

Annual Report and Accounts

2023–2024



Protect Improve Adapt Avoid Warn

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SG/2024/266 Laid before the Scottish Parliament by the Cabinet Secretary for Net Zero and Energy in pursuance of Section 46 of the Environment Act 1995.

The Annual Report and Accounts 2023-2024 are being laid before the Scottish Parliament by the Cabinet Secretary for Net Zero and Energy in pursuance of Section 22(5) of the Public Finance and Accountability (Scotland) Act 2000.



iStock 804671988 Daniel Tomlinson

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Introduction

Foreword



Nicole Paterson
Chief Executive



Lisa Tennant
Chair

As the world faces the global poly crises of climate change, biodiversity loss and pollution, we, as Scotland's principal environmental regulator, must do all we can to safeguard Scotland's environment for the future.

Throughout 2023, we continued to build on a positive record of progress and improvement of our services. We have taken robust action against those who failed to comply with our environmental laws. We also continue to introduce a new integrated framework for environmental authorisations that will help bring those we regulate into compliance quickly, easily, and cost-effectively.

During record-breaking weather events, we supported Scotland's adaptation to climate change through our role as Scotland's National Flood Forecasting and Warning Authority, issuing 953 timely warnings and information to allow emergency responders, communities, local authorities and businesses to take action. This is the highest number we have issued in the 13 years of the Floodline service.

We improved Scotland's water environment by opening up 69km of rivers previously inaccessible to migratory fish. We worked with partners on projects on vacant and derelict land to improve river channels and create improved access for communities to high quality green spaces, like

Protect

We protect Scotland's environment and communities from harm.



Improve

We improve Scotland's environment for future generations.



Adapt

Our information and advice help Scotland to adapt to the impacts of our changing climate.



Avoid

We help to avoid environmental harm and increased future risks from flooding.



Warn

We warn communities and businesses about potential harm and risk of flooding.



woods, meadows and parks, or blue spaces such as rivers and lochs.

To be effective in meeting the challenges of today and in future, we have been resetting our organisation. In January 2024, our new Chair and six new Agency Board members were appointed. We also made appointments to our Corporate Leadership Team with a focus on transformation, innovation and collaborative working as part of our organisational refresh. We established our One SEPA programme which places a strong emphasis on delivering high-quality services for customers while driving

efficiencies, and we started development of our new *Corporate Plan for 2024-2027*.

We reduced our own emissions and worked with partners to share workspaces. We have come together to Protect, Improve, Adapt, Avoid and Warn and use our unique skills and knowledge to deliver for Scotland's environment.

We recognise the journey ahead will bring both opportunities and challenges. We are committed and determined in our path to protect and improve Scotland's precious environment.



Meole Paterson

26 November 2024

Lisa Tennant

26 November 2024

Ro-ràdh



Nicole Paterson
Àrd-oifigear

Nuair a tha an saoghal a' toirt aghaidh air ioma-èiginn chruinneil atharrachadh gnàth-shìde, call bith-iomadachd agus truailleachd, feumaidh sinn, mar phrìomh riaghlaiche àrainneachd na h-Alba, nas urrainn dhuinn a dhèanamh gus àrainneachd na h-Alba a dhìon airson an ama ri teachd.

Tro 2023, lean sinn oirnn a' togail air deagh adhartas agus leasachadh ar seirbheisean. Tha sinn air ceumannan làidir a ghabhail an aghaidh an fheadhainn nach do chùm ri ar laghan àrainneachd. Tha sinn cuideachd a' leantainn air adhart a' toirt a-steach frèam amalaichte ùr airson ceadan àrainneachd a chuidicheas le bhith a' toirt an fheadhainn a tha sinn a' riaghladh gu gèilleadh gu luath, gu furasta agus gu h-èifeachdach a thaobh cosg.

Ri linn tachartasan sìde nas motha na bhathar air clàradh roimhe, chuir sinn taic ri freagarrachadh na h-Alba ri atharrachadh gnàth-shìde tro ar dleastanas mar Ùghdarras Nàiseanta na h-Alba airson Ro-aithris agus Rabhadh Thuiltean, a' cur a-mach 953 rabhaidhean agus fiosrachadh ann an deagh àm gus leigeil le luchd-freagairt èiginn, coimhearsnachdan, ùghdarrasan ionadail agus gnìomhachasan gnìomh a dhèanamh. Seo an



Lisa Tennant
Cathraiche

Dion

Bidh sinn a' dìon àrainneachd agus coimhearsnachdan na h-Alba bho chionn.



Leasachadh

Bidh sinn a' leasachadh àrainneachd na h-Alba airson nan ginealach ri teachd.



Freagarrachadh

Tha ar fiosrachadh agus ar comhairle a' cuideachadh Alba gus fhreagarrachadh ri buaidh ar gnàth-shìde a tha ag atharrachadh.



Seachnadh

Bidh sinn a' cuideachadh le bhith a' seachnadh cron àrainneachdail agus barrachd chunnartan bho thuiltean san àm ri teachd.



Rabhadh

Bidh sinn a' toirt rabhadh do choimhearsnachdan agus do ghnìomhachasan mu chionn agus cunnart bho thuiltean.



àireamh as àirde a chuir sinn a-mach anns na 13 bliadhna de sheirbheis Floodline.

Leasaich sinn àrainneachd uisge na h-Alba le bhith a' fosgladh 69 km de dh'aibhnichean nach robh ruigsinneach dha iasg imrich roimhe seo. Dh'obraich sinn le com-pàirtichean air pròiseactan air talamh falamh is trèigte gus sruthan aibhne a leasachadh agus gus cothrom nas fheàrr a chruthachadh do choimhearsnachdan air raointean uaine àrd-inbhe, leithid coilltean, cluaintean is pàircean, no raointean gorma leithid aibhnichean is lochan.

Airson a bhith èifeachdach ann a bhith a' coinneachadh ri dùbhlain an latha an-diugh agus san àm ri teachd, tha sinn air a bhith ag ath-shuidheachadh ar buidheann. Anns an Fhaoilleach 2024, chaidh ar Cathraiche ùr agus sia buill ùra de Bhòrd na Buidhne fhadastadh. Dh'fhastaich cuideachd dhan Sgioba Stiùiridh Chorporra againn le fòcas air cruth-atharrachadh, ùr-ghnàthachadh agus obair cho-obrachail

mar phàirt den ùrachadh buidhne againn. Stèidhich sinn ar prògram One SEPA a tha a' cur cuideam làidir air libhrigeadh sheirbheisean àrd-inbhe do chustamairean agus sinn cuideachd a' stiùireadh èifeachdas, agus thòisich sinn a' sgrìobhadh ar Plana Corporra ùr airson 2024-2027.

Lùghdaich sinn ar n-eimiseanan fhèin agus dh'obraich sinn còmhla ri com-pàirtichean gus àiteachan-obrach a cho-roinn. Tha sinn air tighinn còmhla gus Dìon, Leasachadh, Freagarrachadh, Seachnadh agus Rabhadh a thoirt seachad agus gus ar sgilean agus eòlas sònraichte a chleachdadh gus libhrigeadh airson àrainneachd na h-Alba.

Tha sinn ag aithneachadh gum bi an dà chuid cothroman agus dùbhlain air an turas a tha romhainn. Tha sinn dealasach agus daingeann nar slighe gus àrainneachd phrìseil na h-Alba a dhìon agus a leasachadh.

Nicole Paterson

26 November 2024

Lisa Tennant

26 November 2024





Performance report

Performance overview

The performance report is divided into two sections: performance overview and performance analysis.

In the performance overview section of this report, we explain who we are and what we do, our strategic direction, the story of 2023–2024, our key highlights of 2023–2024, risks and challenges and provide a summary of our performance.

In the performance analysis section, we provide more detail on our performance against the measures and budget set out in our *Annual Operating Plan 2023–2024*, our sustainability and the National Performance Framework.



Who we are and what we do

We are the Scottish Environment Protection Agency (SEPA), Scotland's principal environmental regulator.

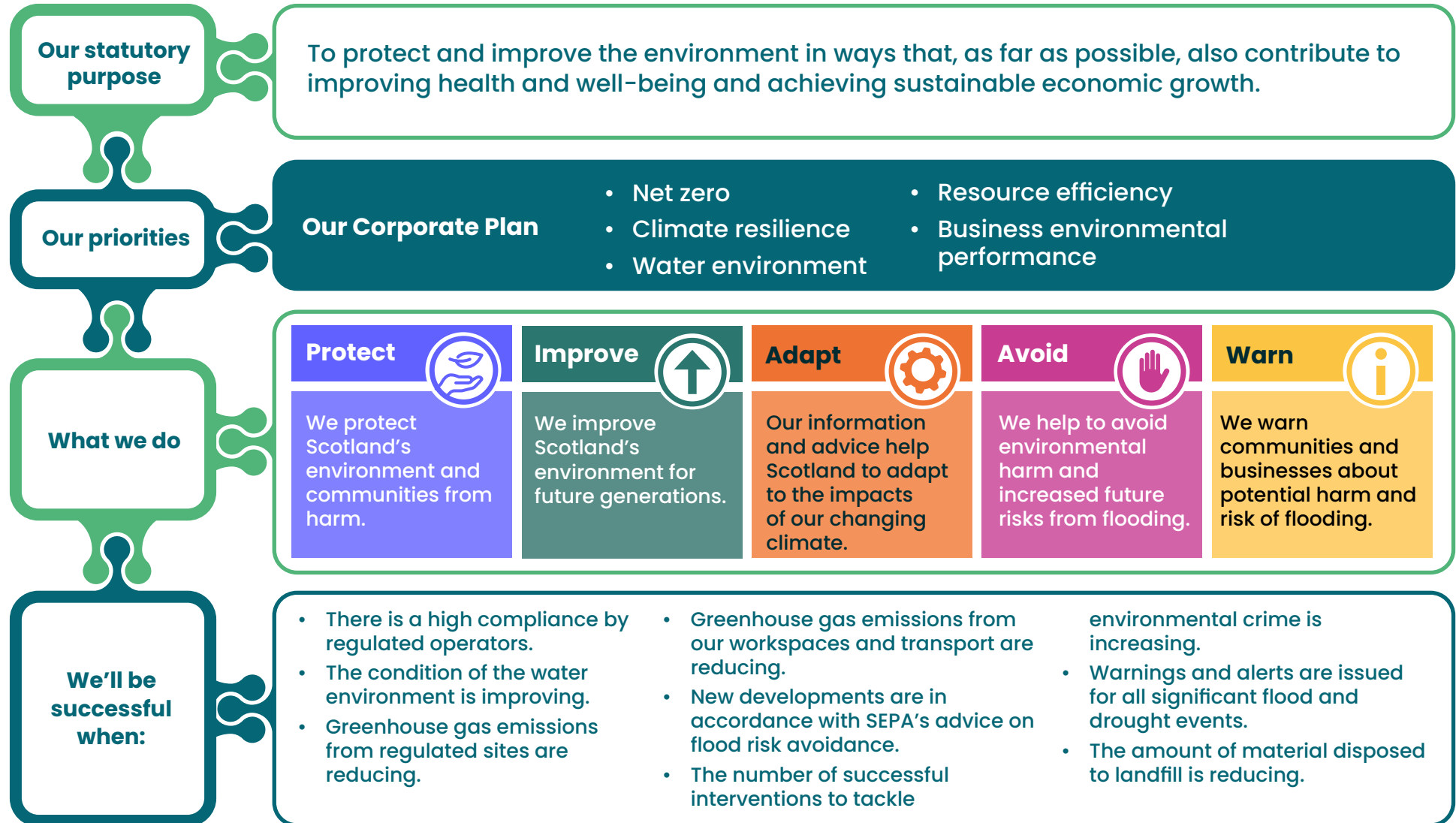
We are a non-departmental public body and independent advisor on the environment, accountable to Scottish Ministers and the Scottish Parliament. We have an Agency Board (the Board), two committees and a Corporate Leadership Team (CLT). The Chief Executive is an executive member of the Board with a role of adviser and is accountable to the Board. The CLT is responsible for the delivery of SEPA's services, including the implementation of the high-level strategy of the organisation as set by the Board. The CLT reports directly to the Chief Executive, who is also the Accountable Officer for SEPA.

Our purpose is to protect and improve the environment in ways that, as far as possible, also contribute to improving health and well-being and achieving sustainable economic growth.

We work together to Protect, Improve, Adapt, Avoid and Warn, delivering for Scotland. Our *Corporate Plan* and *Annual Operating Plan* set out our work which is delivered through five portfolios. We work collaboratively across the organisation focusing on continuous improvement to maximise our efficiency and effectiveness.



Our plan on a page



Our strategic direction

Our strategic direction is fully aligned with Programme for Government, Scottish Government priorities and policies, and the National Planning Framework, through our *Annual Operating Plan* and down to operational delivery. 2023-2024 was the last year of the [*Corporate Plan 2017-2023*](#).

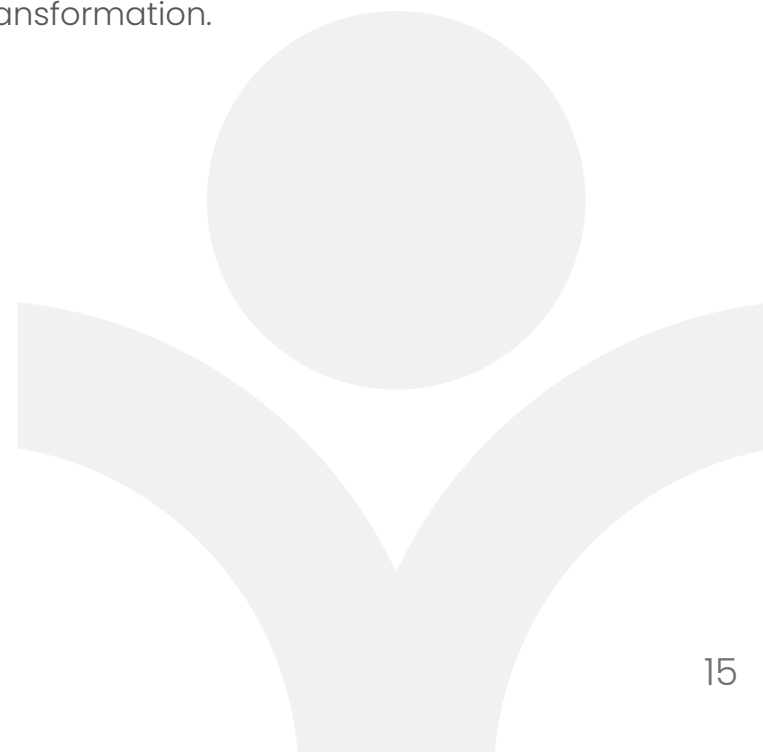
Our strategic objectives for 2023-2024 focussed on:

- Scotland is thriving in a low carbon world.
- Scottish businesses are prospering from better environmental performance.
- The impact of flooding is reducing.
- People benefit from Scotland's improving environment.

Investing in our strategic objectives ensures we deliver on our statutory purpose to protect and improve the environment in ways that, as far as possible, also contribute to improving health and well-being and achieving sustainable economic growth.

To understand how our work is delivering for Scotland, we track and report on measures that help us to understand how our environment is changing and how we are performing.

As we move onto the new financial year, we have published our [*Corporate Plan for 2024-2027*](#) and our [*Annual Operating Plan for 2024-2025*](#). During 2024-2025, we are committed to focusing on key areas of improvement where we have plans in place to ensure we continue to effectively strengthen our corporate governance framework. This includes planning, performance, risk, health and safety, digital and transformation.



Protect 	Improve 	Adapt 	Avoid 	Warn 
<p>We protect Scotland's environment and communities from harm.</p>	<p>We improve Scotland's environment for future generations.</p>	<p>Our information and advice help Scotland to adapt to the impacts of our changing climate.</p>	<p>We help to avoid environmental harm and increased future risks from flooding.</p>	<p>We warn communities and businesses about potential harm and risk of flooding.</p>
<ul style="list-style-type: none"> • We regulate to protect the environment and communities from harm. • We plan for and respond to incidents and emergencies. • We tackle environmental crime. • We provide information to help people make decisions that protect the environment. • We monitor our environment to understand changes. 	<ul style="list-style-type: none"> • We regulate industry to improve energy efficiency and reduce emissions. • We work with others to help to restore land, water and air quality. • We inspire environmental excellence through awards and advice. • We reduce our own environmental footprint. 	<ul style="list-style-type: none"> • We help communities and businesses adapt to the increasing risks of flooding. • We provide flood maps that help people to make resilient choices. • We help businesses adapt to the increasing risk of drought and water scarcity. • We provide future forecasts to help people to become more resilient. 	<ul style="list-style-type: none"> • We provide information that helps to avoid new development in areas at risk of flooding or where it may cause environmental harm. • We require businesses to reduce their resource use, to re-use and recycle resources and to reduce waste and water use. 	<ul style="list-style-type: none"> • We warn when flooding is imminent so people can take action. • We warn the public when it is not safe to use bathing waters. • We warn when incidents pose a threat to the environment and communities. • We provide information to help people make choices that keep them safe.

The story of 2023–2024: Delivering for Scotland

2023–2024 was a pivotal year where, under fresh leadership, we began to reset the Agency to ensure we are effective and resilient to meet our opportunities and challenges, to enable us to focus on delivering for the people of Scotland.

Our key services of environmental regulation and flood risk management were at the forefront as we tackled non-compliance and environmental crime. We responded to a significant period of water scarcity over the summer; and, in the face of record-breaking weather events we continued to provide flood warnings, and flooding information to help communities, partners and businesses to take the actions they need to be resilient to flood risk. We published [*Our Approach to Regulation*](#) that informs where we target and focus our resources to support environmentally safe and successful organisations and activities, and to tackle environmental crime. We also launched our One SEPA programme bringing together our priorities to deliver transformation of our services for Scotland.

Through the year, we achieved an important milestone in our organisational reset welcoming our new Chair, six new

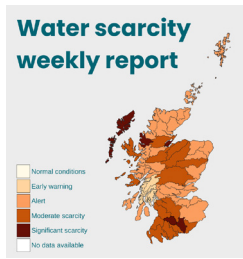
Board members and four new members of the Corporate Leadership Team. With this reset and the need to tackle climate change, biodiversity loss, resource overuse and pollution, we prepared a new three-year *Corporate Plan* to focus on five priorities: net zero; climate resilience; water environment; resource efficiency; and business environmental performance.

We built upon our approach to work, both openly and collaboratively, opening our doors to partners and stakeholders, to engage and build trust. We focused on public sector reform and on where we could continue to achieve best value.

We worked with a range of partners such as the Scottish Government, Green Action Trust, East Renfrewshire Council and many others on collaborative service delivery. Working with the Marine Directorate, we delivered coastal water protection through consolidation of our fleet of boats. This not only ensures their efficient and effective management, but also enables deployment across several public bodies, maximising their public benefit.

Review of the year: 2023-2024

We issued the first **water scarcity report** of the season. This was issued following a period of low rainfall, coupled with low river levels, with some areas in Scotland raised to early warning.



April 2023

May 2023

The **bathing water season** started in June. We sampled and reported water quality at all designated bathing waters with 2023 seeing a record-breaking number of 38 rated excellent for water quality- and a total of 98% of locations achieving a classification of sufficient or better.



June 2023

July 2023

The **Riverwoods Partnership Initiative** plays a crucial role in facilitating nature restoration and climate resilience efforts. We are a key delivery partner and in August helped allocate two projects to receive funding- the Almond Headwaters project and the River Ericht Catchment Initiative.



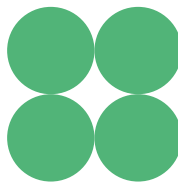
August 2023

September 2023

We launched our **One SEPA programme**. This brings together our priorities to deliver transformation of our services for Scotland. We published **Our Approach to Regulation** that informs where we target and focus our resources to support environmentally safe and successful organisations and activities, and to tackle environmental crime.



We worked with partners in a series of roadstops and our role was to carry out checks on Duty of Care for waste movements for unlicensed waste carriers. This allows us to tackle the specific road routes close to fly tipping hotspots or illegal sites and disrupt the activities.



Our **Scottish Pollutant Release Inventory data for 2022** was released, providing a valuable picture of the amount of pollutants released in Scotland from SEPA-regulated industrial sites. Data like this, assists in decision-making and helps us to understand the state of our environment.



We released the **Scottish household waste figures for 2022** that showed the lowest amount of household waste generated since 2011, down 6% from 2021. It also showed the household recycling rate was up at 43.3%.



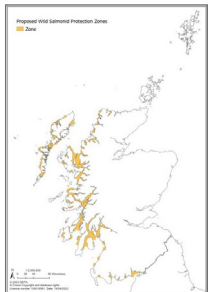
October 2023

We published the **State of the Water Environment Report 2022** and the associated classification results. We have seen a net gradual improvement in most aspects of classification since 2020.



December 2023

The first phase of a new regulatory system, offering greater protection for wild salmon in Scotland began this month. **The Sea Lice Framework** outlines a proportionate, evidence-based approach to protect young salmon from sea lice.



February 2024

We continue to deliver actions under the **National Litter and Fly-tipping Strategy 2023**, which included working with Zero Waste Scotland to administer a fund to support landowners in preventing fly-tipping on private land. We also continue to pilot our digital disruption of illegal waste collection services, including further investigations, issuing of penalties and enforcement actions where appropriate as well as raising awareness with the public and partners of this issue.



November 2023

Our **new Chair and Board members** were appointed.



January 2024

We launched our new **Corporate Plan for 2024 – 2027**. Our new plan highlights how a refreshed focus will enable us to deliver the greatest possible environmental benefits for Scotland.



March 2024

Our highlights:

Water scarcity season

After the unusually dry winter in 2022 and spring in 2023, water scarcity affected the whole of Scotland during the summer. This is the first time we have assessed that all of Scotland was in water stress.

Throughout the season we issued 21 weekly water scarcity reports. Our advice helped water users manage their water resources and encouraged adaptation to climate change. Views on our water scarcity webpages increased by 250% compared to the year before.

We contacted abstractors directly to highlight the risks and provide advice on becoming resilient. At its peak, an unprecedented five catchments across the country reached significant water scarcity and we consequently reduced the amount of water some abstractors could take to protect the environment. Our actions averted acute long-term ecological damage, such as fish kills.

Figure 1 compares the water scarcity level in recent years, shows that 2023 was unusual in how rapid, early and widespread water scarcity occurred across Scotland. All reported areas were at Alert level or higher by mid-June.

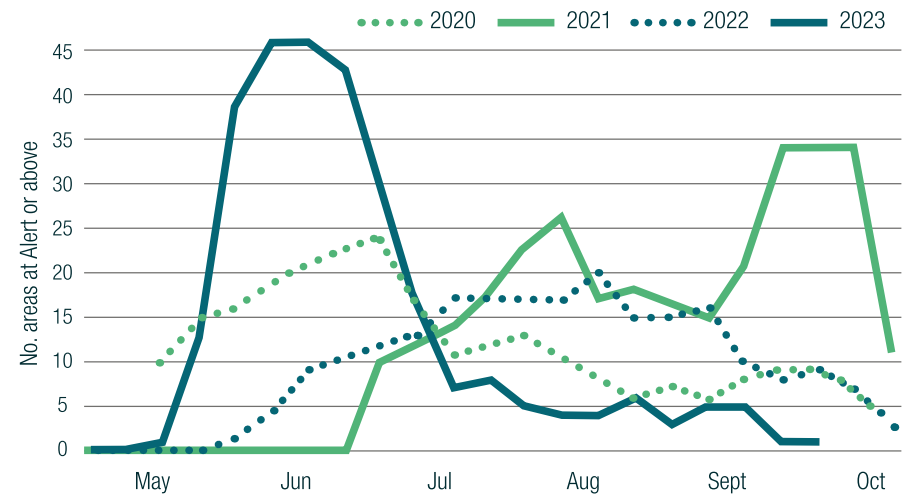


Figure 1: Graph comparing water scarcity levels for Scotland between 2020 - 2023.

