

Scottish Public Pensions Agency

Annual Report and Accounts 2003-2004
Corporate Plan 2004-2007

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Foreword and Forward Look by the Chief Executive

I am pleased to present our Annual Report and Accounts for the period 1 April 2003 to 31 March 2004. This is our eleventh report since we became an Agency in 1993. For the second year we have published our Corporate Plan with the report. This covers the period 2004-2007.

After a very difficult period before and after our relocation to Tweedbank, the Agency has been able to settle into a more normal working pattern and benefited from being able to concentrate fully on dealing with its customers. In last year's report, I explained how the Agency had significantly changed its working practices on the move from Edinburgh and that it was, inevitably, taking time for the Agency and staff to settle into the new arrangements. I am pleased to say that with a very high level of training, the Agency and its staff have now successfully passed through the critical early stages of operating with both a largely new staff and significantly changed working practices. We would attribute this mainly to the ability and enthusiasm of the Agency's staff both those who moved from Edinburgh and those recruited from the Borders. Their clear desire to make the move to the Borders a success has made my task so much easier.

One of the main changes was the introduction of an Electronic Document Management (EDM) System and, despite some difficulties, this is now greatly assisting our effectiveness. We use it to record workflow, delegate tasks and keep a history of cases. EDM also shows where backlogs of work are developing and allows management to refocus resources. Another important change was the move to a regional team structure which provided a clear point of contact for scheme members and employers. The long term aim is for staff to work towards a position where they will be able to perform most tasks themselves, with support on the more difficult issues. Much of the work is sufficiently complex for this to be a challenging aim but we are now past the stage of excessive dependence on particular individuals with a reasonable skill mix in all our regional teams.

The Support Team which had remained at Saughton House in Edinburgh, for the initial 18 months after relocation, to provide support to Tweedbank closed on 31 March 2004. I would like to thank all the staff who were in the support team and wish them well in their new careers. They were essential to the move, contributing their expertise to both training and the processing of the more complex cases.

Now that the whole Agency is successfully relocated in the Borders it is time to look forward and plan for the future. In 2004-2005 and beyond we hope to build on that foundation and further improve the service we provide to employers and members. Over the period immediately following the move, we concentrated on our key targets which cover the essential elements of the business and I was pleased that we succeeded in meeting them. However this was at the expense of lower priority work and we have, over the last year, been gradually improving standards, especially turnaround times, for the more routine items. The position is now largely satisfactory for the Teachers scheme although there is still some distance to go before we will be happy with all the service levels we are providing for the NHS scheme. At the same time, we are as always looking to operate more efficiently. Staff levels reduced significantly over the past year with the ending of the support arrangements. They still however reflect the immaturity of the Tweedbank operation and we are planning, over the next 3 years as skills develop, a mixture of further staff reductions through natural wastage and new work.

Our Policy team continued to be actively involved in pension developments in the wider pensions field. The team also gives advice to Ministers and Scottish Executive Departments on possible implications on policy development for the public sector schemes for which Scottish Ministers are responsible. The main single area was the work, with other UK public pension organisations, on the development of proposals for new pension arrangements in line with the 2002 Green Paper on 'Simplicity, Security and Choice: Working and Saving for Retirement' and the subsequent consultation exercise, where the Government indicated its intention to modernise public sector pension schemes. The primary thrust of this policy as it affects scheme members is to increase the normal retirement age, the time at which members have the right to retire with their full benefit, usually to age 65 where it is not that already. However, we are also taking the opportunity to examine how the schemes can better meet the needs of 21st century operations. Different processes have been set up at a UK level for the main schemes and we are particularly involved with the development of the NHS and Teachers schemes where the discussions involve both staff and employer sides. This will clearly provide a great deal of work for the future both in policy development and for our operations side where we think it likely that a new computer system will be needed.

The Agency continued to be involved in clarifying the right of employees (so called Preston cases) who were previously not permitted to become members of the NHS or Teachers schemes in relation to their part-time service. Although the Agency have been collecting preliminary information from employees who think they had a right to join the schemes, we have to wait for Industrial Tribunal decisions before we can act. This process has regrettably taken a very long time to get to the present stage but it has recently moved forward significantly and we expect to start dealing with actual cases in the autumn.

The Corporate Plan, which is being published at the same time as this report, sets out the external factors that are likely to influence our business over the next three years. It also outlines many of the measures we have for meeting the challenges which lie ahead. The last three years have seen an extremely rapid rate of change and we will still be changing in the years ahead. The underlying objective remains, as always, to continually improve the way we deliver our services to members and employers and to do this more effectively.

This Annual Report, Accounts and Corporate Plan will be my last for the Agency as I am due to take up another posting within the Scottish Executive in September. I have thoroughly enjoyed my 6 years with the Agency and I am pleased how far the Agency has come during that time. I am sure that the Agency will continue to flourish in its new home in the Borders. I take this opportunity to thank all the staff I have had the pleasure of working with and wish them all the best for their future careers. Neville Mackay will be my successor and I hope he enjoys his time with the Agency as much as I have.

Ralph Garden
Chief Executive

1. Introduction

The Scottish Executive is the new devolved administration in Scotland. Established on 1 July 1999, the Executive inherited the vast majority of the policy and administrative responsibilities of its predecessor, The Scottish Office.

Scottish Executive Aim: To work with Scottish Ministers to improve the well being of Scotland and its people.

Scottish Executive Vision: Our vision is of an organisation which:

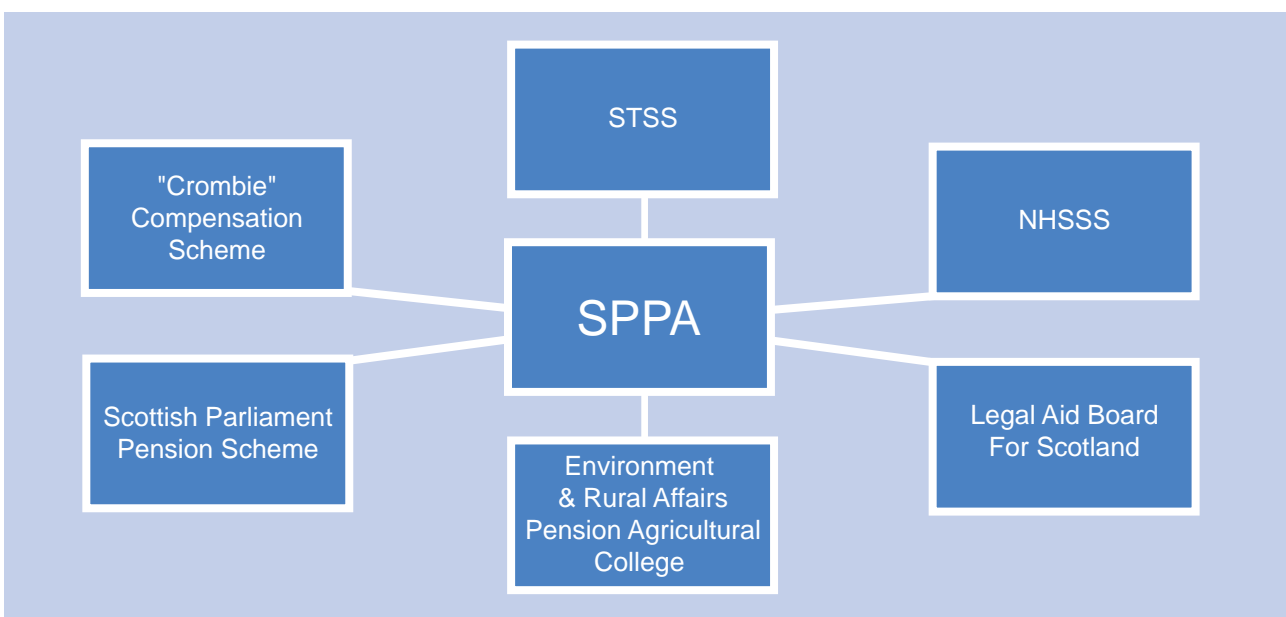
- earns respect and trust
- promotes Scottish interests
- is open and in touch
- works together
- works with and learns from others
- ensures high quality services
- makes best use of resources
- values its people.

The Scottish Public Pensions Agency (SPPA) is an Executive Agency of the Scottish Executive. It was previously known as the Scottish Office Pensions Agency and was created on 1 April 1994 employing around 200 staff. The Agency is part of the Scottish Executive Finance and Central Services Department and administers and regulates the public sector pension schemes in Scotland for which the Scottish Ministers are responsible. The overall framework within which it operates is set out in its Framework Document.

The schemes administered and regulated by SPPA are the pensions, premature retirements compensation and injury benefit schemes covering employees of the National Health Service in Scotland, the pension scheme covering Teachers in Scotland, the scheme covering staff of the Legal Aid Board for Scotland, the pension scheme covering staff of the Scottish Agricultural Colleges, the pension scheme covering the Members of the Scottish Parliament and the now discontinued "Crombie" compensation scheme covering former employees of colleges of education.

