

SCOTTISH PUBLIC PENSIONS AGENCY

FRAMEWORK DOCUMENT 2012-2015

1. Status, Role and Functions

1.1 The Agency

The Scottish Public Pensions Agency (SPPA) is an Agency of the Scottish Government and is part of the ministerial portfolio for Finance, Employment & Sustainable Growth. The Agency is headed by a Chief Executive who is responsible to the Scottish Ministers, within the terms of this Framework Document, for its management, performance and future development.

1.2 Strategic goals, role and functions

Strategic Goals

The SPPA is a national centre of expertise for the administration of public sector pensions and the provision of policy advice. Through its work SPPA contributes directly to strategic objective 1 of the Scottish Government - wealthier and fairer, and indirectly contributes to strategic objective 2 - healthier; and to strategic objective 4 - smarter.

SPPA contributes directly to National Outcome 15 of the Scottish Government ("our public services are high quality, continually improving, efficient and responsive to local people's needs"). Through SPPA's role in administering the Scottish NHS and Teachers' pension schemes, and the role that these schemes play in supporting workforce recruitment and retention within these sectors, SPPA also indirectly contributes to national outcome 3 ("we are better educated"); and national outcome 6 ("we live longer, healthier lives

Principal roles

The principal roles of SPPA are:

- to administer, on behalf of the Scottish Ministers, the public service pension, premature retirement compensation and injury benefit schemes for which the Scottish Ministers have administrative responsibility so as to provide an efficient and effective service for those who use the schemes, at an economic cost to the public purse;
- to prepare in accordance with Government 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 the Scottish Ministers;
- to advise the Scottish Ministers on public sector pensions policy generally; and

- to be a national centre of expertise for the administration of pensions and the provision of policy advice.

The statutory framework governing the schemes regulated and administered by SPPA is set out in Annex A.

In pursuing its aims SPPA has the following key business objectives:

- to provide a timely, accurate and helpful service to members of the schemes administered by SPPA, and their employers;
- to collect and pay, timeously and correctly, sums due under these schemes, and to arrange for their proper accounting and budgeting;
- to publish, timely and accurately, information about changes to scheme policies and regulations to local authorities and other bodies administering schemes regulated by SPPA;
- to provide value for money in delivering cost effective service ; and
- to provide appropriate policy advice to Scottish Ministers on their pensions responsibilities and regulate and develop the schemes for which they are responsible in accordance with Government policies.

Key Performance targets relating to these objectives are approved by the Scottish Ministers as part of the Agency's Corporate Plan.

1.3 Functions

In order to meet these key objectives SPPA undertakes the functions set out in Annex B. SPPA may in accordance with its income generation and business development strategies undertake similar functions on behalf of other organisations. Subject to adhering to the fees and charges guidance contained in the Scottish Public Finance Manual, the Agency may charge fees sufficient to recover some or all costs incurred in providing these additional activities.

2. Responsibilities

2.1 Role of the Scottish Ministers

Occupational pension policy is a reserved matter. The role of Scottish Ministers is to produce the detailed public service pension scheme regulations for the NHS, Teachers, Firefighters, Police and Local Government pension schemes in Scotland in the light of advice from SPPA. Agreement with HM Treasury is required before regulations can be made for the NHS and Teachers schemes, and a Memorandum of Understanding between the Scottish Government and HM Treasury in respect of their responsibilities for those schemes is maintained. As appellate authority and administrative authority for certain schemes, the Scottish Ministers take decisions in individual cases depending on the circumstances.

The Scottish Ministers also determine the scope of SPPA's responsibilities in administering the Scottish NHS and Teachers schemes; its strategic objectives; the extent of the authority delegated to the Chief Executive; the resources allocated to SPPA; and its corporate plan key performance targets. They exercise these responsibilities in the light of advice from the Director General Enterprise, Environment and Digital and others as they consider appropriate, by:

- holding the Chief executive to account for SPPA's performance;
- approving the Framework Document and any revisions to it;
- approving SPPA's Corporate Plan;
- setting the administration budget for the SPPA;
- receiving reports on SPPA performance against its targets;

The Scottish Ministers do not normally intervene in the day-to-day management of SPPA.

2.2 Role of Director General Enterprise, Environment and Digital

The Director General Enterprise, Environment and Digital has the following responsibilities in respect of pension schemes and of SPPA:

- to advise the Scottish Ministers in the exercise of their responsibilities as stated above;
- Ensuring the relationship between the Chief Executive and Ministers is appropriate and working effectively;
- Ensuring that SPPA's objectives and performance contribute to and are part of the Portfolio as a whole; and are aligned to the Government's purpose and National Outcomes as set out in the National Performance Framework;
- Ensuring that there is a clear framework for strategic performance improvement and management of the Agency's work; providing support and

constructive challenge to ensure that SPPA is high-performing and continuously improving; and ensuring that operational accountability is being exercised properly;

- Monitoring the financial performance, operational effectiveness and risk management arrangements of the SPPA on the basis of information and advice from the Chief Executive and from SG Finance, seeking clarification on any matter as and when required;
- Approving matters not covered by the delegated authority arrangements set out in Annexe F;
- Ensuring that SPPA is taking steps to improve its operating efficiency, including through participation in collaborative procurement and shared service arrangements
- Promoting integration and organisational alignment between the Agency and the SG as appropriate, e.g. by involving the Agency Chief Executive within portfolio management arrangements; holding regular meetings with the Chief Executive; ensuring the Chief Executive is aware of SG-wide strategic developments and corporate decisions impacting on the Agency; and ensuring that the position of the Agency is taken into account in relevant SG policy decisions;
- Representing the interests of the Agency within the wider SG, ensuring the SG has due regard for the advice provided by the Agency and ensuring the Agency Chief Executive is aware of SG-wide strategic developments and corporate decisions impacting on the management or operations of the Agency and that where necessary, that appropriate SG-wide corporate services, as set out in Annex C, are available to support and facilitate the work of the Agency
- Performance appraisal of the Chief Executive;
- Ensuring that an appropriate Framework Document is in place and maintained. In practice, usually a Framework Document is prepared by the Agency in consultation with the core SG before being submitted to the DG for approval.

