



Annual report and accounts
2014-2015

SG/2015/124 Laid before the Scottish Parliament by the Cabinet Secretary for Rural Affairs, Food and Environment in pursuance of Section 46 of the Environment Act 1995.

The annual accounts are being laid before the Scottish Parliament by the Cabinet Secretary for Rural Affairs, Food and Environment in pursuance of Section 22(5) of the Public Finance and Accountability (Scotland) Act 2000.

Please send your comments about this report to
performance@sepa.org.uk

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Chairman's foreword

Welcome to SEPA's annual report for 2014-2015. This will be my last annual report as SEPA Chairman, as I stand down in December 2015 after eight years in office. SEPA is a very different organisation from the one I joined in January 2008. It is smaller, fitter, more aware of the needs of its many customers, and more focused on achieving real outcomes for the environment, for communities, and for our economy. It is also increasingly working in partnership with other public bodies, with businesses and with non-governmental organisations. None of this could have happened without the commitment, expertise and energy of my excellent colleagues on the Agency Board, of SEPA's Agency Management Team, and of staff throughout the organisation. It has been an honour and a privilege to work with them, and I would like here to express my gratitude to them all.

Eight years ago regulation was largely about compliance, but now it's about changing behaviours and working with businesses to go beyond compliance to realise the many benefits of good environmental practice, underpinned by the Regulatory Reform Act. Eight years ago environmental crime was barely on our radar, but now it is a top priority which sees us tackling serious organised criminals, working hand in hand with the Police and Crown Office through an Environmental Crime Task Force. When I joined SEPA, our data were locked away behind seemingly impenetrable systems, but today we are committed to open data, accessible alongside data from partner organisations through the pioneering Scotland's Environment web site. Back then flooding was a poorly understood threat, but today we have sophisticated monitoring and warning systems, accurate predictive maps and draft flood risk management strategies covering the whole country. Eight years ago there was no Scottish Climate Change Act, but today we have world-leading ambitions for reducing greenhouse gas emissions. There was no Reservoirs Act, but today SEPA is responsible for regulating reservoir safety. There was no Equality Act, but we now have a legal duty to eliminate unlawful discrimination, advance equality of opportunity, and foster good relationships with protected groups. And eight years ago there was no Community Empowerment Act, but today we are committed to actively involving communities in the decisions that affect them. The landscape in which SEPA operates has been transformed, and SEPA is transforming itself in response, demonstrating the leadership, innovation and commitment necessary to achieving our own objectives, and those of a successful Scotland.

We set ourselves 32 corporate performance targets for 2014-2015, and I am pleased to report that we achieved 27 of them. That performance includes responding to 6,500 reports of environmental incidents, increasing the number of Floodline subscribers, moving 55% of non-compliant licences into compliance, achieving 88% uptake of required measures to alleviate diffuse water pollution, responding to more than 73,000 calls made to our Contact Centre, determining 98.5% of licence applications on time, and responding to 97% of planning consultations on time.

Unfortunately there were five targets which we didn't achieve. Two of these were largely process failures; we were a day late with one response to a development plan consultation, and a telecoms supplier network failure affected our bathing water signs for a five day period, reducing availability to around 93% against a 95% target. Progress against the target for improving water quality was significantly affected by changes in data and classification standards, and we explained the position in relation to this target in an article in our online magazine SEPA View last October. Despite a 28% reduction in our use of gas and a marginal 0.4% increase in electricity use, carbon emissions from our buildings have actually increased by 4.4% against a 5% reduction target. The increase is, however, entirely due to changes in the carbon conversion factors we are obliged to adopt, which are set at a UK level. Had the conversion factors remained the same, our emissions would have been 4.3% lower than the previous year. We also explained the conversion factor issue, in relation to our commitment to move towards more electric heating, in a SEPA View article last October.



David Sigsworth
Chairman

It was disappointing that we missed our target to reduce the percentage of sites identified as non-compliant, against the previous year's figure. Last year's non-compliance rate was 9.9%, against a target of 8.9%, despite considerable efforts to move operators towards compliance. This target relates to failure to comply with one or more of the conditions in a permit, which can include air emission levels, waste storage volumes, levels of substances discharged to water, submission

of data to SEPA, or management conditions which can include the need to have copies of permits on site or documented training records. You can read more about our compliance performance here. We will be revising our Compliance Assessment Scheme in January 2016, to provide more timely evidence of compliance, and will continue to focus on achieving higher levels of compliance in the coming year.

Although it is disappointing to report on a number of failures against our corporate targets, I am reassured that the targets we have not met do not reflect any significant implications for the quality of our environment, which continues to improve as a result of SEPA's efforts, and heartened by the excellent performance against the 27 targets we achieved last year.

Chief Executive's foreword

Just as this is David's last SEPA Annual Report, this is my first. I took up the post of Chief Executive in April 2015, having spent two years as Chief Executive of the Northern Ireland Environment Agency. I was attracted by SEPA's very positive reputation in the UK and internationally as a modern, innovative and ambitious environment protection agency.

The role of environment protection agencies is changing. We are no longer here simply to ensure compliance with regulations, but to work with other public bodies, communities and businesses to make the most of the opportunities which top class environmental practice brings to achieve real and meaningful benefits for human health and well-being, and economic success. It's an approach which SEPA gets, and that's why I'm here.

Compliance is the first step on the ladder to environmental excellence, and we will continue to tackle both the wanton law-breaking of environmental criminals, and the failure of legitimate businesses to comply with environmental basics. We will continue to use our traditional regulatory powers and

our successful partnership programmes to drive compliance, and make full use of our new enforcement powers and new regulatory charging scheme to further change behaviours. And as we get more and more businesses into compliance, we will continue to help progressive businesses and communities to realise fully the many opportunities and benefits which arise from top class environmental performance.

We only have one planet; and we must all do what we can to live within its limits and ensure everyone can benefit from it, today and for future generations, wherever in the world they live. SEPA has a great future as one of the world's leading environment protection agencies. I am both pleased and proud to be part of it.



Terry A'Hearn
Chief Executive

About us

Our environment provides the natural resources and ecosystem services on which our society and economy depend – which is why protecting and improving our environment is absolutely essential.

SEPA's role in protecting the environment and human health is wide-ranging, and includes environmental regulation, mitigating and adapting to climate change, monitoring and reporting on the state of our environment, raising awareness of environmental issues, championing the sustainable use of resources and providing public warning systems. Scotland's environment generates wealth for Scotland¹, both directly, providing water for the whisky industry and aquaculture, growing crops and timber, and indirectly through tourism and the recreation opportunities afforded by a healthy environment.

As Scotland's principal environmental regulator, we are committed to making regulation as simple as possible, providing clear guidance and encouraging good environmental practice beyond regulation. We are a non-departmental public body, accountable to Scottish Ministers and the Scottish Parliament, and an independent advisor on the environment.

We focus our efforts on dealing with the most important environmental harms. We chair the Environmental Crime Taskforce and take determined action against law-breakers to help ensure environmental crime doesn't pay.

We take tens of thousands of samples every year from land, water and air, and analyse these in the field and in our laboratories to help assess the quality of our environment.

We continuously test new techniques for assessing the levels and source of pollution. We make publicly available our depth of knowledge of the environment and its condition in our publications, on our website, and through the [Scotland's Environment Web](#) website. We work with our partners to introduce new interactive tools to these websites to improve their accessibility for professionals and public alike, and to encourage the expansion of 'citizen science'.

We provide a range of emergency response and public warning services, including a 24-hour flood warning service and bathing water quality forecasts. We also operate the Radioactive Incident Monitoring Network and the Airborne Hazards Emergency Response service.

We cannot, however, protect and improve the environment by ourselves. We work increasingly in partnership with others in the public, private and voluntary sectors to deliver the multiple benefits which can be realised from a healthy environment, and to encourage everyone to take responsibility for protecting and improving their environment.



¹ A [recent study](#) valued the benefits provided by Scotland's environment at up to £23.5 billion per year.

Williams E (2009) Preliminary exploration of the use of ecosystem services values in a regulatory context. *Environmental and Resource Economics Project Report for the Scottish Environment Protection Agency*

What difference have we made?

Waste prevention

Better targeted incentives in Scotland for waste prevention and recycling are anticipated under the new Scottish Landfill Tax. We have assisted Revenue Scotland in setting up the new tax and in managing compliance activity and providing intelligence services to Revenue Scotland.



Landfill standards

Landfill sites have improved their environmental performance as a result of our programme of landfill audits that began in 2009, with another four audits completed in 2014–2015. Operational standards should have improved over this period and we have ensured a greater awareness of the potential to reduce greenhouse gas emissions. The audits allow best practice to be assimilated and demonstrate how operators can adjust to rising levels of recycling and falling volumes of residual waste.



Water quality

The quality of Scotland's water is improving thanks to the River Basin Management Plans that we manage. By the end of the 2009–2015 plan approximately 92 surface water bodies, representing about 1,000 km restored, had been elevated to 'good' status. Our work to develop River Basin Management Plans for the next six-year cycle will ensure this improvement continues.



