Assessor and First Aider training has been rolled out over the year. Our annual fire risk assessments were completed in January 2023 with the twice-yearly evacuation test undertaken in April and September 2022. Our Group Call (our telephonic alert system for staff) tests took place in May, September, and March 2022. Quarterly health and safety inspections of the building also took place.

Our Incident Management Process has been successfully deployed throughout the year and we are rolling out further iteration and education, taking on board colleague and Pension Board feedback.

We have worked closely with Scottish Government Business Continuity function to ensure we are following best practice and are sighted on key conversations such as power supply monitoring and central network resilience.

The SPPA's Cyber Governance was evaluated by the Scottish Government's Internal Audit Team and reported on the controls in place to manage the risk surrounding cyber governance arrangements. An overall *Reasonable* assurance rating was provided. This audit sought assurances covering incident management, security testing routines, skills development, threat awareness, supply chain security and embedding recognised IT security standards into penetration testing and baseline security checks.

Counter-fraud

There have been no instances of fraud, internal or external, found to be committed against the SPPA in the year. We have worked with the Scottish Government Counter Fraud department to review any instances that were raised and found no evidence of fraud to investigate further.

Whistleblowing reports

There were no cases in this financial year.

10.11 Audit and assurance

The Directorate for Internal Audit and Assurance's annual assurance report for 2022/23 gave the SPPA an overall Limited Assurance opinion meaning that controls are developing but weak. The Limited Assurance rating provided reflects the opinions, findings, and observations from the two main reviews, as well as substantial follow-up work from work carried out in 2021/22. It also reflects an assessment of several wider factors relating to risk management,

control, and governance arrangements within the SPPA. The report's recommendations have been accepted and action is being taken to address the issues.

The report recognises three improvement opportunities in:

- Resource – certain teams constrained in delivering improvements alongside BAU.
- Consistency at the top.
- Process consistency, efficiency, and reliance on manual controls: processes and activities are not consistent across teams; processes could be more efficient and more robustly controlled through greater use of automated systems and better-defined processes and controls.

They also note that the SPPA has improved in some areas since the prior year, and has various improvement projects and activities underway across the agency, such as:

- Pension Platform Programme
- the 2015 McCloud Remedy 2015
- Risk and assurance

Throughout the year Directorate for Internal Audit and Assurance has completed the following Assurance reports:

- Cyber Security Governance
- Members Data
- Risk Management Arrangements.

Follow up reports were completed on:

- Corporate Governance
- Capacity and Capability
- Cyber Security Governance

We have worked to clear the older high rated risks. Progress against delivery of audit actions is discussed regularly at the Audit and Risk Committee.

10.12 Data assurance

An undertaking to report serious personal data breaches to the Scottish Government's Data Protection and Information Assets Team is outlined within a Memorandum of Understanding as agreed with Scottish Ministers.

During the reporting period, the SPPA's data protection compliance was assessed as part of a wider [consensual audit of the Scottish Government](#)[®] by the Information Commissioner's Office (ICO). For the SPPA, *High* and *Reasonable* levels of assurance were reported for the two thematic areas of *Governance and Accountability* and *Information Risk Management*, respectively. Recommended improvements will be implemented to enhance established processes that monitor the processing of personal data and contribute to a culture of data protection awareness across the organisation. We will record and report any breach to ARC within an end of year report, even if escalation to the Information Commissioner's Office is not warranted.

Minimal risk personal data breaches were reported internally to the Agency Data Protection Officer on 28 occasions during the reporting period – a decrease of 17 on 2021/22. No breaches met the threshold as being reportable to ICO. A step-by-step guide to handling

breaches is available on the SPPA's internal intranet and is also included within an Incident Management Process and Business Continuity Plan. It is designed to consider the consequences of a breach in order to minimise harm to the data subject and to put in place the appropriate corrective measures.

On an annual basis, all the SPPA's colleagues are required to undertake Data Protection, Counter Fraud and Security training. The provision of a new Scottish Government training portal has enabled additional compulsory training, such as email Phishing awareness, to be included.

10.13 Information assurance

The SPPA's 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. The Agency's Executive Team have been assigned Information Asset Owner responsibilities and undergo appropriate training and guidance in order to understand and address risks to information. This will ensure that information is fully used within the law and for public good which is confirmed in writing to the senior information risk owner annually. The Data Protection and Information Governance Manager monitors compliance with standards in the protection of information assets to enable the organisation to function effectively, safely, and securely.

Our Information Assurance Framework document evidences the actions, procedures and policies undertaken by the Agency to meet the standards and best practice guidelines set out by the HMG Security Policy Framework. This forms part of our strategic approach to Information Assurance. The annual Information Assurance Maturity assessment carried out in April 2023 demonstrated we have maintained a steady state.

10.14 Health and safety

Our approach to health and safety is a partnership between the SPPA Executive Team, our members of staff and the Trade Unions. The Agency consults with the Scottish Government Health and Safety branch, and we have our own competent and trained personnel to advise on all health and safety matters, safe working practices and keep our staff informed of any health and safety developments that may affect them.