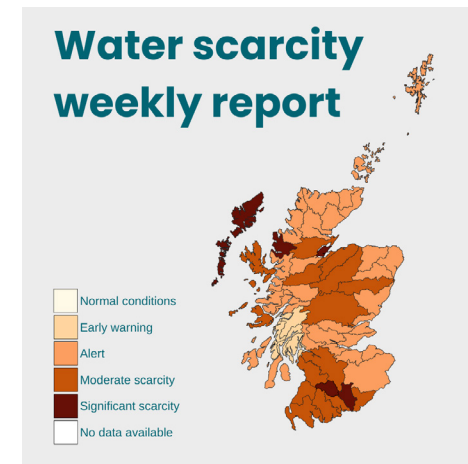


Figure 2: Example of a map from a weekly water scarcity report during summer 2023.

Our highlights:

Severe weather events – Storm Babet

Following on from the very dry spring at the start of 2023, Scotland experienced unprecedented rainfall and flood events with fierce storms such as Babet and Gerrit breaking water level and rainfall records. The country saw flooding to community services and infrastructure, widespread transport disruptions and the evacuation of properties.

Storm Babet particularly affected communities in the northeast, with Brechin and parts of Aberdeenshire and Angus seeing extremely serious impacts. It proved exceptional in terms of the lead time of the forecast and its accuracy (in location, severity, and timing).

As Scotland's National Flood Forecasting and Warning Authority, we issued and updated local community level flood warnings throughout the event with five severe flood warnings issued on Thursday afternoon and evening. Our forecasting enabled us to advise local responders, who were then able to organise evacuations.

We worked with communities and businesses to help them protect themselves and advised civil contingency partners before and during Storm Babet as part of Scotland's multi-agency emergency planning and incident response.

During Storm Babet, the county of Angus recorded their wettest day on record in a series from 1981. Figures show that four of the 10 wettest days on record for Angus have occurred in the last five years, with the sixth wettest on record occurring only 12 days before, on 7 October 2023. This illustrates the expected increases in rainfall extremes as the UK's climate continues to warm.

Ten highest daily area-average rainfall totals for the county of Angus since 1916

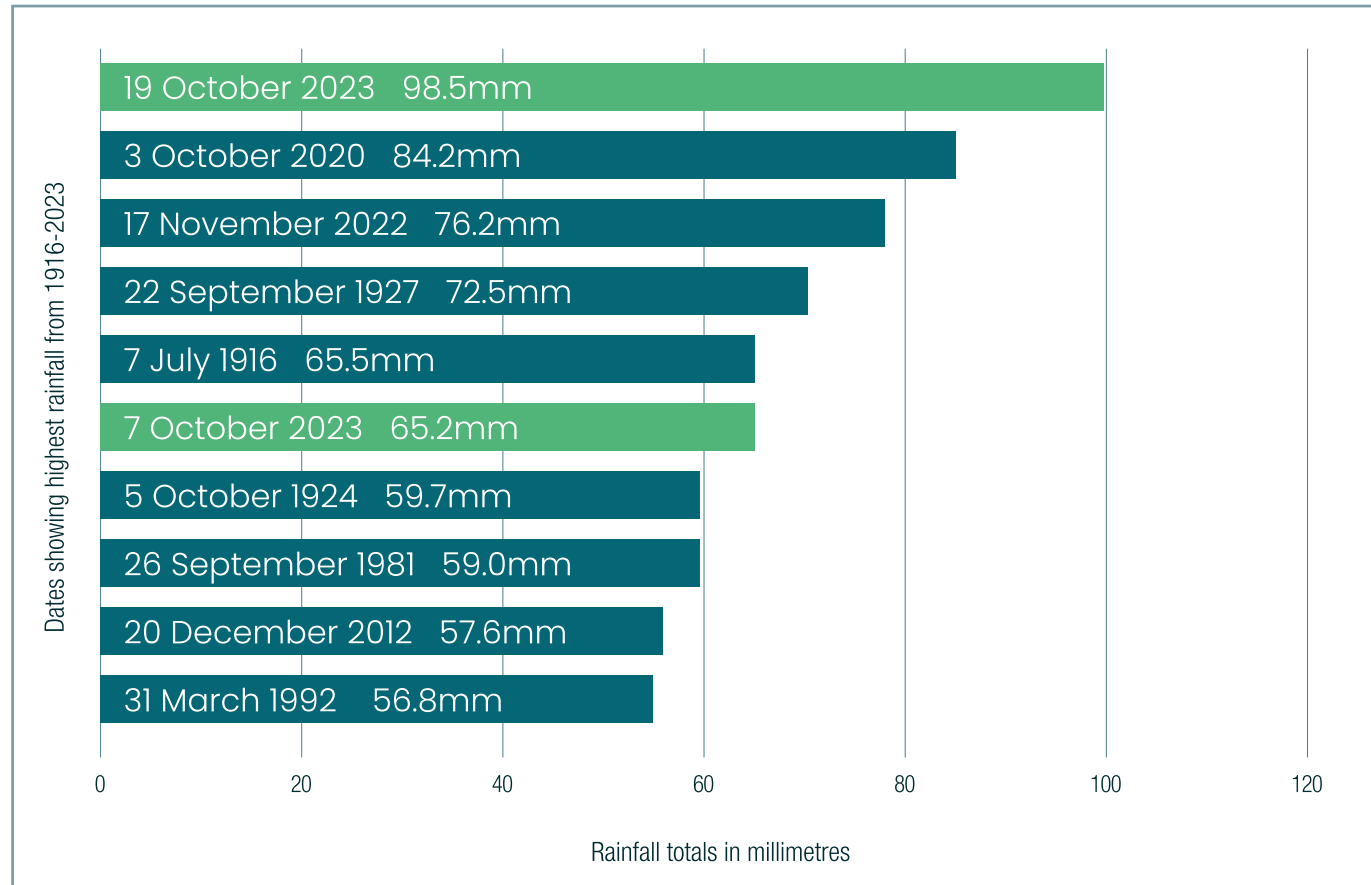


Figure 3: Graph showing 10 highest daily area-average rainfall totals for the county of Angus over a period of record since 1916. The highest (98.5mm) by a large margin was during Storm Babet on 19 October; remarkably the 6th highest (65.2mm) was during the earlier storm on 7 October and four of the 10 wettest days on record have occurred in the last five years.

Graph taken from Met Office, Storm Babet, 18 to 21 October 2023 - [learn about past events - Storm Babet](#).

Our highlights:

Better access for migratory fish, one of Scotland's biggest ever dam removals

The removal of Garlogie Dam in Aberdeenshire was one of Scotland's biggest ever dam removals and opened up part of the River Dee catchment to Atlantic salmon for the first time in more than 100 years.

The project was made possible after receiving funding from the Water Environment Fund that we administer on behalf of the Scottish Government, enabling rivers to be restored across Scotland. The project was delivered by the River Dee Trust and the Dee District Salmon Fishery Board.

The impact of removal of the Garlogie Dam on Dunecht Estate means salmon can now access 20 kilometres of precious spawning habitat. Opening up the five-metre-high dam also restored 500 metres of burn and riverbank habitats, which were submerged below a reservoir for almost a century, as well as habitat restoration of the 3.5 hectares site upstream of the dam.

The project was collaborative and invested in Scottish businesses, supporting employment within and outwith the community.



Figure 4: Garlogie Dam prior to removal.

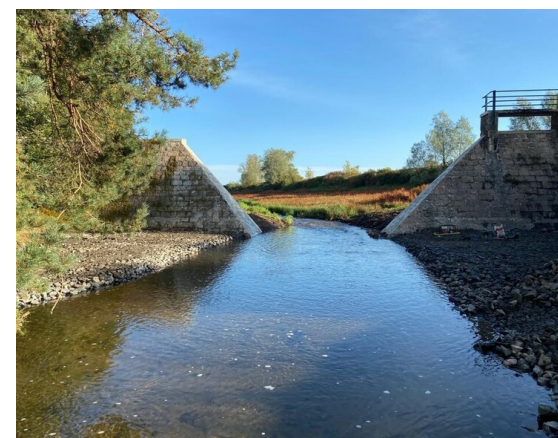


Figure 5: Garlogie Dam following removal.

Our highlights:

Tackling environmental crime

Throughout 2023–2024, we worked with partners across Scotland and beyond to detect and disrupt environmental crime that can have a significant impact on our environment, communities and legitimate businesses. Some of the partners we have worked with are Police Scotland, Northern Ireland Environment Agency, Environment Agency and HM Revenue and Customs.

We have had a range of successful prosecution outcomes and disrupted long term illegal activity which has been impacting Scottish communities.

A £215,000 Confiscation Order was imposed on an Ayrshire skip hire and waste collection operator in

January 2023. The operator was subsequently admonished at Kilmarnock Sheriff Court in January 2024 in recognition of the Confiscation Order having been paid and of the dates/age of the charges after they had pled guilty to five charges in connection with waste offences across a two-and-a-half-year period. Confiscation Orders are imposed under the Proceeds of Crime Act 2002 (POCA) to recover the financial benefit made by those undertaking criminal activity including environmental offences.

The matter was investigated by SEPA and referred to the Crown Office and Procurator Fiscal Service (COPFS). SEPA does not retain monies from Confiscation Orders.

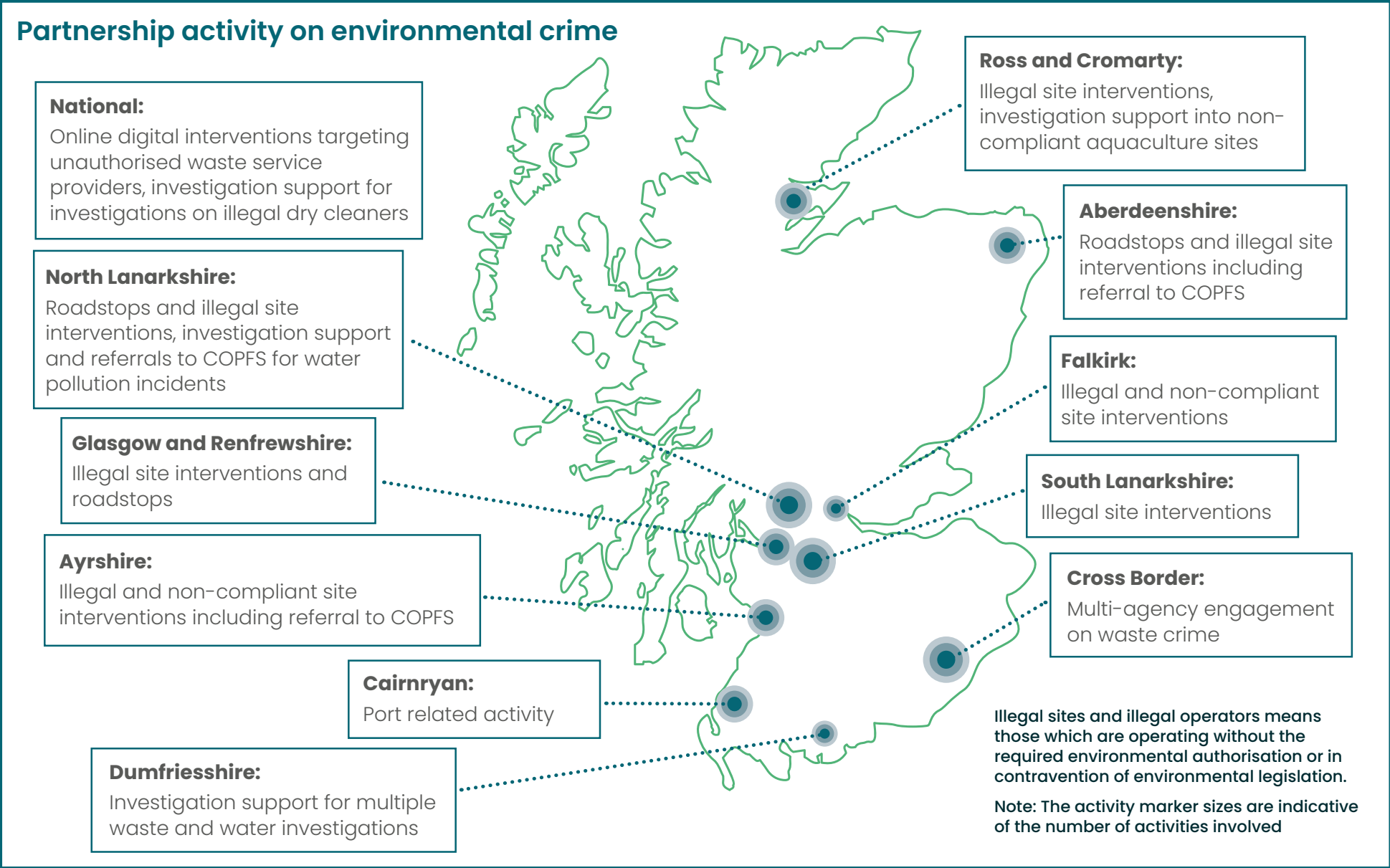


Figure 6: Diagram showing partnership activity on environmental crime 2023-2024.

Our highlights:

Sea Lice Framework

In February 2024, we became lead regulator for managing the interaction between sea lice from marine fish farms and wild salmon.

Wild Atlantic salmon populations have declined significantly across their range over the last few decades and are now at crisis point. Their lifecycle means that they are exposed to a range of threats and pressures in rivers, estuaries, sea lochs, coastal waters and the open ocean.

One of the pressures that wild salmon can face in coastal waters is sea lice. Salmon farms can substantially elevate levels of sea lice in coastal waters and have the potential to increase risks to wild salmon growth and mortality.

We launched a new regulatory framework that assesses, and controls, risks to wild salmon from sea lice

from marine fish farm developments. The framework was developed over two years and was informed by two public consultations and extensive engagement across a broad range of stakeholders. This work has created protection zones for wild salmonid and aligns with Scottish Government's Scottish Wild Salmon Strategy.

All the applications we receive for new fish farms and for expansions of existing farms on the West Coast and Western Isles will be assessed and regulated using the framework. By March 2025, all existing fish farms will also be required to monitor and report sea lice numbers; and those on which sea lice need to be closely controlled to avoid increased risks to wild salmon will be subject to permit conditions that limit the maximum number of sea lice allowed on the farms.

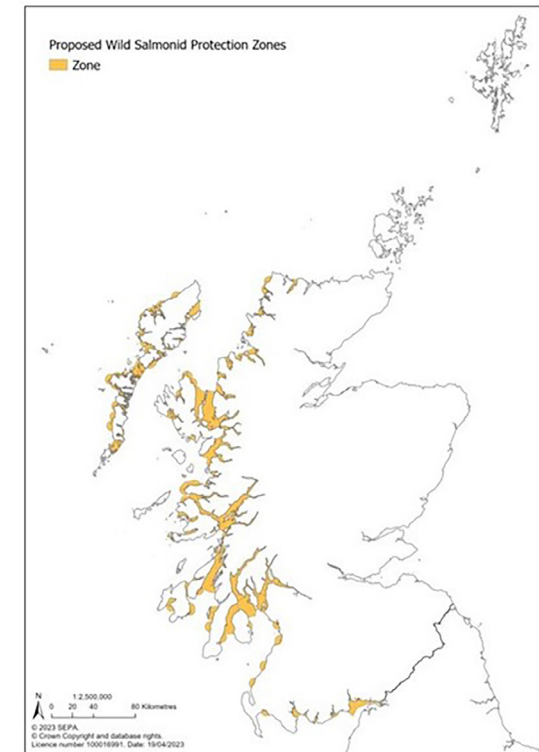


Figure 7: Map showing proposed wild salmonid protection zones.

Our highlights:

VIBES

Businesses from across Scotland that demonstrate exceptional vision and leadership in addressing climate change and other pressing environmental issues, were recognised at the 24th Annual VIBES – Scottish Environment Business Awards in November.

The VIBES awards¹ honour businesses aiming to inspire advancements in environmental performance, while promoting the broader social and economic advantages of sustainable business practices.

The applications covered every corner of the country, from Inverness to Hawick and Lossiemouth to Newton Stewart – as well as a wide range of sectors including transport, food and drink, construction and tourism.

From the 43 finalists, there were 11 winners and four commendations. Winners included The Alba Explorers who won the Service Scotland Award and Brewster Brothers winning the Circular Scotland Award.

The Alba Explorers showcased their purpose to connect children to nature and educate them on how to benefit the environment, taking a holistic approach to work



Figure 8: VIBES 2023 award winners at the November 2023 event.

with schools to transform their culture. Brewster Brothers, based in Livingston and Cumbernauld, produce recycled aggregates from construction, demolition and excavation waste, demonstrating how sustainability creates a more resilient business. Find out more on the [VIBES website](#).

As we move into 2024-2025, VIBES will be celebrating 25 years of awards.

Note 1: The awards programme is delivered through a partnership led by SEPA, including the Scottish Government, Energy Saving Trust, Highlands and Islands Enterprise, Scottish Enterprise, South of Scotland Enterprise, NatureScot, Scottish Water and Zero Waste Scotland. VIBES is also supported by Confederation of British Industry (CBI) Scotland, the Institute of Directors, the Federation of Small Businesses, Scotch Whisky Association, Bright Green Business and Prosper.

Financial highlights

Review of financial performance and funding

The statement of comprehensive net expenditure (see [table 19 on page 94](#)) of the audited financial statements shows total gross expenditure for the year ended 31 March 2024 was £97.1m (prior year £107m). Figure 9 provides more information on the make-up of our total gross expenditure.

Staff costs of £69.2m (prior year £77.6m) accounted for 71% of our gross expenditure (see [note 4: staff costs on page 107](#)). These figures include year-end accounting adjustments for pension costs as estimated by the actuary Hymans Robertson. The reduction in staff costs mainly relates to a reduction in pension costs from £13.8m in 2022-2023 to £0.1m in 2023-2024. This was offset by an increase in staff costs due to pay inflation and investment in a voluntary severance scheme to support organisational transformation and generate future recurring savings.

Other operating costs of £22.6m (prior year £20m) accounted for 23% of our gross expenditure (see [note 5: other reporting charges on page 108](#)), includes expenditure incurred in the running and maintenance of our systems and estate as well as our investment in key environmental projects and initiatives. In 2022-2023 our operating costs were artificially reduced due to the successful recovery of £1.9m in debt, which had been written off following the



Figure 9: Graph depicting SEPA's gross expenditure.

cyber-attack that occurred in December 2020. In 2023-2024 our operating costs returned to budgeted levels.

Depreciation costs were £5.2m (prior year £6.2m) (see note 9: non-current assets on page 109) and reflects the annual cost (£5.2m) of depreciating our fixed assets (prior year £5.2m) plus the net gain/loss incurred in disposing of assets during the year of £0.01m (prior year £0.3m).

Financing costs included the net cost or return on pension scheme assets as provided by Hymans Robertson offset by bank interest received. In 2023-2024 there was a net return of £0.1m on pension scheme assets (prior year £3.5m net cost).

Investment in strategic objectives

Investing in our strategic objectives ensures we deliver on our statutory purpose to protect and improve the environment in ways that, as far as possible, also contribute to improving health and well-being and achieving sustainable economic growth.

Figure 10 shows how the gross expenditure incurred in year was invested in the strategic objectives outlined in our *Corporate Plan 2017-2023*.

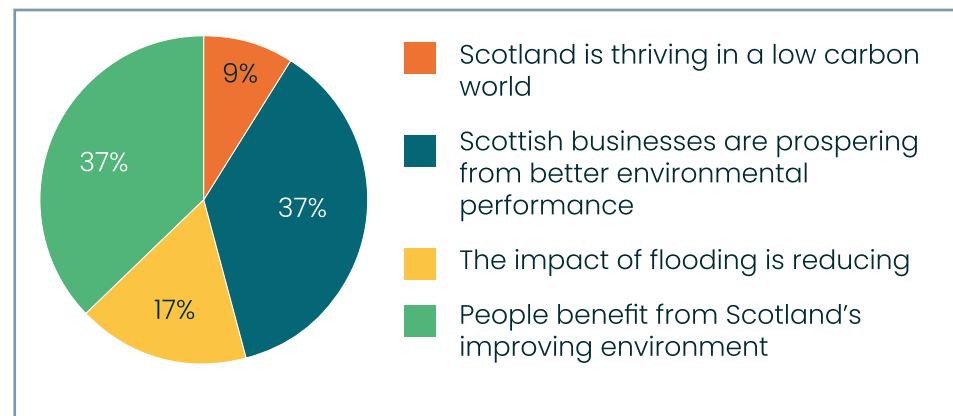


Figure 10: Graph depicting the make-up of our gross spend by objective

Our funding

Of our total funding, £51.4m (prior year £49.6m) came from fees and charges with the balance of £45.5m (prior year £57.8m) funded by Scottish Government in the form of grant in aid (GiA). As GiA is considered financing rather than income, it is not included in the statement of comprehensive net expenditure (see table 19 on page 94). Figure 11 provides information on the source of our funding over the last 5 years.

We received £48.9m income (prior year £44.5m) from our charging regimes to recover the relevant costs of our regulatory activities. Following a review of marine cage fish farms and nuclear sites, charges were increased. The increase of £4.4m from 2022-2023 to 2023-2024 includes these changes as well as an average annual increase of 7.5% (£3.4m), which was applied to most schemes to recover increased costs driven by inflationary pressures.

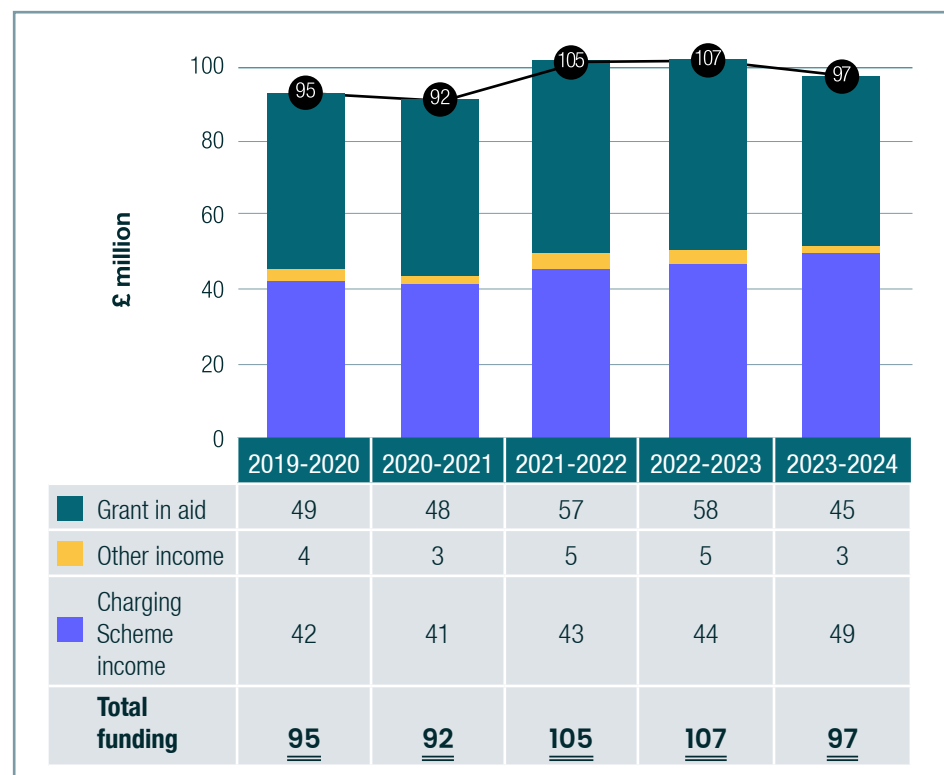


Figure 11: Graph depicting the source of our funding.