The Director General Enterprise, Environment and Digital has nominated the Scottish Government's Director General Finance to exercise the majority of the responsibilities listed above insofar as they relate to SPPA. The Director General Finance shall also act as a focal point within the Scottish Government for supporting and facilitating the work of the Chief Executive in meeting the Agency's objectives and targets. He or she advises the Scottish Ministers on how SPPA's proposed Corporate Plan fits into the wider Scottish Government policy objectives and on the level of resources that should be made available to SPPA..

2.3 Role of the Chief Executive

The Chief Executive is answerable to the Scottish Ministers for the operation of the Agency; for its day to day management in accordance with this Framework Document and the Corporate Plan; and for planning its future development. These duties include:

- responsibility for SPPA's overall financial performance, its efficiency and cost-effectiveness, and achievement of its performance against key targets
- responsibility for SPPA's quality of service, and achievement of its key performance targets and service standards;
- keeping under review the provisions of the Framework Document and proposing any desirable changes;
- responsibility for the management of risk within the Agency;
- ensuring that all relevant financial considerations and Scottish Government guidance, including issues of propriety, regularity, efficiency and value for money, are taken into account in delivering the Agency's business;
- preparing a Corporate Plan, including proposing performance targets and bidding for resources;
- preparing, submitting to the Scottish Ministers and publishing SPPA's annual reports and accounts;
- preparing, submitting to the Scottish Ministers and publishing annual reports and accounts for the STSS and NHS Pensions Scheme in Scotland.
- responsibility for SPPA's delegated personnel management responsibilities, including the recruitment, motivation, development and training of its staff and the maintenance of good employee relations;
- providing, after appropriate consultation, advice and information to Ministers and other parts of the Scottish Government on pensions arrangements in organisations and services for which they have responsibilities and on public pensions policy generally;
- being Accountable Officer for SPPA's administration costs and for income and expenditure related to the STSS and NHS Scotland schemes;
- ensuring Best Value in all aspects of the SPPA's operations, both front line delivery and corporate support functions, including the use of collaborative procurement and shared service arrangements where participation offers value for money for the SPPA or to the wider public purse;
- publishing information in conformity with the Public Services Reform (Scotland) Act 2010;
- replying to correspondence from MSPs on operational issues within SPPA's responsibilities and otherwise supporting Ministers by preparing Ministerial briefing and responses to Ministerial correspondence and Written or Oral Parliamentary Questions.

The Chief Executive reports to the Scottish Ministers regularly on a basis agreed

between them.

These responsibilities are subject to satisfactory provision by the Scottish Government of the key supporting services outlined in Annex C.

2.4 Role of External Management Board

The Chief Executive will be assisted in his/her responsibilities by an advisory External Management Board which will meet at least 4 times a year and will comprise:

- Scottish Government Director General Finance or their nominee
- 2-4 Non-Executive Directors

The terms of reference for the External Management Board are at Annex D.

The principal role of the Board is to advise the Chief Executive on issues relating to governance and strategic direction.

There will also be a sub-committee of the Board which will operate as the Audit and Risk Committee and will be chaired by one of the Non-Executive Directors. The Audit and Risk Committee will meet 4 times a year to review and report on audit plans and reports, the annual report and accounts as well as the pension scheme statements. The Audit and Risk Committee will also continuously review the systems of internal control, in particular the Risk Register and high level Risk Management plans, to allow the Agency's Accountable Officer to sign the annual Governance Statement that is provided alongside the annual accounts. The terms of reference for the Audit and Risk Committee are at Annex E.

3. Accountability

3.1 The Scottish Ministers

The Scottish Ministers are responsible to the Scottish Parliament for the functions of SPPA.

The Scottish Ministers will encourage Members of the Scottish Parliament to communicate with the Chief Executive on any matter delegated to SPPA in this Framework Document. Members of the Westminster Parliament are similarly encouraged to communicate directly with the Agency in appropriate circumstances. MPs and MSPs who are dissatisfied with a reply may raise the issue with the Scottish Ministers who will also ensure, by instructions to the Chief Executive, that any matter on which it is proper for them to reply in the first instance is referred to them without delay.

The Chief Executive will provide the Scottish Ministers with any information necessary to answer Parliamentary questions or deal with any other Parliamentary business about matters delegated to SPPA.

3.2 Accountable Officer Arrangements

The Permanent Secretary of the Scottish Government is the Principal Accountable Officer for the Scottish Administration. He/she has designated the Director General Enterprise, Environment and Digital as Accountable Officer for the Finance, Employment and Sustainable Growth portfolio and the Chief Executive as the Agency's Accountable Officer. The Chief Executive signs the accounts covering the administration costs of the SPPA and the accounts for the NHS and Teachers' Pension Schemes. He/she also provides such information and assurances as is necessary to enable the consolidated accounts of the Scottish Government to be signed off.