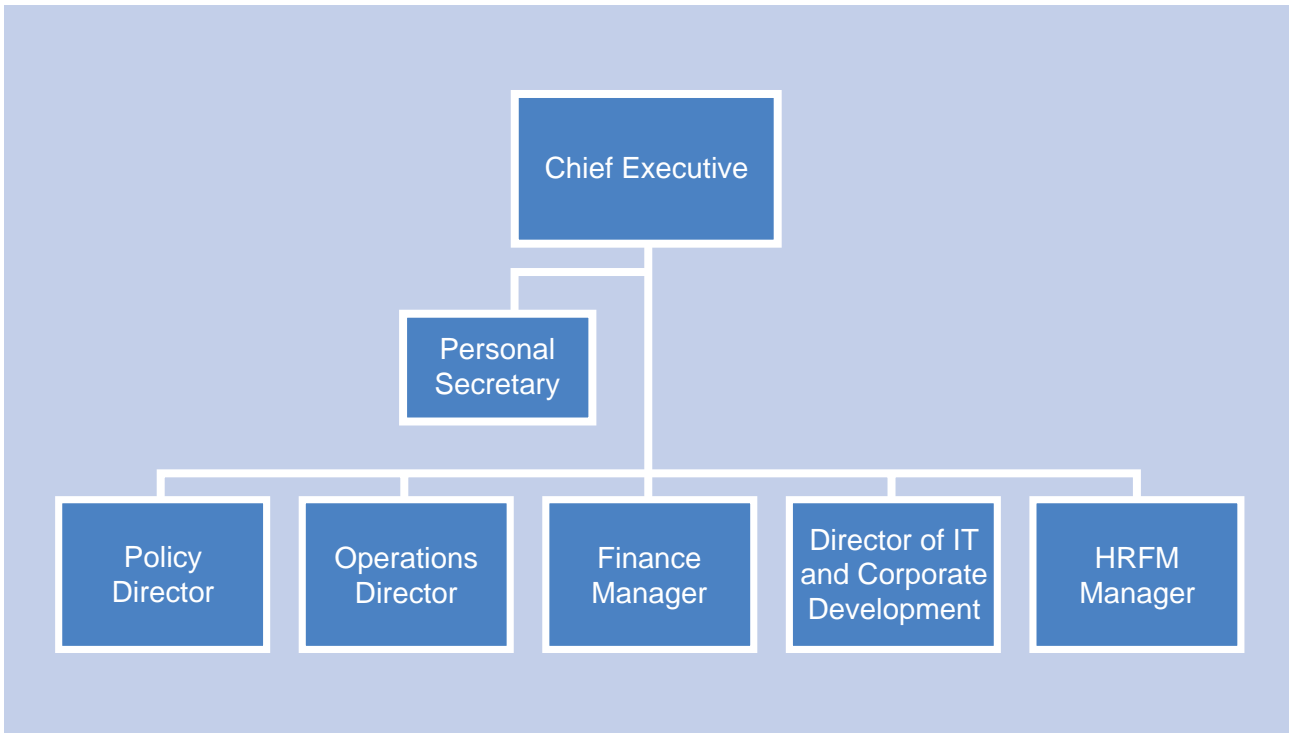
SPPA also exercises regulatory and appellate functions in respect of schemes administered by local authorities – the local government pension and discretionary payments and injury benefit schemes, the teacher’s compensation for premature retirement scheme, and the pension schemes covering the police and fire services.

The SPPA's main stakeholders



The Chief Executive (Ralph Garden) is supported by the following senior managers: Policy Director (Ian Clapperton), Operations Director (Gordon Taylor), a Director of IT and Corporate Development (John Nelson), Finance Manager (David Weir) and HRFM Manager (Sally Paterson). As at 31 March 2004 SPPA employed 225 staff. 24 members of these staff were in the process of being redeployed from the Support Team at Saughton House to the Scottish Executive.

The senior organisational structure as at 31 March 2004.



2. Aims

The aims of SPPA, as set out in its Framework Document, are as follows:

- to administer, on behalf of the Scottish Executive the public service pension, premature retirement compensation and injury benefit schemes for which the Scottish Ministers have administrative responsibility so as to provide an efficient and effective service for the benefit of those who use the schemes, at an economic cost to the public purse;
- to prepare in accordance with the Scottish Executive's policy the regulations governing these and other schemes for which the Scottish Ministers have regulatory responsibility;
- to determine questions under the regulations on which there is a right of appeal to Scottish Ministers; and
- to advise the Scottish Ministers on occupational pensions policy generally.

The Agency's targets for 2004-2005 are listed in section 3 of the Corporate Plan.

3. Performance on Key Targets

Target Definition		98-99	99-00	00-01	01-02	02-03	03-04
To ensure that x% of awards and transfer payments are accurate	Target	99.5	98	98	98	98	98
	Outturn	99.1	99	99	99	99	99
Pay on time x% of all pensions and lump sums where the target date for receipt of claims is met:							
(a) Pensions	Target	99.5	98	98	98	98	98
	Outturn	97.2	99	100	100	99 (*1)	98
(b) Lump Sums	Target	99.5	95	95	95	95	95
	Outturn	89.3	99	100	98	100 (*1)	97
Ensure that x% of the contributions due from employers of teachers are received within 15 days of the end of the month to which they relate	Target	97	98	98	98	98	98
	Outturn	98	98	98	92	98	98
Ensure that x% of the contributions due from employers of NHS staff are received within 15 days of the end of the month to which they relate	Target	-	-	96	96	96	96
	Outturn	-	-	96	91	98	98
Pay on time the pensions comprising the monthly STSS payroll	Target	-	-	100	100	100	100
	Outturn	-	-	100	100	100	100
Reduce identified operating costs per member/beneficiary by x% in real terms	Target	5	5	(*)	(*)	(*)	(*)
	Outturn	2.5	5.27	(*)	(*)	(*)	(*)

Note the following assumptions

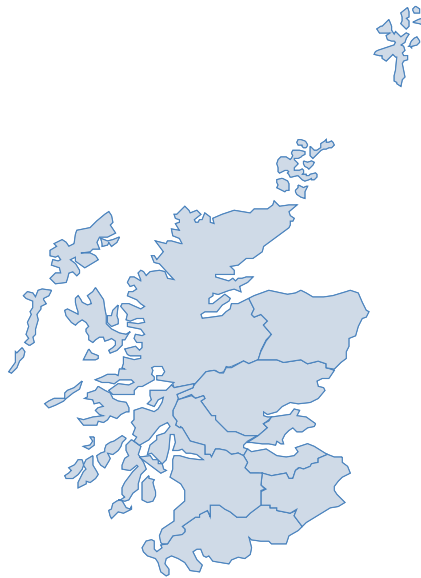
(*) Five-year target set for period 2000-2001 to 2005-2006

(*1) Measured at the end of the quarter 2 period during 2002-2003

4. Operations

The performance against targets were largely met with a significant improvement being recorded in the collection of scheme contributions from NHS employers. In an attempt to speed up the clearance of the backlog of bulk input data to the IT system it was decided to give direct responsibility for this work to the regional teams from January 2004. Early indications are that this change of approach has stimulated an immediate improvement in clearance rates.

The cradle to grave structure that was adopted by the Agency following relocation has, as hoped, improved the service to members and employers. It is planned to further improve customer service by increasing the number of visits made by Agency staff to employers and by running member and employer seminars.



Teams are now divided into the following regions.

NHS

- Team 1. Borders, NHS Injury Benefit Scheme
- Team 2. Argyle, Ayrshire, Orkney, Shetland, Western Isles
- Team 3. Dental and General Practitioners
- Team 4. Tayside
- Team 5. Grampian, NHS 24
- Team 6. Lothian
- Team 7. Fife, Forth Valley, Scottish Ambulance Service
- Team 8. Lanarkshire, Dumfries & Galloway, State Hospital (Carstairs)
- Team 9. Glasgow
- Team 10. Highland, Common Services Agency

STSS

- Team 1. Fife, Argyle, Inverclyde, Orkney, Shetland, Western Isles
- Team 2. Aberdeen, Moray, Highland, Grampian
- Team 3. Dunbartonshire, Lanarkshire, Borders, Dumfries, Galloway, Grant Aided Colleges (GAC) Payments
- Team 4. Falkirk, Tayside, Central
- Team 5. Glasgow, East Renfrewshire
- Team 6. Ayrshire, South Lanarkshire
- Team 7. Edinburgh, Lothian

Electronic Data Management

The Electronic Data Management system for the administration of member's pension records was further developed. Links were established with the Agency's IT system to directly maintain records of outgoing correspondence and a statistical information system introduced to enable better management of workflow.

Benefit Statements

Benefit statements based on information provided by employers at 31 March 2003 were issued to some 57,000 NHSSS and 53,000 STSS members at the end of March 2004. This represents an increase of 25% of NHSSS members receiving statements over the previous year. This reflects the improvement in the clearance of the backlog of bulk input data to our IT system. Statements were also prepared for members of the Scottish Parliamentary Pension Scheme.

National Fraud Initiative (NFI)

Our participation in the NFI 2002 proved worthwhile with 51 cases being identified where the recipient of a pension was found to be deceased. This resulted in the recovery of an overpaid pension amounting to £173,000 and stopping future pension payments to a value of £3.1m. Because our involvement in both NFI 2000 and NFI 2002 has been beneficial, we have decided that the Agency will participate in NFI 2004.

Actuarial Review

Historically, both the NHSSS and STSS have operated on the basis that they were responsible for only the cost of the basic benefits provided, with the cost of pensions increase being met by the Exchequer. However, for some years the agreed policy has been that the full cost of benefits, including pension increase, should be reflected in public sector pension scheme financial arrangements. Responsibility for the payment of pensions increase in the NHSSS and STSS transferred from the Exchequer to the schemes on 1 April and 1 October 2003 respectively.

Full valuations of both schemes are currently being undertaken by the Government Actuary's Department to determine among other things what the correct employer contribution rate should be. Because the valuations have not been completed, the Government Actuary's Department prepared interim valuations for the schemes and recommended that the employer contribution rate for the STSS should be 12.5% from 1 October 2003 and the NHSSS should be set at 14% from 1 April 2004.

Small Schemes

The Small Schemes team provides a pensions calculation service for the Scottish Parliamentary Pension Scheme (SPPS), the Scottish Executive Environmental and Rural Affairs Department Superannuation Scheme (SEERAD), Legal Aid (Scotland) Pension Scheme (LA(S)PS) and a new scheme The Scottish Legal Aid Board Chairman Pension Scheme (SLABC).