Water environment

The physical condition of the water environment has been improved through the grants we have provided to local organisations through the Water Environment Fund. Benefits have included improved water quality and habitats, increased biodiversity, improved fish migration and reduced flood risk. Grants have supported projects such as the removal of weirs and invasive species. Four river projects completed this year have improved fish passage along a total of 29 km of water.



Flood risks

Scotland has a clearer picture of the local risk of flooding following further improvement in our flood maps through incorporating local knowledge of our stakeholders, allowing better planning decisions and the avoidance of unnecessary development in flood risk areas. These maps will assist local authorities and emergency responders in developing plans to tackle flooding and support a more sustainable approach to managing flooding risk by considering where natural flood management could be effective.



Flood warning

The public and local businesses are better prepared for flooding after we encouraged more people in Scotland to sign up to our Floodline direct warning service. We have added another region to our coastal flood warning service coverage and increased subscribers by 14%.



Air and water pollution

Our public warning and response systems have been effective in warning the public of the potential risk to health through polluted air or water. Air pollution was carefully monitored at two major industrial fires during the year and the threat of polluted air as a result of the volcanic eruption on Iceland was carefully reviewed. Our flood warning and forecasting systems maintained full service levels throughout the year.



Air quality

We have raised the profile of the threat to health and the environment from poor air quality. We have assisted the Scottish Government in developing the Low Emission Strategy, which will set out the strategic direction to improve air quality across Scotland. Through pilot projects and as part of a Scottish Government project we are developing a modelling and monitoring framework for local authorities to employ in carrying out their air monitoring duties. Through a citizen science project we are raising awareness of air quality issues in schools.



Environmental crime

We have reduced damage to the environment through our work to discourage environmental crime by the successful prosecution and fining of offenders and by providing support and encouragement to legitimate businesses.



Waste crime research

Our three to four year project to identify and tackle serious waste crime will further reduce environmental crime. We have completed the initial stage, a strategic report assessing the scale of serious waste crime that will be used by our partners and the Scottish Government to tackle this activity.

Diffuse pollution

Farmers and land managers have introduced a range of measures to reduce diffuse pollution as a result of a programme of farm visits from our officers over the last four or so years. Diffuse pollution remains the hardest source of water pollution to detect and treat and repeat visits have shown that 88% of farms previously identified as non-compliant have started the recommended remedial work.



Public consultations

People in Scotland have had their chance to shape the future of their environment through a number of public consultations we have released during the year, including the development of the second River Basin Management Plans for the Scotland and Solway-Tweed river basin districts and local flood risk management strategies.



Interactive web tools

People in Scotland had better access to information on the state of Scotland's environment, and environmental data, through the expansion of interactive tools available on [Scotland's Environment Web](#) website provided by us and our partners.



Our resources

In 2014–2015 we received:

£37,969,000 grant-in-aid from the Scottish Government

£36,340,000 in fees from business and industry for activities related to regulation

£680,000 grant from LIFE+²

£5,729,000 other income³

As of 31 March 2015, we had 1,296 employees, working in 23 offices across Scotland, from Lerwick in the north to Newton Stewart in the south.

Our outcomes

There are four outcomes that we are working to achieve for Scotland:

- Scotland's environment is protected and improving.
- Scotland's environment is understood and SEPA is an influential and respected authority.
- Scotland is preparing for a sustainable future and is taking steps to limit climate change.
- SEPA is a high performance organisation.

Our values

We are committed to the Environment, Engagement and Excellence.

Environment

- Understanding, protecting and improving the environment.
- Improving our own environmental performance.

Engagement

- Seeking out productive partnerships and always treating our customers with respect.
- Achieving more by working together as one SEPA.

Excellence

- Achieving high standards in our pursuit of excellence.
- Being the best by continually developing and improving.

Our strategic objectives

These are the areas we will focus on to deliver our outcomes:

- Promote compliance and enforce environmental law.
- Influence the future shape and delivery of environmental regulation.
- Monitor, understand and report on the environment.
- Act to combat climate change.
- Champion sustainable resource use.
- Demonstrate excellent environmental performance.
- Promote the benefits of a good environment.
- Develop innovative partnerships.
- Engage the public in our work.
- Find creative and flexible solutions.
- Focus on the areas where we can make the biggest impact.
- Be the best we can.

² The LIFE+ programme is the European Union's funding instrument for the environment.

³ This includes all other income such as the income we get for administering grants under river restoration and work we do for the Environment Agency.

Creating opportunities for all of Scotland to flourish

The [purpose of the Scottish Government](#) is 'to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish through increasing sustainable economic growth'.

SEPA's primary role is to protect and improve the environment. Except where inconsistent with this primary purpose, our role includes improving the health and well-being of the people of Scotland, and making an important contribution to sustainable economic growth. We contribute to this by protecting Scotland's high quality environment which is vital for industries such as fishing, farming, forestry, whisky, renewable energy, mineral extraction, tourism, shellfish and fish-farming.

To support its purpose, the Scottish Government has identified [five strategic objectives](#) and [16 national outcomes](#). We make a direct contribution to nine national outcomes, as shown in the diagram below. More information about how we contribute to the Scottish Government's purpose and the National Performance Framework can be found in the [Corporate Plan 2012-2017](#) on our website.

The Scottish Government national outcomes that our work contributes to:



Review of the year 2014-2015

The review of the year illustrates the breadth and diversity of our role. It includes activities which require careful planning, and others which demonstrate our ability to respond to opportunities and unforeseen events.



April

Inspiring a new generation of citizen scientists

Citizen science is increasingly recognised as a valuable means of collecting environmental data for agencies such as SEPA. We supported an event at Edinburgh's International Science Festival that explored the contribution citizen science can make and introduced some already well-used crowd-sourcing techniques and apps helping our understanding of the environment. Many of these can be found through [Scotland's Environment Web](#) enabling the public to get involved in such activities as discovering the impact of [air quality](#) on our natural environment or monitoring the health of rivers through the [Riverfly Partnership](#).



May

Launch of month long marine survey

Our survey vessel, the Sir John Murray, set sail to chart Scotland's seabed and monitor its underwater habitat using a multi-beam sonar system and a [new underwater camera system](#), built by our partners Marine Science Scotland and Scottish Natural Heritage. The vessel mapped parts of the sea lochs of Argyll and the waters around the Western Isles. The maps will allow us to model the state of the maritime environment and make more accurate judgements when balancing the desire to exploit Scotland's coastal resources with protection of these fragile ecosystems.



June

Regulatory Reform (Scotland) Act 2014

On 30 June a number of key provisions came into effect via secondary legislation. As well as strengthening our powers of entry and investigation, it also created a new significant environmental harm offence and increased sentencing options. The Act sets out a statutory purpose for SEPA, confirming our primary role of protecting and improving the environment and managing natural resources in a sustainable way. Except where inconsistent with that primary purpose, we must also contribute to improving the health and well-being of the people of Scotland and to the achievement of sustainable economic growth.



July

SEPA welcomes MoD report on Dalgety Bay clear-up

The Ministry of Defence (MoD) published proposals for dealing with the long-running challenge of historic radioactive contamination at this beach in Fife. The report sets out a programme of works, including removal of the higher activity sources on the beach and encapsulation of the remaining contamination, with a target of completion by 2018. We will work closely with the MoD, monitoring the area and give the necessary public reassurances when the foreshore can again be opened to full public access.



August

Predicting air quality in Aberdeen

We obtained initial results from our Aberdeen air quality modelling pilot project, which aims to identify measures to improve air quality in a city centre environment. By applying our Spotfire data visualisation software we investigated historic links between traffic volumes and air pollution and used these results to model likely pollutant levels under different vehicle types and volumes of traffic. We were encouraged by the model's initial predictions, when compared with actual pollution results, and we have been working on increasing accuracy further. For the first time our predicted outcomes were available using data visualisation software, making interpretation of the results much simpler.



September

Another good summer for Scotland's bathing waters figures

The [results](#) for the June to mid-September bathing season show that only two beaches out of 84 monitored failed to reach the required standard in 2014, a slight deterioration on 2013 which benefited from a dry summer. All the 28 sites designated when records began in 1988 have this year reached the mandatory or guideline standard. This contrasts with only 15 beaches reaching the required standard in 1988. 2015 will be the first year under the [revised Bathing Water Directive](#) which introduces stricter standards and a new classification system.



October

Fish ladder opens 120km stretch of river to migrating fish

The Culter Dam has prevented migrating salmon reaching the upper stretches of a major tributary of the Dee for 250 years. Removing this barrier was a high priority for SEPA under the Water Framework Directive. After an extended period of negotiation, and with the invaluable assistance of the River Dee Trust, funded by two local businessmen, the completed ladder has removed the last barrier to the Culter Burn achieving 'good' ecological status. Within four days of completion the first salmon was recorded crossing the dam, and salmon spawning nests have been observed, confirming successful spawning in the newly available habitat.