The Chief Executive is responsible for the prudent and economical management of the Agency's resources, including proper stewardship of the Teachers' and NHS Pension Schemes, for the propriety and regularity of its expenditure and receipts and for ensuring that the Agency observes relevant guidance issued by the Scottish Ministers.

The Chief Executive and Director General Enterprise, Environment and Digital, in their Accountable Officer roles, are both liable to be summoned to appear before the Public Audit Committee of the Scottish Parliament on the discharge of their responsibilities. (The Director General Finance would normally appear for the Director General Enterprise, Environment and Digital.) It will be for the Scottish Ministers to decide who should represent them at other Parliamentary Committee hearings. In practice where a Committee's interest is confined to the day to day operations of SPPA, the Scottish Ministers will normally regard the Chief Executive, who will call on such specialist or technical support as he/she

may require, as the person best placed to appear on their behalf.

3.3 Complaints

In the event of dissatisfaction with a decision made by SPPA, a scheme member or pensioner may bring a case for consideration under the Internal Disputes Resolution Procedure. Following this procedure, a case may be referred to the Pensions Advisory Service, and to the Scottish Public Services Ombudsman, as described in paragraph 3.4. SPPA's members of staff also have access to the Agency's whistle-blowing procedure in the event that they have concerns about the regularity or propriety of actions being taken by the Agency.

3.4 Scottish Public Services Ombudsman

SPPA may be subject to investigation by the Scottish Public Services Ombudsman (SPSO), who will deal directly with the Chief Executive in any cases where a complaint is made. The Scottish Public Services Ombudsman and the Pensions Ombudsman will agree which body will act as the lead organisation for any case referred to both bodies SPSO is the final stage for handling complaints and would normally look at any complaint only after they have been through SPPA's own internal complaints system, set out in paragraph 3.3.

4. Resource Planning and Management

4.1 Finance

The use of resources by SPPA is authorised by the Scottish Parliament in the Budget Act. Its level of resourcing allows for the Agency to carry out the functions set out in paragraph 1 of Annex B, and also to provide the services set out in paragraph 2 of Annex B. SPPA may within the terms of its income generation strategies, undertake services other than those specified in paragraph 2 of Annex B, on a repayment basis. The Agency may set fees in accordance with the fees and charges guidance in the Scottish Public Finance Manual.

4.2 Planning

The Agency will maintain plans dealing with

- the aims and strategic objectives of SPPA;
- the main tasks and priorities of SPPA;
- the resource implications for achieving these tasks and priorities;
- strategies for improving value for money and quality of service
- strategies for dealing with external factors influencing the work of SPPA
- contingency plans for reasonable unexpected tasks and for emergencies;
- forecasts of income;
- proposals for additional financial and management flexibilities;
- annual performance and financial targets; and
- personnel and training strategies.

Consistent with the timetable for public spending reviews the Chief Executive will submit, for approval by the Scottish Ministers, a Corporate Plan covering the 3 or 4 forward years. The Corporate Plan will present SPPA's proposed strategy and identify projected resource requirements over the Spending Review (SR) planning period. The Corporate Plan will include key targets, agreed by the Scottish Ministers, which will form the main basis against which the Agency's performance will be judged.

Where policy or circumstances change significantly the Scottish Ministers or the Chief Executive may propose changes to targets and financial resources included in the Corporate Plan. Any material changes will be subject to approval by the Scottish Ministers after consultation with the Chief Executive and will involve an agreed prior notification period. The Agency will also prepare an annual Business Plan, consistent with the agreed Corporate Plan, including key targets and milestones for the year immediately ahead.

4.3 Annual Report and Accounts

The Chief Executive will prepare and sign an Annual Report and Accounts. The Annual Report will review SPPA's performance over the previous year against the financial targets and performance measures set in the Corporate Plan, and how the Agency has responded to unforeseen circumstances. The Accounts, covering the Agency's administration costs, will be prepared in accordance with a direction from the Scottish Ministers. The Chief Executive shall arrange for the Annual Report and audited Accounts to be laid before the Scottish Parliament and published as soon as reasonably practicable following the end of each financial year and no later than the statutory deadline of 31 December. The accounts must not be laid before they have been formally sent by the Auditor General to the Scottish Ministers and must not be published before they have been laid before the Parliament.

The Chief Executive shall also prepare and sign annual pension scheme statements for the NHS and Teachers' Schemes in accordance with directions from the Scottish Ministers. The Chief Executive shall arrange for the audited statements to be laid before the Scottish Parliament and published. The arrangements/requirements relating to the laying and publishing of the accounts covering the Agency's administration costs apply equally to the pension scheme statements. The Agency will operate financial and management accounting systems which enable management to review performance continually against budgets and targets.

The Chief Executive is responsible for maintaining a sound system of internal control that supports the achievement of the body's policies, aims and objectives and for regularly reviewing the effectiveness of that system. The Chief Executive will provide a Governance Statement, including information on internal control arrangements, alongside the Agency's annual accounts.

4.4 Risk Management

The Chief Executive is responsible for implementing and monitoring risk management arrangements as part of a robust corporate governance framework. This requires the active monitoring and reporting of risks in conjunction with reviews by the Audit and Risk Committee, and the advice of Internal and external Audit.