All of the schemes are administered on a "cradle to grave" basis and there is regular liaison with the employing bodies to ensure the accuracy of records and to provide the best service possible to members.

During the year a service level agreement between the Agency and SPPS was agreed. This will bring benefit to scheme members by the clarification of roles and responsibilities. Discussions are ongoing with SEERAD with a view to the Agency providing a full administration service to the scheme rather than the existing calculation only arrangement.

5. Occupational Pensions Policy

Background

The Agency's Policy and Regulation Branch remained actively involved in the consideration of policy developments in the wider pensions field, with particular regard to their implications for the public service pension schemes for which the Scottish Ministers are responsible.

The Branch also provided advice and assistance to Scottish Executive Departments and other parts of the public service in Scotland on the implications of policy developments and initiatives for the pension arrangements of public service employees.

Occupational Pension Reform

Following the publication of the 2002 Green Paper on 'Simplicity, Security and Choice: Working and Saving for Retirement', and the subsequent consultation exercise, the Government confirmed its intention to introduce the changes to occupational pensions with implementation from 2006. The main change being the raising of the normal pension age for public servants from 60 to 65. As a result the Policy Branch has been working with other public service pension agencies across the UK to develop new pension schemes.

Confirmation in the 2004 Budget that Government proposals for tax simplification would go ahead from 2006 has added fresh impetus to the work already underway to review existing pension schemes and this work will continue throughout 2004.

Further activity is ongoing on implementing Government proposals for Civil Partnerships [same-sex partnerships] from 2005 and the European Directives on Age Discrimination from 2006.

The combined effect of these reforms will ensure that pension provision for public servants adequately reflects the needs of a 21st century workforce.

Changes to Schemes

Seven Scottish Statutory Instruments, as listed in Annex A, were made during the year, following consultation with employers, representatives of scheme members, and other relevant interests. These introduced a number of changes to the pension schemes for teachers, police and NHS members.

Appeals

In 2003-2004 the Branch received 69 appeals from members of the pension schemes for which the Scottish Ministers are responsible, a very slight increase on the previous year. Of those 63 related to entitlements to ill-health or injury benefit awards, with almost half coming from police officers. One of the regulatory changes introduced this year was improved ill-health management arrangements for the police service together with new medical appeal processes akin to those already in place for the fire service. Any impact of this change will become apparent during 2004-2005.

Work Load

The Branch has coped well with an increasing demand for advice and information on pension and related policy issues from Scottish Executive Departments and other Scottish public bodies. A close working relationship has been maintained with UK Departments with similar responsibilities, and with pensions administration staff within SPPA and elsewhere, which has significantly helped it to meet the demands placed upon it.

Of particular significance, this year, has been the need to consult on the Occupational Pension Reforms. The Branch has established two consultative groups, comprising employers and staff representatives, with the Teachers and NHS schemes, and in addition presentations have been given to several interested groups.

Other areas in which the Policy Branch have been active include negotiations with the Scottish Employment Tribunal to facilitate the processing of the "part-time" cases which had been held pending resolution of various court actions, undertaking training sessions for BUPA following the introduction of the changes for the police medical appeals and the completion of an "easy to read" guide for the Teachers.

Finally the Branch accepted responsibility for the preparation of the SPPA Publication Scheme required under the Freedom of Information legislation. This specifies what information the Agency will make available to the public from June 2004. The Agency scheme has been approved by the Scottish Information Commissioner, and our web pages are currently under review in preparation for go-live in October 2004.

6. Human Resources

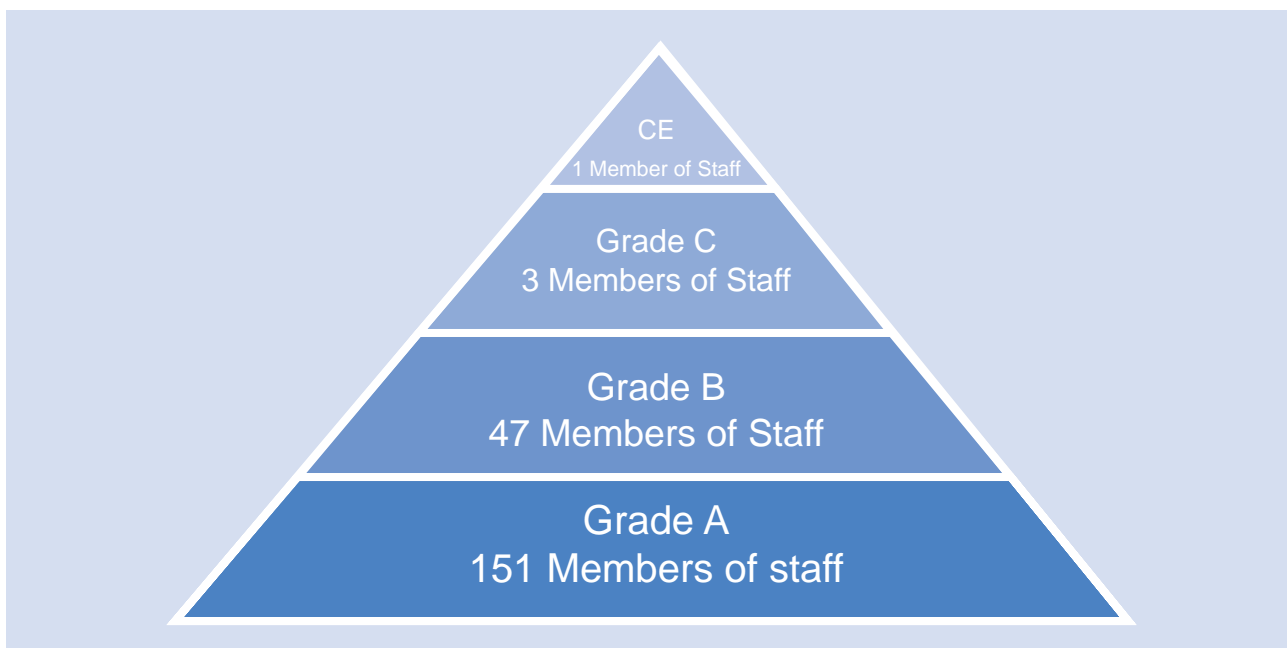
Background

As an Executive Agency of the Scottish Executive (SE), the SPPA continues to apply Human Resource (HR) policies and practices developed and adopted by the SE HR group.

The Agency's HR team has had a testing year and has recruited an additional part-time member of staff to concentrate mainly on the Attendance Management procedures.

The SPPA HR Team recently prepared and issued Staff Guidance Notes to all staff on Performance Management (appraisals) and Attendance Management (sick absence). Further guides covering other personnel matters are planned.

Staff by Band



The above diagram excludes 24 staff who were transferring from the Support Team to the SE on 31 March 2004.

Redeployment

At 31 March on the closure of the Support Team there remained 6 members of staff who were still to be posted. Arrangements are in place to ensure that the 6 staff members are given temporary postings until a permanent position becomes available.

Recruitment

The Agency recruited a further 10 staff, in 2003-04, which brings our core staffing to a peak. There is unlikely to be any additional recruitment for some time and the Agency will focus on training and development. Our staffing has remained at a high level to cope with the relocation and the loss of experience. We will now seek to maximise efficiencies and it is unlikely that we will replace staff who leave.

Promotion

During 2003-04, the Agency promoted one member of staff whilst 6 gained progression within their staffing band. An exercise to promote a further 4 staff has just been completed and the successful officers will take up their new duties shortly. It is likely that there will be more opportunities for promotion or progression in the future.

Attendance Management

The SE introduced new attendance management guidelines on 1 December 2002 to encourage a reduction in sick leave throughout the SE and these were adopted by SPPA. We have recently appointed an HR specialist and issued guidance to staff to help reduce sick absence further. In 2003-2004, the Agency were successful in reducing the average number of days lost per member of staff from 10.6 in the previous year, to 7.8.

Alternative Working Patterns

The Agency along with the Student Awards Agency for Scotland were the first SE Agencies to pilot Alternative Working Patterns (AWP) in 2002. SPPA positively considers any request from staff who wish to work alternative working patterns, be it part-time, term-time, or even home working. We now have 14 members of staff who are currently making use of AWP. The SE finally agreed the AWP arrangements at the end of 2003-04. All staff have the opportunity to work Flexible Working Hours (FWH), which benefits staff and the Agency, further supporting a work life balance.

Employee Relations

SPPA staff have their own trade union representatives. The Partnership Agreement with the Agency and the Union is fully operational. Management's aim is to continue working closely with union colleagues and sustain the excellent employee relations we now have within the Agency. Meetings with management and the Trade Union continue to take place quarterly or more often if required.

7. IT and Corporate Development

The Agency recently disbanded its support unit in Saughton House. All PC's and servers were successfully decommissioned and reused in our premises in Tweedbank. The outstanding workload was transferred to staff in Tweedbank, electronically, through our Electronic Document Management (EDM) system, except for a residue of paper files which were relocated to our file store, also in Tweedbank. The paper files are currently being scanned prior to distribution for action.

The EDM system has had a major impact in the working environment in Tweedbank and is subject to regular review and development with new innovative processes and procedures being implemented on an on-going basis. A user group, the first of a number of Business Improvement teams, has been set up to guide its further procedural development.

As part of our on-going system of improvement and development we have recently purchased a new Payroll system from our suppliers Northgate. This should improve the quality of monitoring and speed up the transaction processing time when we run the STSS payrolls. The system is currently under test with a view to going live in late 2004. This system will also allow the Agency to take on new Payroll work in the future.