November

Scotland's first conference on environmental waste crime

We organised the first environmental crime conference in Scotland on behalf of the Environmental Crime Task Force. The conference brought together key agencies to discuss the scale of waste crime in Scotland and how it might be tackled. Keynote speakers included Paul Wheelhouse, Minister for Community Safety and Legal Affairs, SEPA's chairman and the Head of Organised Crime and Counter Terrorism at Police Scotland. We announced two important initiatives demonstrating the importance of partnership working to fight illegal activities. The LIFE SMART Waste Project has European funding and aims to demonstrate innovative ways of tackling waste crime, the other involves embedding our staff in the Scottish Crime Campus.



December

Second River Basin Management Plans launched for consultation

The two second Scottish River Basin Management Plans are due to be published by December 2015, following on from the original plan for 2009 to 2015. Both the Scottish and Solway-Tweed river basin plans were sent out for consultation in December, with four and six months respectively to return responses. The public, alongside official bodies, have the chance to influence how Scotland's water environment is protected and improved over the next river basin planning cycles.



January

New Chief Executive announced

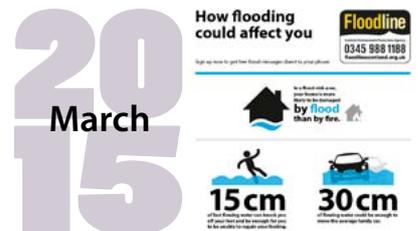
When James Curran announced his intention to resign in August 2014 he made it clear he would remain in his post until a successor had been selected and was ready to take over. Terry A'Hearn, the new Chief Executive, brings a wealth of experience to the post. He spent 17 years in senior positions in the Environment Protection Agency in Victoria, Australia and was more recently the Chief Executive of the Northern Ireland Environment Agency. Recognising the contribution made by the departing Chief Executive, the Chairman noted how James 'has led SEPA through the most transformative changes we have ever experienced'.



February

Strathallan House move completed

We completed the latest stage of the modernisation and consolidation programme across our estate with the move into Strathallan House after the full refurbishment of this building was finally achieved. Staff moved in phases over the year from our other two offices on the Stirling business park, with the last teams moving in February. Over the last six or so years, with the completion of our new offices of Inverdee House (Aberdeen), Angus Smith Building (Eurocentral) and Strathallan House, well over half our staff are now located in modern, comfortable and spacious offices.



March

Consultation on national and local flood risk management

Our joint consultation with local authorities on the draft information for national and local flood risk management strategies and plans was launched. The draft provides the most comprehensive assessment of flood risk, and its impacts, ever compiled in Scotland. The consultation was hosted on citizen space and members of the public and businesses had three months to comment. Responses will help inform the final flood risk management strategies and plans that will help to shape the future direction and delivery of flood risk management in the country.

Performance scorecard

Our *Annual operating plan 2014–2015* identified 32 performance measures which we monitored throughout the year to assess progress towards our outcomes. We achieved 27 out of 32 performance targets, details of which are included throughout this report. Further information can be found in our [Annual Review of Performance 2014–2015](#), available on our website.

Performance measure	Status	Page
Outcome: Scotland is preparing for a sustainable future and is taking steps to limit climate change.		
1. Preparations for Landfill Tax	✓	14
2. Landfill audits	✓	15
Outcome: Scotland's environment is protected and improving		
3. Improving poor performers	✓	21
4. Decreasing non-compliance	✗	21
5. Water environment	✗	22
6. Public exposure to radiation	✓	24
7. Flood Risk Management Strategies	✓	25
8. Increase Floodline Direct Warnings subscribers	✓	25
9. Radioactive Incident Monitoring Network	✓	26
10. Air Hazard Emergency Response Service	✓	27
11. Bathing waters signage	✗	27
12. Flood forecasts	✓	28
13. Flood warning	✓	28
Outcome: Scotland's environment is understood and SEPA is an influential and respected authority.		
14. Reporting requirements	✓	35
15. Citizen science - anglers	✓	36
16. Citizen science – air quality	✓	37
17. Environmental monitoring plan	✓	38
18. Statutory monitoring plans	✓	38
19. Serious waste crime	✓	39
20. Diffuse pollution measures uptake	✓	40
Outcome: SEPA is a high performance organisation.		
21. Buildings energy use	✗	47
22. Zero waste targets	✓	48
23. Organisational efficiencies	✓	48
24. Cost recovery	✓	48
25. Licence determination	✓	49
26. Environmental incident reports	✓	49
27. PPC applications	✓	49
28. Development Plan consultations	✗	50
29. SEA consultations	✓	50
30. Planning consultations	✓	51
31. Official ministerial enquiries	✓	52
32. Third party enquiries	✓	53

Key

✓ Achieved

✗ Not achieved

.....
Scotland is preparing
for a sustainable future
and is taking steps to
limit climate change
.....



Introduction

Scotland is preparing for a sustainable future, striving to maintain the benefits and valuable resources provided by the environment for future generations. We continue to take steps to limit climate change and champion sustainable resource use.

During the year we have updated our original climate change plan published in 2008. 'Our Climate Challenge' as described on page 13 sets out the four strategic themes we will follow over the next five years, and initial progress made this year. Adapting to climate change is one of these themes and we show some examples where we have introduced the possible impacts of climate change into draft plans, such as the next River Basin Management Plans.

Whilst we endeavour to be seen as an exemplar and educator in sustainable resource use, we are keen to champion those in the private sector who have shown real progress in reducing their impact on the environment and developing sustainable business models. On page 14 we describe some of the ten winners in this year's [Vision in Business for the Environment of Scotland Awards](#) (VIBES), a contest now in its fifteenth year, and organised by us and our partners. By raising the profile of the winners, the awards promote the benefits of good environmental practices that also make for good business.

FACTS AND FIGURES



The number of our offices implementing a **biodiversity** action plan. The remaining five offices either have no grounds or suffer from the risk of vandalism.



75%

The amount of SEPA's general waste that is **recycled**, as calculated by MITIE, SEPA's lead waste contractor, well ahead of the Zero Waste target of 50% by 2020.



10%

The amount of SEPA's waste that was **diverted to landfill**, as calculated by MITIE, SEPA's lead waste contractor.

4

The number of **landfill audits** planned and duly **completed** during the year.



Climate Change

SEPA's original climate change plan was published in 2008 as the first step towards embedding thinking on climate change within our organisation. In 2009, the Scottish Parliament passed the Climate Change (Scotland) Act, setting a range of targets for the country aimed at encouraging government agencies, public bodies, businesses and individuals to live and work more sustainably, and to consider the impacts of climate change on Scotland.

The Act creates the statutory framework for greenhouse gas emissions reductions in Scotland by setting an 80 per cent reduction target for 2050 – based on 1990 emissions levels – with a midway target of 42 per cent reduction for 2020. The Act also allows for the adjustment of these targets in the event that expert advice and a growing body of scientific evidence requires them to be revised.

Ultimately, improving Scotland's environmental performance requires a partnership approach. The Act places duties on all

public bodies to support a reduction in carbon emissions, to support climate change adaptation and to deliver our public service in the most sustainable way we can. We work closely with the Scottish Government and other public bodies – such as Scottish Natural Heritage, Forestry Commission Scotland, Scottish Enterprise and Historic Scotland. The Act also requires that public bodies take the lead on cutting Scotland's emissions and helping us to adapt – 'Our Climate Challenge' was SEPA's recently updated climate change plan.

Delivering Our Climate Challenge

Our second climate change plan set our direction of travel over the next five years. The plan's overriding ambition or strategic vision was that 'SEPA will do everything in its power to help Scotland address climate change to ensure Scotland's environment, economy and communities flourish'.

'Our Climate Challenge' was published in Spring 2014, and the four strategic themes identified to deliver this vision were also featured in the 2014-2015 [Annual Operating Plan](#). These were:

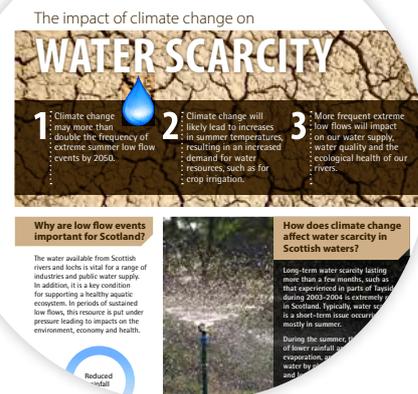
- Acting as a key climate change leader and adviser.
- Helping Scotland to adapt.
- Working with Scottish business.
- Being an exemplar and educator.

There has been progress made against these four strategic themes and against at least 12 of the 14 'priority activities' coming under the plan's four themes. In addition to this, a review of this year's business plans at the unit level revealed a wide-ranging commitment to address climate change, identifying a total of 100 activities. Of the 27 outcomes listed in 'Our Climate Challenge for 2018', there has been commitment against all but four of these.