Other income received was £2.5m (prior year £5.1m). This was mainly derived from grants and recharges ([see note 2: income from contracts and note 3: other income on page 106](#)). The reduction in other income is mainly in relation to grant income. In 2022-2023 we received £2.8m from Scottish Government to restore Scotland's rivers and in 2023-2024 the Scottish Government included this funding in our baseline GiA allocation.

The Scottish Government provided SEPA with GiA to fund net expenditure of £45.5m (prior year £57.8). The reduction in GiA was primarily due to the funds required to fund the year end accounting adjustments for pensions of £0.1m in 2023-2024 compared to prior year of £17m.

The Scottish Government provided further GiA of £0.3m to fund a loss on the revaluation of assets included in the statement of comprehensive net expenditure under other comprehensive net expenditure and £5.7m to invest in our capital programme ([see note 9: non-current assets on page 109](#)).

Statement of financial position

The statement of financial position ([see table 20 on page 95](#)) shows we have net assets of £48.9m at 31 March 2024 compared to net assets of £27.8m at 31 March 2023. This is primarily caused by a change in the estimated pension scheme valuation from a net surplus of £1.5m in March 2023 to net surplus of £21.5m in March 2024 (further information on pensions can be found in ([note 17: IAS 19 - pension and asset liabilities on page 121](#))).

In year we received £5.7m in capital funds from the Scottish Government; we invested this in our assets. Spend covered digital transformation, the upgrade of our hydrometric network, improvements to our Aberdeen laboratory, phase one of our fleet replacement programme and the replacement of end-of-life plant and equipment ([see note 9: non-current assets on page 109](#)).

Our key risks and challenges

It is important to deliver our *Annual Operating Plan* and *Corporate Plan* objectives ensuring that we take into account the main risks and challenges to the effective delivery of our key services.

We take a holistic approach to risk management. In addition to the continual review of our operational risks, we regularly scan the global risk landscape throughout the year for any new and emerging risks.

This includes an annual review of the World Economic Forum Global Risk Report which, in 2024, identified major areas of risk including the cost-of-living crisis; economic downturn; economic warfare; climate action hiatus; societal polarisation and subsequently, as part of its mid-year update, the growing interest in artificial intelligence. We recognise and are aware of these risks that could impact our ability to carry out our statutory purpose.

We began a strategic review of risk with the Corporate Leadership Team and the Board. This work will be ongoing throughout 2024 and will include a review of our strategic principal risks and consideration of our risk appetite and tolerance.

More information on our approach to risk management is contained in our governance statement ([see page 65](#)).



Key risks:

Climate change

Key risk: As Scotland's environmental regulator, we have a statutory duty to help tackle the climate emergency. As an organisation, we need to make sure that we ourselves set and meet our own net zero targets.

Mitigation: To ensure we stay on track, we have adopted and are implementing our *Net Zero SEPA Routemap for 2024-2026* and we have embedded climate change into our new *Corporate Plan* priorities for 2024-2027 and 2024-2025 *Annual Operating Plan*.

Poly crises and environment

Key risk: Our environment is threatened by interconnected crises: climate change, biodiversity loss and pollution. Together they threaten our quality of life and the prosperity of our economy. This risk has the potential to impact us in several different ways, not least our statutory duty to help tackle the climate emergency, but also the delivery of our services, our reputation and societal polarisation (with the potential for demonstrations and protests from disgruntled sections of the public).

Mitigation: We are fully committed to playing a lead part, aligning ourselves to the strategies and actions of government and other partners. We have embedded climate change into our new *Corporate Plan* priorities for 2024-2027, notably on net zero and climate resilience. We have also adopted and are implementing our *Net Zero SEPA Routemap for 2024-2026* which outlines our goals and targets along with our approach, strategy and principles we have put in place to help us achieve these. We have rolled out an accredited Carbon Literacy Training programme which is available to all colleagues. Externally, in partnership with the Met Office, we have launched a three-day flood forecast to give communities advance notice of potential flood events to give them time to prepare and put their own mitigations in place. We also continue to work with local authorities to plan and launch regional flood warning schemes. In the event of potential disruption caused by societal polarisation, we have a number of procedures and tools in place to minimise the impact on customers and colleagues.

Key risks:

Talent and recruitment

Key risk: Ageing workforce, skills shortages and competitive markets are causing challenges in recruiting and retaining employees for many organisations, including SEPA.

Mitigation: To help combat this risk, we are in the process of transforming our recruitment processes which will allow us to reduce time to hire, engage with a wider pool of candidates and support retention. To support this work, we have deployed a number of recruitment tools to aid in difficult to recruit areas. We have recruited a new talent acquisition manager to lead on this work.

Cyber and information

Key risk: We live in a complex and fast evolving digital world. With the commercialisation of cybercrime, complexity of emerging technology, including for example generative artificial intelligence (AI), and human factors, there is an increased risk that information is accidentally disclosed, or our systems are subject to targeted attacks by cyber criminals resulting in system disruption, potential harm, or loss of information.

Mitigation: We are continuing to invest in safeguarding our information and systems to minimise cyber and information management risks, with an ongoing focus on privacy, security and data protection.

Key risks:

Artificial intelligence

Key risk: In recent years, there have been major developments in the world of generative AI. These generative AI tools have started being used more widely and although they create fantastic opportunities, there are also some major risks that need to be considered before we are able to use it safely.

Mitigation: We have established an AI working group comprised of experts from across the Agency to work through the privacy, security and data protection implications of using a generative AI tool. We have also joined the Scottish Government's AI task force to engage with peer organisations preparations and risk assessments and use this intelligence to feed into our own activities.

Performance summary

Our *Annual Operating Plan 2023–2024* set out the following delivery priorities across the key areas of our work:

Measure		Status
Improving our water environment	1. Implementation of three river restoration projects.	Partially achieved
	2. Increase in the length of rivers where fish movement is not restricted by man-made barriers.	Achieved
Protecting people and our environment	3. Reduction in the number of illegal sites in a year.	Achieved
	4. Complete the implementation of an integrated and simplified authorisation framework in line with statutory deadlines.	Achieved
Reducing emissions	5. Being regenerative by 2030 and net zero in 'direct' emissions by 2025.	Partially achieved
Adapting to climate change – flooding	6. Alerts and warnings issued for all significant flooding events.	Achieved
	7. Complete all planned updates to our flood maps.	Achieved
Customer service	8. Percentage of complaints responded to within timescales.	Achieved
	9. Percentage of Freedom of Information requests and Environmental Information requests responded to within statutory timescales.	Achieved



Performance analysis

In this section, we provide more detail on our performance against the measures and budget set out in our *Annual Operating Plan 2023-2024*, sustainability and the National Performance Framework.

Improving our water environment

Water is one of Scotland's most important assets. It is a fundamental part of our identity as a nation. It contributes to our health and quality of life, supports a rich diversity of wildlife and is an important part of our economy.

A significant contribution to improving the water environment is the Water Environment Fund, which we administer on behalf of Scottish Government, working on river restoration projects with partners to create a better environment for wildlife and people. River restoration enhances water quality by reducing pollution and promotes a healthier ecosystem. It also helps mitigate the impact of floods, as restored rivers can better absorb and manage excess water, protecting surrounding areas. These projects can also contribute to improved recreational opportunities, regenerating important green spaces that allow people to recharge and improve their overall well-being – often acting as meeting points for communities to gather for recreational activities, exercise, or simply to enjoy nature.

These projects have brought together charities, local environment groups, river trusts, local authorities, government bodies and local communities to effectively collaborate to deliver real benefits and improvements to rivers.

Through River Basin Management Planning, we also work with regulated industries and other sectors to improve the water environment. Central to this are the Water Environment (Controlled Activities) Regulations (often referred to as CAR). We are working with Scottish Water, energy producers, agriculture and other sectors to ensure compliance with general binding rules and where necessary varying licences to drive improvements in water quality, water resources and fish migration.



Measure one

Partially achieved

Our plan was to:

Implement three river restoration projects.

What we achieved:

We implemented significant river restoration projects in East Renfrewshire and Fife.

On the River Levern, one hectare of vacant and derelict land was transformed, creating a new river channel and improved access to high quality green and blue space.

On the River Leven we completed restoration work that is part of the River Leven Connectivity Project - a project that aims to develop and build a network of active travel paths next to the river, including the creation of themed gardens and parks, forming a green network making the most of biodiversity and opportunities to learn from the area's rich heritage.

Our work on the Glazert Water will continue into 2024-2025.



Figure 12: Levern Water during restoration works. Photo taken by AmcoGiffen Ltd. (contractor).



Figure 13: Levern Water after restoration. Photo taken by East Renfrewshire Council.

Measure two

Achieved

Our plan was to:

Increase in the length of rivers where fish movement is not restricted by man-made barriers.

What we achieved:

We successfully achieved our target of opening up 69km, the distance from Edinburgh to Glasgow, of river previously inaccessible to migratory fish.

The removal of Garlogie Dam in Aberdeenshire was one of Scotland’s biggest ever dam removals and opened part of the River Dee catchment to Atlantic salmon for the first time in more than 100 years.

The removal of Crossmill Weir on the River Levern opened up 3km of river to migrating fish for the first time in a century.



Figure 14: Crossmill Weir on the River Levern.



Figure 15: River Levern after removal of Crossmill Weir.

Protecting people and our environment

We regulate activities which can harm the environment. This includes activities that could pollute water, air or land; the storage, transport, treatment and disposal of waste; and the management of radioactive substances. Some operators carry out activities illegally. This means that the operators do not have authorisation for the activities they are undertaking or the site they are operating at, or that the activity that they are undertaking would have such a detrimental impact on the environment or local communities, that the activity would never be authorised. In 2023-2024 we made a commitment to focus on disrupting

illegal activity and to take robust action against those who fail to comply with the laws that protect our environment.

Enforcement actions means final warning letters, information notices issued for enforcement/interventions purposes, statutory notices, Fixed Monetary Penalties, Variable Monetary Penalties and enforcement undertakings. The actions being reported in figure 17 does not include penalties imposed under the climate change regimes and does not include any revocations or suspensions of environmental authorisations.

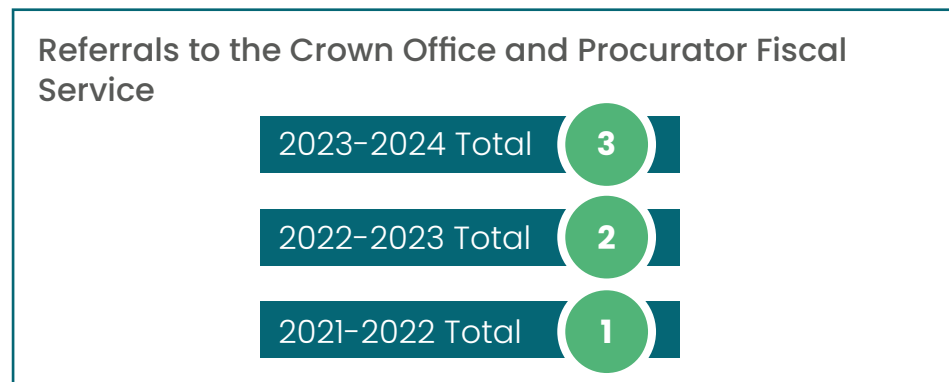


Figure 16: Diagram showing the total number of reports submitted to the Crown Office and Procurator Fiscal Service.

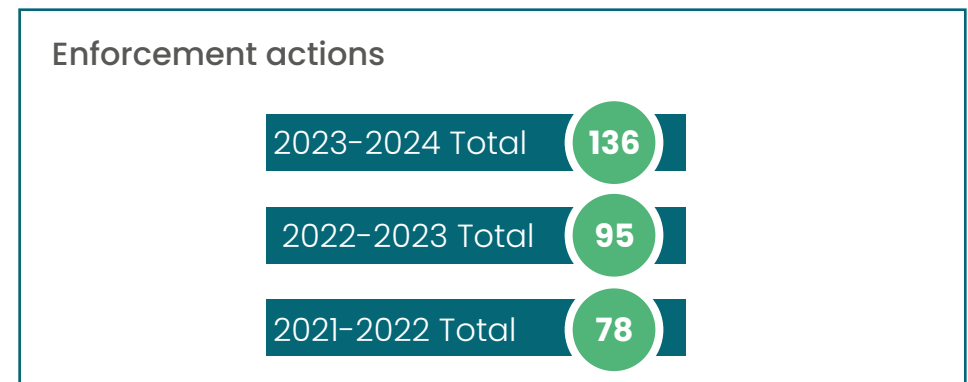


Figure 17: Diagram showing the total number of enforcement actions recorded over the past three years.

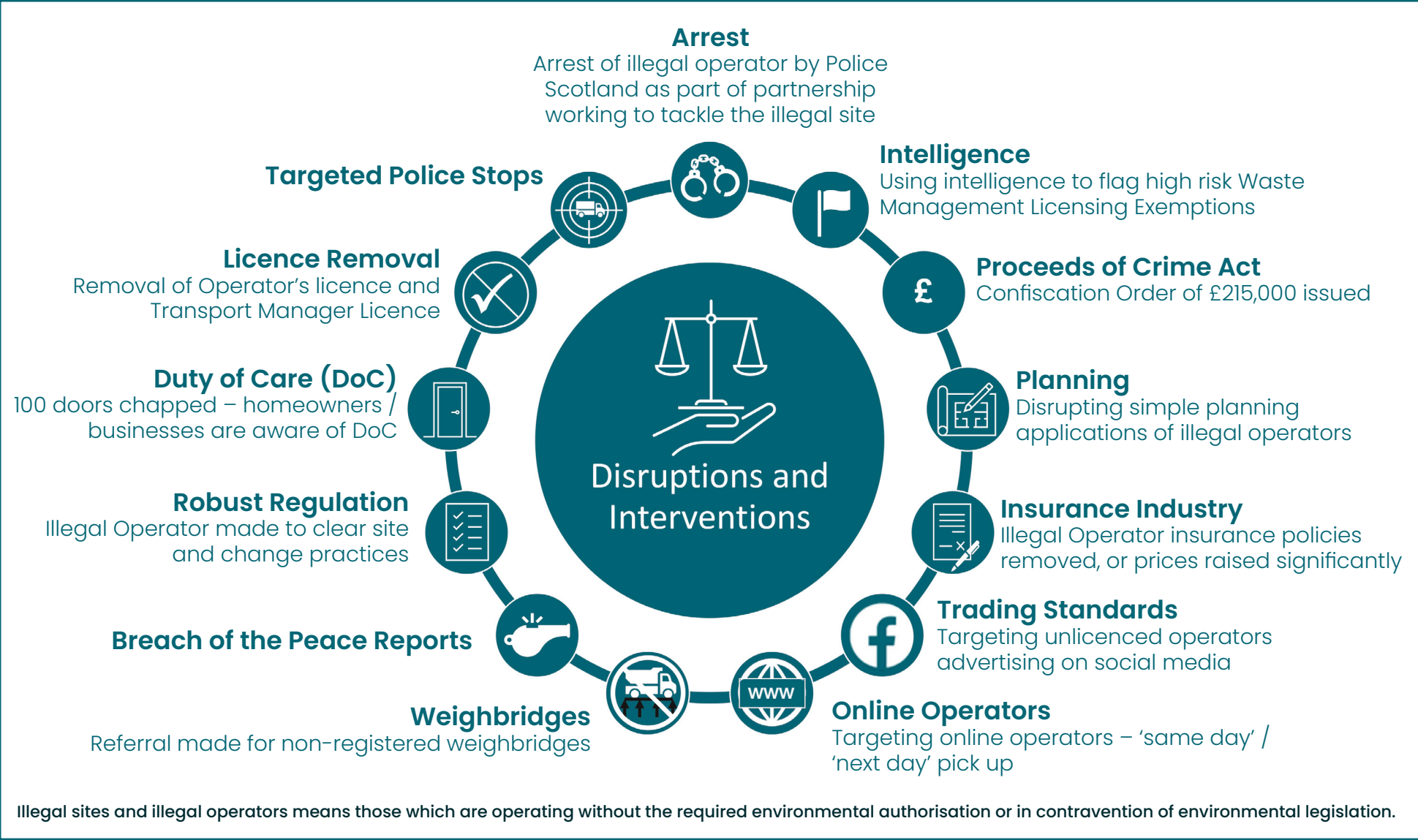


Figure 18: Diagram showing the disruptions and interventions that can be used to stop illegal activity.

Measure three

Achieved

Our plan was to:

Reduction in the number of illegal sites in a year.

What we achieved:

In April 2023, we were aware of 327 illegal sites across the country, with 58 assessed as posing a high risk to the environment. Through our work we reduced the number of illegal sites by 65, ten of which were high risk. By illegal sites, we mean sites where there are activities being carried out which are not authorised.

Tackling illegal waste activity and sites is complex and, in some circumstances, aligned to the work of serious organised crime groups who operate in our communities. There are various interventions and disruptions we can use such as licence removal and robust regulation such as requiring the operator to clear their site and change their practices. Due to the complexity and linkages with wider and potentially criminal activity, reduction in site numbers at any level is impactful in terms of protecting the environment and economy, and our partnership with other public sector agencies and Category 1 responder colleagues to keep our communities safe.

We developed our understanding of where other illegal sites were operating through engagement with the public and the reporting of environmental events, which has increased through the year. Through this, a further 63 illegal sites were identified, with 22 assessed as posing a high risk to the environment. We have tackled eight of these, including three posing a high risk. We ended the year with a new total of 317 illegal sites.

Activities including burning, illegal waste storage and fly tipping were taking place at an industrial estate in West Lothian. We participated in a multi-agency day where information on each of the tenants, landowners and activities was gathered. Action was taken to ensure the illegal activities ceased and to deter any further illegal activity being carried out at the location.

Measure four

Achieved

Our plan was to:

Complete the implementation of an integrated and simplified authorisation framework in line with statutory deadlines.

What we achieved:

We met all milestones towards implementation of an integrated framework for environmental authorisations that brings all our main regulatory regimes – covering water, waste, radioactive substances and pollution control – into a single framework. The framework is a key part of our commitment to regulatory reform and will deliver an integrated risk-based and proportionate system of environmental regulation that helps bring those we regulate into compliance quickly, easily, and cost-effectively.

This year we worked closely with the Scottish Government to develop and consult on proposals. We provided specialist technical and policy expertise, hosted a series of stakeholder engagement events to raise awareness about consultations and to share understanding about the changes proposed.

We have also continued our programme of digitising our regulatory services and have launched a new online application service to apply, pay for and obtain new private sewage treatment system authorisations.

Reducing our emissions

With our environment on the frontline of the global crises of climate change and biodiversity, we must also take steps to reduce our own impacts.

Measure five

Partially achieved

Our plan was to:

Achievement of being regenerative by 2030 and net zero in 'direct' emissions by 2025.

What we achieved:

Our direct emissions, associated with buildings and travel, have reduced by 53% compared to our 2006-2007 baseline. This is impressive progress against a very ambitious target to reduce direct emissions by 70% by April 2024.

This was not possible due to changes in what we are required to include in our emissions inventory - we now account for emissions associated with colleagues working from home, and the impact of supply chain issues, for example, on our plans to electrify our fleet. We are actively pursuing this into next year - we have a new routemap in place which include plans to electrify our fleet as soon as possible and to reduce emissions from our workspaces.

We have taken opportunities to reduce emissions from our buildings and travel. We developed an approach to our workspaces which was agreed by our Board. This has led to our strategic approach to include options to share workspaces with other organisations.

We have moved into shared offices with the City of Edinburgh Council - halving our emissions from our Edinburgh base workspace - and closed our Glenrothes office. We will continue to seek opportunities to share services by collaborating with key stakeholders and partners.

Adapting to climate change

The year was marked by long and repeated periods of unsettled weather with a very dry summer and unprecedented rainfall and flood events. Flooding can have devastating impacts on people, on activities, and on the natural and built environment.

We delivered our role as Scotland's National Flood Forecasting and Warning Authority, issuing all alerts and warnings on time to people, businesses, and communities to help them take action to protect themselves. As part of our role, we advised civil contingency responders before and during flood events as part of Scotland's multi-agency emergency planning and incident response.



Measure six

Achieved

Our plan was to:

Alerts and warnings issued for all significant flooding events.

What we achieved:

During 2023-2024, the total number of alerts and warnings (953) and messages issued were the highest in the 13 years of the Floodline service. For comparison, the average annual total number of alerts and warnings is 582 and the previous record was 829 alerts and warnings in 2019-2020.

Flood Alert



426

Flood Warning



520

Severe Flood Warning



7

Measure seven

Achieved

Our plan was to:

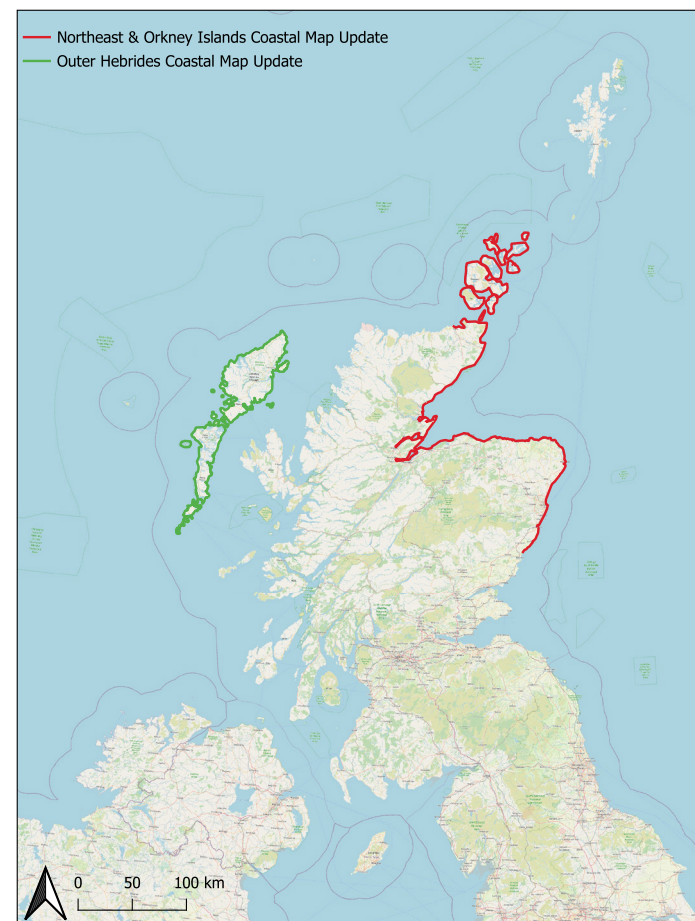
Complete all planned updates to our flood maps.

What we achieved:

We met our commitment to complete all planned updates to our flood maps. These help communities and businesses as well as partner organisations such as local authorities and emergency services to understand where flood risk may be an issue. We published updated flood maps in November 2023, which extended the information previously available to include significantly improved coastal mapping for Northeast Scotland, Orkney Islands, and the Outer Hebrides.

For the first time, these maps included a representation of the impact of wave action on coastal flood hazard. This allows users to make better informed decisions about the risk of flooding to coastal regions. The updated maps also included a set of new extreme water levels.

We have ensured that users have guidance to help them interpret the maps and how they can support their flood risk management and planning activities.



Base Map image is the intellectual property of Open Street Maps (OSM) and is used herein under license (openstreetmap.org/copyright). sepa

Figure 19: Map highlighting areas which now have improved coastal flood maps.

Customer service

We have a strong focus on delivering high-quality services. We are continually trying to innovate and deliver efficiencies. Doing this helps us improve our services. We work closely with other organisations and will also continue to open our doors to enable communities and businesses to connect with us and help us to design the services they use.