We moved to a hybrid working model in November 2021 and our successful hybrid working plan was created as a result of the collaborative approach between our partners and stakeholders.

The Agency is committed to eliminating all accidents and incidents relating to staff and visitors to the building that may be affected by our operations. Accident and incident reporting systems are in place including the reporting of near misses which are analysed and actioned accordingly. Staff are strongly encouraged to report all accidents/incidents and near miss incidents to help us improve our health and safety practice within our workplace and for staff working from home.

There were no 'near miss' incidents in 2022/23, however there was one accident/incident where a colleague tripped and was concussed. We took the remedial actions identified in the accident report form.

Although some colleagues have had Covid-19 over the past year, the Agency has adopted good practice for staff with colds/flu/Covid-19 to work from home. This has helped us achieve no widespread outbreaks of viruses which may impact the business.

Quarterly Workplace Health & Safety and Fire Safety Inspections have continued throughout the year with no major issues to report. We carried out two fire evacuations and both were a success with the building fully evacuated within two minutes.

Recently, the Agency has leased office space to NHS Borders and Scottish Enterprise. These colleagues have had a full health and safety induction and we will work with our partners to ensure any health and safety good practice is shared with them in the future.

Other points to note:

- Health and safety risk assessments and fire risk assessments have been maintained and kept updated.
- Many colleagues receive Display Screen Equipment Assessor (DSE) Training, Fire Marshal Training, and First Aid at Work Training (inc. requalification) which has ensured we have good numbers in these areas. We also plan to have several colleagues carry out the IOSH Managing Safely training in 2023/24.
- We have recently increased our numbers on our Health and Safety Committee, and we have been having regular quarterly Health and Safety Committee Meetings.

10.15 Reliance on experts

The Agency relies on the work of experts. This includes taking advice from the Government Actuary's Department on matters relating to the five pension schemes, NHS, Teachers, Police, Fire and Local Government Pension Scheme (LGPS). This work includes, but is not limited to, the annual assessment of the value of pension liabilities for the NHS and Teacher's pension schemes. The District Valuer periodically reviews the Agency's premises, the last of which was carried out as at 31 March 2023 and reflected in the 2022/23 Annual Report and Accounts.

10.16 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. Feedback from events is compiled and communicated to colleagues through formal and informal communication channels and minutes of the Management Advisory Board, ARC and Pension Boards are uploaded onto [the SPPA website](#)⁹ 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. We are also involved in an industry benchmarking programme which allows us to compare our service and delivery with other pension providers. 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.

10.17 Trade Unions

A Partnership Agreement is in place between the SPPA and the Trade 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.

⁹ [the SPPA website](#)

10.18 Written assurances

The 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. He also received assurance from the Accountable Officer of both Police and Fire in respect of matters for which they are responsible, and issues assurance to each in respect of matters for which he is responsible, in the context of providing pensions administration services under the relevant agreements. Additionally, the Chief Executive has received assurance from 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.

11 Staff and Remuneration Report

The information in the Performance and Accountability Reports is reviewed by the external auditors for consistency with the financial statements, and the information relating to the remuneration and pension benefits of senior management and non-executive directors, fair pay, staff numbers, staff costs and the number of exit packages has been audited by them.

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Principles, which require appointments to be on merit on the basis of fair and open competition, but also include the circumstances when appointments may otherwise be made.

Unless otherwise stated, the officials covered by this report hold appointments which are open-ended until they choose to retire. The rules for termination of appointments are set out in chapter 11 of the Civil Service Management Code. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The SPPA, in line with Scottish Government and the rest of the UK Civil Service, introduced a policy of no mandatory retirement age for the Senior Civil Service from 1 October 2009, in line with the implementation of the Employment Equality (Age) Regulations 2006. Under current arrangements, an individual's pension will become payable from age 60 if they were employed in the Civil Service prior to 30 July 2007, and in these circumstances that employee can choose to leave work and collect their pension at any time from age 60, subject only to compliance with the basic notice of leave requirements. The Government announced a number of reforms to civil service pensions which are applied from 1 April 2015. Subsequent pension arrangements are detailed further below in the appropriate sections.

[The Civil Service Commission's website](#)¹⁰ provides further information about their work.

The Non-Executive Members provide direct, external support, challenge and guidance to the Chief Executive and senior staff in relation to the delivery of risk, assurance and internal controls framework and participate in the MAB and ARC committees. Helen Mackenzie, Non-Executive Member, was the Chair of SPPA Audit and Risk Committee for the period covered by the Accounts 2022/23.

Independent Non-Executive Members of the SPPA are appointed by the Chief Executive for an initial period of four years, with the option of another four-year period to follow. Table 9.2a includes details of Non-Executive Members.

11.1 Remuneration Policy

The remuneration of senior civil servants (SCS) is set in accordance with the Civil Service Management Code and with independent advice from the Review Body on Senior Salaries (SSRB).

In reaching its recommendations, the SSRB is to have regard to the following considerations:

- The need to recruit, retain, motivate and where relevant, promote suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment, retention and, where relevant, promotion of staff;

¹⁰ [Civil Service Commission's website](#)

- 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; and
- The Government's inflation target.