Our work on the [second River Basin Management Plans](#) has taken into account the impacts of climate change on water basins, where we mention our expectation of more frequent extreme weather increasing both flooding and water scarcity. This will also influence the work we are completing on flood risk management strategies and plans with local authorities, as well as potentially driving further expansion of our [Floodline service](#).

There has also been some significant progress on audits of closed landfill sites, encouraging better management of greenhouse gases which would otherwise be released untreated into the atmosphere. Our own internal efforts to reduce SEPA's carbon emissions are reported under the Buildings energy use performance measure on page 47 and in more detail in the annual [Sustainability Report](#).

Meanwhile we have recently published the first in a series of climate change information sheets, which focus on some of the areas of Scotland's environment that are at risk from rising global temperatures. The first factsheet, '[The impact of climate change on water scarcity](#)', details what we predict will be the effects of climate change on Scotland's river flows by 2050 and how this may affect us. Research shows there will be more frequent extreme low river flows which will impact on our water supply, water quality and the ecological health of our rivers.



The VIBES annual awards for 'green' companies

For 15 years, the [Vision in Business for the Environment of Scotland Awards \(VIBES\)](#) has recognised the commitment, actions and achievements of Scottish companies in reducing their impact on the environment. VIBES is a strategic partnership between SEPA, Scottish Government, Scottish Water, Scottish Enterprise, Highland and Islands Enterprise, Zero Waste Scotland, Energy Saving Trust and 2020 Group, and is supported by CBI Scotland, Institute of Directors, Federation of Small Businesses and Bright Green Business.

This year, 10 companies were recognised as champions of business sustainability at the November 2014 award ceremony. There were eight categories ranging from Circular Economy to Environmental Product or Service. Each nominated company was visited by a panel of three judges who came from the partner organisations.

Winners included [Soilutions Ltd](#) (Circular Economy) for their work in the remediation of contaminated soils and waters, reducing the need for virgin materials in construction and for waste to be sent to landfill; Wind and Cloud Travel Ltd (Micro Business) for their German speaking tours of Scotland with an emphasis on sustainable transport; and [IRT Surveys Ltd](#) (Environmental Product or Service) for their software technology that quantifies the energy loss from buildings through the analysis of thermal images.

Other winners were: Fife Harca, Jessie Mac's, Keenan Recycling Ltd, Peel Tech Ltd, and BAE Systems Naval Ships. GRAHAM Construction and Celtic Renewables received commendations.

Each of the VIBES winners is eligible to enter the [European Business Awards for the Environment](#). In 2014 six out of the 12 entries representing the UK were chosen from previous VIBES Awards winners. Edinburgh-based Vegware and Stonehaven's Bay Fish and Chips were selected as the only UK entries in a list of only 16 finalists from 10 countries, putting Scotland firmly on the map in terms of sustainable business practices in Europe.



Performance measure⁴

Landfill tax collection services will be ready to go live by 01 April 2015

Status 

The purpose of this measure was to show our progress in preparing for our supporting role for the collection of the Scottish Landfill Tax by Revenue Scotland by the deadline of 01 April 2015. The tax encourages waste prevention, reuse and recycling by taxing waste sent to both authorised and unauthorised landfill operations.

The SEPA Project Board effectively identified and managed project risks and issues over the course of the year, which greatly contributed to the success of the project. Over the year the scope of our role in supporting Revenue Scotland in the collection of Scottish Landfill Tax has changed. Originally, SEPA was to receive the tax returns and tax payments as well as undertake compliance work. However, Revenue Scotland has retained the responsibility for the former, allowing SEPA to focus on compliance activity relating to the Scottish Landfill Tax.

We agreed detailed funding requirements for 2015-2016 with Revenue Scotland, resulting in the creation of a new SEPA Scottish Landfill Tax Team within our Operations portfolio. A number of other supporting posts have been funded by Revenue Scotland and will sit outside the core Scottish Landfill Tax Team. The Scottish Landfill Tax Team and supporting posts in our Intelligence Unit and Data Unit will be key to allowing us to implement an intelligence-led approach to compliance work at both authorised and unauthorised landfill sites. Our compliance work will also extend to high risk waste types 'upstream' of landfill sites. We have also agreed to a request by Revenue Scotland to manage intelligence relating to Scottish Landfill Tax on its behalf, subject to the provision of resources.

Awareness training on the new tax was delivered to more than 100 of our staff based all over Scotland via InterCall webinars.



⁴ More detailed explanation of progress against these performance measures is available in the [Annual Review of Performance 2014-2015](#).

Scottish Landfill Communities Fund

Separate to our role in assisting in the collection of Landfill Tax, we have agreed to regulate the Scottish Landfill Communities Fund. We have worked with the Scottish Government and Revenue Scotland to ensure that there is greater certainty over the role of the regulator and the appropriate operating model. We have assisted Revenue Scotland in developing the relevant guidance and agreeing a funding model that is acceptable to the Scottish Government. We have also led in developing application forms, guidance and processes for those applying to register to distribute these funds.



Performance measure

100% of audits delivered against the plan by the end of March 2015

Status 

Landfill sites have been audited on a rolling basis since 2009 with the aim of driving improvements in the standards of operation. Over time, further objectives have been added including reducing greenhouse gas emissions, developing standards for operation, improving consistency of regulation and preparing for the implementation of Zero Waste. The project continued this year and is likely to roll forward to future years especially with the developments in the Scottish Landfill Tax.

The landfill sites to be audited were chosen by assessing where we can make the biggest impact. The process considered performance scores under our [Compliance Assessment Scheme](#), potential risk, the length of time since a previous audit was carried out, and information from local teams.

A total of four landfill site audits were planned for 2014-2015 and had been completed by the end of the year. The audits will continue on a similar basis next year.

Audit findings: reducing waste volumes

The audits carried out were divided equally between the East and North Regions. Analysis of the findings of the audits shows that there were common themes uncovered such as monitoring breaches requiring investigation, financial provision which required updating or verification and management plan issues. Most of the sites show reducing flows of waste and this can leave some sections of the site open to the elements for longer than in the past, with negative environmental consequences. The reducing volumes of waste appear to be due to increased recycling rates, preparation for the impact of landfill bans and the Waste (Scotland) Regulations 2012 beginning to take effect with more waste being pre-treated and diverted from landfill.

The individual sites addressed these changes in a variety of different ways but special mention should go to Resource Efficient Solutions LLP (Fife Council) for their Lochhead site where a 'standard' landfill facility has been transformed over time to encompass a household recycling centre, a materials recovery facility, a composting operation and an anaerobic digestion plant. This diversification showcases an understanding and acceptance of the changing nature of waste management and a willingness to adapt accordingly.

Two additional audits were carried out at inert⁵ landfill sites. These have not traditionally formed part of the landfill audit process due to reduced environmental risks from the limited range of wastes accepted at these sites. However, enforcement action has been and continues to be taken at a number of such sites that have been accepting non-inert wastes and so shorter audits were carried out at these sites focussing on waste acceptance criteria.

⁵ Inert waste is waste that does not undergo any significant physical, chemical or biological transformations when deposited in a landfill site.

.....
Scotland's environment is
protected and improving
.....



Introduction

As Scotland's principal environmental regulator, we protect the environment and human health from the impacts of pollution through the implementation of environmental legislation and regulations. Our role also extends to safeguarding communities from the risk of flooding. Building on the work we completed last year on flood maps for the whole of Scotland, we have developed a more detailed forecasting tool for surface water flooding in Glasgow. This is described on page 18 and includes mention of how it was used during the Commonwealth Games.

Our more general flood forecasting service and its response to exceptional rainfall in August last year in Aberdeenshire, Morayshire and Lochaber is described on page 18. Our [Floodline](#) service was in heavy demand over the period and this played a part in increasing our subscriber numbers by 14% over the year.

The Commonwealth Games were the climax of a particularly high profile role we have had for over two years as an advisor on the quality of the water in Strathclyde Loch. On page 19 we reveal how we and our partners achieved the required quality in time for the triathlon swimming event. The main risk to water quality was from heavy rain washing toxic waste into the water courses feeding the loch. We describe how we are working hard to achieve a longer term solution to improving water quality and achieving 'good' ecological status by 2027.

We are due to take on a new responsibility in 2016, when under the Reservoirs (Scotland) Act 2011 we take over regulating reservoir safety from local authorities. On page 20 we describe how we will assign a level of risk to each reservoir on the basis of the potential damage from an uncontrolled release of water, and how reservoir owners must register with us ahead of the change.

FACTS AND FIGURES



The amount of the **Water Environment Fund** spent in the year (SEPA manages the fund on the Scottish Government's behalf).

↑ **14%**

The increase in the number of **Floodline subscribers** during the year.

55%

The percentage of previously non-compliant licences that became **compliant** this year.

6,576

The number of **environmental incident reports** we received in the year, compared to 6,949 last year.