Measure eight		Achieved
Our plan was to:	Percentage of complaints responded to within statutory timescales.	
What we achieved:	<p>We value our customers and place great importance on handling and responding to customer service complaints in a timely manner.</p> <p>We received 23 stage one and stage two customer service complaints in 2021-2022, 33 in 2022-2023, and 33 in 2023-2024.</p> <p>This year, of the 33 customer service complaints, we have responded to 93.9% against a target of 85% within statutory timescales.</p>	

Measure nine

Achieved

Our plan was to:	Percentage of Freedom of Information requests and Environmental requests responded to within statutory timescales.
What we achieved:	<p>We are committed to providing the information our customers' request. The percentage of Freedom of Information requests and Environmental Information requests we responded to within statutory timescales has improved steadily over the year. This has been due to development work to meet increasing demands and enhance our approach.</p> <p>This year we received 54 Freedom of Information requests and 1,623 requests for environmental information. Our target was to improve performance so that we are responding to at least 82% of requests within statutory timescales by the end of March 2024.</p> <p>Our mean performance for March 2024 was 94.2%.</p>

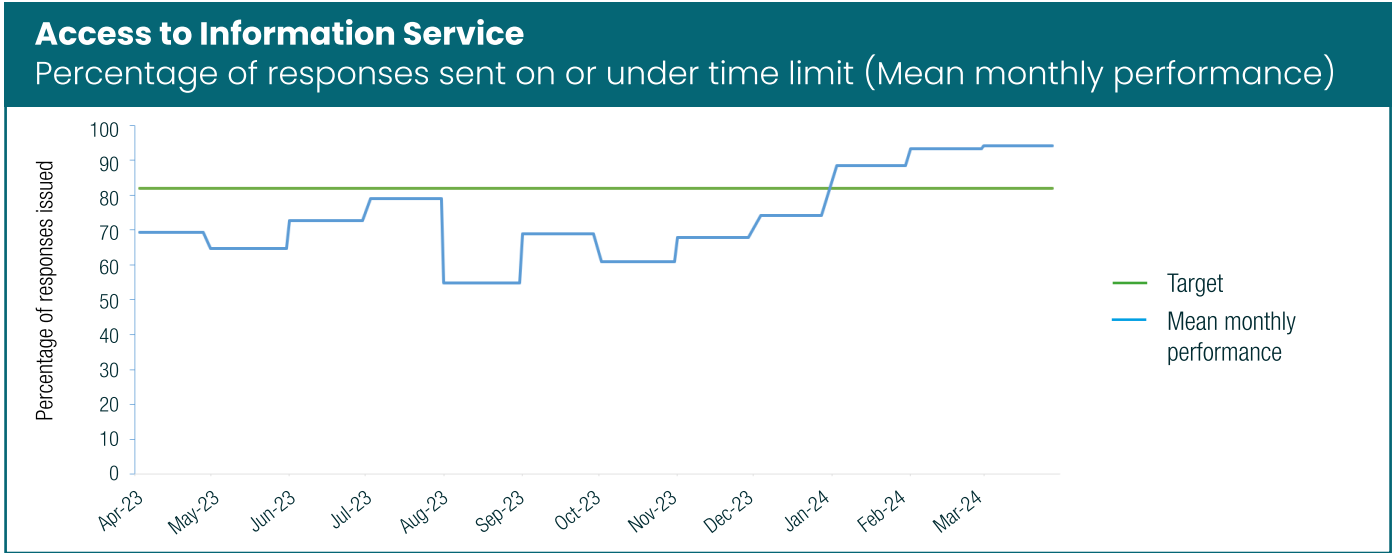


Figure 20: Graph illustrating the percentage of access to information responses issued from April 2023 to March 2024.

Financial performance and use of resources

Our financials

The financial statements for the year ended 31 March 2024 have been prepared in accordance with the Accounts Direction given by the Scottish Ministers in pursuance of the Public Finance and Accountability (Scotland) Act 2000, and in accordance with *His Majesty's Treasury Financial Reporting Manual (FReM)*. The financial statements are consolidated within the Scottish Government Consolidated Resource Accounts.

The Accountable Officer authorised these financial statements for issue on 26 November 2024.



Financial overview

As per the statement of comprehensive net expenditure (SOCNE) (see table 19 on page 94), our total gross expenditure for the financial year ended 31 March 2024 was £97.1 million (prior year £107.3 million). These figures include pension costs supplied by the actuary Hymans Robertson at 31 March 2024 of £0.1m in staff costs (prior year £13.8m) and a net return of £0.1m on pension scheme assets in finance costs (prior year £3.5m net cost). Of our total funding, £51.4m (prior year £49.6m) came from fees and charges with the balance of £45.5m (prior year £57.8m) funded by Scottish Government through grant in aid (GiA). GiA is accounted for as finance in the accounts and is therefore not included in the SOCNE or figure 21.

Our funding

In 2023–2024, our budgeted income to cover our operational costs comprised of Departmental Expenditure Limit (DEL) grant in aid of £45.4m, charging schemes income of £49m to cover the relevant costs of our regulatory activities, and other income of £2.5m in recharges and grants. This provided us with £97.1m to invest in protecting and improving Scotland’s environment and contribute to delivering services across a range of government priorities.

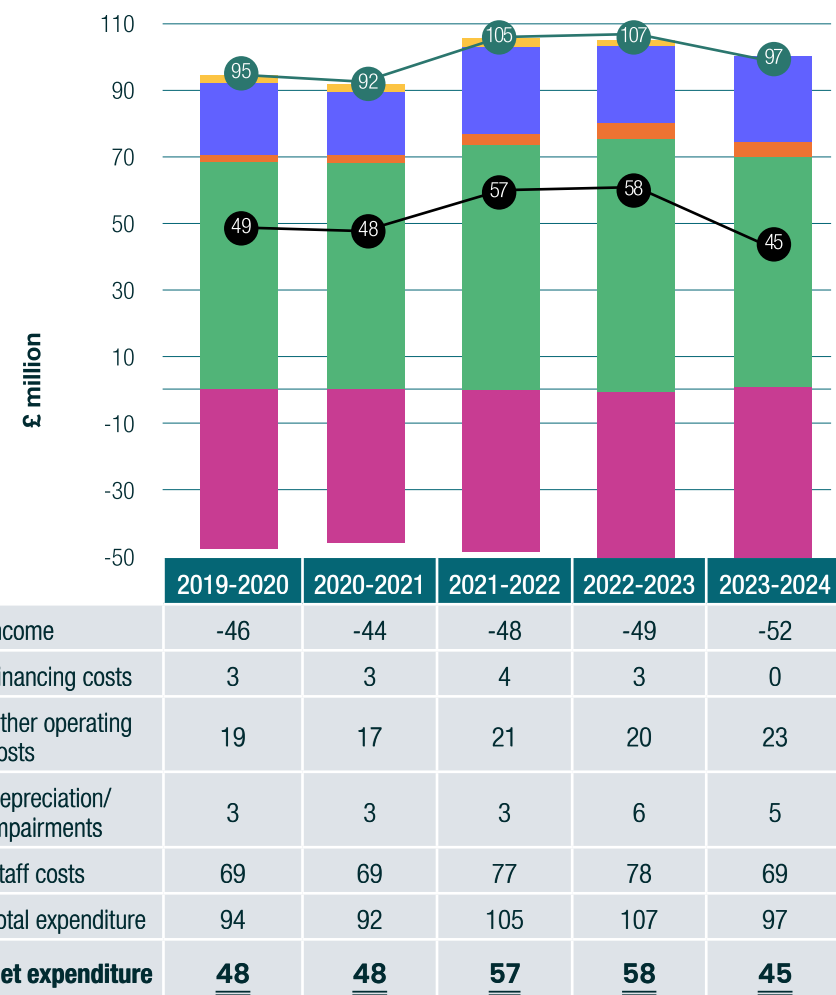


Figure 21: Graph depicting five-year summary of expenditure as reported in the financial statements

Each year we are allocated a budget by Scottish Government, a departmental expenditure limit (DEL), this is approved at the start of the financial year and can be amended in October and January through the spring and autumn budget revision process. The budget covers staff and operating and depreciation costs incurred during the year net of income from other sources. The initial budget allocation and subsequent revisions are set out in the table below.

Table 1: 2023-2024 final budget outturn against Scottish Government budget

Budget category	Per Budget Act £'000	In year budget revisions £'000	2023-2024 Final budget outturn £'000
Resource cash DEL	39,048	1,200	40,248
Resource non-cash DEL	3,713	1,483	5,196
Total resource DEL	42,761	2,683	45,444
Capital DEL	<u>6,200</u>	<u>0</u>	<u>6,200</u>

Our baseline allocation for 2023-2024 for resource cash DEL was £39m. We received additional resource cash DEL of £1.2m. An increase of £2.6m to fund several key deliverables including: Water Environment Fund; COVID-19 waste water testing; litter and fly tipping and emissions trading was

offset by a decrease of £1.4m to reflect the movement of lease payments to the balance sheet in line with International Financial Reporting Standards (IFRS) 16.

Resource non-cash resource DEL was increased by £1.5m to cover the additional depreciation cost associated with the creation of right to use assets following the implementation of IFRS 16 in 2022-2023. In addition, the Scottish Government also allocated a capital grant in aid budget of £6.2m to fund our capital programme.

We are required to manage the outturn within Scottish Government resource limits. A comparison of our outturn compared to the final budget from the Scottish Government is detailed below.

Table 2: Financial performance against departmental expenditure limit year to 31 March 2024

Budget category	Expenditure outturn £'000	Budget £'000	Variance £'000
Resource DEL (cash)	40,324	40,248	(76)
Resource DEL (non-cash)	5,258	5,196	(62)
Total resource DEL	45,582	45,444	(138)
Capital DEL	5,680	6,200	520
Total DEL expenditure	<u>51,262</u>	<u>51,644</u>	<u>382</u>

Resource DEL

Overall expenditure was £0.14m higher than the resource limit of £45.6m.

Operating costs (net increase £0.07m)

Net savings generated from a higher than budgeted level of vacancies was used to offset the increased costs associated with the pay settlement, temporary staff costs and increased utilities as well as allowing additional investment in priority projects and initiatives. One such initiative was the launch of a voluntary severance scheme, where 23 applications were approved ([see table 17: exit packages on page 84](#)). These posts will be deleted on a permanent basis and will deliver recurring savings of £1.6m from 2024–2025 which will be used to support our organisational reset and transformation through our One SEPA programme, focusing on the key areas of investing in our people, our systems, our regulation and our services.

Operating income (net reduction £0.06m)

Charging Scheme income was £48.9m, which was £0.06m less than budget. This was mainly due to an increase in our subsistence income from licence fees offset by a reduction in application income due to the paused deposit return scheme activity. Other income generated from recharging for services and grants was £2.5m, which was in line with budget.

Finance income (net increase £0.2m)

Increased interest rates resulted in higher interest payments from the bank.

Depreciation and disposals (net increase £0.05m)

The annual cost of depreciating our fixed assets of £5.26m plus the net gain/loss incurred in disposing of assets during the year was slightly higher than our budget allocation.

Capital (DEL) expenditure for the year was £0.5m less than the resource limit of £6.2m

Spend mainly covered our digital transformation, upgrade to our hydrometric network, improvements to our Aberdeen laboratory, phase 1 of our fleet replacement programme and the replacement of end-of-life plant and equipment ([note 9 on page 109 provides further information](#)). The underspend occurred due to several factors including a change to Scottish Government procedures; pause and cessation of planned projects.

Table 3: Reconciliation of resource outturn to statement of comprehensive net expenditure

	Note	£'000
Net operating expenditure	SOCNE	(45,673)
Add back pensions adjustments	18	62
Net change in provisions	14	(261)
Add back depreciation and disposals	9	5,258
Add net interest received	6 & 7	192
Add back expected credit loss	11	98
Resource outturn DEL cash		<u>(40,324)</u>

Table 3 provides a detailed reconciliation between net operating expenditure of £45.7m reported in [table 19: statement of comprehensive net expenditure \(SOCNE\) on page 94](#) and the £40.4m outturn reported in table 3.

More detail regarding our income and expenditure can be found in the annual accounts section. In year we are also allocated a budget for annually managed expenditure (AME). This budget covers spend which cannot be controlled by SEPA, namely: pensions, provisions and revaluation of assets. Based on average historical spend, an AME budget of £18.2m was approved. Table 4 provides a breakdown of actual spend against estimated spend in 2023-2024.

Table 4: Budgeted versus actual spend (AME)

AME budget 2023-2024	Note	Expenditure outturn £'000	Budget £'000	Variance £'000
Pension charges	18	62	17,000	16,938
Changes in provision	14	356	30	(326)
Expected credit loss	11	98	350	252
Change in market values	9	280	800	520
Total AME expenditure		<u>796</u>	<u>18,180</u>	<u>17,384</u>

Overall expenditure was £17.4m less than the budget which was set based on average historical spend. This was mainly due to lower than budgeted International Accounting Standard (IAS) 19 pension costs with total service costs and interest charges for funded schemes being £16.9 million lower than estimated ([note 17 on page 121](#) and [note 18 on page 128](#) provides more information).

Statement of financial position

The statement of financial position (see page 95) shows we have net assets of £48.9m at 31 March 2024 compared to net assets of £27.8m at 31 March 2023. This is primarily caused by a significant change in the estimated pension scheme valuation from a net surplus of £1.5m in March 2023 to a net surplus of £21.5m in March 2024. Further information on pensions can be found in [note 17 \(see page 121\)](#).

Non-current assets increased by £21.1m compared to March 2023. The increase includes:

- Investment in and the revaluation of capital asset net of disposals and depreciation of £1.1m ([refer to note 9 on page 109](#)).
- Increase in the recognised net pension surplus of £20m ([refer to note 17 on page 121](#)).

As at 31 March 2024, the reported value of our property, plant and equipment was £42.4m.

Avison Young (Royal Institution of Chartered Surveyors (RICS)) carried out desktop valuations of our buildings and right of use assets. The estimated value of our land and buildings increased by £0.4m from March 2023 to £4.9m in March 2024. The right to use building assets including additions and disposals increased by £0.05m to £5.3m.

Following a full revaluation of our gauging stations as at 31 March 2023, their value has been indexed in line with the construction material prices index as at 31 March 2024. In 2023–2024 this equated to a decrease of 0.2% (£0.4m). The total value of gauging stations as at 31 March 2024 was £17.7m.

Our leased properties include a decommissioning provision for our larger properties. The provision was initially valued in 2020 and the value for subsequent years was indexed annually in line with the construction material prices index. As at March 2024, Avison Young undertook a full valuation which increased the estimated costs by £0.6m to £4.2m.

Supplier payment policy

It is our policy to pay suppliers within 10 days from invoice date. In 2023–2024 we paid 92.5% (93% 2022–2023) of supplier invoices within 10 days.

Financial sustainability

We are committed to managing expenditure within the income available year on year. The Scottish Government has allocated to us £46.2m Resource DEL grant for 2024–2025 to fund operating costs and £6.4m for capital investment and we have estimated that the fees from charging schemes and other income to be £55.3m. We are collaborating with Scottish Government Environment and Forestry Directorate and wider public sector partners in the ten-year programme for public service reform. We have begun a programme to understand resources required to deliver environmental priorities in conjunction with a rationalised estates strategy and digital first review of services provided. The long-term focus remains on driving the change necessary to meet service user needs as well as financial sustainability of services.

Sustainability

Net zero SEPA

Our ambition is to be net zero in our emissions. We have adopted and are implementing a [routemap](#) (covering the period 2024-2026) which sets ambitious but realistic targets and will guide our work to further reduce our emissions.

By March 2024, we had reduced our greenhouse gas emissions by around 53% compared to our 2006-2007 baseline.

Our work to reduce our emissions focused particularly on rationalising our estate and greening our vehicle fleet. Our plans to replace fossil fuel with electric vehicles was delayed due to supply chain issues and we will carry this forward into 2024-2025. We have also been working to provide colleagues with access to an electric vehicle lease scheme which will reduce emissions associated with our grey fleet.

During 2023-2024 we developed and rolled out mandatory Carbon Literacy training for colleagues. This training will continue across the whole organisation.

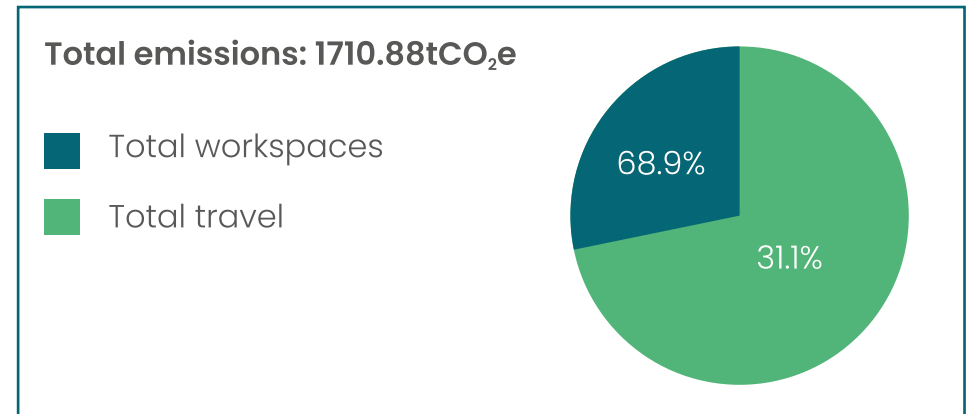








Figure 22: Sources of SEPA's direct greenhouse gas emissions 2023-2024.

Our net zero routemap on a page

Our aim: To reduce our greenhouse gas emissions to at least net zero by 2035

Our target 2024-2026: We will reduce our direct greenhouse gas emissions by 15% by March 2026

Our work areas 2024-2026:

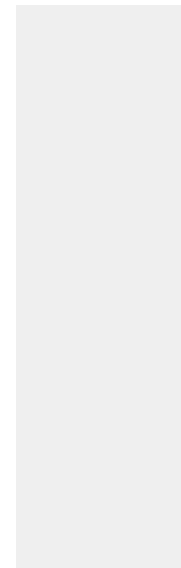
<p>Our People </p> <p>Bring emission reduction to the centre of SEPA's values and behaviours</p>	<p>Workspaces </p> <p>Reduce direct emissions from workspaces alongside adapting them to the hybrid era</p>	<p>Travel </p> <p>Reduce direct emissions from travel by reducing miles travelled and increasing use of low emission vehicles</p>
<p>Computers and technology </p> <p>Change the way we buy and use computers and IS equipment to reduce emissions</p>	<p>Our money and spending </p> <p>Better understand the emissions associated with our purchasing alongside reviewing what we buy</p>	<p>Regenerative action </p> <p>Prepare to offset residual emissions by working with partners and developing a pipeline of environmental regeneration projects</p>

Our contribution to sustainable development goals

Our work is integrated with environment goals set by Scotland and internationally. The 2030 Agenda for Sustainable Development, adopted by all United Nations member states in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future.

We are dedicated to contributing to the ambitions of the United Nations 17 sustainable development goals and the National Performance Framework for Scotland.

The National Performance Framework sets out 11 national outcomes and explains which sustainable development goals each outcome contributes to. The examples on the following page show how our work helps deliver five of the national outcomes and 10 sustainable development goals.



National Performance Framework

Sustainable Development Goals and how we live them

 <p>We live in communities that are inclusive, empowered, resilient and safe</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>We provide advice to avoid development in areas of flood risk so that we are not increasing risk to people. We warn people so they can take action when flood is likely.</p>	<p>10 REDUCED INEQUALITIES</p>  <p>We regulate activities that could pollute water, air or land to keep communities safe. We apply the polluter pays principle to ensure that the costs are borne by those that impact our environment most.</p>
 <p>We have a globally competitive, entrepreneurial, inclusive and sustainable economy</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p>We adopt Best Available Techniques when regulating industry to protect the environment in the best way possible. We are working with regulators and industry in Grangemouth to enable competitive strength to grow whilst transitioning to net zero.</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  <p>We are working with partners to deliver digital tracking of waste. This supports more efficient use of resources. We regulate waste management activities to protect communities and encourage recycling.</p>
 <p>We are healthy and active</p>	<p>3 GOOD HEALTH AND WELL-BEING</p>  <p>As Scotland's principal environmental regulator, we regulate activities that could pollute water, air or land.</p>	<p>15 LIFE ON LAND</p>  <p>We administer the Water Environment Fund, to restore rivers. We create new green river corridors in urban areas which can be used for active travel and recreation.</p>
 <p>We value, enjoy, protect and enhance our environment</p>	<p>13 CLIMATE ACTION</p>  <p>We monitor, forecast and report water scarcity and provide advice to water users to protect the water environment. We reduce our own greenhouse gas emissions and aim to become a net zero organisation by 2030.</p>	<p>14 LIFE BELOW WATER</p>  <p>We monitor and report water quality at Scotland's 89 bathing waters so people can enjoy them safely. We deliver River Basin Management Plans to protect and improve our rivers, lochs, estuaries, coastal areas and groundwater.</p>
 <p>We are open, connected and make a positive contribution internationally</p>	<p>17 PARTNERSHIPS FOR THE GOALS</p>  <p>We undertake work with international partners so that we can help them to build their capacity to protect and improve the environment.</p>	<p>6 CLEAN WATER AND SANITATION</p>  <p>We provide regulator-to-regulator capacity building with Malawi's key environmental institutions to help them to develop more resilient environmental systems.</p>

Approved by the Board on 26 November 2024 and signed on behalf of the Board

N Paterson, Chief Executive and Accountable Officer: *Nicole Paterson*

Date: 26 November 2024



A modern office interior with a glass-walled office space on the left, a staircase with a blue railing on the right, and several large, white, spherical pendant lights hanging from the ceiling. The text "Accountability report" is overlaid in the center.

Accountability report



Corporate governance report

In this section, we explain our governance structures and how they help us deliver our statutory purpose.

Our corporate governance report is divided into three sections: the director's report, the statement of accountable officer's responsibilities and the governance statement.

Director's report

Agency Board

At the end of March 2024, the Agency Board (the Board) comprised of 11 non-executive members including the Chair, L Tennant and one Executive member, the Chief Executive, N Paterson. Appointments are made by Scottish Ministers and are regulated by the Commissioner for Public Appointments in Scotland. Appointments are normally for a three or four-year term with the possibility of a further term, subject to evidence of effective performance and satisfying the skills, knowledge and personal qualities required of the Board at the time of re-appointment.

Register of interests

Board members are asked to complete a registration of interest, which is published on our [website](#) alongside their biography. Information on related parties is disclosed in [note 20 \(see page 129\)](#).

Data breaches

During 2023–2024, we did not report any data breaches to the Information Commissioner's Office (ICO). Further detail is given within the governance statement section under information governance ([see page 72](#)).

Auditors

Under Section 46 of the Environment Act 1995, our accounts must be audited by an auditor appointed by the Secretary of State. Under the Public Finance and Accountability (Scotland) Act 2000, our independent auditors are appointed for the Auditor General by Audit Scotland. Audit Scotland is our independent external auditor for the five-year period starting in financial year 2022–2023. The fee paid to Audit Scotland in respect of the independent statutory audit for the financial year 2023–2024 is £77,010. All relevant audit information has been made available to our auditors and the Accountable Officer has taken steps to ensure that the auditors are aware of any relevant audit information.

Statement of Accountable Officer's responsibilities

Under Section 45(2) of the Environment Act 1995, we are required to prepare annual accounts for each financial year in the form of and on the basis determined by Scottish Ministers.

The accounts are prepared on an accruals basis and must give a true and fair view of our financial affairs and of its income and expenditure, statement of financial position, and cash flows for the financial year.