Business Development

The Agency is committed to pursuing the Aim, Visions and Objectives of the SE which include the drive to Modernise Government. As such we are actively pursuing solutions which will meet e-Government criteria and provide a high quality electronic service to customers and external suppliers.

One aspect of this approach has been to ensure the Agency Internet site is fully compliant with Freedom of Information (FOI) legislation which is contained in the Freedom of Information [Scotland] Act 2002. Although the formal implementation date is 1 January 2005, public authorities are expected to comply in advance of that date and the Agency is scheduled to have the necessary arrangements in place by October 2004. FOI is about open government and allowing public access to information held by organisations.

8. Staff Development and Training

Training continues to play a key role within the Agency. All pensions' teams already operate on a cradle to grave basis. We now aim to develop the skills of our pension administrators so they can all operate on a fully cradle to grave basis within three years. To achieve this, the training team continue to roll out training and most staff are in the process of consolidating their latest phase of training. The next full phase is due to commence in September 2004 and training will be offered to suit the pace of each individual and team.

Qualification in Public Sector Pensions Administration (QPSPA)

In 2000, the Pensions Management Institute launched a new qualification (Scottish Vocational Qualification at level 3) aimed specifically at public sector pensions. SPPA are keen to offer this qualification to their staff, however, the relocation of the Agency in 2002 meant the postponement of this project. For the last 6 months, the training team have been working closely with the pensions teams to plan the implementation of the QPSPA in SPPA. A Working Party was set up and an implementation plan was prepared which set specific objectives for a pilot exercise. This will be reviewed regularly to ensure that all objectives are being met.

The SPPA was accepted as an Approved Centre by The Pensions Management Institute in December 2003. As this is a new vocational qualification, the Agency had to develop training in the relevant qualifications for Assessors and Internal Verifiers. Several training providers were consulted about a training programme and local training providers, Border College Consultants, were chosen to implement our training. The training for these staff started in February 2004 and it is expected to last for approximately 6 months. Each Assessor will have one candidate for the initial period of the pilot exercise. It is anticipated that when fully trained and operational, each Assessor will have 4 candidates for the QPSPA. Although not mandatory, all pensions' administrators will be encouraged to achieve the qualification in due course.

Induction

During the latter part of 2003, a new induction programme was trialled using a selection of staff at various grades. From then, SPPA have developed an induction pack and a comprehensive induction programme which will be fully introduced with the next intake of staff in April 2004.

Training Administration

A database has been developed to record details of all staff training events. In conjunction with this the SE have also launched a training database E- Das. Using both these tools we can now identify, plan and record all our training needs, electronically.

We are currently working in conjunction with our own ISU, to develop a web page on the SPPA Intranet site to publish information about courses, training events and provide links to all training modules. This will become available during 2004-2005.

Corporate Learning Services

The training team continue to work closely with the Scottish Executive's Training Department, utilising their vast and well developed training programmes for the benefit of all our staff.

During 2003-2004, four of our staff accessed funds from Corporate Learning Services to support their Lifelong Learning and Voluntary Further Education. We are actively encouraging more staff to do so during the year ahead.

Corporate Learning Services have also recently launched the Modern Apprenticeship Programme (MAP) which is a vocational qualification for administrators at SVQ levels 2 and 3. As many of our administrators do not work directly in pensions and are therefore unable to become involved with the QPSPA, we have been liaising closely with the MAP team and are hoping to enrol at least 3 members of staff for this qualification during the next intake in June 2004.

Other Learning Events

We continue to work closely with many training providers to ensure that all training events are of excellent quality, appropriate to our needs and value for money. The range of these courses is extensive but include training in IT skills, communication skills, effective management skills along with others which help the development of staff. We aim to establish each new member of staff's training needs as part of their induction and where possible arrange for these to be met locally. We also have an annual development process which allows us to balance an individual's development needs with those of the Agency and the wider SE.

9. Facilities Management

The primary role of the Facilities Management team is to manage the SPPA's premises in a cost effective and environmentally friendly way, ensuring the safety of staff and visitors. The implementation of effective property management strategies makes an important contribution to the delivery of the Agency's core business activities. In many respects we aim to provide low-visibility services which "just happen" but there have also been a number of significant improvements in space planning and building restructure which have optimised the use of office space and enabled us to respond to the patterns of growth and change in the operational teams. There has also been further investment in accommodation in the Scanning Unit which has improved the safety of the building and increased the efficiency of storage capacity. A considerable amount of effort has gone into reporting and resolving defects in the main building and although there are a number of outstanding items still under negotiation, with the developer and building contractor, the majority have been rectified.

Health and Safety

The Agency aims to provide a safe and healthy working environment for all staff and have systems and procedures in place, where possible, which will ensure that all equipment, plant and premises are safe and free from adverse effects to health. We apply the Scottish Executive Health and Safety Management Systems and procedures. We now have seven trained Health & Safety Liaison Officers to provide support services and advice to staff and disseminate information. We are in the process of setting up a Health and Safety Committee with Trade Union representation which will address any safety issues and help to encourage a proactive safety culture.

We recognise environmental protection as an integral element of efficient business management and the aim is to protect, maintain and where possible improve the environment.

10. Finance

The Finance Team are split into two areas which cover both the Administration and Operations of the Agency.

Administration Finance

The Administration finance team is responsible for all income and expenditure in relation to the Agency's running costs. Work involves raising invoices for income due to the Agency for providing information to other pension providers on the mis-selling of personal pensions. This includes making sure that the income is received on time, properly allocated, and debts are properly managed. The team is responsible for paying all the invoices the Agency receive in respect of the running costs. The team's key target is to pay all invoices within the limits set by the CBI (30 days or less). In 2003-2004 the Agency paid 98.2% of all invoices on time.

The team is responsible for ensuring that the Agency Annual Report, Accounts and Corporate Plan are completed and laid in front of the Scottish Parliament within the statutory timescales. The Agency laid the 2002-2003 Accounts on time. The team provides secretarial duties to both the Agency Management Board and Audit Committee and report to these sub-committees in meeting with corporate governance objectives. This includes providing monthly and quarterly reports to management and forecasting income and expenditure for the year. The team also liaise with the Scottish Executive Finance on monitoring exercises and provide information for budgeting exercises such as the Spending Review and Building a Better Scotland. The team also plays an important part in monitoring the key targets of the Agency.

During 2003-2004 the team were heavily involved in the work for recruiting Non Executive Directors to the Agency Management Board and Agency Audit Committee. Two Non Executive Directors have been appointed from 1 April 2004 for a 3 year period.

Operations Finance

The Operations finance team is responsible for accounting for all pensions income (members contributions and transfers in) and expenditure (pension benefits and payments to and on account of leavers).

The team has two main roles:

- The collection of pension contributions from employers and transfers from other schemes. This includes liaising with employers and monitoring for late payments. Receipts amounting to around £400 million for the Scottish Teachers Pensions Scheme and £660 million for the NHS Pension Scheme Scotland were received in 2003-2004.
- Accounting for pension scheme expenditure. This includes reconciling expenditure against the SE bank account and liaison with the Office of the Paymaster General who manage the NHS pension benefits payroll. This team also facilitate payments made out with the normal payroll process via the Scottish Executive Accounting System (SEAS). Benefit payments of around £465 million for the Scottish Teachers Pensions Scheme and £460 million for the NHS Pension Scheme Scotland were made in 2003-04.

Pension Scheme Statements are produced annually for both the above schemes and the Scottish Parliamentary Pension Scheme. These are audited by Audit Scotland and published by the 31 December deadline.

The team also receives cheques and forwards them to the SE banking section, recovers pension overpayments and provides support and guidance on finance issues to the operations side of the Agency.

Annex A Scottish Statutory Instruments made in 2003-2004

The Teachers' Superannuation (Scotland) Amendment Regulations 2003 (Scottish Statutory Instrument 2003/423)

Introduced a new funding methodology as recommended by HM Treasury.

The Teachers' Superannuation (Scotland) Amendment Regulations 2004 (Scottish Statutory Instrument 2004/89)

Introduced a new accounting process as required by HM Treasury

The National Health Service Superannuation Scheme (Scotland) Amendment (No.2) Regulations 2003 (Scottish Statutory Instrument 2003/270)

Introduced miscellaneous amendments including definition of pensionable earnings for principal practitioners.

The National Health Service (Compensation for Premature Retirement) (Scotland) Regulations 2003 (Scottish Statutory Instrument 2003/344).

The consolidation of the regulations.

The National Health Service Superannuation Scheme (Scotland) Amendment (No.3) Regulations 2003 (Scottish Statutory Instrument 2003/517)

Introduced miscellaneous amendments paternity and maternity leave counting for reckonable service.

The National Health Service Superannuation Scheme (Scotland) (Additional Voluntary Contributions) Amendment Regulations 2004 (Scottish Statutory Instrument 2004/62)

Amendments to introduce improved flexibility.

The Police Pensions (Scotland) Amendment Regulations (Scottish Statutory Instrument 2003/406)

Miscellaneous amendments including changes to the ill-health retirement procedures.

Scottish Public Pensions Agency

Accounts 2003-04

Foreword to the Accounts

For the year ended 31 March 2004

1. Basis of Accounts

The accounts have been prepared in accordance with a direction given by the Scottish Ministers in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000. The direction is reproduced as an annex to the accounts.

2. History and Statutory Background

The Scottish Public Pensions Agency (SPPA) was launched on 1 April 1993 as part of the Government's Next Steps Initiative. Its operating framework, including financial delegations, is established in the Agency's formal Framework Document. The Agency was known as The Scottish Office Pensions Agency (SOPA), before changing its name after the establishment of the Scottish Parliament and Scottish Executive on 1 July 1999.