Further information about the work of the SSRB can be found via the [Office of Manpower Economics](#)¹¹.

Within the Scottish Government the Talent Action Group (TAG), comprising the Permanent Secretary, Director People and two Non-Executive Members, approve SCS pay structures and pay awards. They ensure that pay proposals fall within Scottish Public Sector Pay Policy, and the Cabinet Office framework for SCS pay.

11.2 Remuneration Disclosure

Non-Executive Directors (audited information)

The non-executive directors are not salaried, but received the following in fees and expenses in connection with their duties:

Table 11.2a Non-Executive Directors Remuneration

	2022-23	2021/22
	£'000	£'000
Mark Adderley	0-5	0-5
Ian Forbes	0-5	0-5
Helen Mackenzie	0-5	0-5
Jane Malcolm	0-5	Nil
Norman McNeil	0-5	0-5
Liz Holmes (tenure ended 30 April 2022)	0-5	0-5
Clare Scott (tenure commenced 23 May 2022)	0-5	N/A
Elaine Cameron (tenure commenced 1 May 2022, resigned 19 January 2023)	0-5	N/A
Lesley Fraser (tenure ended 5 th September 2022)	Salary paid by Scottish Government	Salary paid by Scottish Government

Lesley Fraser's role is as Director General: Corporate.

¹¹ [Office of Manpower Economics](#)

Executive Team (audited information)

The following sections provide details of the remuneration and pension interests of the Executive Team of the SPPA.

Table 11.2b Executive Team Remuneration

Single total figure of remuneration						
	2022-23			2021-22		
Name and Title	Salary	Pension benefits (to nearest £1000) ¹²	Total	Salary	Pension benefits (to nearest £1000)	Total
	£'000	£1000)	£'000	£'000	£1000)	£'000
David Robb, Chief Executive	95-100	35	130-135	65-70 (85-90 full year equivalent)	43	110-115
Karen Morley, Head of Finance, Procurement and Risk (Left 30 June 2023)	75-80	22	95-100	65-70	53	120-125
Garry Cossar, Head of Strategy, People & Communications¹³	75-80	29	105-110	75-80	27	100-105
Iain Coltman, Head of Policy	65-70	26	– 95-100	60-65	15	75 - 80
Frances Graham, Chief Operating Officer (from 6 March 2023)	5-10 (65 – 70 full year equivalent)	2	40-45	-	-	-
Craig Gardiner, Chief Operating Officer (Interim from 13 Dec 2021 - left 28 October 2022)	20 – 25 (75 – 80 full year equivalent)	20	40-45	20 – 25 (75 – 80 full year equivalent)	15	35 – 40

¹² 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.

¹³ Gary Cossar was interim COO for the period November 2022 – Mar 2023, during which time he received a TRS supplement. This is included in the salary information.

Notes:

- Salary: 'Salary' 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 SPPA and thus recorded in these accounts.
- Benefits in kind: No benefits in kind were paid during the year ended 31 March 2023.
- Bonuses: No Director received any bonus payments during the year ended 31 March 2023.
- The pay of the Chief Executive, as a member of the Senior Civil Service, is set by the Cabinet Office. The 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.

11.3 Pension benefits (audited information)

Name and title	Accrued pension at pension age as at 31 March 23 and related lump sum	Real increase in pension and lump sum at pension age	CETV at 31 March 2023	CETV at 31 March 2022	Real increase/ (decrease) in CETV
	£'000	£'000	£'000	£'000	£'000
David Robb, Chief Executive	40 - 45 plus a lump sum of – 100 – 105	0 - 2.5 plus a lump sum of 0 - 2.5	941	815	22
Karen Morley, Head of Finance, Procurement and Risk (left 30 June 2023)	35 - 40 plus a lump sum of – 70 – 75	0 – 2.5 plus a lump sum of 0 - 2.5	713	628	11
Garry Cossar, Head of Strategy, People & Communications	5 – 10	0 – 2.5	54	36	11
Iain Coltman, Head of Policy	10 – 15	0 – 2.5	150	126	13
Frances Graham, Chief Operating Officer (from 6 March 2023)	0 – 5	0 – 2.5	2	-	1
Craig Gardiner, Chief Operating Officer (interim from 13 Dec 2021 - left 28 October 2022).	25 - 30 plus a lump sum of – 45 – 50	0 - 2.5 plus a lump sum of 0 - 2.5	360	325	9

11.4 Civil Service Pensions

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, 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 uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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 on [the website](#)¹⁴.

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 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 (Cash Equivalent Transfers Values) 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.

11.5 Fair pay (audited)

The SPPA is required to disclose the relationship between the remuneration of the highest-paid employee and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The lower quartile, median and upper quartile remuneration calculation includes directly employed staff paid through SPPA's payroll and covers both permanent staff and those on fixed term contracts. It does not include temporary Agency staff paid by invoice.