4.5 Financial Delegations

The Agency operates delegated financial budgeting. The financial authorities set out in Annex F are delegated to the Chief Executive and his or her staff. The Chief Executive will review these limits regularly with a view to maximising delegations that will assist in achieving SPPA's agreed objectives and ensuring business flow. The Chief Executive will be responsible for ensuring that relevant financial procedures are followed and may delegate functions in writing in accordance with relevant guidance in the Scottish Public Finance Manual. Further

delegations of write-off authority by the Chief Executive may include delegation to any body contracted to make pensions or associated payments on behalf of SPPA, to avoid disproportionate administrative costs arising in dealing with write-offs of minor amounts.

4.6 External Audit

The SPPA Administration Accounts and the NHS and Teachers Pension Scheme Statements are subject to external audit by the Auditor General for Scotland or by auditors appointed by the Auditor General for Scotland.

4.7 Internal Audit

The Chief Executive, in consultation with the Scottish Government Internal Audit Division and with the Audit and Risk Committee, will ensure that a system of internal audit is provided in accordance with the recommendations of the Government Internal Audit Manual. Internal Audit will have the right of access to the Agency and if necessary, after consultation with the Chief Executive, give independent assurance to the Director General Enterprise, Environment and Digital (Director General Finance) in discharging his/her responsibilities.

5. Human Resources

5.1 Status of Staff and Conditions of Service

The Chief Executive and SPPA staff are Civil Servants within the Scottish Government, and are employed on Scottish Government terms and conditions of service and are covered by Civil Service Pension arrangements unless they opt out. The Chief Executive may review the terms and conditions of service in the interests of the efficient and effective management of SPPA. Where proposals for change go beyond the scope of the Chief Executive's delegated authority, they will require the approval of the Scottish Government's Head of Human Resources (HR). All such proposals will be subject to normal consultations, including consultations with staff and Trade Unions.

5.2 Civil Service Code

All SPPA staff will comply with the Civil Service Code (Scottish Government version).

5.3 Line Management

The Chief Executive is responsible for determining the number and grades of staff employed by SPPA and its management structure up to but not including the Senior Civil Service. The Chief Executive may only create posts in the Senior Civil Service subject to the express approval of the Head of HR. The Chief Executive is responsible for the day-to-day management of all SPPA staff, and for the implementation of any staff release or severance arrangements appropriate for the Agency. Any such arrangements must comply with the section of the Scottish Public Finance Manual on Severance, Early Retirement & Redundancy Terms.

5.4 HR Management

The Agency aims to offer its staff good and satisfying career opportunities and is committed to fostering career development and equal opportunities. The Chief Executive is responsible for ensuring that the requisite level of HR management expertise is available and maintained and that staff serving in SPPA can obtain advice on training and career opportunities within the Agency, the Scottish Government and the wider Civil Service. The Head of Scottish Government HR is responsible for ensuring that HR provides the Agency with an appropriate level of service to be agreed jointly and to be subject to regular review.

All staff can transfer between SPPA and other parts of the Scottish Government as a consequence of career planning, progression and promotion, subject to the agreement of the Chief Executive and the Head of HR or his/her nominee. The Chief Executive is responsible for line management of staff and for pensions and other specialist related training. The Head of HR is responsible for the wider

training and development of staff as Scottish Government civil servants, and will consult the Agency about the nature of any changes to this service. The Chief Executive or his nominee will be directly involved in the selection of staff for posts within SPPA and will have final say on this.

In addition, the Chief Executive may recruit directly to fill selected posts. He / she may determine the numbers, grades and timings of such recruitment. All recruitment will be undertaken in line with the principles of the Civil Service Code. The Chief Executive will consider sympathetically and positively requests from staff to pursue their careers wholly or partly within SPPA, in line with the Agency's needs for developing specialist skills and experience.

5.5 Pay and Performance Incentives

The Chief Executive exercises the pay and allowance flexibilities available to the core Scottish Government and Agencies in relation to all other SPPA staff. The Chief Executive could in future, consider introducing the Agency's own bespoke pay and grading arrangements in due course. Any such arrangements are subject to approval by the Scottish Ministers. A note to the Annual Report and Accounts will record any performance payments and their relationship to the achievement of published objectives.

5.6 Alternative Working Patterns

The Chief Executive is free to develop new working arrangements for all SPPA staff, subject to consultation with the Head of HR and staff representatives as appropriate.

5.7 Staff Relations

The Chief Executive will determine, after consultation with staff and their representatives, arrangements to foster good staff relations. SPPA is committed to effective communication with all its staff and their representatives. SPPA will adhere, where appropriate, to the terms of the Scottish Government's Partnership Agreement with the Council of Scottish Government Unions.

5.8 Health and Safety

The Chief Executive aims to have a safe and healthy working environment for all staff within the Agency.

5.9 Welfare

The Agency will continue to have access to arrangements made by the Scottish Government for staff welfare. The welfare of staff in terms of their physical working environment will be the responsibility of the Chief Executive who may call upon the appropriate services within the Scottish Government.

5.10 Insurance and contingent liabilities

SPPA's risks, including public and employer liability, will be carried in line with the Scottish Government's policy on insurance. The Chief Executive will keep Finance Programme Management informed of the level of any contingent liabilities, including where possible an assessment of their values. Where appropriate, he/she will report contingent liabilities to the Scottish Parliament, seeking prior approval where necessary in line with the Scottish Public Finance Manual.