3. Principal Activities

SPPA administers the superannuation, injury benefit and compensation schemes for the NHS in Scotland, the superannuation scheme covering teachers in Scotland, and a closed scheme covering former staff of colleges which were grant-aided by The Scottish Executive Education Department. Three smaller superannuation schemes are also administered: the Scottish Legal Aid Board, the Scottish Executive Environment and Rural Affairs Department schemes and the Scottish Parliamentary Pension Scheme. It also regulates the public service pension schemes for which Scottish Ministers have responsibility and advises Scottish Executive Departments and Ministers on pensions policy.

4. Aims, Objectives and Targets

The Agency's aims, objectives and performance against targets, in 2003-2004, are listed as a section in the Annual Report and Accounts. The targets for 2004-2005 are listed in the Corporate Plan.

5. Financial Review

The Agency's expenditure was funded from the Scottish Consolidated Fund and contained within the Scottish Executive's Finance and Central Services Department (FCSD) Budget.

The results for the year are reported in the attached accounts.

6. Business Review

The Agency's performance against key targets is reported at Section 3 of the Annual Report.

7. Future Business Developments

The Agency's strategy for business development is set out at Section 7 of the Annual Report.

8. Payment to Suppliers

SPPA follows the CBI Prompt Payment Code and ensures that all invoices not in dispute are settled within 30 days or the agreed contractual terms if otherwise specified. The Agency processes invoices on the Scottish Executive's Accounting System (SEAS). For the year, the Agency processed 98.2% of all invoices on time.

9. Significant Changes in Fixed Assets

The movements in fixed assets are set out in note 6 to the financial statements. There is no significant difference between the value of the fixed assets shown in the financial statements and their current market value.

10. Management Board

The Agency's Management structure is detailed in Section 1 of the Annual Report.

11. Employment of Persons with Disabilities

The Agency observes the Scottish Executive Civil Service Code of Practice on the employment of people with disabilities and is an Employment Services disability symbol user. This aims to ensure that there is no discrimination on the grounds of disability and that access to employment and career advancement with the Agency is based solely on ability, qualifications and suitability for the work.

12. Staff Relations and Equal Opportunities

The Agency is an equal opportunities employer. Policies are in place to guard against discrimination and aim to ensure that there are no unfair or illegal discriminatory barriers to employment or advancement in the Agency.

The Agency gives a high priority to the development of all its staff. Training, development and learning in the Agency is quality assured through our commitment to being an Investor in People (IiP).

The Agency recognises the importance of good industrial relations and effective communication with all its staff. Regular meetings are held with representatives of the trade unions in line with normal Civil Service Whitley arrangements. In addition there is a continuous dialogue between the Directorate and staff, including consultation via formal meetings, training events and informal briefings.

13. Audit

The accounts are audited by an Auditor appointed by the Auditor General for Scotland. Internal audit is covered by a service level agreement with the Scottish Executive Audit and Accountancy Services.



Ralph Garden
Chief Executive
31 August 2004

Statement of Agency's and Chief Executive's Responsibilities

Under section 19 of the Public Finance and Accountability (Scotland) Act 2000 the Scottish Ministers have directed the Scottish Public Pensions Agency to prepare a statement of accounts for each financial year in conformity with the accounts direction on page 35 of these financial statements, detailing the resources required, held or disposed of during the year and the use of resources by the Agency during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its operating costs, recognised gains and losses, and cash flows for the financial year.

The Principal Accountable Officer of the Scottish Executive appointed the Chief Executive of the Scottish Public Pensions Agency as the Accountable Officer for the Agency. As Accountable Officer, the Chief Executive is responsible to the Scottish Ministers.

In preparing the accounts, the Accountable Officer is required to comply with the Resource Accounting 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 Resource Accounting Manual, have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Memorandum to Accountable Officers from the Principal Accountable Officer.

Statement on Internal Control

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

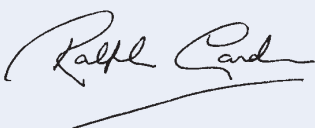
The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts and accords with the guidance from Scottish Executive Ministers.

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- guidance on Risk Management has been received from the Executive; the Scottish Public Pensions Agency's (Agency) Management Board has identified the top-level Agency wide risks and consolidated these into a risk register together with a determination of a control strategy for each risk. Risk management is incorporated into the business planning and decision making processes of the organisation;
- the Agency's Management Board and Audit Committee have ensured that risk management and internal control will be considered on a regular basis at their meetings;
- regular reports by internal audit are received which include the Head of Audit and Accountancy Service's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement;
- Non Executive Directors will be appointed from 1 April 2004 to sit on both the Agency Management Board and Audit Committee. One of the Non Executive Directors will also chair the Audit Committee.
- detailed monthly monitoring of budget against expenditure.

While these accounts only relate to Direct Running Costs, the Agency has responsibility for administration of the various pension schemes and the Statements on Internal Control for the Scheme Accounts and SE's Resource Accounts will incorporate the Agency's overall system of internal control.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports.



Ralph Garden
Chief Executive
31 August 2004

Independent Auditor's Report to the Scottish Parliament and the Auditor General for Scotland

I have audited the financial statements on pages 24 to 34 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with the accounting policies set out on pages 27 to 28.

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 the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Agency, the Chief Executive and Auditor

As described on page 21 the Agency and Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of expenditure and receipts. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers and whether, in all material respects:

- the expenditure and receipts shown 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.

I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 21 complies with the Scottish Executive guidance on statements on the system of internal control. I report if, in my opinion, the statement does not comply with the guidance, or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report, and consider whether it is consistent with the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinions

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

Financial statements

In my opinion the financial statements give a true and fair view of the state of affairs of the Scottish Public Pensions Agency at 31 March 2004 and of the net cost of operations, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Public Finance and Accountability Act (Scotland) 2000 and directions made thereunder by the Scottish Ministers.

Regularity

In my opinion, in all material respects:

- the expenditure and receipts shown 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.



Ruth Brown CPFA
Senior Audit Manager
Audit Scotland
Osborne House
Osborne Terrace
Edinburgh
EH12 5HG

2 September 2004

Scottish Public Pensions Agency

Operating Costs Statement

for the year ended 31 March 2004

	Notes	2003-2004 £000	2002-2003 Restated £000
Administration Costs			
Staff costs	2	5035	4672
Other administration costs	3	2766	2991
Depreciation	6	502	404
Gross Administration Costs		<u>8303</u>	<u>8067</u>
Operating Income		<u>(336)</u>	<u>(235)</u>
Net Operating Costs before Notional Interest on Capital		<u>7967</u>	<u>7832</u>
Capital charge	4	68	89
Net Operating Costs for the Year		<u>8035</u>	<u>7921</u>

The above results relate to continuing activities.

Statement of recognised gains and losses

for the year ended 31 March 2004

	2003-2004 £000	2002-2003 £000
Net gain on the revaluation of tangible fixed assets	<u>7</u>	<u>16</u>


The notes on pages 27 to 34 form part of these accounts.

Scottish Public Pensions Agency

Balance Sheet

As at 31 March 2004

	Notes	2003-2004		2002-2003	
		£000	£000	£000	£000
Fixed Assets					
Tangible Assets	6		1950		2207
Current Assets					
Debtors & Prepayments	7	251		285	
Current Liabilities					
Creditors (due within one year)	8	(88)		(377)	
Net Current Assets			163		(92)
Total Assets less Current Liabilities			2113		2115
Provision for Liabilities	9		(187)		(197)
Net Assets			1926		1918
Represented by Taxpayers' Equity:					
General fund	10		1867		1865
Revaluation reserve	11		59		53
			1926		1918



Ralph Garden
Chief Executive
31 August 2004

The notes on pages 27 to 34 form part of these accounts.

Scottish Public Pensions Agency

Cashflow Statement

For the year ended 31 March 2004

	Note	2003-2004		2002-2003 Restated	
		£000	£000	£000	£000
Net Cash outflow from Operating Activities	a		(7470)		(6882)
Capital expenditure	b		(240)		(1555)
Net Funding	c		7710		8437
Increase or (decrease) in cash			0		0

Note a

Reconciliation of operating cost to operating cashflows

Net Operating cost			(8035)		(7921)
<i>Adjustment for items not involving cash</i>					
Depreciation		502		404	
Loss on disposal of fixed assets		2		53	
Capital charge		68		89	
Other Notional charges		257		248	
			829		794
<i>Adjustment for movements in working capital</i>					
Decrease / (Increase) in Debtors		35		82	
Increase / (Decrease) in Creditors		(289)		200	
(Decrease) / Increase in provisions		(10)		(37)	
			(264)		245
Net cash outflow from operating activities			(7470)		(6882)

Note b

Analysis of Capital expenditure

Fixed assets additions			(240)		(1555)
Proceeds on disposal of fixed assets			0		0
Net cash outflow from capital expenditure			(240)		(1555)

Note c

Analysis of financing and reconciliation to the net cash requirement

Net Funding			7710		8437
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The notes on pages 27 to 34 form part of these accounts

Scottish Public Pensions Agency

Notes to the Accounts

For the year ended 31 March 2004

1. Statement of Accounting Policies

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 these accounts have been prepared in compliance with the Resource Accounting Manual, which follows generally accepted accounting practice in the UK to the extent it is meaningful and appropriate in the public sector context. The particular accounting policies adopted by the Agency are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

The accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the organisation by reference to their current cost.

1.2 Tangible Fixed Assets

The Agency does not own any land or buildings but has included assets for leasehold improvements in the balance sheet.

Tangible assets, excluding Information and Computer Technology (ICT) systems have been stated at current cost using appropriate indices. ICT systems are stated at historical cost. The minimum level for capitalisation of a tangible fixed asset is £1000.

Assets under construction are stated at historical cost.