¹⁴ www.civilservicepensionscheme.org.uk

The banded remuneration (excluding pension benefits) of the highest paid employee in the organisation in 2022-23 was £99,962.90 for the Chief Executive (2021-22: £95-100,000). This was 3.6 times (2021-2022: 3.6) the median remuneration of the workforce, which was £27,335 (2021-22: £27,231). The ratio is calculated as the mid-point of the highest band divided by the median total remuneration. The increase in the pay ratio is attributable to the change in the highest paid director being greater than the equivalent change in employee's pay as a whole.

The SPPA believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the agency's employees taken as a whole.

The percentage change from the previous financial year in respect of the highest paid director was 5.5%. The average percentage change from the previous financial year in respect of the employees of the entity taken as a whole was 5.4%.

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. Members of staff do not receive any additional benefits.

The remuneration of the employee at the 25th percentile, median and 75th percentile is set out below. The pay ratio shows the relationship between the total pay and benefits of the highest paid employee (excluding pension benefits) and each point in the remuneration range for the organisation's workforce.

Table 11.4a: Median pay disclosure

2022/23	25th percentile	Median	75th percentile
Salary component of pay	£26,623	£28,709	£34,730
Total pay excluding pension: pay ratio for highest paid employee	3.66	3.40	2.81
2021/22	25th percentile	Median	75th percentile
Salary component of pay	£25,934	£27,231	£31,542
Total pay excluding pension: pay ratio for highest paid employee	3.76	3.58	3.09

2022/23	25th percentile	Median	75th percentile
Percentage change from 2021/22	2.7%	5.4%	10.1%

11.6 Staff Report

Table 11.6a: Staff numbers, costs, and pensions (audited information)

Administration costs	2022/23 £000	2021/22 £000
Wages and salaries	10,162	8,947
Social security costs	1,084	826
Other pension costs	2,614	2,233
Agency staff costs	2,681	1,714
Total administration staff costs	16,540	13,720

Table 11.6b

	2022/23			2021/22		
Average number of full-time equivalent persons employed ¹⁵	Female	Male	Total	Female	Male	Total
Senior civil servant	0	1	1	0	1	1
Senior management	1	3	4	1	2	3
Other permanent staff	153	145	298	141	131	272
Agency staff	5	15	20	10	13	23
Total			323			299
Included in the numbers above						
Number of staff on capital projects			0			0

- Civil Service pension arrangements are unfunded multi-employer defined benefit schemes, but the SPPA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the Civil Service pension arrangements as of 31 March 2016. You can find details in the [resource accounts of the Cabinet Office: Civil Superannuation](#)¹⁶
- For 2022/23, employers' contributions of £2.592m were payable to the Civil Service Pension Scheme (2021/22 – £2.225m) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The Scheme Actuary usually reviews employer contributions every four years following a full scheme valuation. The

¹⁵ Excludes secondees

¹⁶ [Resource accounts of the Cabinet Office Superannuation](#)

contribution rates are set to meet the cost of the benefits accruing during 2022/23 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

- Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £0.001m (2021/22 – £0.008m) were paid to one or more of the three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.8%.

11.7 Staffing and turnover

Staff turnover as of 31 March 2023 was 4.9% equating to 18.1 FTE (in 2021/22 it was 18.8% equating to 33.6 FTE).

Chart 11.2a: headcount percentage of permanent and fixed-term staff by pay range at end of Mar 2023.

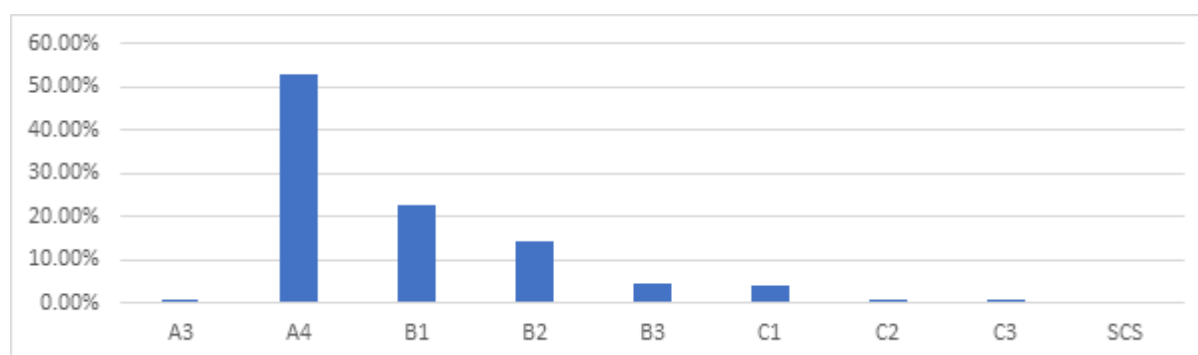


Chart 11.2b: headcount of permanent and fixed-term staff by pay range at end of Mar 2023.

Pay Range	A3	A4	B1	B2	BFS	B3	C1	C2	C3	N/A	LT	SCS	ALL
SPPA total count	2	196	84	52	-	16	14	3	2	-	-	1	370
SPPA total %	0.5	53	22.7	14.1	-	4.3	3.8	0.8	0.5	-	-	0.3	100
SG Core equivalent %	4.28	5.05	13.09	20.77	0.6	24.18	18.05	8.3	1.31	1.65	0.13	2.59	100

11.8 Employee recruitment

Recruitment campaigns undertaken by the SPPA were carried out through fair and open competition, selection on merit and in accordance with Scottish Government guidance and the Civil Service Commissioner's Recruitment Principles.