6. Support Services

6.1 Use of contractors

The Chief Executive may, after following appropriate procurement processes, appoint contractors to perform elements of the Agency's functions. Contracts that fall into the category of consultancy will be subject to the following approval limits:

Up to £10,000: Chief Executive

Between £10,000 and £50,000: Director General Finance

Above £50,000: Cabinet Secretary.

Subject to the above conditions and to the requirement not to exceed the total budget, the Chief Executive may switch expenditure among a range of services and obtain them from whichever supplier offers best value for money. To the maximum extent possible budgets for individual support services will reflect their full economic costs

6.2 Other Scottish Government Support Services

The Agency is required to draw upon support and advice from the Scottish Government in the following areas:

- Procurement
- Legal Advice
- IT Services
- Finance
- Audit
- HR

Where the service provider is able, the service standards and (where appropriate) charging mechanisms and charging rates for each of these areas are to be jointly agreed with the Agency and any changes are subject to an agreed notice period. Where service standards are specified, the Chief Executive, will keep the provision of support services under review as part of ensuring best value in all aspects of the Agency's operations including the use of shared service arrangements where participation offers value for money for the Agency or to the wider public purse. The Agency will report annually on the steps taken during each financial year to improve the efficiency, effectiveness and economy of its core business (including details of any shared services activity), under the terms of the Public Services Reform (Scotland) Act 2010 and the associated guidance.

Review and Development

6.3 Amendment and Review

This Framework Document will be reviewed at 3 or 4-year intervals. Changes may however be proposed to the Framework Document earlier in the light of experience or changed circumstances. The Chief Executive may, at any time, propose amendments to any of the provisions in section 5 of the Framework Document in the interests of the efficient and effective management of SPPA.

The Scottish Government Director General Finance and (for HR issues) the Head of HR will be consulted on any proposed material changes prior to submission to the Scottish Ministers for approval. Where the proposed changes relate to staff terms and conditions of service they will also be the subject of consultations under the arrangements described in section 5.

6.4 Publication

Copies of this Framework Document, and of any subsequent changes, will be placed in the library of the Scottish Parliament.

6.5 Enquiries

All enquiries about this Framework Document should be addressed in the first instance to:

The Chief Executive
Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE
E-Mail: neville.mackay@scotland.gsi.gov.uk
(Telephone 01896 893296)

7. Annexes

7.1 Annex A – Statutory Framework

1. The superannuation, injury benefit and premature retirement compensation arrangements regulated and administered by SPPA are set out in statutory regulations made by the Scottish Ministers, with the consent, as required, of the Treasury. The main enabling powers are contained in Sections 7, 9, 10, 12, 16 and 24 of, and Schedule 3 to, the Superannuation Act 1972, Sections 1 to 8 of the Police Pensions Act 1976 (as amended) and Section 26 of the Fire Services Act 1947 and Section 8 of the Fire Services Act 1959. The regulations provide for the payment of pensions, allowances and gratuities to, or in respect of, Scottish teachers, employees of the National Health Service and local government in Scotland, and members of the police and fire services in Scotland.

2. There are similar, but separate, schemes for England and Wales contained in regulations made by the relevant Secretaries of State. There are also similar schemes in Northern Ireland.

3. Under the regulations relating to teachers (except premature retirement compensation regulations) and NHS employees, the Scottish Ministers are the administering authority, and SPPA accordingly exercises both regulatory and administrative functions on behalf of the Scottish Ministers. The current regulations in this category, made under Sections 9, 10 and 24 of, and Schedule 3 to, the Superannuation Act 1972, are [refer to separate document distinct from FD]:

- The Teachers' Superannuation (Scotland) Regulations 1992 (SI 1992/280), (as amended by SIs 1992/1025 and 1597, 1993/490 and 2513, 1994/1715 and 2699, 1995/840 and 1670, 1997/676, 1998/718, 1644 and 2208, 1999/446 and SSIs 2000/366, 2001/152 and 291, 2002/288, 2003/423 and 2004/89);
- The Teachers' Superannuation (Additional Voluntary Contributions) (Scotland) Regulations 1995 (SI 1995/2814), (as amended by SSIs 2000/444 and 2001/292);
- The Grant-Aided Colleges (Compensation) (Scotland) Regulations 1977 (SI 1977/1777), (as amended by SIs 1977/1777, 1981/1054 and 1992/1025);
- The National Health Service Superannuation Scheme (Scotland) Regulations 1995 (SI 1995/365), (as amended by SIs 1997/1434 and 1916, 1998/1593, 1999/443 and 2001/3649 and SSIs 2001/437 and 465, 2003/55, 270 and 517);
- The National Health Service Superannuation Scheme (Scotland) (Additional Voluntary Contributions) Regulations 1998 (SI 1998/1451), as amended by SSI 2001/465 and SSI 2004/62);

- The National Health Service (Superannuation - Special Provisions) (Scotland) Regulations 1984 (SI 1984/1970), as amended by SI 1986/701 and SSI 2004/212);
- The National Health Service (Superannuation) (War Service etc) (Scotland) Regulations 1977 (SI 1977/2138), (as amended by SI 1981/1018);
- The National Health Service (Compensation for Premature Retirement) (Scotland) Regulations 2003 (SI 2003/344); and
- The National Health Service (Scotland) (Injury Benefits) Regulations 1998 (SI 1998/1594, (as amended by SI 1999/444 and SSIs 1999/195, 2001/437 and 2004/212).