1.3 Depreciation

Depreciation is provided on all fixed assets from the year they are brought into service. Rates are calculated to write off the acquisition cost less estimated residual value, evenly over expected useful lives as follows:

Leasehold improvements	-	20 years
Furniture and Fittings	-	10 years
Plant and Machinery	-	5 years
ICT Systems	-	3-7 years

1.4 Operating Income

Operating income represents the recovery of costs from pension providers in respect of work arising from the Securities and Investment Board review of mis-sold personal pensions, and has all arisen in the United Kingdom.

1.5 Capital Charge

A charge reflecting the cost of capital utilised by the Agency is included in the operating statement. The charge is calculated on the average value of fixed assets and working capital held during the year at the real rate set by HM Treasury of 3.5% per annum.

1.6 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory. The Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees services by payment to the PCSPS of amounts calculated on an accruing basis (Relevant disclosures are reported in Note 2). Liability for payment of future benefits is a charge on the PCSPS. Separate scheme statements for the PCSPS as a whole are published.

1.7 Value Added Tax

The Agency receives funding from The Scottish Executive Finance and Central Services Department Budget to meet expenditure incurred, inclusive of VAT. However in order to comply with Government Accounting Regulations and normal commercial practice, Operating Costs are stated net of VAT where VAT is recoverable by the Agency.

The Agency is registered for VAT as part of The Scottish Executive, which is responsible for recovering VAT from HM Customs and Excise on behalf of the Agency.

1.8 Leases

Operating lease rentals are charged to the operating cost statement on a straight-line basis over the term of the lease.

1.9 Restatement

Prior year figures have been restated to reflect the notional audit fee for the audit of the NHSSS and STSS Pension Scheme Statements.

2. Staff Numbers and Costs

A. Staff costs

	2003-2004	2002-2003
	£000	£000
Wages and Salaries	4220	4028
Social Security costs	262	214
Other pension costs	553	430
	<u>5035</u>	<u>4672</u>

The PCSPS is an unfunded multi employer defined benefit scheme but The Scottish Public Pensions Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2000 and details can be found in the separate scheme statement of the PCSPS. For 2003-04, normal employer contributions of £483,898 were payable to the PCSPS (2002-2003, £430,197) at rates in the range of 12 to 18.5 per cent of pensionable pay. It has been agreed that contributions will remain at that level

for the next year. Employer contribution rates are reviewed every three years following a scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme.

B. Staff numbers

The average numbers of whole-time-equivalent employees were as follows :

	2003-2004	2002-2003
Senior management	7	6
Other staff	225	225
	<u>232</u>	<u>231</u>

C. Management Board

The salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of SPPA were as follows:

	Salary including performance pay (£k)	Real increase in pension at age 60 (£k)	Total accrued pension at age 60 at 31/3/04 and related lump sum (£k)	CETV at 31/3/03 (nearest £k)	CETV at 31/3/04 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	Employer contribution to partnership pension account including risk benefit cover (rounded to nearest £100)	Benefits in kind (rounded to nearest £100)
Ralph Garden <i>Chief Executive</i>	65-70	0-2.5	5-10 plus 15-20 lump sum	78	101	17	-	-
Gordon Taylor (1) <i>Operations Director</i>	35-40	2.5-5	20-25 plus 0-5 lump sum	290	339	36	-	-
John Nelson <i>Director of IT and Corporate Develop.</i>	40-45	0-2.5	10-15 plus 35-40 lump sum	181	194	2	-	-
Gavin Mowat (2) <i>Policy Director</i>	30-35	0-2.5	20-25 plus 60-65 lump sum	343	362	18	-	-
Ian Clapperton (3) <i>Policy Director</i>	25-30	0-2.5	10-15 plus 40-45 lump sum	166	208	31	-	-
David Weir <i>Finance Manager</i>	25-30	0-2.5	0-5 plus 10-15 lump sum	51	57	2	-	-
Sally Paterson (4) <i>HR Manager</i>	25-30	0-2.5	0-5 plus 5-10 lump sum	17	25	7	-	-

1 Gordon Taylor opted to join the classic plus scheme.

2 Gavin Mowat retired on 31 December 2003.

3 Ian Clapperton joined the Agency on the 30 June 2003.

4 Sally Patterson joined the Management Board on the 1 June 2003.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Pension

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder arrangement with a significant employer contribution (partnership pension account).

Employees get tax relief on their contributions. These are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater. Classic Plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic. The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these are matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website:

www.civilservice-pensions.gov.uk

Columns 4 & 5 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 6 is the difference between columns 4 and 5 after adjustment of column 4 to reflect the same market valuation factors as used to calculate the CETV at the end of the reporting period, an inflation adjustment factor between the start and end of the reporting period, and less the pension scheme contributions made by the member during the period.

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. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total actual service as a civil servant, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service scheme and for which the Scheme has received a transfer payment commensurate to the additional pension liabilities being assumed. It includes any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. No members of staff received any benefits in kind.

3. Other Administration Costs

3.1 General Administration Expenses

	Notes	2003-2004 £000	2002-2003 £000
Actuarial services	5	57	48
Payment and Banking services		551	500
Compensation payments		2	5
Loss on disposal of fixed assets		2	53
Other non-pay running costs		1183	1268
		<u>1795</u>	<u>1874</u>

3.2 Accommodation and Support Services

	Notes	2003-2004 £000	2002-2003 £000
Rent		422	481
Rates		96	110
Costs shared with Registers Of Scotland		0	93
Other Accommodation Costs		196	185
		<u>714</u>	<u>869</u>

3.3 Notional Charges

	2003-2004 £000	2002-2003 Restated £000
Services provided by The Scottish Executive	140	136
Audit fee	117	112
	<u>257</u>	<u>248</u>
TOTAL	<u>2766</u>	<u>2991</u>

4. Notional Interest

Notional interest is charged on the average value of fixed assets and working capital held during the year at the recommended Treasury rate of 3.5% per annum.

5. Related Party Transactions

The Scottish Public Pensions Agency is an executive agency of The Scottish Executive, which is therefore regarded as a related party. During the year the Scottish Public Pensions Agency has had a number of material transactions with The Scottish Executive. In addition, the Scottish Public Pensions Agency has had a small number of material transactions with other Government Departments and other central Government bodies.

During the year, none of the Board Members, key managerial staff or other related parties has undertaken any material transactions with the Scottish Public Pensions Agency.

Services were purchased from government departments and agencies on a repayment basis as follows:

	2003-2004 £000	2002-2003 £000
Actuarial Services	<u>57</u>	<u>48</u>

6. Fixed Assets

	Leasehold Improvements	Furniture & Fittings	Plant and Machinery	ICT Systems	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2003	304	461	212	2477	260	3714
Additions	0	2	38	200	0	240
Transfers	0	0	0	260	(260)	0
Disposals	0	0	(9)	0	0	(9)
Revaluation	8	1	(2)	0	0	7
At 31 March 2004	<u>312</u>	<u>464</u>	<u>239</u>	<u>2937</u>	<u>0</u>	<u>3952</u>
Depreciation						
At 1 April 2003	6	21	24	1456	0	1507
Charge In Year	12	50	31	409	0	502
Disposals	0	0	(7)	0	0	(7)
Revaluation	1	0	(1)	0	0	0
At 31 March 2004	<u>19</u>	<u>71</u>	<u>47</u>	<u>1865</u>	<u>0</u>	<u>2002</u>
Net Book Value						
At 31 March 2004	<u>293</u>	<u>393</u>	<u>192</u>	<u>1072</u>	<u>0</u>	<u>1950</u>
At 31 March 2003	<u>298</u>	<u>440</u>	<u>188</u>	<u>1021</u>	<u>260</u>	<u>2207</u>

7. Debtors & Prepayments

	31 March 2004 £000	31 March 2003 £000
Debtors	48	58
Prepayments	<u>203</u>	<u>227</u>
	<u>251</u>	<u>285</u>

8. Creditors & Accruals

	31 March 2004	31 March 2003
	£000	£000
Accruals	<u>88</u>	<u>377</u>

9. Provision for Liabilities

	Rent Free Period 31 March 2004 £000
Balance at 1 April 2003	197
Provisions utilised in the year	<u>(10)</u>
Balance at 31 March 2004	<u>187</u>

Rent Free Period

The Agency were given a 6-month rent-free period, from the landlord, when they relocated to Tweedbank. This will be released against future rent expenditure throughout the period of the lease.

10. Movement in General Fund

	31 March 2004 £000
Balance at 1 April 2003	1865
Net Funding	7710
Other department funding	0
Non-cash funding	326
Transferred to the General Fund in respect of the realised element of the Revaluation Reserve	1
Net Cost of Operations	<u>(8035)</u>
Balance at 31 March 2004	<u>1867</u>

11. Movement in Revaluation Reserve

	Notes	31 March 2004 £000
Balance at 1 April 2003		53
Surplus arising on revaluation in year	6	7
Transferred to the General Fund in respect of the realised element of the Revaluation Reserve		(1)
Balance at 31 March 2004		<u>59</u>

12. Contingent Liabilities

The Agency moved out of St Margaret's House in Edinburgh during the 2002-2003 financial year at the end of the agreed period of the lease. As part of the lease agreement, for this building, there was a condition to "make good" any dilapidations to the interior to the building. A professional survey was hired in 2001-2002 to estimate the cost of the exercise and an estimate of £234,000 was established and a payment of the same amount made to the landlord to take account of any dilapidations. However, the landlord is of the opinion that further reimbursement is required to make good the dilapidations. The landlord has now proceeded to legal action in order to try and obtain further reimbursement. Any further payments, if any, will be determined by the courts.

13. Capital Commitments

Total capital expenditure authorised and contracted for as at 31 March 2004, but not provided for in the accounts, amounted to £ Nil (31 March 2003: £ Nil).