The below recruitment summary does not include posts which were filled on a temporary basis:

- 62 A band vacancies were filled, of which 39 were filled through external recruitment for 36-month fixed term appointments. 21 permanent posts were filled through external recruitment alongside two Modern Apprentices.
- 48 B band vacancies were filled, of which 43 were filled internally, two from other government departments and three externally.
- Seven C band vacancies were filled, five internally, one from Scottish Government and one externally.

11.9 Sickness absence management

The SPPA'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 to effectively manage some persistent long-term absences. A review of the absence management process has taken place with improved procedures and monitoring implemented. There are training sessions scheduled to empower people managers to effectively manage absences.

In the past 12 months the SPPA has seen a slight increase in average working days lost (AWDL) per full time employee (FTE) of 1.2%. This is consistent with SG core and other delivery bodies. The total average working days lost in 2022/23 was 8.4 per FTE (2021/22 – 7.2) compared to the SG figure of 8.05 per FTE which is up from 7.3 in 2021/22.

11.10 Diversity & Inclusion

As an Agency of the Scottish Government the SPPA aligns with the SG vision to be a diverse employer where people can be themselves at work. The aim is to ensure that all colleagues feel comfortable and valued, and free to contribute fully and to the best of their ability.

The SPPA feeds into the SG [Equality Mainstreaming report¹⁷](#) which is published every two years and actively contributes to the Scottish Government's strategic equality outcomes:

Outcome 1: Our workforce increases in diversity to reflect the general Scottish population by 2025.

Outcome 2: Foster an inclusive workforce culture and value the contribution of employees from all backgrounds.

The SPPA mandatory diversity objectives for colleagues were reviewed at the start of the last reporting year to better align to the SPPA values. All staff are required to have one objective related to diversity and inclusion. Our colleagues are encouraged to share diversity monitoring information via our e-HR system and inclusive culture training is mandatory for all staff. Our colleague passport explores a range of formal and informal workplace adjustments for those who have a condition (illness or disability) or another circumstance which impacts them at work.

Employees with disabilities

The SPPA 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 SPPA is based solely on ability, qualifications, and suitability for the work.

Our e-HR system allows colleagues to record any disabilities. Of 370 staff who had access to e-HR on 31 March 2023, 24 have recorded that they have a disability (that equates to 6.5%).

¹⁷ [Equality outcomes mainstreaming report](#)

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

In 2022/23, there was no compensation (2021/22 one compensation, <£5,000) paid to a member of SPPA staff in respect of the efficiency dismissal notification.

Table 11.11a

Number and cost of exit packages		
Exit packages Cost band	No of departures agreed 2022-23	No of departures agreed 2021/22
Less than £10,000	-	1
£10,000-£25,000	-	0
£25,000-£50,000	-	0
£50,000-£100,000	-	0
	-	1
Total number of exit packages		
Total cost of exit packages	Nil	£****

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 of departure. Where the SPPA has agreed early retirements, the additional costs are met by the SPPA 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. When applicable, exit packages would be subject to audit.

There were no compulsory redundancies in 2022-23 or in the prior year.

11.12 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 the SPPA is not listed as a separate body under the terms of the Legislation, the Scottish Government's reporting will include the SPPA.

12 Parliamentary accountability report

12.1 Losses and special payments

There were 13 special payments totalling £13,406 and no losses incurred in the year to 31 March 2023 (Nil: 31 March 2022).

12.2 Fees and charges

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

12.3 Remote contingent liabilities

There were no remote contingent liabilities to report as at 31 March 2023 (Nil: 31 March 2022).

12.4 Gifts

No gifts were made or received during the year.



David Robb
Chief Executive

26 October 2023

13 Independent Auditor's Report

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

Reporting 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 2023 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of comprehensive net expenditure, the Statement of financial position, the Statement of cash flows, the Statement of changes in taxpayers' equity and notes to the financial statements, including the Statement of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net operating costs for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 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 16 May 2023. My period of appointment is five years, covering 2022/23 to 2026/27. 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 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.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of 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 there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain 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 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:

- using my understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on 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.

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.

Reporting on regularity of expenditure and income

Opinion of 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 in respect of irregularities explained in the audit of the financial statements section of my report, 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 parts of the Staff and Remuneration Report

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

Other information

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

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the course of 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 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 other information and I do not express any form of assurance conclusion thereon except on the Performance 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 parts of the Staff and Remuneration 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 108 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.



Carole Grant, CPFA
Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

26 October 2023

14 Financial Statements

STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2023

	Note	2022/23 £000	2021/22 £000
Staff Costs	2	16,540	13,720
Other Operating Costs	3	6,022	5,703
Depreciation	5,6	2,430	2,426
Total operating costs		24,992	21,849
Income	4	(227)	(258)
Net operating costs		24,765	21,591

	Note	2022/23 £000	2021/22 £000
Other comprehensive expenditure			
Net (Gain)/Loss on revaluation of Property, Plant and equipment	5	(343)	(397)
Total Comprehensive expenditure for the year		24,422	21,194

The above results relate to continuing activities.