Flood forecast modelling

A new tool to forecast surface water flooding in the Glasgow area was successfully used by the Scottish Flood Forecasting Service throughout the Commonwealth Games, allowing SEPA's Resilience Officers to provide guidance to the Games' Multi Agency Control Centre and the appropriate bodies within the Scottish Government and Glasgow City Council. Floods experienced in July 2013 a year before the Games had given organisers and government bodies due warning of the potentially devastating impact of heavy rainfall in Glasgow. The daily surface water flood forecasts included a hazard impact assessment for each square kilometre cell within the city.

The flood hazard modelling was based on our existing [flood maps](#) that were published at the beginning of 2014 and looked at the impact of predicted surface runoff on local residents, utilities, community services and transport links.

The tool is the result of a UK leading pilot project co-ordinated by our Flood Forecasting and Warning team which was developed in partnership with the UK and international experts in weather and forecasting services. This comprised the Met Office, CEH Wallingford, the James Hutton Institute and Deltares. Funding for the project was received from Scotland's Centre of Expertise for Waters (CREW).

The project has been an excellent forum for scientists and operational responders to discuss the challenges of surface water flood forecasting. It has also received much interest and was presented at the British Hydrological Society annual symposium in September 2014. Details of the project were posted on the pages of the [Scottish Flood Forecasting Service](#), through our partnership with the Met Office to deliver flood vigilance and early warning in Scotland.

Floods predicted

Although the Commonwealth Games in Glasgow were spared any extreme weather and flooding, the North of Scotland took the brunt of the ex-tropical storm Bertha a week after the closing ceremony. Morayshire, Aberdeenshire and Lochaber were particularly affected over the two days of 10-11 August, resulting in one of the largest recent flood events in the region. This was reflected in the highest flows recorded in the headwaters of the Dee and Don over a 32 year and 17 year period of record respectively. (SEPA monitors water level at 392 sites throughout Scotland. For 335 of these stations data is updated on our [website](#) every few days. Most of the stations are sited on rivers, but data from several tide and loch level recorders is also available).

Local residents received extensive advance warning and our flood warning, communications and resilience staff worked around the clock throughout the event. At the peak of the event we had 13 [flood alerts](#) and 43 [flood warnings](#) in place. 16,000 messages were issued to registered Floodline customers and we received 95,000 hits on our [Floodline](#) website. Our early alerts resulted in timely evacuations in Elgin, Huntly and Ballater.



Strathclyde Loch and the Commonwealth Games

A large number of SEPA staff put considerable effort into preparing for the Games, not least helping to ensure Strathclyde Loch met the required standard for the triathlon swimming event. Strathclyde Loch was a two year problem-solving project within SEPA: we worked closely with the loch management group, which was led by North Lanarkshire Council, and included the Scottish Government, Glasgow 2014, and external consultants along with Scottish Water. Our primary role was providing advice, monitoring and reporting live water quality data to our partner organisations and ensuring that the quality of the water met the standards required by the Games organisers and the International Triathlon Union.

The decision was made by the management group in 2013 to isolate the swim area with a temporary barrier and treat the enclosed water pre-games with standard chemical treatments which did not present a risk to the wider environment. Before and during the Games we kept constant watch of the water quality and water level pressure on both sides of the barrier. We maintained live real-time data which was shared with our partners. The main risk was from heavy rain in the loch's catchment washing waste into the water, raising the concentration of faecal bacteria. There was also a risk under warm sunny weather of a toxic algal bloom due to the elevated levels of nutrients in the loch water.

We were blessed with fine weather in the lead up to the triathlon on the 24 and 26 July and the race was considered a great success. To celebrate, and to show confidence in the quality of the water, a group of SEPA staff took to the waters just after the end of the Games. All completed the first loop of the two loops of the triathlon swimming course and almost £1,200 was raised for UNICEF, the official charity of the Games.



Ensuring a lasting legacy

Under the European Water Framework Directive the whole loch and catchment must achieve 'moderate' ecological status by 2021 and 'good' status by 2027. However, to achieve these aims, improvements will be required, for example, to the sediments of the loch and to the levels of nutrients and micro-organisms being discharged into it. We continue to supply daily water quality predictions to Strathclyde Loch for recreational management decisions and have refined these with the benefit of the extensive environmental data obtained during the work for the Games. Work to tackle fish barriers is also part of the longer term Water Framework Directive objectives for Strathclyde Loch. It has been recognised that these need physical improvements to enable migratory fish to enter the loch.

Reservoirs – SEPA takes on new regulatory role

During 2016, following the introduction of the [Reservoirs \(Scotland\) Act 2011](#), the responsibility for regulating reservoir safety will transfer from local authorities to SEPA. The Act aims to bring regulation to all reservoirs with the capability of holding 10,000 cubic metres or more of water above natural ground level (equivalent to four Olympic-sized swimming pools). Initially only those reservoirs over 25,000 cubic metres, which are currently regulated under the Reservoirs Act 1975 will be captured by the 2011 Act. A greater degree of consistency in approach and inspection methods will be achieved by bringing this regulatory task under the one enforcement authority.

Reservoirs provide a multiple of valuable services for Scotland, from drinking water to power and leisure activities. SEPA is required to assign a risk designation to each reservoir of either high, medium or low risk, based on the potential damage caused by an uncontrolled release of water. Inspection frequency will reflect the designated level of risk. A public register will include an inundation map for each registered reservoir showing the extent of flooding that could potentially arise from an uncontrolled release of water.

To ensure all relevant reservoir operators are fully registered with us ahead of the change, [a free six month registration period](#) opened on 1 April, 2015.

European best practice

In advance of us taking on this new regulatory role, in September 2014 we were fortunate to play host to visitors from nine other European countries for the European Dam Safety Authority network meeting. The event brings together reservoir regulatory authorities from across Europe to compare best practice and the participants visited various hydropower schemes including Loch Sloy above Loch Lomond.



Performance measure⁶**Improvement in performance at 20% of the sites which were identified as non-compliant during 2013**Status 

We work to minimise the impact on the environment from operators and sites that we regulate. We do this by monitoring the compliance of operators and sites with the conditions included in their licences that we issue under environmental legislation. We use a number of tools to improve operators' compliance with environmental regulation, from providing advice and guidance to targeting specific harms and enforcement. This measure lets us know whether the steps we are taking to improve compliance are having the desired effect, and to assess whether or not compliance with licence conditions improves for 20% or more of the licences identified as non-compliant during 2013-2014.

Over the year 61% of the 395 non-compliant licences from the previous year had shown an improvement in their status. Over the year 55% of these 395 non-compliant licences have become compliant.

Status	Number of licences
Improvement shown	241
Deterioration shown	26
No change	106
Not assessed	22
Total	395

Source: Compliance Assessment Scheme as at 27 April 2015

Performance measure

A 10% decrease in the percentage of sites which are identified as non-compliant in 2014 compared to 2013Status 

The purpose of this measure is to show whether the steps we are taking to improve compliance are having the desired effect on the longer-term levels of non-compliance. The target was to reduce the non-compliance rate by a tenth from the previous year. The non-compliance rate in 2013-2014 was 9.9% (395 non-compliant licences, 4,001 assessments) and the target for 2014-2015 was 8.9% (9.9% reduced by a tenth).

The target was not achieved as the non-compliance rate remained at 9.9% for a second year. The target was also missed in 2013, though by only a narrow margin.

SEPA has a formal Compliance Assessment Scheme (CAS) that assesses a combination of factors against every condition within an authorised permit. These factors are:

- the results of site inspections;
- operator data returns;
- desk based assessments;
- information concerning environmental incidents.

These factors provide evidence to identify whether an operator has complied with the permit's conditions. The annual measurement of compliance is carried out on a calendar basis running from January to December, but with many of the operators' returns arriving well after the March financial year end. This year we will for the first time produce an annual report on compliance which will be published in the autumn.

⁶ More detailed explanation of progress against these performance measures is available in the [Annual Review of Performance 2014-2015](#).

We are committed to the adoption of challenging targets. Despite failing last year, we continued to tighten the target to a maximum non-compliance rate of 8.9% of total permit assessments, an improvement of 10% on the previous year's non-compliance rate. To achieve this target we needed to ensure that no more than 450 of the 5,000 or so licences failed to comply with one or more conditions detailed in their permit.

Status	Number of licences	Percentage
Compliant	4,716	90.1%
Failing	519	9.9%
Total	5,235	100%

Source: Compliance Assessment Scheme as at 27 April 2015

The number of failing sites still remains disappointing despite considerable efforts to drive down the level of non-compliance. This has included focused campaigns on persistently failing sites and working with partners such as the Scottish Government's Rural Payments and Inspections Directorate to target specific sectors. We also develop and deploy specific initiatives to target poor performing sectors. This can often increase the number of non-compliant assessments in these sectors as more issues are identified, but in the longer term it should deliver environmental improvements.

We are aiming to make a considerable revision to the Compliance Assessment Scheme ready for launch in January 2016. One of the benefits of the changes will be a rolling assessment process that will give real-time compliance data, rather than the current reliance on end-of-year assessment. This data will be available on the website within four months of assessment, using publicity as a driver towards gaining improved levels of compliance.