In preparing the accounts, I am required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- Observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed and disclose and explain any material departures in the accounts.
- Prepare the accounts on a going concern basis.
- Confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable.
- Take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Principal Accountable Officer of the Scottish Government has appointed me, the Chief Executive, as Accountable Officer of SEPA. My responsibilities as Accountable Officer, including responsibility for the propriety and regularity of the public finances for which I am answerable, for keeping proper records and for safeguarding SEPA's assets, are set out in the [Framework](#)

[Document](#) approved by the Scottish Government and in [Managing Public Money](#) published by the HM Treasury. As the Accountable Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that SEPA's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.



Governance statement

Governance framework

We are a non-departmental public body. The broad framework in which we operate is set out in the [Framework Document](#), which also defines key roles and responsibilities which underpin the relationship between SEPA and the Scottish Government. While this document does not confer any legal powers or responsibilities, it forms a key part of our accountability and governance framework.

Non-departmental public bodies are directed by Scottish Ministers to comply with the Scottish Public Finance Manual. Our Corporate Office is: Angus Smith Building, Unit 6, 4 Parklands Avenue, Holytown, Motherwell, ML1 4WQ.

Our governance framework is a set of processes and controls which are designed to set the organisation up to deliver our statutory purpose, plans and objectives, and to identify and manage risks and issues effectively. Our framework, which is described on the following pages, has been in place for the year ended 31 March 2024 and up to the date of approval of the Annual Report and Accounts. We can provide assurance that the processes have been running effectively during that period. We are constantly improving our processes and learning from best practice, so at any time we can provide assurance of its effectiveness.

Board operation

The main functions, powers and duties of the Board are set out in the Environment Act 1995 and the Framework Document. Regulation and conduct of Board meetings are set out in the [standing orders](#). Board members attend a range of meetings including formal Board and committee meetings, ad-hoc meetings, working groups and meetings with SEPA employees to discuss key strategic issues. They also attend seminars and events run by us or other organisations.

We publish the public papers and public minutes of Board meetings on our [website](#), as well as the minutes for Strategy Board meetings which ran to December 2023.

The Board has appointed an Audit and Risk Committee (ARC) to monitor and review risk, internal control, audit activity and corporate governance. N Gordon currently chairs this Committee. The Board appoints members to the Committee, and it is governed by its [Terms of Reference and Remit](#).

The ARC receives reports from internal and external auditors and our employees. The internal and external auditors may attend all Committee meetings and they can contact the Chair of the Committee at any time to express specific concerns identified during audit work. Four meetings of the

ARC were held in 2023-2024 and five extra meetings were held during the year to scrutinise finance related reports in advance of Board meetings.

The People Committee focuses on the oversight and support of our important people policies and the development of an organisational culture that can drive transformational change. On 25 July 2023, the Board approved the widening of the remit of the Committee to the People and Remuneration Committee (PRC). The Board appoints members to the Committee, and it is governed by its [Terms of Reference and Remit](#). The Chair of the Committee to 31 December 2023 was M Hill. H Kohli was Chair of the PRC, on an interim basis, from 1 January 2024 to 27 February 2024, however no PRC meetings were held during this time.

The Board Chair, L Tennant, took over the Chair of the PRC from 27 February 2024. Five meetings of the PRC were held in 2023-2024 and an extraordinary meeting was held on 23 May 2023 to cover two specific items; pay and Corporate Leadership Team (CLT) updates.

Members' attendance at Board and Committee meetings is set out in table 5. Note: Board members who are not official members of Committees, for example the Chief Executive, can attend as observers or as terms of reference require for specific items (these are highlighted in the footnotes of table 5).



Table 5: Attendance at ordinary meetings by Board members 2023–2024

Board member	Role and term	Agency Board	Strategy Board (to 31 December 2023)	Audit and Risk Committee (ARC)	ARC Finance Meetings	People Committee/ People & Remuneration Committee
Total number of meetings in year		6	3	4	5	6
B Downes	Chair to 31 Dec 2023 when term in office ended.	5 of 5	3 of 3	N/A	N/A	N/A
L Tennant	Chair from 1 Jan 2024. ²	1 of 1	N/A	1 ²	1 ²	1 of 1
N Paterson	Chief Executive. ²	6 of 6	3 of 3	4 ²	2 ²	1 ³
F Van Dijk	Deputy Chair to 31 Dec 2023 when term of office ended.	5 of 5	3 of 3	N/A	N/A	N/A
H Kohli	Deputy Chair from 1 Jan 2024. ³ Member of ARC.	6 of 6	3 of 3	4 of 4	4 of 5	1 ³
N Gordon	Board member and Chair of ARC. Member of PRC to 27 Feb 2024.	5 of 6	2 of 3	3 of 4	4 of 5	4 of 5
M Hill	Board member to 31 Dec 2023 when term in office ended. Chair of PRC and member of ARC until 31 Dec 2023.	4 of 5	3 of 3	3 of 3	4 of 4	5 of 5
N Chambers	Board member. Member of PRC. Resigned from the Board on 25 July 2023.	1 of 2	0 of 1	N/A	N/A	2 of 3
C Hume	Board member. Member of PRC from 27 Feb 2024.	6 of 6	3 of 3	N/A	N/A	1 of 1
J Hutchison	Board member. Member of ARC until 31 March 2024. Resigned from the Board on 31 March 2024.	5 of 6	3 of 3	4 of 4	4 of 5	N/A
P Matthews	Board member to 31 Dec 2023 when term of office ended. Member of PRC until 31 Dec 2023.	5 of 5	2 of 3	N/A	N/A	3 of 5

Note 2: Not a member of the ARC but attended meetings as noted.

Note 3: Attended PRC as an observer.

Table 6: Attendance at ordinary meetings by new Board members from 15 January 2024 to 31 March 2024⁴

Board member	Role and term	Board	Strategy Board (to 31 December 2023)	Audit and Risk Committee (ARC)	ARC Finance Meetings	People Committee/ People & Remuneration Committee
Total number of meetings in year		6	3	4	5	6
C Evans	Board member. Member of ARC from 27 Feb 2024.	1 of 1	N/A	1 of 1	1 of 1	N/A
D Hunter	Board member. Member of PRC from 27 Feb 2024.	1 of 1	N/A	N/A	N/A	1 of 1
L MacDonald	Board member. Member of ARC from 27 Feb 2024.	1 of 1	N/A	1 of 1	1 of 1	N/A
L McMillan	Board member. Member of PRC from 27 Feb 2024.	1 of 1	N/A	N/A	N/A	1 of 1
S Paterson	Board member.	1 of 1	N/A	N/A	N/A	N/A
K Rosser	Board member. Member of PRC from 27 Feb 2024.	1 of 1	N/A	N/A	N/A	1 of 1

Note 4: The number of possible attendance is reflected in the relevant columns based on new Board members' start dates.

Corporate Leadership Team

The Corporate Leadership Team is responsible for SEPA’s services and their delivery. Its purpose is to implement the high-level strategy of the organisation, as set by the Board, and lead the agency to ensure that our statutory purposes, operational and organisational requirements are met. The Corporate Leadership Team reports directly to the Chief Executive who is held accountable by the Board.

During 2023–2024, a new Corporate Leadership Team structure was agreed and implemented by April 2024. The new structure comprises the Chief Executive and five Chief Officer roles:

- Chief Executive and Accountable Officer – N Paterson.
- Chief Officer Finance, Digital and Modernisation – A Milloy appointed 1 January 2024.
- Chief Officer People, Workspaces and Development – K Paterson appointed 14 August 2023.
- Chief Officer Governance, Performance and Engagement – K L Campbell appointed 29 January 2024.
- Chief Operating Officer (Regulation, Business and Environment) – L Buntun appointed 1 April 2024.
- Chief Operating Officer (Data, Evidence and Innovation) – Alex Flucker appointed 1 May 2024.

This revised structure is part of our organisational reset and replaces the previous structure of five Chief Officer roles and one Executive Director role reporting to the Chief

Executive. During 2023–2024, the following executive-level arrangements were in place to ensure an effective transition to the new structure:

- Chief Officer People and Property – J Russell (acting) to 13 August 2023.
- Chief Officer Finance – A Milloy to 31 December 2023.
- Chief Officer Compliance – L Buntun (acting) to 31 March 2024.
- Chief Officer Performance and Innovation – B Marshall (acting) to 28 February 2024.
- Chief Officer Circular Economy – D Harley (acting) to 31 March 2024.
- Executive Director (Evidence and Flooding) – D Pirie to 30 June 2024.
- Chief Officer – J Kenny to September 2023.
- Chief Officer – I Buchanan to March 2024.

Anti-bribery and corruption

We have zero tolerance towards fraud, bribery, and corruption. We have an employee code of conduct, whistle-blowing policy, along with appropriate and effective governance and oversight of gifts and hospitality, both given and received. We actively encourage colleagues to be aware of appropriate behaviors with both customers and suppliers and we maintain a gifts and hospitality register.

During the 2023-2024 financial year, there were six allegations considered by our Fraud Response Group and five investigations were undertaken. Three of the five were subsequently closed with appropriate action taken, recommendations made and/or lessons learnt captured. There was no direct financial value attributed to any of them. Two investigations are still ongoing. The remaining instance was not investigated as an insufficient level of evidence was provided in respect of the allegations made to warrant further investigation.

The Chief Officer Governance, Performance and Engagement chairs our Risk Management Group and our Fraud Response Group. Risk and fraud issues are escalated through these groups to the Corporate Leadership Team. The Audit and Risk Committee and the Chair of the Board are made aware of significant issues by the Chief Executive or the Clerk to the Board. The Clerk to the Board is also the Corporate Solicitor and a member of the Fraud Response Group.

Planning and performance reporting

Our new *Corporate Plan* sets out our strategy and is supported by our *Annual Operating Plan*. Our *Corporate Plan* was published in 2017, initially for five years, but extended until 2024 due to the organisational challenges experienced by COVID-19 and the cyber-attack in December 2020.

We set out measures to track our performance in each *Annual Operating Plan* and produce quarterly performance reports which are published on our [website](#). Measuring

our performance is vitally important for understanding our progress in delivering this plan and how we are making a difference. Our end of year performance and analysis is summarised in the performance report section of this report ([starting on page 11](#)).

Budgeting and financial management

We have a comprehensive budgeting and financial reporting system, in line with the Scottish Public Finance Manual, which compares actual results to the budgets approved by our Board. We produce management accounting reports to each portfolio and the Corporate Leadership Team monthly and to the Audit and Risk Committee and Board quarterly. Significant variances from budget are thoroughly investigated.

Budget holders have online access to up to date spend, commitments and forecasts at cost centre level using Enterprise Resource Planning accounting software. Cash flow and other financial forecasts are prepared monthly to ensure that we have sufficient cash to meet our operational needs. On a monthly basis we submit a budget monitoring return, including forecasts and a cash report, to the Scottish Government.

Internal audit and internal control

As Accountable Officer, I have responsibility for maintaining sound systems of internal control. These support the achievement of our policies, duties and objectives. They also safeguard the public funds and assets for which I am personally responsible.

The Public Sector Internal Audit Standards state that: “The Chief Audit Executive must deliver an annual internal audit opinion and a report that can be used by the organisation to inform its Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management, and control.”

In the *Internal Audit Annual Report 2023–2024*, produced by our internal auditors, Azets, the Chief Audit Executive concluded that: “In our opinion, the Scottish Environment Protection Agency has a framework of governance, risk management and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives.”

This year we asked Azets (our internal auditors) to undertake several audits to provide assurance that we are managing key risks well and achieving value for money. The audits were:

- Our approach to fulfilling our role as a category one responder under the Civil Contingencies Act 2004.
- Our approach to fulfilling our role outlined in Section 77 of the Reservoirs (Scotland) Act 2011 related to incident response in relation to reservoirs.
- Our permitting process.
- Our compliance with Environmental Information (Scotland) Regulations and the Freedom of Information (Scotland) Act.

- The adequacy of our processes for responding to environmental events.
- Our compliance with Health and Safety legislation with regard to safety protocols related to the provision of safety cover.

The results of all completed internal audits, including findings and resulting improvement actions were reported to the Audit and Risk Committee. Improvement actions from all audits are monitored and completion of actions is verified independently by our internal auditors annually.

Our five-year internal audit contract with Azets came to an end on 31 March 2024 and a new three-year internal audit contract with BDO commenced on 1 April 2024 until 31 March 2027.

Risk management and resilience

We have a risk management framework in place where we have clearly set out the responsibilities of the Board, Audit and Risk Committee, Corporate Leadership Team and all levels of management and colleagues below this. We seek to: (i) understand threats; (ii) identify and prioritise risks; (iii) put in place controls to reduce or mitigate risks and (iv) monitor risks until they have reached a tolerable level. We assess risks in terms of the likelihood of them occurring, the impact they would have if they did occur, and their proximity, which is how soon they could occur.

Our corporate risk register is scrutinised quarterly by our Corporate Leadership Team and Audit and Risk Committee.

We provide an Annual Review of Risk report to the Board. We have outlined our key risks and challenges in the performance section of this report ([see page 31 onward](#)).

Risk is regularly discussed at Corporate Leadership Team and Board meetings and informs our internal audit programme. We routinely review external analysis of key risks impacting UK organisations and consider potential risks raised by our people or Board members to ensure risks are being managed across the organisation.

We have risk management training available to all managers, at any time, through our digital learning platform. Training is reviewed annually and updated if required.

Our risk management arrangements comply with the five main principles and several of the supporting principles of risk management that are set out in the [Orange Book](#)⁵. We continue to review and improve our risk management process to incorporate more of the supporting principles. In 2024-2025, we will carry out a strategic review of our risk management practices, including our risk appetite.

As a Category 1 responder under the Civil Contingencies Act 2004, we work with multi-agency resilience partnerships to plan and respond to emergencies where there is an environmental impact. We also ensure that we have our own emergency and business continuity plans in place. We regularly hold resilience exercises with our Corporate

Leadership Team where we simulate multiple emergency scenarios.

Information governance

During 2023-2024, we did not report any data breaches to the Information Commissioner's Office (ICO). One complaint was submitted to the ICO, however it was not upheld, and no action was taken against us. We increased our investment in and prioritised our response to Freedom of Information and Environmental Information requests, resulting in improved performance.

We will continue to deliver our action plan introducing further improvements to our systems, procedures and tools to consolidate and further improve performance. We are increasing the volume of information that will be proactively published. We provided more information about both of these areas in the performance analysis section of this report ([starting on page 36](#)).

Written authorities provided to the Accountable Officer

The Permanent Secretary to the Scottish Government designated the Chief Executive, N Paterson, as the Accountable Officer for SEPA with effect from 7 November 2022.

Note 5: *'The Orange Book: Management of Risk - Principles and Concepts'* provides guidance to government organisations on the development and implementation of risk management processes.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the systems of internal control. Our internal control systems include delegation and accountability; a code of conduct all colleagues must follow; procedures, standing financial instructions, guidance and training; internal checks and balances; regular reviews of management information, including financial, performance and risk information; peer reviews; external accreditation; and internal and external audit. My review of the effectiveness of these systems is informed by:

- The views of the Audit and Risk Committee on the assurance arrangements in place.
- The work of the internal auditors and the opinion of the Chief Audit Executive.
- Reviews of the corporate risk register and risk management processes by the Risk Management Group, the Corporate Leadership Team and the Audit and Risk Committee.
- Reviews of regular performance and financial reports by the Corporate Leadership Team and the Board.
- Feedback from Senior Leaders about delivery of our duties and objectives, response to risks, budget management and use of resources.
- Comments made by the external auditors in their management letter and other reports.

- Completion of an annual certificates of assurance exercise with written assurance from Chief Officers that internal measures are operating sufficiently within their portfolios.

Based on the above, I am satisfied that the corporate governance arrangements in place are appropriate and that there are no significant issues.

Approved by the Board on 26 November 2024 and signed on behalf of the Board.

N Paterson

Chief Executive and Accountable Officer

Signature: *Nicole Paterson*

Date: 26 November 2024

Remuneration and staff report

Remuneration report

Remuneration policy

The Board, Chief Executive, Executive Directors, and Chief Officers' remuneration packages are agreed within the parameters set by the Scottish Government's pay policy. The Scottish Government approves the daily fee to be paid to the Chair and Board members, as well as approving the Chief Executive's remuneration package.

There were no significant decisions taken on Executive Directors' remuneration in year. No performance payments were made in 2023-2024 in accordance with the Scottish Government pay policy.

Chair and Board members

All appointments to the Board are on a non-pensionable part-time basis. Board members contribute at least two days per month in support of our activities. The Chair devotes, at a minimum, 12 days per month in support of our activities, and the Deputy Chair and Audit and Risk Chair devote three days per month.

The Board members did not receive any benefits in kind in 2023-2024. Table 7 below is subject to audit and provides details of the remuneration of Board members.



Table 7: Board remuneration

Name	Post and term	2023–2024 £'000	2022–2023 £'000
B Downes	Chair to 31 December 2023 when term in office ended	35 to 40	50 to 55
L Tennant	Chair from 1 January 2024	10 to 15	N/A
F Van Dijk	Deputy Chair to 31 December 2023 when term in office ended	5 to 10	10 to 15
H Kohli	Deputy Chair from 1 January 2024	5 to 10	5 to 10
M Hill	Board member to 31 December 2023 when term in office ended	5 to 10	5 to 10
N Gordon	Board member and Chair of Audit and Risk Committee	10 to 15	10 to 15
C Hume	Board member	5 to 10	5 to 10
J Hutchison	Board member to 31 March 2024 following resignation	5 to 10	5 to 10
P Matthews	Board member to 31 December 2023 when term in office ended	5 to 10	5 to 10
N Chambers	Board member to 25 July 2023 following resignation	0 to 5	5 to 10
V Mulgundmath	Board member to 6 February 2023 following resignation	N/A	5 to 10
C Evans	Board member from 15 January 2024	0 to 5	N/A
D Hunter	Board member from 15 January 2024	0 to 5	N/A
L MacDonald	Board member from 15 January 2024	0 to 5	N/A
L McMillan	Board member from 15 January 2024	0 to 5	N/A
S Paterson	Board member from 15 January 2024	0 to 5	N/A
K Rosser	Board member from 15 January 2024	0 to 5	N/A

Corporate Leadership Team pensions and salary benefits

Members of the Corporate Leadership Team (CLT) did not receive any benefits in kind in 2023–2024. There were

several changes to CLT in 2023–2024, including resignations from I Buchanan in March 2024 and J Kenny in September 2023. The following acting Chief Officers returned to their substantive posts: D Harley in March 2024, J Russell in

August 2023 and B Marshall in February 2024. L Bunten was appointed on a permanent basis in March 2024, K Paterson was appointed in August 2023 and KL Campbell in January 2024. D Pirie left SEPA in June 2024 and A Flucker

was appointed in April 2024. Table 8 is subject to audit and provides details of the remuneration and pension benefits of the Corporate Leadership Team.

Table 8: Corporate Leadership Team pension and salary benefits 2023-2024 and 2022-2023

Name	Post	Full time equivalent 2023-2024 £'000	Remuneration 2023-2024 £'000	Pension benefits 2023-2024 £'000 ⁶	Total 2023-2024 £'000	Remuneration 2022-2023 £'000	Pension benefits 2022-2023 £'000	Total £'000
N Paterson ⁷	Chief Executive	125 to 130	120 to 125	54 ⁸	175 to 180	50 to 55	N/A	50 to 55
J Green	Acting Chief Executive	N/A	N/A	N/A	N/A	70 to 75	N/A	70 to 75
D Pirie	Executive Director	115 to 120	115 to 120	37	155 to 160	110 to 115	3	115 to 120
S McGregor	Chief Officer	N/A	N/A	N/A	N/A	60 to 65	N/A	60 to 65
A Milloy	Chief Officer	90 to 95	90 to 95	25	115 to 120	35 to 40	N/A	35 to 40
J Green	Chief Officer	N/A	N/A	N/A	N/A	15 to 20	N/A	15 to 20
J Kenny	Chief Officer	100 to 105	40 to 45	73	115 to 120	90 to 95	18	105 to 110
I Buchanan	Chief Officer	95 to 100	95 to 100	48	140 to 145	90 to 95	15	105 to 110
J Russell	Acting Chief Officer	85 to 90	30 to 35	7	35 to 40	25 to 30	N/A	25 to 30
D Harley	Acting Chief Officer	90 to 95	90 to 95	43	130 to 135	85 to 90	14	95 to 100
L Bunten	Chief Officer	90 to 95	90 to 95	32	120 to 125	60 to 65	N/A	60 to 65
B Marshall	Acting Chief Officer	90 to 95	80 to 85	36	115 to 120	85 to 90	26	110 to 115
K Paterson	Chief Officer	100 to 105	60 to 65	N/A	60 to 65	N/A	N/A	N/A
K L Campbell	Chief Officer	100 to 105	15 to 20	N/A	15 to 20	N/A	N/A	N/A

Note 6: The value of pension benefits accrued during the year is calculated as the real increase in pensions and applying the HMRC methodology multiplier of 20 plus the real increase in any lump sum. The real increases exclude increases due to inflation and are net of contributions made by the individual. If the figure is negative a nil change is recorded.

Note 7: There was an inter-fund transfer received on 31 August 2023. The transferred final salary service, CARE pot and CETV has been removed from the calculations to show a more accurate figure for the increase in this member's pension, lump sum and CETV to 31 March 2024.

Note 8: The increase in pension benefits is due to the fund receiving an inter-fund transfer of their service over the year, which wasn't allowed for in the March 2023 disclosure.

Table 9: Pension entitlements of Chief Executive, Executive Director and Chief Officers' 2023–2024 (audited)

Name	Accrued pension March 2024 £,000	Accrued lump sum March 2024 £'000	Real increase in pension £'000	Real increase in lump sum £'000	CETV March 2024¹⁰ £'000	CETV March 2023 £'000	Real increase in CETV £'000
N Paterson ⁹	45 to 50	50 to 55	2.5 to 5	0 to 2.5	854	14	173
D Pirie	60 to 65	85 to 90	0 to 2.5	0 to 2.5	1,318	1,128	135
A Milloy	5 to 10	0 to 5	0 to 2.5	0 to 2.5	100	65	25
J Kenny	50 to 55	70 to 75	2.5 to 5	5 to 7.5	992	789	164
I Buchanan	50 to 55	80 to 85	2.5 to 5	2.5 to 5	1,046	859	145
J Russell	30 to 35	30 to 35	0 to 2.5	0 to 2.5	458	371	70
D Harley	45 to 50	60 to 65	0 to 2.5	0 to 2.5	893	735	121
L Bunten	35 to 40	30 to 35	0 to 2.5	0 to 2.5	658	528	102
B Marshall	35 to 40	40 to 45	0 to 2.5	0 to 2.5	672	509	135
K Paterson	0 to 5	0 to 5	0 to 2.5	0 to 2.5	14	0	0
K L Campbell	0 to 5	0 to 5	0 to 2.5	0 to 2.5	5	0	0

Note 9: There was an inter-fund transfer received on 31 August 2023. The transferred final salary service, CARE pot and CETV has been removed from the calculations to show a more accurate figure for the increase in this member's pension, lump sum and CETV to 31 March 2024

Note 10: A cash equivalent transfer (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to

secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued because of their total membership of the scheme including any benefit transferred from another scheme and not just their service in a senior capacity to which the disclosure applies. The real increase in CETV reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension benefits due to inflation, contributions paid by the employee and uses common market valuation factors for the start and end of the period.

Compensation payments (subject to audit)

I Buchanan left under voluntary severance in March 2024; he received a compensation payment of £50,467 and the cost of buying out the actuarial reduction in his pension was £191,007. D Pirie left under voluntary severance in March 2024 with a departure date of June 2024; he will receive a compensation payment of £68,229 and the cost of buying out the actuarial reduction in his pension is estimated at £178,935. In line with accountancy standards these costs have been accounted for in 2023-2024.