4. SPPA also carries out functions in relation to the rules governing, and the administration of, the Legal Aid (Scotland) Pension Scheme 1988 that covers the staff of the Scottish Legal Aid Board. The Board makes the rules governing the scheme, with the approval of the Scottish Ministers and the consent of the Treasury under paragraph 8(3) of Schedule 1 to the Legal Aid (Scotland) Act 1986, and the Board is the administering authority. SPPA acts on behalf of the Cabinet Secretary of Justice by agreement with the Scottish Justice Directorate in relation to their approval and appellate functions and for the Board in relation to its administrative function.

56. SPPA also regulates, but does not administer, schemes for local authority employees (including the premature retirement compensation arrangements for teachers) and the police and fire services. The current regulations for these schemes are:

- The Local Government Pension Scheme (Scotland) Regulations 1998 (SI 1998/366), as amended by SIs 1998/1129, 1999/787 and 2001/3649 and SSIs 2000/199, 2001/23 and 460 and 2002/311, and as modified for particular purposes by SI 1998/364);
- The Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 1998 (SI 1998/364), (as amended by SSI 2000/199);
- The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 (SI 1998/192), (as amended by SI 1998/364 and SSI 2000/77);
- The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998 (SI 1998/2888), (as amended by SSIs 2000/74, 2001/23, 2003/138 and 2004/134, and by articles 256 to 259 of SI 2001/3649);
- The Local Government Superannuation (Reserve Forces) (Scotland) Regulations 1992 (SI 1992/1220);

- The Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order 1999 (SI 1999/2277 as amended by SIs 2001/866, 2002/532 and 2004/1682);
- The Teachers (Compensation for Premature Retirement and Redundancy) (Scotland) Regulations 1996 (SI 1996/2317, (as amended by SIs 1997/675 and 1998/719);
- The Police Pensions Regulations 1987 (SI 1987/257), (as amended by SIs 1987/341 and 2215, 1988/1339, 1989/733, 1990/805, 1991/1517, 1992/1343 and 2349, 1994/641, 1996/867, 1997/1429 and 2852, 1998/577, 2000/843 and SSIs 2000/193, 2001/459, 2003/406 and 2004/486);
- The Police (Injury Benefit) Regulations 1987 (SI 1987/156) (as amended by SI 1987/341 and 1992/2349);
- The Police Pensions (Purchase of Increased Benefits) Regulations 1987 (SI 1987/2215), as amended by SSI 2001/461 and 2003/406);
- The Police Pensions (Additional Voluntary Contributions) Regulations 1991 (SI 1991/1304), as amended by SSI 2001/461 and 2003/406);
- The Police Cadets (Pensions) (Scotland) Regulations 1973 (SI 1973/434), (as amended by SIs 1974/1629, 1979/783, 1980/1410, 1982/1660 and 1987/1699 and 1700);
- The Police Cadets (Injury Benefit) (Scotland) Regulations 1987 (SI 1987/1700);
- The Special Constables (Pensions) (Scotland) Regulations 1973 (SI 1973/433), (as amended by (SIs 1974/1630, 1979/784 and 1980/1411);
- The Special Constables (Injury Benefit) (Scotland) Regulations 1987 (SI 1987/1698); and
- The Firemen's Pension Scheme Order 1992 (SI 1992/129), as amended by SIs 1997/2309 and 2851, 1998/1010 and SSI 2001/310 and 2004/385).

6. On behalf of the Scottish Parliamentary Corporate Body, SPPA also provides a calculation service for Members of the Scottish Parliament. The relevant regulations are:-

- The Scotland Act 1998 (Transitory and Transitional Provisions) (Grants to Members and Officeholders) Order 1999 (SI 1999/1081), (as amended by SI 1999/1891);
- The Scotland Act 1998 (Transitory and Transitional Provisions) (Scotland

Parliamentary Pension Scheme) Order 1999 (SI 1999/1082), as amended by SI 1999/1891).

7. The schemes to which the regulations listed above relate are also required to conform with legislation governing the operation and tax treatment of occupational pension schemes generally as set out in Social Security, Finance, Taxes and other relevant Acts and associated subordinate regulations.

7.2 Annex B – Functions

1. The main functions of SPPA are as follows:

A - Functions Related to NHS and Teachers' Schemes

1. maintaining records to support the operation of the schemes;
2. authorising all benefits and other sums due under the schemes' regulations;
3. maintaining systems for the prompt and accurate payment of such sums;
4. processing elections made under the regulations by members;
5. providing information to members and their employers, to their agents and to UK Government Departments such as the Department for Work and Pensions and the Inland Revenue;
6. maintaining facilities for AVCs (additional voluntary contributions) for scheme members, as laid down in the schemes' regulations;
7. collecting sums due to the Scottish Ministers under the regulations;
8. maintaining accounts of income and expenditure under the regulations;
9. preparing estimates of income and expenditure and monitoring actual payments against estimates;
10. providing accurate information to other parts of the Scottish Government and to the schemes' actuaries for accounting and valuation purposes;
11. liaising with the Treasury, other UK Departments and bodies regulating and administering public service pensions;

B - Functions Related to Scheme Regulations

12. participating in the development of public service pensions policy with the Treasury and other interested UK Government Departments, and consulting with Scottish representatives of employers and members of the schemes;
13. advising Scottish Government and the Scottish Ministers on the implications for their areas of responsibility of pension policy developments;
14. preparing and promulgating statutory regulations;
15. advising local authorities and other bodies involved in administration of the

schemes; and

16. determining questions under the regulations where there is a right of appeal to the Scottish Ministers.