STATEMENT OF FINANCIAL POSITION as at 31 March 2023

	Note	2022/23 £000	Restated 2021/22 £000
Non-Current assets			
Tangible non-current assets - Property, plant and equipment	5	5,358	5,175
Intangible Assets	6	1,624	3,219
Total non-current assets		6,982	8,394
Current Assets			
Trade Receivables and other current assets	7.1	45,271	30,369
Total current assets		45,271	30,369
Total Assets		52,253	38,763
Current Liabilities			
Trade and other payables	8.1	(15,522)	(10,618)
Provisions for liabilities and charges	9	(33)	(1)
Total Current Liabilities		(15,555)	(10,619)
Total assets less current liabilities		36,698	28,144
Non-Current Liabilities			
Non-Current Trade and other payables	8.3	(9)	(9)
Total non-current liabilities		(9)	(9)
Net Assets (liabilities)		36,689	28,135
Taxpayers' equity and other reserves			
General Fund		35,018	26,807
Revaluation Reserve		1,671	1,328
Total Taxpayers equity		36,689	28,135

The notes on pages 73 onwards form part of these financial statements.



David Robb
Chief Executive

26 October 2023

Annual Report and Accounts 22/23

STATEMENT OF CASH FLOWS for the year ended 31 March 2023

	Note	2022/23 £000	Restated 2021/22 £000
Cash flows from operating activities			
Net operating cost		(24,765)	(21,591)
Adjustments for non-cash transactions			
Depreciation	5,6	2,430	2,426
Notional costs for services provided	3	279	279
Movements in working capital			
(Increase)/decrease in trade and other receivables	7	(14,902)	(22,074)
Increase/(decrease) in trade and other payables	8	4,904	1,589
Increase/(decrease) in property, plant and equipment trade and other payables	8	0	10
Increase/(decrease) in intangible asset trade and other payables	8	0	0
Increase/(decrease) in provisions	9	33	(11)
Net cash outflow from operating activities		(32,021)	(39,372)
Cash flows from investing activities			
Purchase of tangible non-current assets	5	(287)	(219)
Increase/(decrease) in property, plant and equipment trade and other payables	8	0	(10)
Purchase of intangible assets	6	(389)	(285)
Increase/(decrease) in intangible asset trade and other payables	8	0	0
Net cash outflow from investing activities		(676)	(514)
Capital element of finance lease payments		0	(5)
Net funding – Agency		23,275	19,406
Net funding – pension payments on behalf of Scottish police and fire services		9,422	20,485
Total net financing		32,697	39,886
Increase/(decrease) in cash and cash equivalents		0	0

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY for the year ended 31 March 2023

Statement of changes in taxpayers' equity				
For the year ended 31 March 2023		General Fund	Revaluation Reserve	Total Reserves
	Note	£000	£000	£000
Balance at 31 March 2022		26,807	1,328	28,135
Net gain on revaluation of tangible non-current assets	5	-	343	343
Non-cash charges - SCOTTISH GOVERNMENT services	3	115	-	115
Non-cash charges - Auditors remuneration	3	164	-	164
Net operating cost for the year		(24,765)	-	(24,765)
Net funding		32,697	-	32,697
Balance at 31 March 2023		35,018	1,671	36,689

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY for the year ended 31 March 2022

Statement of changes in taxpayers' equity					
For the year ended 31 March 2022			General Fund	Revaluation Reserve	Total Reserves
	Note		£000	£000	£000
Balance at 31 March 2021			8,229	931	9,160
Net gain on revaluation of tangible non-current assets	5	-	397	397	
Non-cash charges - SCOTTISH GOVERNMENT services	3	115	-	115	
Non-cash charges - Auditors remuneration	3	163	-	163	
Net operating cost for the year		(21,591)	-	(21,591)	
Net funding		39,891	-	39,891	
Balance at 31 March 2022			26,807	1,328	28,135

*Prior year balances for Trade Receivables and Trade Payables have been adjusted to reflect an overpayment of £7.873m to HMRC in respect of taxation for Police Scotland and Scottish Fire and Rescue Service resulting in restated Statement of Financial Position and Statement of Cash Flows for 2021/22.

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with [the 2022/23 Government Financial Reporting Manual \(FReM\)](#)¹⁸. 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 policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Critical accounting judgements and key sources of estimation

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. An independent revaluation of land and buildings is performed at a minimum of every 5 years and the estimates arising from the revaluation are applied in the annual accounts. The value of the revalued assets amounted to £4,855m with the building estimated to have a remaining life of 27 years. The valuation basis and depreciation basis of the assets are detailed in Notes 1.2 and 1.3 respectively.