The new Compliance Assessment Scheme will also be linked to the charging scheme in 2018, thereby using financial penalties as a potential incentive for compliance. We will also use our new enforcement powers gained under the Regulatory Reform (Scotland) Act 2014 to target persistent non-compliant sites and sites that fail to submit data returns. At the same time we will continue to work with our partners to continue to drive down levels of non-compliance.

Performance measure

Progressively improve the chemical and ecological status of water to achieve 70% of water bodies at 'good' status or better by 2015

Status 

We help protect and improve Scotland's wetlands, rivers, lochs, estuaries, coastal waters and groundwater through regulation, monitoring and planning. We are the competent authority for the delivery of Scottish Ministers' objectives set out in the River Basin Management Plans for the Scotland and Solway-Tweed river basin districts. These provide the means to deliver improvements in Scotland's water environment.

This measure is red as the 70% target will not be met. The 2013 classification reported 64% of water bodies at 'good' status or better. This is explained below. The 2014 classification report is due in the summer of 2015.

Improvement objectives for the first River Basin Management Planning cycle (2009-2015) required 209 identified surface water bodies to be elevated to 'good' status by 2015. It is anticipated that approximately 92 surface water bodies will have achieved this, representing approximately 1,000 km restored, in terms of water body length. These improvements have largely been secured by reviewing licences of authorised point discharges, and authorised abstraction and impoundments.

Virtually all the shortfall comprises water bodies affected by land use pressures (diffuse pollution and modifications to physical habitat conditions). Whilst we have successfully restored physical habitats in a number of water bodies, making all the improvements required has not proved possible. Our delivery mechanisms are not yet fully developed and engaging and encouraging land managers is taking time. We are putting considerable effort into diffuse pollution, but it will take time for any actions to show significant gains in environmental improvements, and for these to be reflected in the classification.

Classification changes since 2008

Our year-on-year classifications since 2008 have been significantly affected by the inclusion of more and better environmental data as well as changes to the environmental standards that underpin classification. Water body numbers have also changed as water bodies have been split and merged so that their classification better represents differences from location to location in the underlying quality of the environment. Environmental improvements secured by SEPA are obscured using this reporting method, and it has therefore become clear that the 2008 classification is not appropriate as a baseline for measuring our performance. This issue is not unique to Scotland. Other European member states are also struggling with how to demonstrate improvements. However Scotland has been acknowledged by the European Commission as an exemplar in terms of its overall approach to River Basin Management Planning, and particularly our strategy in tackling diffuse pollution.

More detailed descriptions of progress in the five areas of work are provided below:

1 Controlled Activities Regulations licence reviews

With the exception of planned reviews associated with SSE's hydro schemes, this process has delivered the planned improvements in water bodies impacted by authorised discharges and abstractions. However the withdrawal by SSE of the application to undertake environmental improvements to the Garry-Tummel hydro scheme has been a setback, and SSE's Conon and Ness scheme applications have also fallen. Discussions continue on the regulatory approach to take these improvements forward, but it is unlikely that planned improvement from these schemes will be secured within the first River Basin Management Plan cycle (2009-2015).



2 Water Environment Fund Unit

The Water Environment Fund unit is currently supporting 27 morphology and fish barrier projects throughout the country, in various stages of development. Four Water Environment Fund projects have completed ground works improving the physical condition of 28.7km of rivers for fish passage. £2.5m of Scottish Government's Water Environment Fund was spent in 2014-2015 on scoping, design and ground works to achieve environmental improvements to the physical water environment.

3 Quality and Standards

During the year, Scottish Water completed nine of the twelve planned upgrades to wastewater treatment works which were included in the first River Basin Management Plan to improve water bodies at less than 'good' status. At two of the outstanding works, temporary treatment is in place to ensure that the required discharge standards are met. Ongoing delays to the upgrade at the other outstanding works (Catrineholm) will prevent the River Ayr (downstream of Greenock Water) from meeting its water quality objective during 2015.

4 Diffuse pollution

Over 3,000 one-to-one site visits have been completed since the diffuse pollution farm work began in summer 2011. Over 1,000 of these visits were completed last year. We achieved our target of ensuring all initial visits or engagement with land managers in priority catchments had been undertaken by the end of December 2014. Of the 501 farms revisited 88% are now compliant with general binding rules or regulations, or have started remedial work. This compares with an initial compliance rate average of 26%. Further details are presented under [Diffuse Pollution](#) on page 40.



5

Pilot catchments

The agreed work plan for the South Esk, Dee, Nith and Glazert Water pilot catchments continues to be delivered with the aim of achieving improvements to their physical condition and enhance their natural flood management capacity. Priority reaches (stretches of river) are progressing through a step-by-step process of landowner engagement, options appraisal, design, and ground-works on 12 water bodies across these four catchments. At present, two are at landowner engagement stage and four are at options appraisal stage. Landowner approval has been obtained to proceed to design on four water bodies. Two others are at the point where third parties have been engaged to lead on the design.



Performance measure

Ensure that no member of the public receives a radiation dose exceeding the annual dose limit of 1 millisievert as a result of disposals of radioactive waste authorised by SEPA

Status 

We do this by monitoring the compliance of nuclear, non-nuclear and equivalent Ministry of Defence sites with the conditions included in their registrations or authorisations that we issue under the [Radioactive Substances Act 1993](#). Each year, SEPA publishes a retrospective report on Radioactivity in Food and the Environment (RIFE).

The most recent report, [RIFE 19](#) published in December 2014 confirms that in 2013 no member of the public received a radiation dose exceeding the annual dose limit of 1 millisievert from disposals of radioactive waste authorised by SEPA. This record was maintained through to the end of March 2015.



Performance measure

Work with Flood Risk Management partners to develop draft Flood Risk Management Strategies for public consultationStatus 

We are collaborating with responsible authorities designated under the Flood Risk Management (Scotland) Act 2009 to produce Scotland's first risk-based and plan-led approach to managing flooding. Together we are aiming to produce the best available information and data to assist Scotland's efforts in tackling flooding in the most vulnerable areas, and where the benefit of investment is greatest. This will be encapsulated in a set of 14 complementary Flood Risk Management Strategies by December 2015 and Local Flood Risk Management Plans by June 2016. Both are statutory deadlines.

We have completed all key deliverables scheduled for this year which contribute to developing Flood Risk Management Strategies for public consultation.

We used evidence-based information to set objectives for the management of flooding and to identify the actions that will reduce the associated likelihood and impact. These objectives and actions formed the basis for a [public consultation](#) launched in December 2014 by lead local authorities and ourselves on our Flood Risk Management Strategies. The resultant Flood Risk Management Strategies will inform the development of Local Flood Risk Management Plans by lead local authorities by June 2016. The consultation was set to close in June 2015.

Understanding flood risk

Understanding flood risk in Scotland was reinforced during the year through considerable effort put into improving our strategic level mapping and modelling. We worked closely with local authorities and other stakeholders to improve this nationally-produced information with more detailed local knowledge and understanding.

Setting objectives and identifying actions to manage flooding

SEPA and local authorities have used this in-depth knowledge to set draft objectives for the potentially vulnerable areas designated by the Scottish Government in 2011. These objectives determine how flooding will be managed in the future. This is done by linking the source of flooding directly to its impacts and by establishing indicators to measure how risk can be managed or reduced over time. Possible actions that could be taken between 2016 and 2022 to deliver these objectives were discussed with local authorities and other stakeholders, before being drafted for wider consultation and feedback.

Performance measure

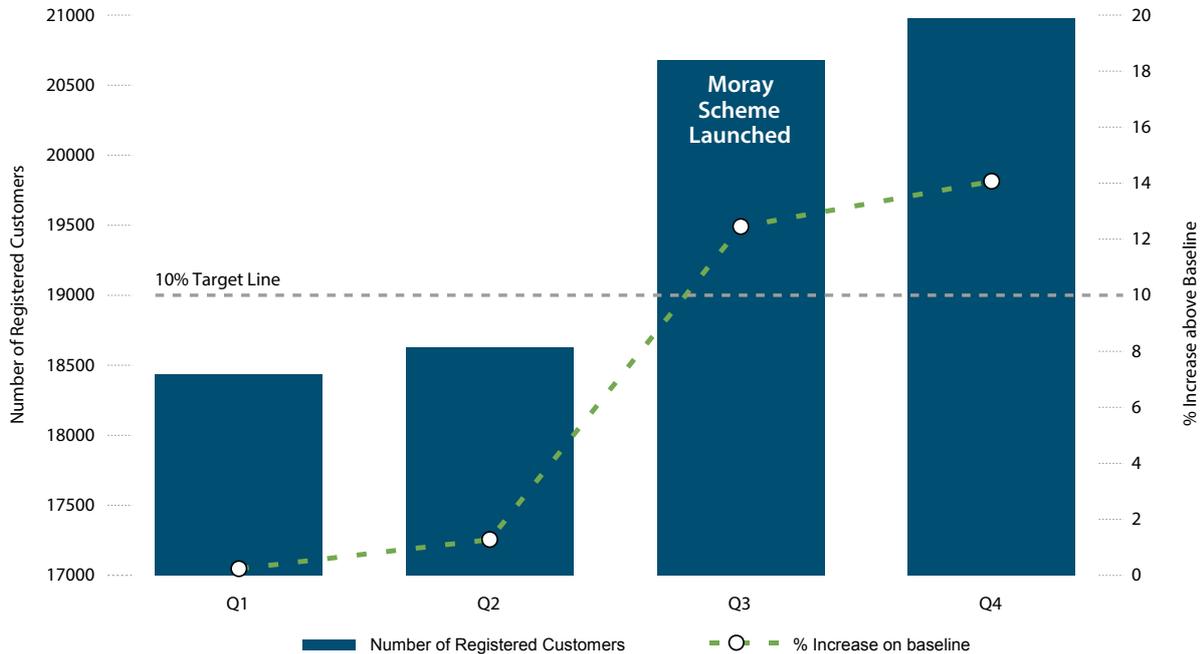
Increase the number of customers subscribing to Floodline Direct Warnings by 10%Status 