2. SPPA also provides the following services, under negotiated service level agreements, where appropriate:

1. maintaining records, calculating benefits, etc for schemes covering staffs of certain Non-Departmental Public Bodies (NDPBs) sponsored by the Scottish Government;

2. providing advice to Directorates General of the Scottish Government and to the Scottish Ministers on public service pensions policy in general and pension;

3. providing statistical information to other parts of the Scottish Government from pension records;

4. Providing pension administration services to other organisations on a repayment basis.

7.3 Annex C – Dependencies

The Agency is dependent upon the delivery of the following services provided by the Scottish Government:

Service	Service Standards	Charging arrangements
IT	Statement of service agreed periodically	Recharge arrangements agreed annually
Finance	Statement of service agreed annually	N/A
Internal Audit	SLA agreed annually	N/A
HR	Under review by SG	N/A
Procurement	None at present	SPPA pay daily consultancy rate
Legal	Statement of service agreed periodically	Core service f-o-c. Additional services at cost.

7.4 Annex D Terms of reference External Management Board

SPPA EXTERNAL MANAGEMENT BOARD

1.The functions and responsibilities of SPPA are set out in the publication 'Scottish Public Pensions Agency – Framework Document'.

MEMBERSHIP

2.The EMB shall consist of 2-4 externally appointed members one of whom shall be the Scottish Government Director General of Finance or her / his nominated representative. Members of the EMB shall be appointed jointly by the Chief Executive and the Chair. The Chair shall be appointed by the Chief Executive and by the Scottish Government's Director General Finance.

ROLE OF THE EMB

3. The role of the EMB is to:

- Endorse the overall strategic direction of the Agency within the policy, planning and resources framework determined by the Scottish Ministers;
- ensure that the Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of the Agency or on the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds (i.e. all funds falling within the stewardship of the Agency) are complied with; that the Board operates within the limits of its statutory authority and any delegated authority, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account relevant guidance issued by the Scottish Ministers;
- ensure that the Board receives and reviews regular financial information concerning the management of the Agency; is informed in a timely manner about any concerns about the activities of the Agency; and provides positive assurance that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including by setting up and referring to an independent audit committee - in accordance with the guidance on Audit Committees in the Scottish Public Finance Manual - to help the Board to address the key financial and other risks facing the Agency;
- provide commitment and leadership in the development and promotion of Efficiency, service quality and Best Value principles throughout the organisation;
- advise the Chief Executive whether to sign the statutory accounts of the Agency and of the Schemes.

CHAIR

4. The role of the EMB chair is to:

- Manage meetings of the EMB
- Ensure that the Board upholds the Code of Conduct arising from the Ethical Standards in Public Life etc (Scotland) Act 2000
- Communications between the Board and the Scottish Ministers shall normally be through the Chairman. The Chairman shall ensure that the other Board members are kept informed of such communications.

INDIVIDUAL BOARD MEMBERS

5. The role of individual board members is to:
- comply at all times with the Code of Conduct that is adopted by the Agency and with the rules relating to the use of public funds, conflicts of interest and confidentiality;
 - not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
 - uphold the requirements of the Company's Act or the principles set out in the Nolan Report as regards ethical standards.
 - comply with the Code of Conduct on the acceptance of gifts and hospitality, and of business appointments;
 - act in good faith and in the best interests of the Agency.
-
- attend Quarterly Board Meetings;
 - attend Quarterly Audit Committee Meetings where appropriate;
 - provide an external perspective to the work of the Agency;
 - and be a source of informal external advice to the Board on any relevant issues and may from time to time be involved in senior appointments.

QUORUM

6. A quorum of 2 is required for Boards of 4 persons or fewer.

Scottish Public Pensions Agency

7.5 Annex E Terms of reference Audit and Risk Committee

SCOTTISH PUBLIC PENSIONS AGENCY AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

The Agency's Accountable Officer (AO) has established an Audit and Risk Committee to support him in his responsibilities for issues of risk, control and governance and associated assurance through a process of support and constructive challenge.

Responsibilities

The Audit and Risk Committee will advise the Agency's Accountable Officer on:

- the strategic processes for risk, control and governance;
- the accounting policies and the accounts of the organisation;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity or by Parliamentary Committees where they affect the organisation's overall performance;
- assurances relating to the corporate governance requirements for the organisation, e.g. relating to the Agency AO's signing of the Governance Statement in the Agency Accounts and the certificates of assurance for the pension scheme accounts;
- the effectiveness of the internal control environment;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The SPPA Audit and Risk Committee will advise the relevant Portfolio Audit and Risk Committee of any significant findings or issues that it considers to be of a wider interest when carrying out its duties. It will do so via the Chair of the External Management Board.

Membership

The members of the Audit and Risk Committee are:

Non-Executive Directors:

Alex Smith (Chair)

Julia Edey

James Taylor

Attendees

The following officials will attend meetings:

Accountable Officer /
Agency Chief Executive
Director of Finance

Director of Operations
Director of Policy
Director of Corporate Services

External Audit representative: Audit Scotland

Head of Internal Audit (HIA) representative SG's internal audit manager

Secretarial support will be provided to the Audit and Risk Committee from the Agency's Finance Directorate.