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 issued but not yet adopted

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 17 – insurance contracts

The International Accounting Standards Board (IASB) has issued IFRS 17 Insurance Contracts, which replaces IFRS 4 Insurance Contracts and is expected to be effective for accounting periods beginning on or after 1 January 2023, following an IASB decision to defer the effective date by one year. Mandatory adoption of IFRS 17 in central government is expected to be from financial year 2025-26 subject to the exposure draft consultation process with government entities and FRAB approval of the final application guidance. Some interpretations and adaptations are likely to be necessary to fit IFRS 17 effectively to public sector conditions. IFRS 17 is not expected to have an impact on the accounts as there are currently no insurance contracts in place.

¹⁸ [Government Financial Reporting Manual \(FReM\)](#)

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 2023 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 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 2023)
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 two to five 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 into 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 SPPA 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 Civil Servants and Other Pensions Scheme (CSOPS) and the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded. The SPPA 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 CSOPS and PCSPS of amounts calculated on an accruing basis (relevant disclosures are included in the Staff and Remuneration report) (see pages 52-62). Liability for payment of future benefits is a charge to the CSOPS and PCSPS. Separate scheme statements for the CSOPS and 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 that sit within the scope of the SPPA's Accountable Officer:

- NHS Scotland Pension Scheme
- Scottish Teachers' Superannuation Scheme

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

- Police 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 SPPA.

1.9 Leases

As directed by the FReM, IFRS 16 Leases applies with for financial periods commencing on or after 1 April 2022. 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. Right-of-use assets and a lease liability are recognised at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The estimated useful lives are determined on the same basis as property and equipment.

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 are recognised for holiday days, holiday pay, and other short-term benefits when the SPPA's 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 Scotland and Scottish Fire and Rescue Service (SFRS)

The SPPA has a statutory responsibility to act as Pension Scheme Manager on behalf of Scottish Ministers and has responsibility for processing pension payments for Police Scotland 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 Police Scotland and SFRS pensions. Under current funding arrangements, Police Scotland and SFRS pensions paid to members are required to be reimbursed to the SPPA by Police Scotland and SFRS.

Amounts paid to HMRC by the SPPA relating to Police Scotland 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 Police Scotland 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 Police Scotland 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 SPPA 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

A summary of staff costs is included in Table 2.1. More information is available in the Accountability Report.

Table 2.1

Administration costs	2022/23 £000	2021/22 £000
Wages and salaries	10,162	8,947
Social security costs	1,084	826
Other pension costs	2,614	2,233
Agency staff costs	2,681	1,714
Total administration staff costs	16,540	13,720

3. Other operating costs

	2022/23	2021/22
	£000	£000
IT Maintenance	2,585	2,407
Actuarial Services	1,785	1,800
Professional & technical advisory services	338	78
Postage	163	162
Training	143	127
Other minor running costs	121	130
Subscriptions	116	189
Medical services	73	74
Reform of Guaranteed Minimum Pension (GMP)	15	65
Compensation payments	15	3
Travel & subsistence	10	4
	5,364	5,039
Accommodation and support services		
Rates	128	147
Maintenance	48	60
Other accommodation costs	203	178
	379	385
Notional charges		
Services provided by the Scottish Government	115	115
Audit fee	164	164
	279	279
Other administration costs total	6,022	5,703

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

	2022/23 £000	2021/22 £000
Pension sharing on divorce – charges to courts and solicitors	198	224
Pension calculation services for third parties	14	34
Other	15	-
	227	258

5 Property, plant, and equipment

For the year ended 31-Mar-2023	Land	Buildings	Information Technology	Equipment	Furniture and Fittings	Total
Cost or valuation	£000	£000	£000	£000	£000	£000
At 1 April 2022	461	4,929	1,014	105	780	7,289
Additions	-	19	210	-	58	287
Revaluations	(61)	(398)	-	-	-	(459)
At 31 March 2023	400	4,550	1,224	105	838	7,117
Depreciation						
At 1 April 2022	-	637	719	86	672	2,114
Charged in year	-	228	175	7	36	446
Revaluations	-	(801)	-	-	-	(801)
At 31 March 2023	-	64	894	93	708	1,759
NBV at 31 March 2023	400	4,486	330	12	130	5,358
NBV at 31 March 2022	461	4,292	295	19	108	5,175

Property, plant, and equipment continued

For the year ended 31-Mar-2022	Land	Buildings	Information Technology	Equipment	Furniture and Fittings	Total
Cost or valuation	£000	£000	£000	£000	£000	£000
At 1 April 2021	426	4,552	843	105	747	6,673
Additions	-	15	171	-	33	219
Revaluations	35	362	-	-	-	397
At 31 March 2022	461	4,929	1,014	105	780	7,289

Depreciation

At 1 April 2021	-	467	592	77	637	1,773
Charged in year	-	170	127	9	35	341
At 31 March 2022	-	637	719	86	672	2,114

NBV at 31 March 2022	461	4,292	295	19	108	5,175
-----------------------------	------------	--------------	------------	-----------	------------	--------------

6 Intangible assets

For the year ended 31 March 2023	Software Licences	IT	Assets Under Development	Total
Cost or valuation	£000	£000	£000	£000
At 1 April 2022	3,324	12,402	-	15,726
Additions	-	77	312	389
At 31 March 2023	3,324	12,479	312	16,115