The purpose of this objective was to demonstrate success in encouraging people to sign up for our [Floodline service](#). We have a duty to reduce flood risk in Scotland and Floodline is one of the ways we achieve this. If customers receive information about likely floods before they occur, they can take steps to protect their property and reduce the risk of flooding damage. Floodline is our most effective service for contacting customers living or working in areas at risk of flooding, as it is a direct contact service, consisting of text message or recorded telephone message warnings sent directly to subscribers when there is a flood risk in their area. Other information we provide involves using digital and traditional media, but requires customers to seek this information actively. There is strong customer demand for receiving flood warnings in advance of and during flood events and we have received good feedback from existing Floodline customers.

We were aiming for a 10% increase on the number of people registered for the service at 31 March 2014 and over the year we achieved an increase of 14%. By the end of March there were 20,997 subscribers to the service.



Changes in Floodline Customer Numbers during 2014-15 (10% Target)



Progress towards achieving this target was dominated by the launch of the Moray Firth Coastal Flood Warning Scheme. During the October launch around 1,400 new customers signed up. Spells of harsh weather during August and through the winter months also helped increase the profile of the service, which resulted in moderate increases in customer numbers.

It is worth noting that longer term, the increase in Floodline registrations may well be tempered by our investment in mobile and other digital services. This reflects the public's desire to have our flooding information in different and more accessible formats and allows people to choose to access our messages directly via the Floodline [website](#) without formal registration.

At the end of the year we started preparations for new schemes during 2015-2016. The Solway Firth Scheme will be a major addition and a successful sign-up campaign should ensure that customer numbers show another step change in numbers during the autumn of 2015.



Performance measure

**Maintain operational readiness of our public warning and incident response systems:
100% Radioactive Incident Monitoring Network**

Status

The Radioactive Incident Monitoring Network (RIMNET) forms a key part of the UK's National Response Plan to oversee nuclear incidents and is run by the Met Office. It comprises a series of 94 gamma dose rate monitors located throughout the UK, 27 of which are in Scotland. The monitors are linked to a central database facility from which information can be obtained via terminals. These are located in various government bodies and agencies including four in SEPA and one in the Scottish Government. The Met Office is responsible for the provision and maintenance of the monitors, central database facility, terminals and response to elevated readings. SEPA has four RIMNET terminals located in two locations.

The purpose of this measure was to record our completion of monthly checks on the reliability of our four terminals and that we had continuous access to the network from at least one of the SEPA sites at any one time. Thus in the event of an incident involving the release of radioactive material we could obtain information and data held on RIMNET, and input data that could be used by others. The measure was achieved as the RIMNET terminal in Perth was fully operational throughout the year and was regularly checked. We are working to connect a second set of RIMNET terminals in our office at the Angus Smith Building. Earlier in the year we successfully introduced web portal access as a back-up. This has been tested and proven robust.

Performance measure

Maintain operational readiness of our public warning and incident response systems: 100% Air Hazard Emergency Response Service

Status 

Our Air Hazard Emergency Response Service needs to be in a state of readiness to respond to an airborne hazard emergency within the terms of the service 24 hours a day throughout the year. There is one Airborne Hazard Advisor on call nationally, and two field response teams on the rota at any time, one in the north and the other in the south. The purpose of this measure was to ensure that we could have met our response times and protected human health and the environment during an airborne hazard emergency, as part of our responsibilities under the Civil Contingencies Act.

We have achieved this measure as over the year, the service has been fully staffed and available to respond to an incident. The service has responded to eight incidents over the year, and deployed the Field Response Team to two of them.

The service also provided monitoring of the Bardarbunga volcano during the period August 2014 – February 2015. Particulate and sulphur dioxide analysers were deployed at four locations across the Highlands and Islands to monitor air quality and provide early warning of any impact from volcanic pollution.



Performance measure

Maintain operational readiness of our public warning and incident response systems: 95% of bathing water signage operational

Status 

During the official bathing season, SEPA has the statutory duty to provide daily predictions of water quality and health risk advice at 23 sites across Scotland. This is important information to bathers and beach users and is required under the Bathing Waters (Scotland) Regulations 2008 and the new Bathing Waters Directive (2006/07/EC).

The purpose of this measure was to ensure we provided all elements of the bathing water public warning service. This involves daily, real-time predictions of bathing water quality at 23 beach signage locations by electronic beach signage, including smartphone app notifications and information posted on SEPA's website, and the availability of a beachline digital phone service.

We failed this measure as over the period 15 May to 15 September 2014 inclusive, there was a bathing water prediction available at a bathing water location on 92.7% days, against the 95% target. The slippage in performance was due to SEPA-wide problems with the telecoms network which caused all 23 (out of 25 beach signs) dependent on this connection to stop working from 29 June to 03 July 2014 inclusive. If this period is excluded there was a bathing water prediction available at a bathing water location on 96.2% days.



Performance measure

Maintain 100% operational readiness of our flood forecasting serviceStatus 

We work in partnership with the Met Office to deliver the [Scottish Flood Forecasting Service](#). The main output from this service is a 5-day outlook Flood Guidance Statement which is currently sent to over 480 emergency responders from 177 organisations, 365 days of the year and at least once per day. It provides an overview of the expected flood risk across Scotland for the next five days.

The guidance highlights the risk for the main types of flooding – river, coastal and surface water. By providing an early 'heads up' notification each morning, the impacts from flooding on people and the economy can be minimised. It is a high profile, vital service that we provide and any disruption to this service is likely to result in reputational damage, for SEPA and the Met Office, especially with the Scottish Government and emergency responders.

This target was achieved because we ensured that we sent out 100% of Flood Guidance Statements every morning, every day of the year.



Performance measure

Maintain operational readiness of our public warning and incident response systems: 98% flood warningStatus 

Issuing flood alerts and warnings is an essential public service that we provide and we have a duty to undertake this, at least in a passive way via our website. In 2011 we launched a new Floodline service allowing registered customers to receive flood messages directly via their chosen method of communication. To deliver this service, we purchased a Flood Warning Message Dissemination System capable of sending out messages to registered customers via text messages, voice messages, email, fax or pager.

We issue alerts and warnings when we think members of the public or emergency partners need to remain vigilant to potential flooding or when we think flooding is imminent and there is a known risk to land, property, infrastructure, essential services or to life. We achieved this measure because the Flood Warning messaging system has performed very well and the system has always been available for more than 98% of the time.

.....
Scotland's environment
is understood and
SEPA is an influential
and respected authority
.....



Introduction

To carry out our environmental protection and improvement role effectively we must understand and report on the state of the environment, identifying new environmental challenges and their potential impact on human health. By raising awareness of environmental issues we are also able to promote positive environmental behaviours.