Fair pay disclosure (subject to audit)

We are required to disclose pay information in relation to the highest paid member of the management team and how it compares to remuneration paid to staff and agency workers at the 25th, 50th and 75th percentile. These have been calculated on the annualised salaries; the calculation excludes employer pension contributions and cash equivalent transfer values. The percentage increase in the remuneration of the highest paid individual and the average change for employees reflects changes in personnel, the impact of incremental progression and the cost of living pay award. All staff including the Chief Executive, Executive Director and Chief Officers are on incremental pay scales.

Table 10: Fair pay disclosure (subject to audit)

	2023 - 2024	2022 - 2023
Remuneration band highest paid individual	£125,000 - £130,000	£120,000 - £125,000
Percentage change from previous financial year	1.19%	0.39%
Average percentage ratio change from previous financial year	7.7%	5.9%
25th quartile remuneration	£34,674	£35,026
25th quartile ratio	3.68	3.50
50th quartile remuneration	£41,132	£40,236
50th quartile ratio	3.10	3.04
75th quartile remuneration	£48,267	£45,918
75th quartile ratio	2.64	2.67
Remuneration range	£22,134 - £134,172	£20,686 - £132,664

People report

Employee relations and well-being

Our people are our most valued resource. We continue to create a safe, welcoming and high performing environment where SEPA colleagues belong, feel valued and are empowered to bring their best selves.

To support the delivery of our *Corporate Plan*, we have developed a People Strategy which will bring clarity to our colleagues and managers, and bring a framework to actively support performance, capability and well-being. Our values of Purposeful, Professional and Passionate underpin all SEPA related activity, and help to create common understanding around expectation and performance. Within our strategy, SEPA commits to:

- Creating a safe and inclusive environment where open communication is championed.
- Helping to unlock colleagues potential by creating opportunities for learning and career progression.
- Supporting colleagues to live by our values and lead by example.
- Involving and informing colleagues when setting strategy, goals and objectives.
- Acknowledging and recognising achievements.
- Providing constructive and effective performance frameworks.

Our wide range of tools, policies and guidance aims to support and develop our people and our excellent benefits package ensures our colleagues feel valued and rewarded. As our work evolves in a rapidly changing climate, the expectations on our people and their delivery will also adapt and evolve. Throughout 2024 and 2025, we will deliver an organisation-wide transformation programme taking full advantage of public sector reform opportunities and efficiencies. Our People Strategy will be at the core of this work, prioritising effective engagement with our people and our recognised Trade Union to help us understand the issues which matter most and support us to identify and develop actions and improvements. As part of our transformation, changes to our Corporate Leadership Team and portfolio structure were concluded in April, with further work continuing around workforce planning, skills mapping and talent attraction. We continue to look for fresh, innovative ways to engage with people and develop a positive working environment for all.

Equality and diversity

Equality, diversity and inclusion is integral to all our work, our service provision and our interactions with communities and businesses, as well as our colleagues. We published our [*Equality Mainstreaming and Outcomes Report*](#) in April

2023. We will report on the work we have undertaken towards our equality outcomes for 2022-2026 in our next mainstreaming report, due in 2026.

Table 11 below represents the gender split within SEPA as at 31 March 2024 – this table is not subject to audit.

Table 11: SEPA staff headcount and gender split including Board (not subject to audit)

	2023-2024	2022-2023
SEPA staff headcount ¹¹	1,195	1,187
SEPA staff full time equivalent (FTE)	1,137	1,130
SEPA staff gender split-female	58%	56%
SEPA staff gender split-male	42%	44%
Board-female ¹²	58%	50%
Board-male	42%	50%
Corporate Leadership Team-female	56%	63%
Corporate Leadership Team-male	44%	38%

Health and safety

We are committed to achieving the highest standards of health, safety and well-being for our people, and our health and safety governance and delivery groups are responsible

for leading on the delivery and promotion of a positive health and safety culture across the organisation. We understand the challenging environments our colleagues work in, and have identified a number of opportunities to strengthen our health and safety arrangements. Our renewed focus on behavioural health and safety ensures all colleagues understand the importance and value of following policies and procedures, remaining vigilant and reporting incidents consistently. Our dedicated Health and Safety Team support, maintain, and promote incident reporting and ensure robust health and safety reporting systems are in place to support the ongoing management and review of our health and safety performance. They also ensure continuous compliance and improvement through providing and sourcing role specific and compulsory health and safety training and e-learning.

The total number of incidents reported using our Incident Reporting system was:

- 90 incidents reported in 2023-2024 (compared to 83 incidents in 2022-2023).
- 13 hazards spotted in 2023-2024 (compared to nine in 2022-2023). Please note that the number of hazards reported are also included in the total number of health and safety incidents reported above.
- 0 incidents reported to Health and Safety Executive in 2023-2024 (compared to one in 2022-2023).

Note 11: Total excludes Board but includes the Corporate Leadership Team

Note 12: Includes the Chief Executive

Trade Union relationship (not subject to audit) ¹³

UNISON is our recognised trade union. Our Joint Negotiation and Consultation Committee (JNCC) comprising representatives from our management and UNISON meet regularly to discuss information and conduct meaningful consultation and/or negotiation between management representatives and UNISON.

UNISON supports us in our initiatives to ensure working conditions and an overall remuneration package that our people value. We negotiate our people's pay, terms, and working conditions with UNISON. The parameters of pay terms and conditions that we can offer are contained within Scottish Government's public sector pay policy.

A two-year pay offer for the period 1 April 2023 to 31 March 2025 was accepted by UNISON in January 2024. We have a joint panel consisting of management and trade union representatives that oversee job evaluation in SEPA.

In accordance with our statutory responsibility under *Trade Union (Facility Time Publication Requirements) Regulations 2017*, the schedule below provides the required data relating to our trade union representatives for the period 2023–2024.

Note 13: Industrial relations are not subject to audit.

Note 14: All footnotes on trade union facilities time refer to information taken from *HM Government Supporting Guidance for the Trade Union (Facility Time Publication Requirements) Regulations 2017*.

Trade union facilities time 2023–2024 (not subject to audit) ¹⁴

Table 12: Relevant union officials

Number of employees who were relevant union officials	Full-time equivalent employee number
29	28.4

Table 13: Percentage of time spent on facility time ¹⁵

Percentage of time spent on facilities time as a percentage of total working hours for each union representative.

Percentage of time	Number of employees
0–1%	6
1–50%	23

Note 15: Trade union activities – means time taken off under section 170(1) (b) of the 1992 Act. TULR(C) A section 170. There is no statutory entitlement to paid time off to undertake trade union activities. However, trade union representatives are entitled to be granted reasonable unpaid time off to participate in trade union activities.

Table 14: Percentage of pay bill spent on facility time¹⁶

Total cost of facility time	£99,818
Total pay bill	£67.8m
Percentage of total pay bill on facility time	0.15%

Table 15: Paid trade union activities¹⁷

Percentage of time spent on union activities as a percentage of total paid facilities time.

Time spent on paid trade union activities as a percentage of total paid facility time (hours)	64.9%
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Pension scheme

We contribute to the Falkirk Council Pension Fund. This is a Local Government Pension Scheme (LGPS), which is a defined benefit scheme and is administered by Falkirk Council. All staff are eligible to enter the Falkirk Pension Scheme, the Local Government Superannuation Scheme managed by Falkirk Council. Employee contributions, based on salary, are fixed by statute currently on a scale of 5.5% - 11.2%.

A formal valuation of the fund was undertaken at 31 March 2023 by Hymans Robertson. The reported funding position improved from a deficit of £152m at March 2020 to a surplus of £866m at March 2023. The required investment return for the fund to be 100% funded is circa 3.1% per annum (3.6% at 2020); the likelihood of the fund's investment strategy achieving the required return is 94% (71% at 2020). The results of the valuation is primarily to set employer contribution rates, they need to be set at a level which ensures the fund has a reasonable likelihood of having enough money to pay members' benefits. Following the formal valuation, SEPA's contribution rate has been set at 17% for the three-year period from 1 April 2024. This is a reduction of 3.5% from the 2023-2024 rate of 20.5%. The next formal valuation will be 31 March 2026.

Staff costs (subject to audit)

We incurred £68m in staff costs in the year 2023-2024 (2022-2023 £63m) in relation to staff who have an employment contract with the agency. Of this, £66m was in relation to staff who had a permanent contract and £2m in relation to staff who had a fixed term contract. The average FTE employed in the year was 1,122 (1,096 permanent and 26 fixed term). This compared to an average of 1,152 in 2022-2023 (1,140 permanent and 12 fixed term). The staff turnover rate was 7.89% in 2023-2024 compared to 9.09% in 2022-2023.

Note 16: Total paid facility time hours - total number of hours spent on facility time by trade union representatives during relevant period. Does not include hours attributable to time taken off under section 170(1) (b) of the 1992 Act in respect of which a trade union representative does not receive wages.

Note 17: Paid trade union activities - time taken off for trade union activities under section 170 (1) (b) of the 1992 Act in respect of which a trade union representative receives wages from the relevant public sector employer. There is no statutory entitlement to paid time off to undertake activities.

Other staff related costs includes spend on recruitment, training and agency staff. We spent £0.58m on agency staff to provide cover for vacant positions in the organisation. Further information on pension and provision costs can be found in the notes referenced in table 16 within the annual accounts section of this report. The staff absence rate was 3.09% in 2023–2024 compared to 3.51% in 2022–2023. This shows a stable absence trend which is lower

than average. We continue to support colleagues by introducing a paid well-being and communities day, which is available throughout the year alongside our annual leave entitlement. Table 16 excludes £0.32m on consultancy of which £0.09m was charged to capital projects and £0.23m is included in other operating costs ([see note 5 on page 108](#)).

Table 16: Staff costs during the year to March 2024 (subject to audit)

	Permanent staff £'000	Fixed term staff £'000	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Wages and salaries	49,458	1,173	50,631	47,844
Social security costs	5,096	121	5,217	5,217
Apprenticeship levy	225	5	230	224
Pension costs	11,409	271	11,680	9,735
Subtotal of payroll costs	66,188	1,570	67,758	63,020
Other staff related costs			1,061	850
IAS 19 pension charge (note 18)			137	13,765
Life assurance provision (note 14)			206	78
Unfunded IAS 19 pension charge (note 14)			55	(82)
			<u>69,217</u>	<u>77,631</u>

Exit packages (subject to audit)

We have a policy of no compulsory redundancy, in accordance with Public Sector Pay Policy set out by Scottish Government.

In 2023-2024 we conducted a voluntary severance scheme which resulted in 23 members of staff receiving an exit package. The total cost of the package includes payments made to the Falkirk Pension Fund to meet the costs of staff entitled to early access to pension as part of the voluntary severance agreement.

Table 17: Exit packages (subject to audit) per cost band

Exit package cost band	Number of exit packages 2023-2024	Number of exit packages 2022-2023
£10,000 – £25,000	4	2
£25,000 – £50,000	4	3
£50,000 – £100,000	6	2
£100,000 – £150,000	4	1
£150,000 – £200,000	2	0
£200,000 – £250,000	1	0
£250,000 – £300,000	1	0
£300,000 – £350,000	1	0
Total number of packages	23	8
Total costs disclosed in the financial statements £'000	£2,356	£448



Parliamentary accountability report (subject to audit)

Fees and charges

The financial statements provide a breakdown of our £50m income from contracts ([see note 2 on page 106](#)) of which £48.9m relates to charging scheme fees and charges. Our fees and charges have been set to comply with the cost allocation and charging requirements set out by Scottish Public Finance Manual, HM Treasury, and the Office of Public Sector Information guidance on trading funds and commercial services.

Table 18 below provides the detail of our income, expenditure, and cost recovery levels for charging schemes. The financial objective for charging schemes is full cost recovery taking one year with another, based on all costs including current cost depreciation and a rate of return on relevant assets.

Table 18: Trading accounts cost recovery year to 31 March 2024

	ERS¹⁸ £'000	PRW¹⁹ £'000	RSA nuclear²⁰ £'000	Other²¹ £'000	Total £'000
Income	44,507	1,394	2,517	454	48,872
Expenditure	45,512	1,145	2,509	526	49,692
(Under)/over recovery	(1,005)	249	8	(72)	(820)
% cost recovery	98%	122%	100%	86%	98%

Note 18: Environmental Regulation (Scotland)

Note 19: Producer Responsibility Waste Packaging

Note 20: Radioactive Substances Act

Note 21: Total of charging schemes which generate income of less than £1m

Consolidated fund receipts

We collect penalties for EU Emissions Trading Scheme (EU ETS) and environmental offences. During 2023-2024, penalty notices of £4.8m (2022-2023 - £4.2m) were raised and payments of £2.2m were received and remitted to Scottish Government. As at 31 March 2024, there was an outstanding balance of £14.3m in our current assets and liabilities. As we are acting as an agent on behalf of Scottish Government these balances are not reflected in the accounts.

Value for money

We, like every other government body, are expected to deliver best value and achieve efficiency savings of at least 3% in year. To produce a balanced budget for 2023-2024, we assumed savings from staff turnover of £2.7m and £0.4m in operating costs both of which equate to 3.3%.

Contingent liabilities

We occupy several leased properties, which have dilapidation clauses in the leases. We maintain these properties in excellent order. Some properties have a potential liability at the end of the lease to reinstate the internal layout of the building to their original floor plan. A provision is in place for properties where the estimated costs are considered to be significant.

Most of our gauging stations are on leased sites. When we no longer require these facilities, they must be decommissioned, removing the plant, buildings and

restoring the site. The level of these potential future liabilities will be subject to negotiation with individual landlords.

We are currently involved in an ongoing litigation which may result in a claim for legal fees and expenses. In addition, we received 2 civil claims in October 2024; these claims are being disclosed as remote contingent liabilities.

Losses and special payments

There were no losses or special payments exceeding £300k in the financial year to 31 March 2024.

Gifts

There were no gifts exceeding £250k in the financial year to 31 March 2024.

Approved by the Board on 26 November 2024 and signed on behalf of the Board.

N Paterson

Chief Executive and Accountable Officer

Signature: *Nicole Paterson*

Date: 26 November 2024

Independent auditor's report to the members of the Scottish Environment Protection Agency, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of the Scottish Environment Protection Agency for the year ended 31 March 2024 under Section 46 of the Environment Act 1995. The financial statements comprise the statement of comprehensive net expenditure, the statement of financial position, the statement of cash flows, the statement of changes in taxpayers' equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2023–2024 Government Financial Reporting Manual (the 2023–2024 FReM).



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In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2024 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023-2024 FReM; and
- have been prepared in accordance with the requirements of Section 45(2) of the Environment Act 1995 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 5 June 2023. My period of appointment is five years, covering 2022-2023 to 2026-2027. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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



Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

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

- using my understanding of the central government sector to identify that Section 45(2) of the Environment Act 1995 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: [Auditor's Responsibilities for the Audit](#). This description forms part of my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.



Reporting on other requirements

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

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with Section 45(2) of the Environment Act 1995 and directions made thereunder by the Scottish Ministers.

Other information

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

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

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

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

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with Section 45(2) of the Environment Act 1995 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with Section 45(2) of the Environment Act 1995 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the

Remuneration and Staff Report are not in agreement with the accounting records; or

- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Liz Maconachie, CPFA, Senior Audit Manager

**Audit Scotland, 4th Floor, 8 Nelson Mandela Place,
Glasgow G2 1BT**

Signature: *Liz Maconachie*

Date: **26 November 2024**



Annual Accounts

Table 19: Statement of comprehensive net expenditure for the year to 31 March 2024

	Notes	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Income			
Income from contracts	2	50,338	46,078
Other income	3	1,052	3,509
Total operating income		51,390	49,587
Expenditure			
Staff costs	4	(69,217)	(77,631)
Depreciation	9	(5,246)	(6,205)
Profit/(loss) on disposal of assets	9	(12)	29
Other operating charges	5	(22,588)	(20,031)
Total operating expenditure		(97,063)	(103,838)
Net operating expenditure		(45,673)	(54,251)
Finance income	6	277	45
Finance expenses	7	(85)	(3,539)
Net expenditure for year		(45,481)	(57,745)
Other comprehensive expenditure			
Net (loss)/gain on revaluation of property, plant and equipment	9	280	(3,736)
Actuarial gain/(loss) on pension scheme	17	20,088	139,682
Comprehensive net (expenditure)/income for the year		<u>(25,113)</u>	<u>78,201</u>

The note numbers referred to above are incorporated within the notes to the accounts (see pages 98-131). Note that in 2022-2023 interest on operating leases was classed as other operating charges, this has been changed to finance expenses in 2023-2024. This has resulted in a change to prior year figures in the table above; table 21 statement of cashflows; note 5 (table 28) other operating charges; and note 7 (table 30) interest payable.

Table 20: Statement of financial position at 31 March 2024

	Notes	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Non-current assets			
Property, plant and equipment	9	42,377	42,962
Intangible assets	9	2,402	2,390
Assets under construction	9	2,807	1,167
Employee retirement benefits	17	21,527	1,501
Trade and other receivables	11	225	0
Total non-current assets		69,338	48,020
Current assets			
Trade and other receivables	11	3,964	3,806
Cash and cash equivalents	10	899	829
Total current assets		4,863	4,635
Total assets		74,201	52,655
Current liabilities			
Trade and other payables less than 1 year	12	(11,206)	(10,069)
Provisions for liabilities and charges less than 1 year	14	(213)	(555)
Total current liabilities		(11,419)	(10,624)
Total assets less current liabilities		62,782	42,031
Non-current liabilities			
Provisions for liabilities and charges greater than 1 year	14	(6,023)	(5,325)
Future lease payments	16	(7,881)	(8,928)
Total non-current liabilities		(13,904)	(14,253)
Total assets less total liabilities		48,878	27,778
Taxpayers' equity			
Comprehensive net expenditure reserve		30,544	9,359
Revaluation reserve		18,334	18,419
Total taxpayers' equity		48,878	27,778

The note numbers referred to on the left are incorporated within the notes to the accounts. These annual accounts were approved by the Board on 26 November 2024.

N Paterson
Chief Executive and
Accountable Officer

Signature:

Nicole Paterson

Date: 26 November 2024

Table 21: Statement of cash flows for year to 31 March 2024

	Notes	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Net operating expenditure		(45,673)	(54,251)
Adjustments for non-cash transactions			
Depreciation and amortisation	9	5,246	5,235
Loss/(gain) on disposal of assets	9	33	970
Pension scheme adjustment	18	137	13,765
Movement in provisions	14	(261)	160
Movements in working capital			
Decrease/(increase) in trade and other receivables	11	(257)	3,153
(Decrease)/increase in trade and other payables	12	821	506
Net cash outflow from operating activities		(39,954)	(30,462)
Cash flows from investing activities			
Purchase of non-current assets		(4,732)	(4,398)
Proceeds from disposal of non-current assets		21	29
Net cash outflow from investing activities		(4,711)	(4,369)
Cash flows from financing activities			
Bank interest received	6	202	45
Lease liability payments	16	(1,677)	(1,458)
GiA revenue funding received in year	19	40,860	31,227
GiA capital funding received in year	19	5,350	3,700
Net cash inflow from financing		44,735	33,514
Net (decrease)/increase in cash and cash equivalents		<u>70</u>	<u>(1,317)</u>
Less cash and cash equivalents at start of year	10	829	2,146
Cash and cash equivalents at end of year	10	899	829
(Decrease)/increase in cash for the year		<u>70</u>	<u>(1,317)</u>

Table 22: Statement of changes in taxpayers' equity for the year to 31 March 2024

	Notes	Comprehensive net expenditure reserve £'000	Revaluation reserve £'000	Total year to 31 March 2024 £'000
Balance at 1 April 2023		9,359	18,419	27,778
Grant from sponsoring department	19	46,210	0	46,210
Net expenditure for the year		(45,481)	0	(45,481)
Total of pension re-measurements	17	20,088	0	20,088
Disposal of assets	9	88	(88)	0
Revaluation of non-current assets	9	280	3	283
At 31 March 2024		<u>30,544</u>	<u>18,334</u>	<u>48,878</u>

Table 23: Statement of changes in taxpayers' equity for the year to 31 March 2023

	Notes	Comprehensive net expenditure reserve £'000	Revaluation reserve £'000	Total year to 31 March 2023 £'000
Balance at 1 April 2022		(104,473)	20,624	(83,849)
Grant from sponsoring department	19	34,927	0	34,927
Net expenditure for the year		(57,745)	0	(57,745)
Total of pension re-measurements	17	139,682	0	139,682
Disposal of assets	9	704	(704)	0
Revaluation of non-current assets	9	(3,736)	(1,501)	(5,237)
At 31 March 2023		<u>9,359</u>	<u>18,419</u>	<u>27,778</u>

The note numbers referred to above are incorporated within the notes to the accounts. These annual accounts were approved by the Board on 26 November 2024.

Notes to the accounts

Note 1: Accounting policies

The annual accounts are prepared in accordance with the Accounts Direction issued by Scottish Ministers. This Accounts Direction requires compliance with *HM Treasury's Financial Reporting Manual (FReM)*. The annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRSIC). Where *FReM* permits a choice of accounting policy, we have adopted the option that it judges to be most appropriate for the purpose of giving a true and fair view of its financial position. The accounting policies adopted have been set out below and they have been applied consistently in dealing with items that are considered material to the accounts.

Accounting convention

The accounts are prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment to current value as determined by the relevant accounting standard.

Accounting period

The accounting period commenced on 1 April 2023 and ended on 31 March 2024.

Going concern

The future financing of SEPA's liabilities falling due in future years are met from income derived from charging schemes and grant in aid (GiA). Future years charging scheme fees will be increased to meet the expected costs attributable to providing these services. The Agency Board (the Board) and Accountable Officer has no reason to expect this process to change in the future. In addition, they believe that SEPA will continue to receive support from Scottish Government. Accordingly, they consider it appropriate to adopt a going concern basis for the preparation of these annual accounts.

Non-current assets

Property, plant and equipment

Initial recognition of all non-current assets purchased are at cost. Subsequent valuations of non-current assets are recognised in the accounts as follows:

- Title of operational properties are included in our accounts based on the actual ownership and management of the assets concerned.
- Operational land and buildings current value is assessed on the basis that the occupation for existing use will continue for the foreseeable future, unless otherwise stated. For non-specialised properties, where there is direct market evidence, current value is assumed to be equal to open market value for existing use.

- For specialised properties (gauging stations), where there is no market evidence in respect of existing use, the value is assessed by using a depreciated replacement cost. There was a full valuation exercise conducted by Cushman and Wakefield (Royal Institute of Chartered Surveyors (RICS) regulated) at 31 March 2023 to determine the depreciated replacement cost. In the years between full valuations the value is indexed in line with the construction material prices index as at 31 March.
- Depreciated historic cost has been used as a proxy for the current value of equipment, fixtures and fittings, motor vehicles, plant and machinery, computer equipment and software. All these assets in this category have i) low values and short useful economic lives, which realistically reflect the life of the asset; and ii) depreciation or amortisation charge, which provides a realistic reflection of consumption.
- Only the large vessel (Sir John Murray) is reported at market value. A professional market valuation was obtained for the vessel as at March 2024 to check for impairment. As there was less than a 10% variance between the net book value and the market value no adjustment was made.
- Depreciated historic cost is used as a proxy for current value of plant and equipment that has a medium-term economic life and where depreciation charge provides a realistic reflection of consumption.
- Right of use assets at transition to IFRS 16 on 1 April 2022 – we recognised qualifying leases as right of use

assets. In line with the requirements of the standard, the assets were initially measured at cost which equated to the discounted value of future lease payments less incentives. The right of use assets are depreciated on a straight line basis over the term of the lease. All of the right of use assets relate to property leases and in line with policy applied to our owned buildings. The right of use assets valuation based on market rent was provided by an independent chartered surveyor (Avison Young) at 31 March 2024. Expenditure on improvements, repairs and renewals of non-current assets is charged to the statement of comprehensive net expenditure in the year the expenditure is incurred, unless it is considered to have replaced a part of an asset. If it has replaced part of an asset, it will be capitalised and the cost and cumulative depreciation or amortisation of the asset it has replaced, will be removed from non-current assets.