Amortisation

At 1 April 2022	2,319	10,188	-	12,507
Charged in year	696	1,288	-	1,984
At 31 March 2023	3,015	11,476	-	14,491

NBV at 31 March 2023	309	1,003	312	1,624
-----------------------------	------------	--------------	------------	--------------

NBV at 31 March 2022	1,005	2,214	-	3,219
----------------------	-------	-------	---	-------

For the year ended 31 March 2022	Software Licences		Assets Under Development	Total
Cost or valuation	£000	£000	£000	£000
At 1 April 2021	3,324	12,117	-	15,441
Additions	-	285	-	285
At 31 March 2022	3,324	12,402	-	15,726
Amortisation				
At 1 April 2021	1,616	8,806	-	10,422
Charged in year	703	1,382	-	2,085
At 31 March 2022	2,319	10,188	-	12,507
NBV at 31 March 2022	1,005	2,214	-	3,219

7 Trade receivables and other current assets

7.1 Amounts falling due within one year	2022/23 £000	Restated 2021/22 £000
Trade receivables	(30)	(1)
Prepayments and accrued income	1,969	1,767
Cash in transit	(259)	304
Other receivables*	43,591	28,299
Total receivable within one year	45,271	30,369

7.2 Intra-government balances	2022/23 £000	Restated 2021/22 £000
Balances with other central government bodies	7,873	7,873
Balances with local authorities and health boards	35,718	20,426
Balances with bodies external to government	1,680	2,070
Total receivable within one year	45,271	30,369

*Other receivables relate to the payment of pensions on behalf of Police Scotland and Scottish Fire and Rescue Service as well as a prepayment of £16,974m in respect of payrolls relating to Police Scotland and Scottish Fire and Rescue Service. Additionally, there was an overpayment to HMRC of £7,873m in 2021/22 in respect of taxation paid included in the balance. Prior year balance has been restated to reflect HMRC receivable.

8. Trade payables and other current liabilities

8.1 Amounts falling due within one year	2022/23	Restated 2021/22
	£000	£000
Trade payables	60	227
Accruals and deferred income	791	1,023
Taxation and social security*	14,655	9,352
Other payables	11	11
Finance lease	5	5
Total due within one year	15,522	10,618

*Taxation and social security liabilities and other payables relate to the payment of pensions on behalf of the Police Scotland and Scottish Fire and Rescue Service. Prior year balance has been restated to reflect HMRC overpayment transferred to receivables.

8.2 Intra-government balances falling due within one year	2022/23	Restated 2021/22
	£000	£000
Balances with other central government bodies	14,655	9,352
Balances with bodies external to government	867	1,266
Total due within one year	15,522	10,618

8.3 Amounts falling due after more than one year	2022/23	2021/22
	£000	£000
Finance lease	9	9
Total due after one year	9	9

8.4 Intra-government balances falling due after more than one year	2022/23	2021/22
	£000	£000
Balances with bodies external to government	9	9
Total due after one year	9	9

9 Provisions for liabilities and charges

	2022/23 £000	2021/22 £000
Provision at 1 April	1	12
Provided in the year	33	(11)
Balance as at 31 March	34	1
Analysis of expected timing of any resulting outflows of economic benefits		
Payable in 1 year	34	1
Total as at 31 March	34	1

NHS Scotland Pension Scheme and Scottish Teachers' Superannuation Scheme

The provision at 31 March 2023 includes £2k relating to scheme member compensation claims (£1K as at 31 March 2022), which are being dealt with by the SPPA's Internal Disputes Resolution Procedure and the Pensions Ombudsman Service.

Other provisions of £32k relate to income received in advance in respect of sub-letting of office premises.

10 Capital commitments

Capital commitments at 31 March 2023 not otherwise included in these accounts.

	2022/23 £000	2021/22 £000
Property, plant, and equipment		
Contracted capital commitments for which no provision has been made	1,135	4
Intangible Assets		
Contracted capital commitments for which no provision has been made	-	-

2022-23 property, plant and equipment commitments include future payments for audio visual equipment of £130k, lights of £350k, security upgrade of £155k, door replacement of £150k and office refurbishment of £350k. (£4k as at 31 March 2022 in respect of IT equipment).

11 Commitments under leases

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

Obligations under leases comprise:	2022/23 £000	2021/22 £000
Office Equipment		
Not later than one year	6	8
Later than one year and not later than five years	5	12
Less interest element	(2)	(2)
	9	18

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 several material transactions with the Scottish Government.
- Included in the balances are amounts related to the Police and Fire pension schemes, which are regarded as related parties.
- 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 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 £nil (£nil at 31 March 2022).

14 Events after the reporting date

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 is prepared.**
- 2. The accounts shall be prepared 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', with a stylized flourish at the end.

Signed by the authority of the Scottish Ministers

17 January 2006

Serving those who serve Scotland

SPPA

Scottish Public
Pensions Agency
Buidheann Peinnseanan
Poblach na h-Alba