14. Commitments under Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

Operating Leases	2003-2004 £000	2002-2003 £000
Obligations under operating leases comprise		
Land and Buildings:		
Expiry after more than 5 years	399	399

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 2001 and subsequent financial years shall comply with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual which is in force for the year for which the statement of accounts are prepared.
2. The statement of accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year.
3. In addition to the requirements of the Manual:
 - 3.1 When preparing its income and expenditure account the Scottish Public Pensions Agency shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies Act 1985 to the extent that such requirements are appropriate to Scottish Public Pensions Agency.
4. This direction shall be reproduced as an appendix to the statement of accounts. This direction supersedes the one dated 25 April 2000.

PS Collings

Signed by the authority of the Scottish Ministers

P. S. Collings

29 March 2001

Scottish Public Pensions Agency

Corporate Plan 2004 to 2007

Contents

1. Introduction
2. Background
3. Targets
4. Context
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1. Introduction

This plan sets out the main operational objectives of the Scottish Public Pensions Agency (SPPA) during the period April 2004 to March 2007. We will review the plan annually to ensure that our programme remains relevant and consistent with pensions policy developments.

2. Background

SPPA was established on 1 April 1993 as an Executive Agency. It is headed by a Chief Executive who is responsible to the Scottish Ministers for its management, performance and future development. The Chief Executive reports annually to the Scottish Executive on the Agency's performance against key targets. SPPA regulates and administers the pension schemes for Teachers and NHS staff in Scotland, and for employees of the Scottish Legal Aid Board and the Scottish Agricultural College and Research Institutions. The Agency also regulates and administers, on behalf of the Scottish Parliamentary Corporate Body, the pension arrangements for Members of the Scottish Parliament. In addition, it is responsible for the regulation of pension and associated arrangements for the local government, police and fire services in Scotland.

3. Targets

The SPPA sets its targets each year to enable the Agency to measure performance. The Corporate Plan sets the Agency's targets for 2004-2007 while it publishes its performance against these key indicators in its Annual Report and Accounts. The targets for 2004-2005 are unchanged from the levels being achieved before the Agency's move:

Target 1.

Ensure 98% of awards or transfer payments are calculated accurately so that members receive the correct benefits or pay the correct premiums. Accurate is defined as being correct to 0.25% or £10 if higher.

Target 2.

Ensure that 98% of new pensions and 95% of lump sums are paid on the dates members are expecting (as long as the target date for receipt of claims is met) so that they receive the monies due to them on time.

Target 3.

Maintain the present proportion of eligible active members of STSS who receive a meaningful benefit statement while increasing the corresponding proportion of eligible active members of the NHS¹ by 10% each year. This will help more members to understand the retirement benefits to which they are entitled.

Target 4.

Pay 100% of all pensions under the STSS and NHSSS on the due dates so beneficiaries receive their money when expected.

Target 5.

Collect contributions from both Teachers' (98%) and NHS (96%) employers within the periods prescribed by law to make sure employers obligations are met and costs are properly charged to the right parts of the public sector.

¹ eligible excludes those members who have less than 2 years service or are over 60 years of age.

Target 6.

Reduce real operating costs per member/ beneficiary for basic services to 95% of the 1999-2000 level in 2004-2005 (covering the period of the Agency's relocation to Galashiels) and to 90% of 1999-2000 level in 2005-2006.

Target 7.

Publicise, timely and accurately, information about changes to occupational pension scheme policy and schemes' regulations to all relevant interests, including local authorities and other bodies administering schemes regulated by SPPA.

4. Context

Over the next 3 years we will face further political, financial and regulatory pressures. In the last 18 months, the Agency has seen a significantly unsettled period with the relocation of the Agency from Edinburgh to Tweedbank in Galashiels. We are now looking for a more settled period where we can build on the good work which has been achieved since the relocation. We also took the opportunity of relocation to change our working practices. This allowed us to change our main operations areas from a paper driven to an electronic basis using an electronic document management system to record data and workflow. Another major change was from having teams dealing with different types of pensions work to having teams split into geographical areas carrying out all aspects of pensions work instead. This has clearly succeeded in improving customer service by the creation of a coherent single point of contact for scheme members and employers.

4.1 Organisational Change

The Options review in 1998 recommended that the Agency change the structure of the organisation to that of client groups in contrast to their current functional approach. This recommendation was accepted by the Agency Management Board and the Agency set up the new cradle to grave structure in September 2002 with a long-term objective that teams covering defined areas will provide all aspects of pension management for their areas. The new structure provides:

- a single, clearly defined, fully available point of access for all customers which will answer most questions and refer complex enquiries to a clearly identified administrator;
- client based teams that will carry out the main, high volume processes and deal with the main questions arising from employees, employers and pensioners;
- the ability to switch work between teams, where necessary, to cope with workflow peaks and access necessary expertise;
- a finance team which will oversee all financial aspects within the Agency;
- Electronic Data Management (EDM) to support and facilitate the work of staff in operations and let them provide a more effective service for our customers.

4.2 Changing to Deliver

The Agency is participating in the Scottish Executive's Changing to Deliver programme that aims to ensure excellence in performance and service delivery and whose main general features are:

- understand and meet the needs of its customers
- value staff and treat colleagues with respect

- focus on quality and outcomes, rather than just on outputs alone
- put the needs of the public first and get things right first time
- work together as a team
- be professional and well trained
- communicate clearly and openly
- take responsibility for what we do
- value the way we achieve the targets Ministers have set us.

A Business Excellence Model (BEM) derived from the European Foundation for Quality Management (EFQM) lies behind this program. We have already used this in determining the new structure and will continue to do so as we review our practices and procedures.

4.3 Human Resources, Training and Facilities

The primary responsibility of Human Resources (HR) and Training is to work with other managers within the Agency to recruit, develop and retain quality staff. HR are responsible essentially for the recruitment, performance, attendance and discipline of SPPA personnel. Facilities are responsible for managing SPPA premises in a cost effective and environmentally friendly way ensuring the health and safety of staff and visitors.

In 2001-2002, before the move to the Borders, the Agency had approximately 200 staff in Edinburgh. It was planned to reduce this to a long term level of 179 following the move. Additional demands mean this figure has now been increased to 192. After the move the Agency increased staffing levels temporarily to approximately 240 staff and it has been running down from there. The following table shows how we plan to reduce staffing numbers over the next 3 years assuming that no significant new element of work requires to be resourced:

Staffing Figures

Financial Year	2004 -2005	2005-2006	2006-2007	2007-2008
Total	210	200	192	192

Attendance Management

Due to a number of long-term sick cases prior to our relocation to the Borders, the Agency has historically had poor levels of sick absence. A substantial improvement was shown in 2003-2004 following the move to Tweedbank. We aim to reduce our sick absence levels in line with the SE HR Policy targets from 2004-2005 onwards.

The statistics for 2002-2003 and 2003-2004 are shown below:

SPPA sick leave (average days)	Excluding LTS*	Including LTS*
2002-2003	7.8	10.6
2003-2004	5.2	7.9
Reduction in sick leave	33%	25.5%

*LTS – Long Term Sick Leave

2002 - 2003 = 9 staff on LTS

2003 - 2004 = 5 staff on LTS

Diversity

As part of the Scottish Executive, the Agency is committed to ensuring that all staff are treated equally irrespective of their sex, marital status, age, ethnic origin, sexual orientation, disability or religion. Its objective is to be amongst the leaders in equal opportunities practices in Scotland. It aims to be an organisation which is effective, broadly representative of the communities it serves, values the contribution of all its people and is committed to equality and opportunity. The Scottish Public Pensions Agency supports and will implement all Scottish Executive policy in the area of valuing and managing diversity.

Training

Training plays an important role within the Agency's HRFM Team and the Agency as a whole. In the last two years the Agency has recruited over 80% of its current workforce and the training team have been responsible for arranging the intensive training of these staff. Training has been given in pensions administration, IT, communications, management skills and the Scottish Executive Performance Management System to ensure that staff are able to carry out their role effectively and comply with Scottish Executive requirements. The last 18 months have been a success for the training team which has seen the staff develop their skills and become effective in their roles.

The pensions' operations teams work on a cradle to grave structure and we now aim to further develop pensions administrator's skills, so the vast majority of staff in the pension operations teams can undertake all main elements of pensions administration work within 3 years of starting with the Agency. During this period the training team will continue to work closely with the Scottish Executive Training Department to utilise their well developed training programmes for all our staff. In 2004-2005, we have arranged for some of their courses to be delivered in Tweedbank instead of Edinburgh, for the convenience of our staff and to reduce costs.

The pilot exercise for Qualification in Public Sector Pensions Administration (QPSPA) also got underway in February 2004. We hope that more staff will be able to make use of this opportunity once the results of the pilot are known. We have also held discussions with SE Corporate Learning Services to enrol some of our staff in the Modern Apprenticeship Programme, when places become available, as some of our staff are not directly involved in pensions and are unable to participate in the QPSPA.

4.4 Budgets

The SPPA Administration Budget increased substantially in 2002-2003 and 2003-2004 due to the additional burden of relocation and the costs associated with the project. Administration expenditure is expected to be roughly level in cash terms as staff reductions balance cost increases. The following table represents the Agency's proposed administration budget figures for the period of the plan which reflect the planned staffing levels shown in 4.3.

SPPA ADMINISTRATION BUDGET FOR 2004-2007

	2004-2005	2005-2006	2006-2007
Staffing Costs	4,520,000	4,520,000	4,780,000
Non Staffing Costs	2,500,000	2,480,000	2,200,000
Appropriations in Aid	-100,000	0	0
Net Revenue Expenditure	6,920,000	7,000,000	6,980,000
Capital	250,000	250,000	250,000
Net Total Expenditure	7,170,000	7,250,000	7,230,000

Appropriations in Aid are in respect of income from Mis-selling work. No further income from this source is anticipated after 2004-2005.