Depreciation and amortisation

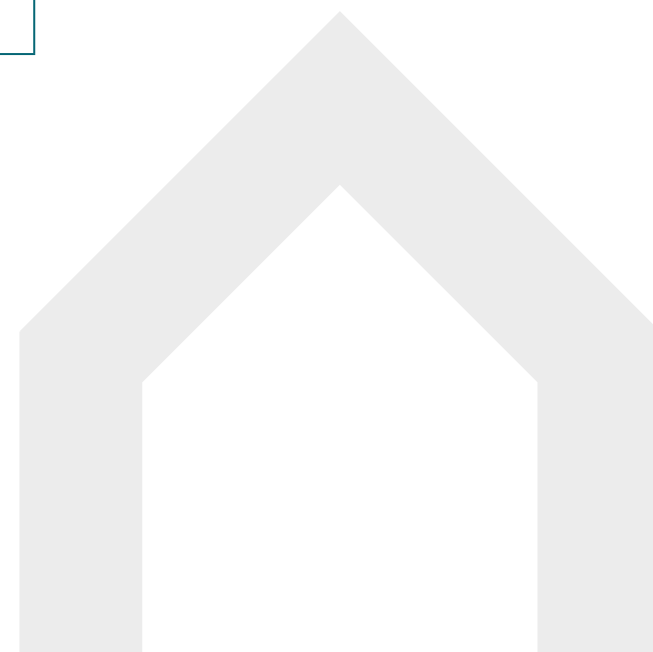
Depreciation or amortisation is provided on all non-current assets, other than freehold land. Depreciation or amortisation is calculated on a straight-line basis over the useful lives of the asset as detailed in the table below. Depreciation and amortisation is charged to the statement of comprehensive net expenditure on the carrying value of the non-current assets. An element of the depreciation and amortisation arising from the increase in the valuation, and in excess of the depreciation or amortisation that would be charged on the historic cost value of the asset, is taken to the revaluation reserve.

Table 24: Assets separated into categories and their lives

Asset category	Asset lives (years)
Buildings (including gauging stations)	20 to 60
Leasehold buildings	Over the remaining term of the lease
Plant and machinery	4 to 20
Right to use assets	Over the term of the lease
Fixtures, fittings, tools and equipment	5 to 15
Vessels	30
Computer hardware	5 to 15
Motor vehicles	4 to 10
Software developed in house	3 to 15
Purchased software	3 to 15

Assets in course of completion

Assets in course of completion are valued at cost. On completion they are transferred from the project account into the appropriate asset category. No depreciation or amortisation is charged until the asset is in operational use. The capitalisation threshold for assets is £10,000 including VAT. The actual salary costs including national insurance and superannuation of our staff who are involved in the creation of non-current assets are capitalised against the relevant assets.



Intangible assets

Purchased software

Purchased software is valued at depreciated historical cost, as a proxy for market value. These are licences to use software purchased from third parties with a life of more than one year and a cost of more than £10,000 including VAT. These licences are written off over the period they are in operational use.

In-house developed software

In-house developed software is the cost incurred for developing software with a life of more than one year and a cost of more than £10,000 including VAT. The actual salary costs, including national insurance and superannuation of our staff who are involved in the creation of non-current assets, are capitalised against the relevant asset. These costs are written off over the period the software is in operational use. There is no active market for this software and it is not income generating. Depreciated historical cost is used as a proxy for current market value.

Impairment

The carrying value of our assets is reviewed at each statement of financial position date to determine whether there is any indication of impairment. An impairment loss is recognised in the statement of comprehensive net expenditure whenever:

- The carrying amount of assets exceeds the recoverable amount.
- The residual value has fallen below that originally estimated.
- The economic life of the asset is lower than originally estimated.

Provisions for liabilities and charges

Provisions for liabilities and charges are based on realistic and prudent estimates of the expenditure required to settle future legal or constructive obligations, arising from past events that exist at the statement of financial position date. The provisions at the year-end were for:

- Unfunded pension liabilities in respect of pension commitments inherited from our predecessor bodies and the past Chair.
- Life assurance benefit provided to staff under our terms and conditions of employment as estimated by Hymans Robertson based on the profile of the staff employed at 31 March 2024.
- Decommissioning costs for leased properties. Avison Young (Royal Institute of Chartered Surveyors (RICS)) conducted a full valuation at 31 March 2024.

Reserves

The comprehensive net expenditure reserve represents the excess of income over expenditure on grant in aid funded activities. The revaluation reserve reflects the increase in value of land, buildings and gauging stations over their historical costs.

Value added tax (VAT)

Irrecoverable VAT is charged to the statement of comprehensive net expenditure or included in the cost of assets in the period it is incurred.

Leases

We have a small number of operating lease rentals which do not qualify as right of use assets. The costs are charged to expenditure in equal annual amounts over the lease term. We do not enjoy the risks or rewards associated with ownership of the items leased.

Government grant in aid (GiA)

GiA received to cover general operating activities and replacement of capital items is shown as financing income and credited directly to the comprehensive net expenditure reserve.

Income

Income represents the total value excluding VAT of income received from revenue contracts as per International Financial Reporting Standard (IFRS) 15 and other operating income. Revenue from contracts includes income from SEPA specific and UK wide charging schemes, application fees, and annual subsistence charges. We also earned income to recover the costs of specific services provided to other organisations. This income has been further split between statutory and non-statutory income.

Statutory income is defined as income which we receive in our regulatory role and for which the basis for charging is defined within statute. Non-statutory income covers a range of income primarily for the recharge of staff time and shared facilities, in addition to services provided to other organisations. We recognise income on delivery of performance obligations as per IFRS 15. Other operating income relates primarily to grant income which we recognise in line with International Accounting Standards (IAS) 20.

IAS 1 requires line items for income to be grouped into:

- a) Will not be reclassified subsequently to profit or loss.
- b) Will be reclassified subsequently to profit or loss when specific conditions are met.

All of our income falls under b) above.

Expenditure

Expenditure incurred on day-to-day operational activities is accounted for or charged into the statement of comprehensive net expenditure in the year that the work has been done. Staff costs are accounted for in the year that salaries are earned together with the employers' costs. Other expenditure is charged or accrued into the year the services or goods were used. As part of the year end accounts process, a detailed accrual exercise is conducted to ensure expenditure is matched with income appropriately. Expenditure that relates to future accounting periods of more than £5,000 is prepaid and will be matched to income earned in future periods. All expenditure that related to services or goods received by 31 March 2024 has been accrued.

Pension costs

We participate in the Local Government Superannuation Scheme which is a defined benefit scheme. The expected cost of providing staff pensions is recognised on a systematic basis over the expected average remaining lives of members of the pension fund in accordance with IAS 19 and recognises retirement benefits as the benefits that are earned and not when they are due to be paid. The actuary reviews the scheme on a triennial basis and we have always implemented the contributions recommended ([see notes 17 on page 121 and 18 on page 128](#)). The contribution charges are recognised in the accounting years in which they arise.

We provide in full for the cost of meeting pensions up to normal retirement age in respect of staff taking early retirement programmes and voluntary severances in the current and previous years. Most pensions payable after normal retirement age are met by the pension scheme, although there are some pension liabilities inherited from predecessor bodies that are met directly by us – these are reflected in the unfunded pension liabilities ([see note 14 on page 117](#)).

Research and development expenditure

Research and development expenditure is written off to the statement of comprehensive net expenditure as it is incurred. This pertains to specific commissioning of one-off research projects.

Financial instruments

Our financial instruments comprise trade and other receivables, trade and other payables and cash and liquid resources ([see note 13 on page 116](#)). Trade receivables are initially recognised at transaction price, which is assumed to be their fair value. Robust annual reviews are undertaken of all outstanding debtors to determine the likelihood of payment. If it is assessed/known that a debt will not be paid it is written off to the statement of comprehensive net expenditure. Subsequent recoveries of amounts previously written off are taken to the statement of comprehensive net expenditure.

Trade payables are held at cost, which is considered to represent fair value. Any cash is held in accounts with highly rated banks. There is no significant liquidity or credit risk exposure due to the credit controls in place.

Foreign exchange

Transactions that are denominated in a foreign currency are translated into Sterling using the exchange rate applied by the bank when making payment.

Notional costs

Financial Reporting Manual (FReM) has removed the need to calculate and account for cost of capital, in the form of interest on capital, from 1 April 2010. Notional costs of capital are included in the costs recovered under the charging schemes, to reflect the cost of using government funded assets to deliver services. The charge was calculated at 3.5% of the average carrying amount of all assets, including assets in course of construction less trading liabilities, apportioned between charging scheme and non-charging scheme activities.

Review of accounting policies

We have reviewed all our accounting policies to ensure their continued relevance.

Civil penalties

Through its enforcement of certain breaches of legislation, we receive payment of penalties, for example, where fixed or

monetary penalties are imposed under the Environmental Regulation (Enforcement Measures) (Scotland) Order 2015 or where civil penalties are served under the various climate change regimes, such as The Greenhouse Gas Emissions Trading Scheme Order 2020. In such cases, we are required to pass the funds received to Scottish Ministers and the funds are then put to the Scottish Consolidated Fund. As at 31 March 2024, there was an outstanding balance of £14.3m in our current assets and liabilities. However, as we are acting as an agent on behalf of Scottish Ministers these balances are not reflected in the accounts.

Judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgements that have a risk of adjustment to the carrying amount of assets and liabilities within the financial statements within the next financial year are:

- Provisions have been made where it has been determined that a financial liability of uncertain timing or amount exists ([see note 14 on page 117](#)).
- Pensions – estimation of the net pension liability or asset is based on several complex judgements including the discount rate, salary increase rate, retirement ages, mortality rates, and expected returns on pension fund assets, following work carried out by our actuaries. Further

estimates considered the extent to which the International Accounting Standards (IAS 19) and International Financial Reporting Interpretations Committee (IFRIC 14) asset ceiling limits on defined benefit schemes apply.

- IAS 19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, the asset ceiling has been calculated based on the assumption that an economic benefit is available to the employer through a reduction in future contributions; the actuaries have calculated the value of the economic benefit and therefore the asset ceiling to £21.5m. [Note 17 on page 121](#) provides more detail on the movement in the net pension position.
- Estimated cost of decommissioning ([note 9 on page 109](#) and [note 14 on page 117](#)) – the property decommissioning provision is the potential cost of reinstating leased properties to their original floorplan. An estimate of the costs for two of our larger buildings was provided by Avison Young at 31 March 2024. As at March 2024, provision was also made for buildings we intend to exit in the year 2024–2025.

Future changes in accounting standards

We disclose accounting standards not yet applied and assess the possible impact that initial application would have on the financial statements. There are no new standards not yet effective that will have an impact on our accounts.

Subsequent events

There are no events which have occurred since the statement of financial position at 31 March 2024 was prepared that require disclosure.

Note 2: Income from contracts

Table 25: Income from contracts

	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Statutory income		
Charging Scheme fees & charges	48,871	44,512
Scottish Landfill Tax	384	450
Scottish Landfill Communities Fund	176	167
Supporting enforcement undertakings	19	22
Non-statutory income		
Provision of services	888	927
	<u>50,338</u>	<u>46,078</u>

Note 3: Other income

Table 26: Other income

	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Grants	905	3,339
Other	147	170
	<u>1,052</u>	<u>3,509</u>



Note 4: Information regarding employees and Board members

Table 27: Staff costs during the year to March 2024

	Permanently employed staff £'000	Others £'000	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Staff costs				
Wages and salaries	49,458	1,173	50,631	47,844
Social security costs	5,096	121	5,217	5,217
Apprenticeship levy	225	5	230	224
Pension costs	11,409	271	11,680	9,735
Subtotal of payroll costs	66,188	1,570	67,758	63,020
Other staff related costs (principally recruitment fees, staff subsistence, training costs and hiring agency and temporary staff)	0	0	1,061	850
IAS 19 pension charge (note 18)	0	0	137	13,765
Life assurance provision (note 14)	0	0	206	78
Unfunded IAS 19 pension charge (note 14)	0	0	55	(82)
			<u>69,217</u>	<u>77,631</u>

More information on our staff can be found in the remuneration and staff report.

Note 5: Other operating charges**Table 28: Other operating charges**

	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Operating charges categorised		
Supplies and services	16,824	14,451
Property costs	3,857	4,050
Transport costs	1,327	1,015
Research and development costs	24	40
Property and vehicle leases	479	399
External auditor's remuneration	77	73
	<u>22,588</u>	<u>20,028</u>

Note 6: Interest receivable and similar income**Table 29: Interest receivable and similar income**

	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Bank interest received	202	45
International Accounting Standards (IAS) 19 net return on pension scheme assets and liabilities (note 18)	75	0
	<u>277</u>	<u>45</u>

Note 7: Interest payable**Table 30: Interest payable**

	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
International Accounting Standards (IAS) 19 net return on pension scheme assets and liabilities (note 18)	0	3,449
Interest on leases	85	90
	<u>85</u>	<u>3,539</u>

Note 8: Taxation

We are not liable to corporation tax for 2023-2024 (nil for 2022-2023).

Note 9: Non-current assets to March 2024

Table 31: Property, plant and equipment (PPE)

Year to 31 March 2024	Land £'000	Buildings £'000	Leasehold buildings £'000	Gauging stations £'000	Plant & machinery £'000	Vessel £'000	Computer equipment £'000	Motor vehicles £'000	Fixtures & fittings £'000	Total PPE £'000
Cost or valuation										
1 April 2023	823	3,680	10,906	35,647	13,057	735	5,261	653	246	71,008
Purchases	0	718	124	563	834	125	302	158	0	2,824
Recategorisation	0	67	0	0	0	0	0	0	0	67
Brought into operational use	0	0	0	0	0	0	118	0	0	118
Decommission provision	0	0	617	0	0	0	0	0	0	617
Disposals	0	0	(417)	(115)	(532)	0	0	(26)	0	(1,090)
Revaluations	(115)	(315)	0	(826)	0	0	0	0	0	(1,256)
At 31 March 2024	708	4,150	11,230	35,269	13,359	860	5,681	785	246	72,288
Depreciation										
1 April 2023	0	0	5,051	16,829	8,410	122	2,263	439	218	33,332
Charge for year	0	315	767	1,165	791	64	702	36	12	3,852
Disposals	0	0	(416)	(35)	(525)	0	0	(26)	0	(1,002)
Revaluations	0	(315)	0	(403)	0	0	0	0	0	(718)
At 31 March 2024	0	0	5,402	17,556	8,676	186	2,965	449	230	35,464
Net book value at 31 March 2024	708	4,150	5,828	17,713	4,683	674	2,716	336	16	36,824
Net book value at 31 March 2023	823	3,680	5,855	18,818	4,647	613	2,998	214	28	37,676

Note 9: Non-current assets to March 2024 continued**Table 32: Right of use assets**

Year to 31 March 2024	Right of use buildings £'000	Right of use vehicles £'000	Total right of use assets £'000
Cost or valuation			
1 April 2023	5,286	0	5,286
Purchases	394	235	629
Disposals	(240)	0	(240)
Revaluations	(105)	0	(105)
At 31 March 2024	5,335	235	5,570
Depreciation			
1 April 2023	0	0	0
Charge for year	1,005	17	1,022
Disposals	(79)	0	(79)
Revaluations	(926)	0	(926)
At 31 March 2024	<u>0</u>	<u>17</u>	<u>17</u>
Net book value at 31 March 2024	<u>5,335</u>	<u>218</u>	<u>5,553</u>
Net book value at 31 March 2023	<u>5,286</u>	<u>0</u>	<u>5,286</u>

Note 9: Non-current assets to March 2024 continued**Table 33: Intangible assets**

Year to 31 March 2023	Software developed in-house £'000	Purchased software £'000	Total intangible assets £'000	Assets under construction £'000
Cost or valuation				
1 April 2023	1,955	5,261	7,216	1,167
Purchases	0	403	403	1,826
Recategorised	0	0	0	(68)
Brought into operational use	0	0	0	(118)
Disposals	0	0	0	0
At 31 March 2024	1,955	5,664	7,619	2,807
Depreciation				
1 April 2023	1,023	3,803	4,826	0
Charge for year	182	209	391	0
Disposals	0	0	0	0
At 31 March 2024	<u>1,205</u>	<u>4,012</u>	<u>5,217</u>	<u>0</u>
Net book value at 31 March 2024	<u>750</u>	<u>1,652</u>	<u>2,402</u>	<u>2,807</u>
Net book value at 31 March 2023	<u>932</u>	<u>1,458</u>	<u>2,390</u>	<u>1,167</u>

Note 9: Non-current assets to March 2023**Table 34: Property, plant and equipment (PPE)**

Year to 31 March 2023	Land £'000	Buildings £'000	Leasehold buildings £'000	Gauging stations £'000	Plant & machinery £'000	Vessel £'000	Computer equipment £'000	Motor vehicles £'000	Fixtures & fittings £'000	Total PPE £'000
Cost or valuation										
1 April 2022	847	3,970	10,614	24,575	13,326	735	4,526	752	270	59,615
Recategorisation	0	0	0	376	(376)	0	0	0	0	0
Purchases	0	14	6	487	1,135	0	1,525	0	0	3,167
Decommission provision	0	0	286	0	0	0	0	0	0	286
Disposals	0	0	0	(838)	(1,028)	0	(790)	(99)	(24)	(2,799)
Revaluations	(24)	(304)	0	11,047	0	0	0	0	0	10,719
At 31 March 2023	823	3,680	10,906	35,647	13,057	735	5,261	653	246	71,008
Depreciation										
1 April 2022	0	0	4,291	3,320	8,762	61	2,267	497	205	19,403
Recategorisation	0	0	0	146	(146)	0	0	0	0	0
Charge for year	0	257	760	868	784	61	595	41	13	3,379
Disposals	0	0	0	(183)	(990)	0	(599)	(99)	0	(1,871)
Revaluations	0	(257)	0	12,678	0	0	0	0	0	12,421
At 31 March 2023	0	0	5,051	16,829	8,410	122	2,263	439	218	33,332
Net book value at 31 March 2023	823	3,680	5,855	18,818	4,647	613	2,998	214	28	37,676
Net book value at 31 March 2022	847	3,970	6,323	21,255	4,564	674	2,259	255	65	40,212

Note 9: Non-current assets to March 2023 continued

Table 35: Right of use assets

Year to 31 March 2023	Right of use assets £'000
Cost or valuation	
1 April 2022	0
Purchases	0
Brought into operational use	10,470
Decommission provision	0
Disposals	0
Revaluations	(5,184)
At 31 March 2023	5,286
Depreciation	
1 April 2022	0
Charge for year	1,649
Disposals	0
Revaluations	(1,649)
At 31 March 2023	0
Net book value at 31 March 2023	<u>5,286</u>
Net book value at 31 March 2022	<u>0</u>

Note 9: Non-current assets to March 2023 continued

Table 36: Intangible assets

Year to 31 March 2023	Software developed in-house £'000	Purchased software £'000	Total intangible assets £'000	Assets under construction £'000
Cost or valuation				
1 April 2022	1,077	4,891	5,968	1,304
Purchases	0	489	489	741
Brought into operational use	878	0	878	(878)
Decommission provision	0	0	0	0
Disposals	0	(119)	(119)	0
Revaluations	0	0	0	0
At 31 March 2023	1,955	5,261	7,216	1,167
Depreciation				
1 April 2022	987	3,682	4,669	0
Charge for year	36	176	212	0
Disposals	0	(55)	(55)	0
Revaluations	0	0	0	0
At 31 March 2023	<u>1,023</u>	<u>3,803</u>	<u>4,826</u>	<u>0</u>
Net book value at 31 March 2023	<u>932</u>	<u>1,458</u>	<u>2,390</u>	<u>1,167</u>
Net book value at 31 March 2022	<u>90</u>	<u>1,209</u>	<u>1,299</u>	<u>1,304</u>

The charge in the statement of comprehensive net expenditure includes depreciation charged for the year and the net book value of disposals of £5.3m. The total carrying value of property, plant and equipment as at 31 March 2024 was £42.4m. Intangible assets were £2.4m and assets under construction £2.8m.

The land and building's category includes properties whose current value (market value equivalent) was provided by Avison Young at £4.9m on 31 March 2024 (£4.5m at 31 March 2023). The right to use value of leased properties, based on the discounted market rent as at 31 March 2024 was provided by Avison Young at £5.3m (£5.3m at 31 March 2023).

Gauging stations were valued as at 31 March 2024 at £17.7m (£18.9m as at 31 March 2023). Gauging stations are specialised assets, they were fully valued by Cushman and Wakefield at 31 March 2023 using the depreciated replacement cost approach set out in the Royal Institution of Chartered Surveyors (RICS) *Red Book*²². As at 31st March 2024, the value of the gauging stations was indexed in line with the costs of construction works, this resulted in a £0.4m reduction in value.

The revaluation movements of £0.283m have been offset by the movements on revaluation reserve held in taxpayers' equity of £0.003m and the comprehensive net expenditure of £0.28m.

A full valuation of the estimated costs of leasehold buildings decommissioning costs, which is the estimated increase in cost of returning the internal layout to the original form, was provided by Avison Young as at 31 March 2024 at £4.2m; an increase of £0.6m. The revaluation movement of £0.6m was due to an increase in the decommissioning provision.

The vessel (Sir John Murray) is checked for impairment on an annual basis and it is valued by Century Marine. The valuation provided by Century Marine as at March 2024 was £0.63m. As this is less than 10% change from the carrying value of £0.67m, we have not revalued the asset.

Depreciated historic cost has been used as a proxy for the current value of fixtures and fittings, motor vehicles, plant and machinery, computer equipment, and software. All the assets in these categories have: (a) low values and short useful economic lives, which realistically reflect the life of the asset; and (b) a depreciation or amortisation charge, which provides a realistic reflection of consumption. Intangible non-current assets are all purchased software and in house developed software with a life of more than one year and a cost of more than £10,000 including VAT.

Note 22: 'Red Book' Valuations are those that meet the criteria set out by the Royal Institution of Chartered Surveyors (RICS). It sets out the mandatory rules and standard guidelines for RICS Registered valuers to follow when they are undertaking valuations.

Note 10: Cash and cash equivalents**Table 37: Cash and cash equivalents**

	At 31 March 2024 £'000	At 31 March 2023 £'000
Balance at 1 April	829	2,146
Net change in cash and cash equivalent balances	70	(1,317)
Balance at year end	899	829
The following balances were held in:		
Government banking services	870	810
Commercial banks and cash in hand	29	19
Balance at year end	<u>899</u>	<u>829</u>

Note 11: Trade and other receivables**Table 38: Trade and other receivables**

	At 31 March 2024 £'000	At 31 March 2023 £'000
Amounts falling due within one year		
Trade receivables	2,198	2,782
Less expected credit loss	(813)	(979)
Net trade receivables	1,385	1,803
Other trade receivables	26	30
Prepayments and accrued income	2,553	1,973
	<u>3,964</u>	<u>3,806</u>
Amounts falling due within one year		
Prepayments and accrued income	<u>225</u>	<u>0</u>
Total trade and other receivables	<u>4,189</u>	<u>3,806</u>

Included in the outstanding balances are £223k outstanding from other central government bodies, £8k from local authorities and £2k from NHS bodies. In year we recovered £0.2m of previously impaired debt. As at March 2024 the bad debt impairment balance included a provision for expected credit losses of £0.5m.