Meetings

- The Audit and Risk Committee will normally meet four times a year although the Agency AO and/or the Chair may ask the Audit and Risk Committee to convene further meetings to discuss particular issues on which they want the Committee's advice;
- A minimum of 2 Audit and Risk Committee members need to be present for the meetings to be deemed quorate;
- The Audit and Risk Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter;
- The Audit and Risk Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters;
- The Agency Accountable Officer will meet Audit and Risk Committee members once a year as a matter of routine; and
- Internal and External Audit representatives will also meet Audit and Risk Committee members separately once a year as a matter of routine.

Access

The HIA, the representative of external audit and the Agency Accountable Officer also have the opportunity to free and confidential access to the Audit and Risk Committee Chair (it is expected, however, that exercise of this right would be on an exceptional basis).

Reporting

Where the Accountable Officer does not attend meetings, the Audit and Risk Committee will formally report back to the Accountable Officer (and management board members not in attendance) after each meeting (a copy of the minutes of the meeting may form the basis of the report).

Any significant issues should be reported to the relevant Portfolio Audit and Risk Committee.

The Audit and Risk Committee will prepare an annual report, timed to support the governance statement and the finalisation of the annual accounts, summarising the work of the Committee during the year.

Information Requirements

The Audit and Risk Committee will be provided with:

For each meeting:

- a progress report from the HIA summarising, as appropriate:
 - work performed;
 - key issues emerging from internal audit work;
 - management responses to audit recommendations;
 - significant changes to the audit plans;
 - any resource issues affecting the delivery of internal audit objectives.
- a progress report from the external audit representative summarising work undertaken and any emerging findings;
- a report summarising any significant changes to the organisation's Risk Register;
- a report on progress in implementing the recommendations of internal and external audit.

Examples of other material that may also be provided for meetings, and other matters for consideration, as appropriate (this is not an exhaustive list):

- a report on the organisation's performance relating to risk management, including a summary of any changes to the organisation's Risk Register (this should be submitted at least twice a year);
 - proposals for the Terms of Reference of internal audit;
 - the Internal Audit Strategy;
 - Internal Audit's Plan for approval;
 - Internal Audit's Annual Opinion and Report;
 - Director's Reports;
 - Finance Director's reports;
 - any other relevant outputs from other review bodies;
 - the major findings of Parliamentary Committee reports where they affect the organisation's management response;
 - the draft accounts and scheme statements for the organisation;
 - the draft Governance Statements and certificates of assurance;
 - a report on any changes to accounting policies;
 - External Audit's plans;
 - External Audit's management letter and performance audit reports;
 - an annual report on fraud/losses within the organisation;
 - a report on any proposals to tender for audit functions;
 - a report on co-operation between internal and external audit;
 - external Quality Assurance reports on the internal audit function;
 - Audit and Risk Committee's annual self-assessment.
-

7.6 ANNEX F – FINANCIAL DELEGATIONS

Within an agreed overall budgetary provision, SPPA has delegated authority as set out below. These delegations support a system of delegated budgeting within the Agency. Such delegations are subject to the guidance contained in the Scottish Public Finance Manual and Scottish Public Procurement Manuals.

Pension, Compensation and Injury Benefit Costs

The Chief Executive has unlimited authority to commit expenditure and authorise payments except for the authorisation of write-offs where a limit of £25,000 applies for individual losses/payments falling within any of the categories specified in the Scottish Public Finance Manual. The Chief Executive also has the authority to incur contingent liabilities subject to the Director General Finance being consulted about any proposals to incur contingent liabilities outside the normal course of business.

Individual Directors may commit write-off and compensation payments subject to a limit of £5000.

Finance B Band staff may commit write-offs up to a limit of £250.

Administrative Costs

In the absence of the Chief Executive, the nominated Deputy Chief Executive may authorise expenditure according to the Chief Executive's limit. The limits for authorising and paying administrative costs are set out below:

Category	Chief Executive	Directors	Others
Incur contingent liabilities	unlimited subject to SG DG Finance being consulted about proposals to incur contingent liabilities outside the normal course of business	None	None
Let contracts	up to £2m excluding recoverable VAT. SG DG Finance consultation required for sums above this amount	up to £100,000 excluding recoverable VAT from delegated budget where funds are available	Operations C1s : Up to £50,000 from delegated budget where funds are available unless specified.
Commission consultants	up to £10,000 per project. SG D-G Finance consultation required for sums between £10k and £50k; Above £50k Cabinet Secretary's approval required	None	None
Authorise losses and special payments	Unlimited except for the following categories which are subject to a limit of	up to £5000 where funds are available in delegated budget.	Finance B2s: Up to £250 for write-offs

	<p>£25,000:</p> <p>special payments claims waived or abandoned losses arising from failure to make adequate charges for services/use of property</p> <p>SG D-G Finance consultation is required for individual payments above the £25,000 threshold</p>		
Authorise Capital expenditure	Unlimited except for: a limit of £150,000 for the basic cost of computer purchases/projects, use of the computer services industry	<p>up to £50,000 where funds are available in the delegated Capital budget except for:</p> <p>a limit of £25,000, where funds are available in the delegated Capital budget and where the Director of IT has given approval, for the basic costs of computer purchases/projects, use of the computer services industry</p>	
Authorise invoices	Unlimited	Up to £100,000	C1s: up to £5,000 Facilities Manager: up to £ 7,500 (B1 minimum)
IT maintenance	Unlimited	up to £25,000 (Director of IT only)	
Travel and Subsistence	Unlimited countersigning authority; personal claims require SG DG Finance approval	Countersign up to £1,000	Countersign up to £250 (all B3s and B2s)