4.5 Changes in Pensions Policy

The Agency will continue to contribute to the development of occupational pensions policy generally and ensure that public service pension schemes in Scotland comply with over-riding tax and pensions legislation. Where appropriate the SPPA will take into account any distinctive Scottish issues and reflect those in the schemes for which the Scottish Ministers are responsible. This year will see the introduction of changes to pension schemes to reflect Government policy on benefits for dependants and access to schemes, for example for part-timers. Early work on European Law relating to anti-ageism pension policy will be required before its introduction in 2006.

Following the publication of the Governments' policies on pension and taxation reform the Agency has been actively involved in UK-wide discussions on the setting-up of new pension schemes for all public services. Employers, staff representatives and members have been, and will continue to be, made aware of the reforms, and will be consulted when definite proposals are agreed. During 2004 there will be considerable activity in designing these new pension schemes for introduction by 2006 and take account of changes to taxation rules the same year.

SPPA will continue to liaise with employer and staff groups to be in a position to respond to changes in the social and employment environment and ensure that pension schemes are meeting the needs of a 21st century workforce. The Agency endeavours to take a pro-active role in engaging interested parties in discussion and taking account of the views of stakeholders.

4.6 Technological Background

Northgate is the Agency's main pensions administration system, written specifically to run the Teachers' and NHS Schemes. Its operational efficiency is constrained for the NHS by the volume of data still unallocated to members' records (a consequence of implementation delays). The clearance of this backlog is a priority for the next year (see section 1.7 of the Delivery Plan). Once the backlog has been cleared we will launch a project to examine the data flows from employers and assess whether there are other significant data issues. Otherwise Northgate will be subject to change as required for legislative reasons and to the normal regime of continuous improvement.

For historical reasons, the Agency currently pays Teachers pensions but has a contract with an external provider for the payment of NHS pensions. With the need to re-tender this contract, this position has been reviewed and it has been decided to bring payment of NHS pensions in house. The likely timing is autumn 2005. We have recently upgraded our payroll software and this puts us in a position to be able to bid for other payroll work.

In the longer term, contingency plans exist which will allow conversion to the Euro well within the likely timescale from an announcement. We have still to decide on the systems we will require to administer the new Teachers' and NHS schemes likely to be introduced from 2006. Some of the possibilities will require fundamental changes and work on this will start whenever sufficient information is available. It is hoped conclusions can be reached by spring 2005 at the latest. It is anticipated that some transitional arrangements will be required prior to substantial changes in perhaps 2008 but this depends crucially on the degree of similarity of the new and old arrangements.

Electronic Document Management (EDM) was introduced at the time of the move using an off the shelf package. A user group, the first of the Business Improvement teams (see 1.10 of the Delivery Plan), has been set up to guide its further procedural development. We are currently back scanning pre September 2002 paper files as the need arises and are also scanning those files likely to be required for retirements over the next few years. The level of back scanning will be gradually reduced as the usefulness of the older material declines. We envisage, however, relevant old paper files being kept for some considerable time yet primarily for use in resolving historical problems as they arise.

The Agency's provision of electronic services to members is gradually being improved. It will not be technically sensible to have the Northgate system, itself, available for on line interrogation or updating by scheme members or employers. However by 2005 we plan to have:

- an up to date version of all the Agency's leaflets and forms will be available on the web-site
- implemented Electronic Data Interchange with the Inland Revenue
- extended the quotation and calculation routines available to members on line, allowing access to answer the most frequently asked questions.

The introduction of legislation on Freedom of Information [FOI] has meant that the Agency, has had to review the amount and type of information that it makes available to the public. Following our review SPPA submitted its proposed Publication Scheme to the Scottish Information Commissioner for consideration and approval for our scheme has now been received. The Agency is now actively developing new and improved web pages to enable customers to access all information of public interest covering the work of SPPA and these will be ready by October 2004 at which time all of the Scottish Executive will comply with the requirements of the FOI legislation.

4.7 Corporate Governance

The Agency Management Board, which is chaired by the Finance Director of the Scottish Executive, meets on a quarterly basis to review Agency performance. The Agency Audit Committee meets up to 3 times a year to review Agency Accounts and Audit Reports. The Agency has appointed two Non Executive Directors one who chairs the Audit Committee and is a member of the Management Board while the other Non Executive Director is a member of both the Committee and Board. A revised Framework Document is being agreed and should be issued by Autumn 2004.

4.8 Best Value

Since April 2002, there has been a duty of Best Value on Accountable Officers to "ensure arrangements are in place to secure Best Value". The Agency keeps this question under review and further work will be carried out under the 'efficient government' banner during 2004-2005.

5. Delivery Plan

The following paragraphs show what we will do to achieve our strategy. The general themes are to:

- 1) develop and maintain high-quality customer service within the Agency
- 2) develop effective systems for people management and personal development;
- 3) develop and maintain a high standard of corporate governance and accounting.

The remaining section of this plan outlines what we will do to achieve each of the above targets.

1) Develop and maintain high-quality customer service within the Agency.

- 1.1. Continue to achieve Agency key targets and improve on them where possible.
- 1.2. Reduce by 60% the number of scheme members whose records are not up to date by April 2005. Continue to reduce this level so that, by April 2006, there are no more than 5,000 records in excess of normal frictional levels in an out of date condition.
- 1.3. Introduce a regular full programme of customer survey work by the end of 2005.
- 1.4. Move over the period of the plan towards a standard reply period to all correspondence within 10 days always sending an interim response where the final response cannot be issued. By March 2005 aim to issue (90%) of correspondence within 15 days.
- 1.5. Review the NHS guide and update by September 2004.
- 1.6. Increase the proportion of electronic communication with scheme members as implied in 4.6. The first phase will be to make all main forms and booklets available electronically. Completion is targeted for September 2004.
- 1.7. To involve stakeholders, where possible, in developing operational policy. This will be done by survey work and through the NHS and STSS Advisory Groups which already exist. Both groups will be asked to provide views on the quality of service. Ways of improving the quality of data we receive will be investigated through this route. A programme of survey work related to specific transactions will commence in autumn 2004.
- 1.8. Arrangements for scheme valuations and accounting procedures to be carried out to the established timetables.
- 1.9. Provide a draft reply to 90% of all Ministerial correspondence within 10 days and the balance within SE targets.
- 1.10. Continue the use of Business Improvement Teams in support of continuous improvement of Agency processes and the reduction of the time it takes to carry out routine work and the unit cost of pension management. Negotiate contracts with service providers which improve the efficiency, effectiveness and economy of the Agency.
- 1.11. Increased number of NHS members for whom we automatically provide benefit statements by 10% a year over the period of the plan. Maintain current performance for Teacher members.
- 1.12. Review the SPPA Complaints Procedure, consider improvements to the review process and provide a draft of the Complaints Procedure by 31 March 2005.
- 1.13. Bring NHS payroll work in house by the end of 2005/6 (the likely timing is autumn 2005).

2) Develop effective systems for people and facilities management and personal development.

- 2.1. Evaluate the implementation of the pilot exercise to implement Scottish Vocational Qualification programmes, for Pension Administrators, by September 2004. Produce findings and propose a structure for further roll-out of the qualification to the remainder of staff.
- 2.2. Progress a programme of career development interviews for our staff, which combined with Career Anchors, will help managers plan how to fill vacancies in the future. Use this mechanism to ensure that staff training is progressing satisfactorily.

- 2.3. Operate the Scottish Executive Performance Management System effectively to review job performance and reduce absences.
- 2.4. Assist the Scottish Executive in retaining Investors in People accreditation.
- 2.5. Implement an effective strategy for managing SPPA premises to enable the Agency to function efficiently, safely and economically.
- 2.6. Provide a safe and healthy working environment for all staff and so far as is practicable have systems and procedures in place which will ensure that all equipment, plant and premises are safe and free from adverse effects to health.
- 2.7. Set up a formal committee with Trade Union representation to address health and safety issues in both Tweedbank and the Scanning Centre.
- 2.8. Recognise environmental protection as an integral element of efficient business management. Our objective is to protect, maintain and where possible improve the environment.
- 2.9. Support the Sport and Social Club to develop and maintain the health and well-being of the Agency's staff.
- 2.10. Continue to implement a programme of training for operations staff so that they are familiar with all main areas within 3 years.
- 2.11. Provide a comprehensive Induction Programme to each new entrant within 4 weeks of commencement of duties.
- 2.12. Develop a training information web page on the Intranet site to provide staff with comprehensive information and full links to all training modules, by November 2004.

3) [Maintain a high standard of corporate governance and accounting.](#)

- 3.1. To produce an updated Corporate Plan each year, to allow objectives to fit into the PMS timetable.
- 3.2. To make sure that the Audit Committee meets regularly, and their minutes and reports are available for the Management Board and Stakeholders to look at.
- 3.3. To continuously review the systems of internal control, in particular regular high level Risk Management plans, to allow the Agency's Accountable Officer to sign the Annual Statement of Internal Control.
- 3.4. Review effectiveness of the non-executive members of the Management Board and Audit Committee by March 2006.
- 3.5. To review systems for recording and monitoring scheme statistics by the end of 2004.
- 3.6. To take part in National Fraud Initiatives to ensure that the possibility of fraudulent payments are reduced or eliminated.
- 3.7. To produce Agency Annual Reports & Accounts and Scheme Pension Statements within statutory timetables.
- 3.8. To maintain an up to date risk register and regularly review business continuity plans relating to all aspects of the Agency's affairs.
- 3.9. On a timely basis, to bring all income and expenditure into the Scottish Executive Accounting System, including effective management of suspense accounts to ensure they are kept to a minimum.