Note 12: Trade and other payables

Table 39: Trade and other payables

	At 31 March 2024 £'000	At 31 March 2023 £'000
Amounts falling due within one year		
Trade payables	(981)	(2,401)
Other taxes and social security	(2,743)	(2,251)
VAT	(84)	(131)
Accruals and deferred income	(7,398)	(5,286)
Total	<u>(11,206)</u>	<u>(10,069)</u>

Included in the outstanding balances are £1,292k payable to local authorities and £182k to other central government bodies.

Note 13: Financial instruments

Our resource requirements are met from Scottish Government via the annual grant in aid provision and from other income generated from charging schemes and other activities. We have no power to borrow funds and all surplus funds are held in interest bearing deposit accounts. Other than financial assets and liabilities which are generated by day-to-day operational activities, we hold no financial instruments. The financial instruments shown below exclude any statutory amounts imposed by government (e.g. taxes) or where there is no entitlement to cash (e.g. prepayments and deferred income).

Table 40: Financial instruments

Year to 31 March 2024	Floating interest rate (linked to base rate) £'000	Non- interest bearing £'000	Total £'000
Trade and other receivables	0	3,513	3,513
Cash at bank and in hand	899	0	899
Total financial assets	<u>899</u>	<u>3,513</u>	<u>4,412</u>
Trade and other payables	0	(10,315)	(10,315)
Total financial liabilities	0	<u>(10,315)</u>	<u>(10,315)</u>

Note 14: Provision for liabilities and charges to March 2024**Table 41: Provision for liabilities and charges to March 2024**

Year to 31 March 2024	Unfunded pension liabilities £'000	Provision for leased property decommissioning £'000	Life assurance provision £'000	Total provision for liabilities and charges £'000
Balance at 1 April 2023	1,503	3,967	410	5,880
Actuarial valuation changes	55	0	206	261
Decommissioning revaluation	0	439	0	439
New	0	58	0	58
Utilised in year	(156)	(218)	(28)	(402)
At 31 March 2024	1,402	4,246	588	6,236
Liabilities due greater than 1 year	1,246	4,189	588	6,023
Liabilities due less than 1 year	156	57	0	213
At 31 March 2024	<u>1,402</u>	<u>4,246</u>	<u>588</u>	<u>6,236</u>

Note 14: Provision for liabilities and charges to March 2023 continued**Table 42: Provision for liabilities and charges to March 2023**

Year to 31 March 2023	Unfunded pension liabilities £'000	Provision for leased property decommissioning £'000	Life assurance provision £'000	Total provision for liabilities and charges £'000
Balance at 1 April 2022	1,731	3,286	417	5,434
Actuarial valuation changes	(82)	0	78	(4)
Decommissioning revaluation	0	286	0	286
New	0	395	0	395
Utilised in year	(146)	0	(85)	(231)
At 31 March 2023	1,503	3,967	410	5,880
Liabilities due greater than 1 year	1,343	3,572	410	5,325
Liabilities due less than 1 year	160	395	0	555
At 31 March 2023	<u>1,503</u>	<u>3,967</u>	<u>410</u>	<u>5,880</u>

The unfunded pension liabilities represent liabilities in respect of pension commitments inherited by us from predecessor bodies and a former SEPA Chair. These liabilities are mainly payable to other authorities for the costs of former employee pensions and include one direct payment to a pensioner. There is also a provision

at 31 March 2024 for the life assurance liability. Hymans Robertson have estimated our liability to pay death in service benefits on all staff in post at the end of the year. The property decommissioning provision is the potential cost of reinstating leased properties to their original floorplan.

Note 15: Financial commitments

There are capital commitments at 31 March 2024 of £0.8m (2022–2023: £0.9m). The commitments at 31 March 2024 relate to the national pluvial flood hazard mapping projects and scientific equipment.

Table 43: Financial commitments

	At 31 March 2024 £'000	At 31 March 2023 £'000
Assets under construction	803	893
	<u>803</u>	<u>893</u>

Note 16: Leases

Right of use assets

At transition to International Financial Reporting Standards (IFRS) 16 on 1 April 2022, we recognised qualifying leases as right of use assets. In line with the requirements of the standard, the assets were initially measured at cost which equated to the discounted value of

future lease payments less incentives. In line with the policy applied to our own buildings, Avison Young (Royal Institute of Chartered Surveyors), were asked to provide a right of use valuation as at 31 March 2024 based on market rental.

Table 44: Right of use assets

	Property at 31 March 2024 £'000	Vehicles at 31 March 2024 £'000	Total at 31 March 2024 £'000
At 31 March 2023	5,286	0	5,286
Additions in year	394	235	629
Disposals in year	(240)	0	(240)
Revaluation 31 March 2024	(105)	0	(105)
At 31 March 2024	5,335	235	5,570
Depreciation			
At 31 March 2023	0	0	0
Charge for the year	(1,005)	(17)	(1,022)
Disposal	79	0	79
Revaluation write back	926	0	926
At 31 March 2024	0	(17)	(17)
Net book value 31 March 2024	<u>5,335</u>	<u>218</u>	<u>5,553</u>

Obligation under leases

On transition to IFRS 16, lease liabilities were measured at the discounted cost of the remaining lease payments at 1 April 2022. The discount rates applied to revaluations and new leases was 3.51% in line with treasury guidance.

Table 45: Obligation under leases

	Property at 31 March 2024 £'000	Vehicles at 31 March 2024 £'000	Total at 31 March 2024 £'000
As at 31 March 2023	8,928	0	8,928
Additions	377	172	549
Disposals	(230)	0	(230)
Payments	(1,451)	0	(1,451)
Discount unwinding	85	0	85
At 31 March 2024	<u>7,709</u>	<u>172</u>	<u>7,881</u>
Less than 1 year	1,265	56	1,321
1 to 5 years	4,424	116	4,540
Greater than 5 years	2,020	0	2,020
	<u>7,709</u>	<u>172</u>	<u>7,881</u>



Note 17: IAS 19 – Pension asset and liabilities

In accordance with International Accounting Standard 19 (IAS 19) Employee Benefits, we are required to account for the net pension position for the financial year ended 31 March 2024, as valued by Hymans Robertson, the actuaries to the Falkirk Council Pension Fund. The actuary uses several factors to estimate our net position, these include discount rates, salary increases, mortality, retirement age, and expected returns on pension fund assets. The key assumptions used by the actuary include:

Table 46: Financial assumptions

	31 March 2024 (% per annum)	31 March 2023 (% per annum)
Pension increases	2.75	2.95
Salary increases	3.25	3.55
Discount rate	4.85	4.75

Table 47: Demographic assumptions

The average future life expectancies at age 65 are summarised below.

Current or future pensioners	Average life expectancy Males	Average life expectancy Females
Current pensioners	21.6 years	23.6 years
Future pensioners	22.4 years	25.3 years

Table 48: Data – employer membership statistics at most recent funding valuation at 31 March 2023

Membership status	Number at 31 March 2023	Total salaries / pensions at 31 March 2023 £'000	Average age at 31 March 2023 £'000
Actives	1,184	46,903	52
Deferred pensioners	864	3,953	52
Pensioners	533	6,868	68

The membership data summarised in table 48 is at the most recent funding valuation date of 31 March 2023. Payroll for the period 1 April 2023 to 31 March 2024 was £50m and the return on the fund in market value terms for the period to 31 March 2024 was 8.4%.

The actuary has provided a report outlining SEPA's Local Government Pension Scheme accounting obligations under IAS 19: accounting for pensions, a summary of results is provided below.

Table 49: Summary accounting obligations under IAS 19 at 31 March 2024

Membership status	31 March 2024 £'000	31 March 2023 £'000
Assets	458,831	434,138
Obligations	387,812	357,484
Net asset/(liability)	71,019	76,654

The figures shown above are SEPA's assets and obligations before any adjustment has been applied for the effect of an asset ceiling. International Accounting Standard (IAS) 19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling.

Key changes over the period

Changes in the net position are driven by a number of factors including: the cost of benefits accruing (current service cost); interest costs over the period; employers cash contributions; changes in financial and demographic assumptions and other experience. Other experience items capture any adjustments made to the roll forward approach to allow for actual experience over the period.

The significant changes in the valuation are detailed below.

Obligations – total loss on balance sheet £9m

Change in financial assumptions (£26m gain on the balance sheet)

- Pension increase rate – market derived consumer price index (CPI) inflation has fallen over the period, which has led to a 0.20% reduction in this assumption. This has served to decrease the employer's obligations and led to a gain of around £16.5m on the balance sheet.
- Salary increase rate – the salary increase assumption has fallen over the period by 0.30%. This has served to decrease the employers' obligations and led to a gain of around £1.7m on the balance sheet.
- Discount rate – the corporate bond yield (upon which the discount rate is derived) has risen over the period, which has led to a 0.10% increase in this assumption. This has served to reduce the employer's obligations and led to a gain of around £8m on the balance sheet.

Changes in demographic assumptions (circa. £7m gain on the balance sheet)

- The demographic assumptions have changed from the previous accounting period to reflect the latest available longevity information and the results of the 2023 funding valuation exercises. This has reduced the employers' obligations and led to a gain on the balance sheet.

Other experience (circa. £42m loss on the balance sheet)

- Pension increase order – the actual increase pension order for April 2024 was 6.7%. This was significantly higher than the pension increase rate assumption built into the obligations at the start of the accounting period. This increases pensions in payment, deferred pensions and career average pensions pots leading to an increase in employers' obligations and a loss of £10.6m on the balance sheet.
- The remainder of the other experience is in relation to the funding valuation remeasurement. Formal actuarial valuations are carried out every 3 years where each employers' assets and liabilities are calculated on a detailed basis using individual membership data and actual employer level cashflow data for cash contribution setting purposes. The 31 March 2023 funding valuation for Scottish Local Government Pension Scheme (LGPS) funds were completed by 31 March 2024. The accounting balance sheet position is therefore based on a new roll forward from the 2023 funding valuation. This step change can lead to sizeable assets and obligations remeasurement experience items in the reconciliation of balance sheet movements from 31 March 2023 to 31 March 2024.

Assets total gain on the balance sheet £0.09m

- Return on assets (circa. £16m loss on the balance sheet) – the total investment return achieved by the fund over the accounting period was 8.4% compared to an expected investment return of 4.75%. This led to a gain on the balance sheet.
- Other experience (circa. £16m gain on the balance sheet) – as set out above, under obligations the first accounting report following a funding valuation step change also occurs on the asset side as up to 3 years of actual experience rather than estimated experience flows through the accounts.

Impact of asset ceiling

The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, the asset ceiling has been calculated based on the assumption that an economic benefit is available to the employer through a reduction in future contributions; this equals the present value of future service costs less the present value of future service contributions. On this basis the actuaries have calculated the value of the economic benefit to be £21.5m (prior year £1.5m).

As this is less than the net asset position of £71m at March 2024, an asset ceiling adjustment of £49.5m has been applied. Subsequently an adjustment to the defined benefit plan asset has been made in accordance with IAS 19 and IFRIC 14.

Table 50: Summary of accounting obligations under IAS 19 at 31 March 2024 including asset ceiling

Membership status	31 March 2024 £'000	31 March 2023 £'000
Assets	458,831	434,138
Obligations	387,812	357,484
Asset ceiling	(49,492)	(75,153)
Net asset/(liability)	21,527	1,501

A detailed breakdown of the movement in assets and liabilities is provided in the tables below.



Table 51: Movement in the funded part of the net position for the year to 31 March 2024

	Assets £'000	Obligations £'000	Impact of asset ceiling adjustment £'000	Net (liability) / asset £'000
Pensions deficit				
Fair value of employer assets	434,138	0	0	434,138
Present value of funded liabilities	0	357,484	0	(357,484)
Net asset restriction applied	0	0	(75,153)	(75,153)
Opening position at 31 March 2023	434,138	357,484	(75,153)	1,501
Service cost				
Current service cost ²³	0	10,399	0	(10,399)
Past service cost	0	0	0	0
Total service cost	0	10,399	0	(10,399)
Net interest				
Interest income on plan assets	20,759	0	0	20,759
Interest cost on defined benefit obligation	0	17,114	0	(17,114)
Interest on the effect of the asset ceiling	0	0	(3,570)	(3,570)
Total net interest	20,759	17,114	(3,570)	75
Total defined benefit cost recognised in profit or (loss)	20,759	27,513	(3,570)	(10,324)
Cash flows				
Plan participants' contributions	3,346	3,346	0	0
Employer contributions	10,262	0	0	10,262
Benefits paid	(9,586)	(9,586)	0	0
Expected closing position	458,919	378,757	(78,723)	1,439
Re-measurements				
Change in demographic assumptions	0	(26,213)	0	26,213
Change in financial assumptions	0	(6,975)	0	6,975
Other experience	(15,754)	42,243	0	(57,997)
Return on assets excluding amounts included in net interest	15,666	0	0	15,666
Changes in the effect of the asset ceiling	0	0	29,231	29,231
Total re-measurements recognised in other comprehensive income	(88)	9,055	29,231	20,088
Fair value of employer assets	458,831	0	0	458,831
Present value of funded liabilities	0	387,812	0	(387,812)
Net asset restriction applied	0	0	(49,492)	(49,492)
Expected closing position	458,831	387,812	(49,492)	21,527

Note 23: The current service cost includes an allowance for administrative expenses of 0.3% of payroll.

Table 52: Change in fair value of SEPA's pension plan assets, defined benefit obligations and net liability for the year ended 31 March 2023

	Assets £'000	Obligations £'000	IFRIC 14 adjustment £'000	Net (liability) / asset £'000
Pensions deficit				
Fair value of employer assets	424,695	0	0	424,695
Present value of funded liabilities	0	545,662	0	(545,662)
Opening position at 31 March	424,695	545,662	0	(120,967)
Service cost				
Current service cost ²⁴	0	23,098	0	(23,098)
Past service cost	0	494	0	(494)
Total service cost	0	23,592	0	(23,592)
Net interest				
Interest income on plan assets	11,535	0	0	11,535
Interest cost on defined benefit obligation	0	14,984	0	(14,984)
Total net interest	11,535	14,984	0	(3,449)
Total defined benefit cost recognised in profit or (loss)	11,535	38,576	0	(27,041)
Cash flows				
Plan participants' contributions	3,278	3,278	0	0
Employer contributions	9,827	0	0	9,827
Benefits paid	(7,400)	(7,400)	0	0
Expected closing position	441,935	580,116	0	(138,181)
Re-measurements				
Change in demographic assumptions	0	(3,210)	0	3,210
Change in financial assumptions	0	(245,170)	0	245,170
Other experience	0	25,748	0	(25,748)
Return on assets excluding amounts included in net interest	(7,797)	0	0	(7,797)
Adjustment for IFRIC 14 net asset reduction	0	0	(75,153)	(75,153)
Total re-measurements recognised in other comprehensive income	(7,797)	(222,632)	(75,153)	1,501
Fair value of employer assets	434,138	0	0	434,138
Present value of funded liabilities	0	357,484	0	(357,484)
Net asset restriction applied	0	0	(75,153)	(75,153)
Expected closing position	434,138	357,484	(75,153)	1,501

Table 53: Assets – asset value at 31 March 2024 and 31 March 2023

The asset values below are at bid value as required under IAS 19. Our fair value of fund assets is approximately 14% of the total assets of the fund.

Asset category	Quoted prices in active markets at 31 March 2024 £'000	Prices not quoted in active markets at 31 March 2024 £'000	Total at 31 March 2024 £'000	%	Quoted prices in active markets at 31 March 2023 £'000	Prices not quoted in active markets at 31 March 2023 £'000	Total at 31 March 2023 £'000	%
Equity securities								
Consumer	33,779	0	33,779	7	26,510	0	26,510	6
Manufacturing	37,280	0	37,280	8	23,252	0	23,252	6
Energy and utilities	18,738	0	18,738	4	15,120	0	15,120	3
Financial institutions	33,717	0	33,717	7	31,576	0	31,576	8
Health and care	19,343	0	19,343	4	14,207	0	14,207	3
Information technology	30,800	0	30,800	7	35,179	0	35,179	8
Other	3,616	0	3,616	1	4,242	0	4,242	1
Debt securities								
UK government	48,473	0	48,473	11	17,772	0	17,772	4
Other	6,099	0	6,099	1	8,100	0	8,100	2
Private equity								
All	0	4,191	4,191	1	0	5,230	5,230	1
Real estate								
UK property	0	25,163	25,163	5	0	26,890	26,890	6
Overseas property	0	2	2	0	0	36	36	0
Investment funds and unit trusts								
Equities	85,343	0	85,343	19	112,085	0	112,085	26
Bonds	20,873	0	20,873	5	23,072	0	23,072	5
Infrastructure	0	68,002	68,002	15	0	47,210	47,210	11
Other	0	10,603	10,603	2	16,821	8,944	25,765	6
Cash and cash equivalents								
All	12,809	0	12,809	3	17,892	0	17,892	4
Totals	<u>350,870</u>	<u>107,961</u>	<u>458,831</u>	<u>100</u>	<u>345,828</u>	<u>88,310</u>	<u>434,138</u>	<u>100</u>

Sensitivities

By the nature of assumptions or judgements, any change will have an impact on the value of the asset or liability reported in the annual accounts. The most significant financial impact arises from changes to assumptions used to calculate the pension deficit. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below.

Table 54: Principal assumptions used to measure the Local Government Pension Scheme liabilities

Change in assumption at 31 March 2024	Approximate % increase in employers' liability	Approximate monetary amount £'000
0.1% decrease in real discount rate	2%	8,214
0.1% increase in salary increase rate	0%	589
0.1% increase in pension increase rate	2%	7,771
1 year increase in member life expectancy	4%	15,512

Note 18: IAS 19—details of entries in the statement of comprehensive net expenditure

International Accounting Standard (IAS) 19 requires us to analyse and disclose the amounts included within the statement of comprehensive net expenditure. These are detailed below. Hymans Robertson have estimated our employer's contributions for the period to 31 March 2024 at approximately £10.3m.

Table 55: Statement of comprehensive net expenditure

	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Charge to operating costs		
Current service cost	10,399	23,098
Past service cost	0	494
Total service cost	10,399	23,592
Employer contribution	(10,262)	(9,827)
Added to staff costs (see note 4)	137	13,765
Projected return on employers' assets	(17,114)	(14,984)
Actual return on employer assets	17,189	11,535
Interest payable (note 7)	<u>75</u>	<u>(3,449)</u>

Note 19: Grant in aid funding (GiA)

Table 56: Grant in aid funding (GiA)

	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Cash GiA received to meet expenditure	46,210	34,927

The amount of GiA provided to us is initially agreed by Ministers, as part of the Scottish budget process. This figure is then subject to adjustments as agreed with the sponsor division (Scottish Government Directorate for Environment and Forestry). *Government Financial Reporting Manual* instructs that GiA goes directly to the comprehensive net expenditure reserve in the statement of financial position, as financing.

Table 57: Reconciliation of budgeted cash allocation

	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Budgeted cash allocation (capital)	6,200	4,400
Budgeted cash allocation (operating costs)	40,248	35,310
Total cash that could be drawn down in year	46,448	39,710
Cash drawn down in year	(46,210)	(34,927)
Cash remaining with Scottish Government	<u>238</u>	<u>4,783</u>

Note 20: Related party transactions

We are a non-departmental public body sponsored by the Scottish Government Directorate for Environment and Forestry. The Scottish Government is regarded as a related party. During the year, we have had various material transactions mainly in relation to the drawdown of grant in aid and grant funding to support the Water Environment Fund.

Table 58: Related party transactions

Funding received from Scottish Government	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Cash GiA received	46,210	34,927
Water Environment Fund	0	2,753
Air quality work worthy cause payments	0	129
Total	<u>46,210</u>	<u>37,809</u>

We also have material transactions with other entities for which the Scottish Government is regarded as a parent body; these transactions are mainly in relation to income received for applications and licences, charges for the provision of services, leased properties and partnership contributions. The most significant transactions include grants for river restoration projects of £0.85m to Fife Council for the Back Burn, £0.65m to East Renfrewshire Council for the Capelrig/Auldhouse and £0.4m to West Lothian Council for Bathgate Meadow Nature Park. We also received £14m in charging income from Scottish Water.

During the year, apart from their service contracts, no Board member or key manager have undertaken any material transactions with us. [Board member register of interests](#) are published on our website. Details of those we have determined to be a related party are listed in table 59 along with the registerable interest declared. We have reviewed financial transactions undertaken between SEPA and the related party, there were no material transactions. The majority related to payments received for annual subsistence fees in relation to environmental permits.

Table 59: Board member related parties

Board member	Registerable interest	Organisation or company
L McMillan	Close family member	AECOM Limited
L Tennant	Close family member	Bairds Malt Limited
D Hunter	Remuneration	Beam Suntory UK Ltd
C Evans	Remuneration	Food Standards Scotland
C Evans	Remuneration	Audit Scotland
M Hill ²⁵	Remuneration	NHS Lanarkshire
N Paterson	Close family member	Scottish Canals
S Paterson	Remuneration	Scottish Enterprise
L MacDonald	Remuneration	Scottish Social Services Council

Note 25: SEPA Board member term of office ended on 31 December 2023



Note 21: Segmental analysis for 2023–2024

International Financial Reporting Standard (IFRS) 8 requires operating segments to be identified on the basis of internal reports about components of SEPA that are regularly reviewed in order to allocate resources to the segment and to assess its performance. We report segmental information based on the organisations' portfolios. Table 60 presents management information, produced on an IFRS basis, on income, expenditure and net operating cost as at 31 March 2024.

Table 60: Segmental analysis²⁶

	Evidence & Flooding £'000	Chief Executive Office £'000	Governance £'000	People & Property £'000	Finance, Modernisation & Digital £'000	Compliance £'000	Circular Economy £'000	Corporate £'000	Total £'000
Charging schemes	0	0	0	0	0	0	0	48,872	48,872
Other income	0	0	0	0	0	0	0	2,720	2,720
Total income	0	0	0	0	0	0	0	51,592	51,592
Staff costs	22,628	237	6,909	2,596	4,342	20,012	10,620	810	68,154
Other operating costs	6,991	104	855	4,831	5,211	675	4,967	27	23,661
Depreciation and disposal of assets	0	0	0	0	0	0	0	5,258	5,258
Total expenditure	<u>29,619</u>	<u>341</u>	<u>7,764</u>	<u>7,427</u>	<u>9,553</u>	<u>20,687</u>	<u>15,587</u>	<u>6,095</u>	<u>97,073</u>
Net expenditure	<u>(29,619)</u>	<u>(341)</u>	<u>(7,764)</u>	<u>(7,427)</u>	<u>(9,553)</u>	<u>(20,687)</u>	<u>(15,587)</u>	<u>45,497</u>	<u>(45,481)</u>

Note 26: This reflects the portfolio structures as at 31 March 2024.

Appendix 1 – Accounts Direction by the Scottish Ministers

Received in the year to 31 March 2023

There were no new Accounts Directions issued by the Scottish Ministers in the year to March 2023.

SCOTTISH ENVIRONMENT PROTECTION AGENCY

ACCOUNTS DIRECTION BY THE SCOTTISH MINISTERS



Scottish Government
Riaghaltas na h-Alba
gov.scot

1. The Scottish Ministers, in pursuance of Section 45(2) of the Environment Act 1995, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2022, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the *Government Financial Reporting Manual (FRM)* which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 09 December 2005 is hereby revoked.

Signed: Alice Hall, Deputy Director, Environmental Quality and Resilience
by the authority of the Scottish Ministers

Dated: 22 August 2023



For the future of our environment

If you would like this document in accessible format, such as large print, audio recording or braille, please contact SEPA by emailing: equalities@sepa.org.uk

sepa.org.uk