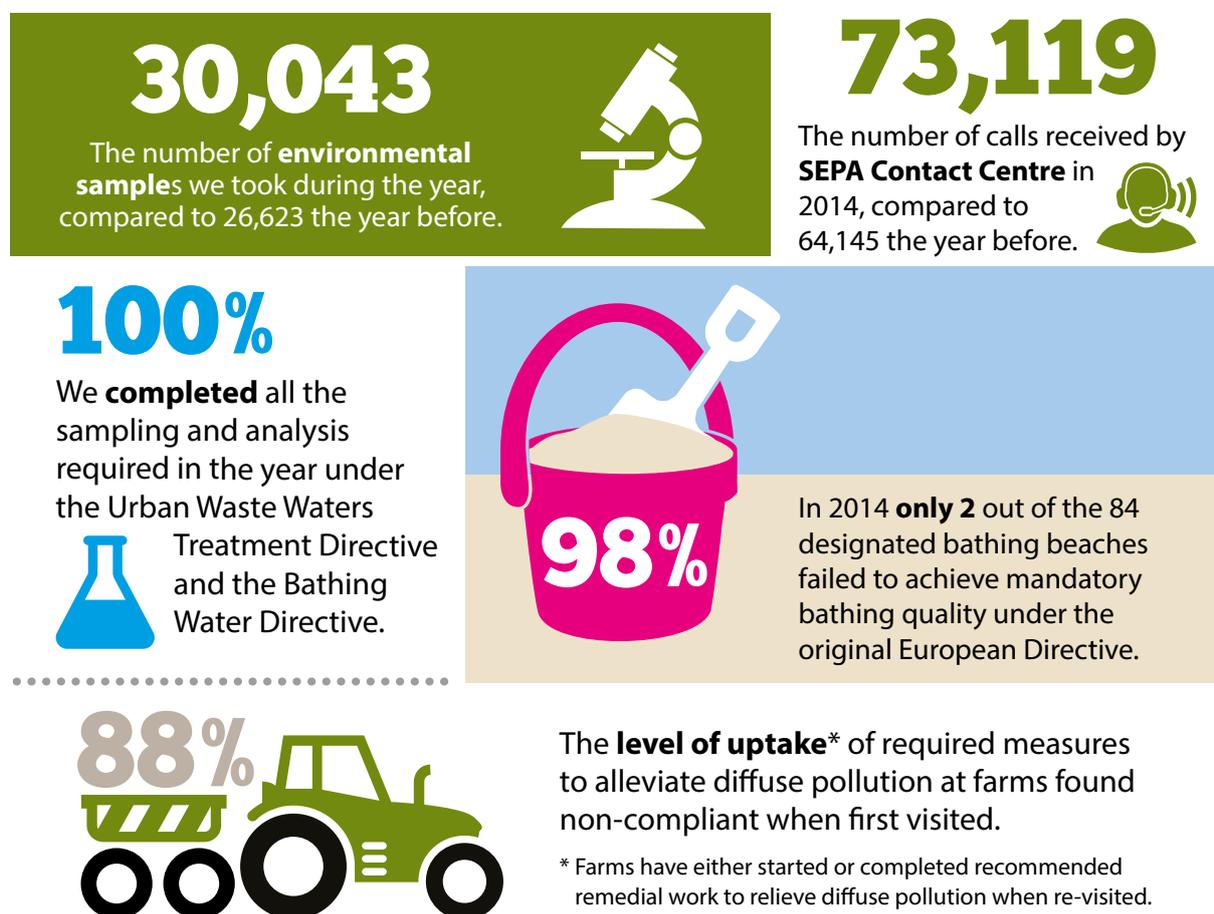
We have raised awareness through our '[Making the Case for the Environment](#)' series, which in the previous year included publications on [Air](#) and [Water](#). To mark the United Nations 2015 [International Year of Soils](#), we have used a series of articles, slide shows and videos to demonstrate the valuable qualities of soil and our role in protecting this important natural resource.

Further information on Scotland's soils can be found on [Scotland's Environment Web](#), which helps people to discover and understand more about Scotland's environment. On page 32 we describe how this ambitious project has progressed over the year.

Our staff are always on the look-out for new scientific techniques to improve our ability to monitor the environment. Innovative approaches introduced in our subsea monitoring and waste crime detection work illustrate this, and these are described on page 33.

For a number of years we have been developing our problem-solving approach to addressing important environmental issues. Two are covered under the performance measure section below (diffuse pollution on page 40 and tackling waste crime on page 39) whilst a third, improving urban air quality is briefly described on page 35.

FACTS AND FIGURES



Making the Case for the Environment

The [Making the Case for the Environment](#) series intends to communicate simple messages using a variety of different media, setting out the multiple benefits our environment provides. It aims to be innovative both in the means of communication and in demonstrating different ways of looking at the benefits and services that our environment provides. In 2014 we published two in the series: [Air](#) and [Water](#).

This year we completed a third case in the series covering [Soil](#) which was designed to demonstrate how our role in maintaining good soil quality is crucial to the Scottish environment and economy. It also supported our wider work as part of SEPA's contribution to the United Nations 2015 [International Year of Soils](#).

The case for soil includes a core document summarising the multiple benefits offered by soils, our role in its protection through regulation and guidance, and the inter-linkages between the quality of soil and the quality of our air and water. Whilst the economic contribution of forestry and agriculture in Scotland can be quantified (stated as £1.77 billion and £2.3⁸ billion respectively), other benefits (or ecosystem services as they are sometimes defined) such as a carbon store or in water filtration and flood prevention, are harder to quantify. Scottish soils contain the equivalent carbon of about two hundred times our annual greenhouse gas emissions.

Tourism is a major contributor to Scotland's economy. Our landscapes and wildlife draw many visitors and soils help shape some of our unique landscapes, from the shell-rich machair soils of the Hebrides to the peat-dominated soils of Sutherland's Flow Country.

As a regulator we implement a range of policies affecting water, waste and industrial pollution that contribute indirectly to soil protection. This includes reducing soil erosion that feeds sediment into rivers and lochs, thus preventing diffuse water pollution; or ensuring organic material spread on agricultural land is not damaging the soil or leaching into local water courses. We also engage widely with farmers and land managers in our [priority catchment areas](#), giving [guidance on reducing diffuse pollution](#). This is achieved by encouraging farmers to keep animals away from the banks of rivers, as well as taking care with manure or slurry spreading.

The core document offers interactive links to in-depth analysis on a variety of specific subjects, from landslides to peat and climate change. This is complemented by a series of professionally produced [videos](#) presenting different viewpoints as to why soil matters, backed up by articles in our online magazine, [SEPA View](#). The whole project encompassed an agency-wide collaborative effort with significant input from staff across the Operations, Science and Strategy and Communications portfolios.



The hard work put in by our partners and ourselves was recognised in March at a well-attended event in the Scottish Parliament to launch the 2015 United Nations [International Year of Soils](#) and to raise awareness amongst all attendees (particularly policy makers) of the importance of soils in sustaining life. Attended by our partners⁹ from Scotland such as Scottish Natural Heritage and The James Hutton Institute and six MSPs, there were speeches from the Minister for Environment, Climate Change and Land Reform, Dr McLeod, and the chief executives of SEPA and Scottish Natural Heritage, and a recorded message from the Director-General of the Food and Agriculture Organisation of the United Nations. It provided a good showcase for our soils work including the [series of short soil videos](#) and the soils information on [Scotland's Environment Web](#).

7 www.forestryscotland.com/forestry

8 www.nfus.org.uk/farming-facts

9 Joint organisers were: SEPA, United Nations Institute for Training and Research, Scottish Natural Heritage, The James Hutton Institute, Scotland's Rural College and CIFAL Scotland

Scotland's Environment Web (LIFE+) Project

Over the last three years, with support from the European Union LIFE+ programme, we have been working with [partners](#)¹⁰ to develop and grow [Scotland's Environment Web](#) to help people discover and understand more about Scotland's environment. The project has been noted in the [Scottish Government Open Data Strategy \(February 2015\)](#) as an example of best practice in providing access to open data. Both [Esri UK](#) and [Ordnance Survey](#) have published best practice case studies on the collaborative development of the [Land Information Search](#) mapping tool. Scotland's Environment Web is generally considered by much of the public sector as a leading digital project and an example of productive partnership working.

Creating a gateway to data and information through a range of applications, Scotland's Environment Web website provides access to:

- Over 300 openly published data sets and over 2,000 information resources published by a wide range of organisations;
- 18 different tools that make it easy for users to find information, interpret and analyse data;
- Two connected websites in the Scotland's Environment Web family. These take a more specialised view of the environment, [Scotland's Soils](#) and [Scotland's Aquaculture](#).



Over the course of the year, key achievements have included:

- Launch of a new [website](#) and publication of the 2014 [State of the Environment Report](#). This is currently the only place users can find multi-agency information on the environment, which includes 27 topics written by experts throughout Scotland.
- The establishment of [Discover data](#), which pulls together raw data from multiple sources and presents it in an interactive format to help users to manipulate and analyse a whole host of relevant information. This also included five new data visualisation tools ranging from Bathing Waters, to Climate Trends and Native Woodlands in Scotland.
- We worked in partnership with the Met Office, Scottish Natural Heritage, Forestry Commission Scotland, and the Scottish Government to produce an update to the 2006 [Climate Trends Handbook](#). This provides an insight into the changes in Scottish weather patterns over the last century and an understanding of the context against which climate projections can be judged.
- [Project Finder](#) – with over 40 projects to search, this application matches volunteers with local citizen science projects collecting data or 'citizen action' projects that run activities to improve the environment.

- A new Environment Education Development officer has been co-funded with [Education Scotland](#), creating new Get Learning pages for the website that provides useful teaching and learning resources for schools, and active engagement with 200+ teachers to promote Scotland's Environment Web and citizen science in schools.

At the '[Understanding the state of the environment](#)' conference in Edinburgh in March 2015, SEPA's chief executive James Curran, announced continued SEPA funding support to Scotland's Environment Web, when its current funding with European Union LIFE+ funding comes to an end in August 2015.



¹⁰ Main partners include British Geological Survey, Education Scotland, Forestry Commission Scotland, Health Protection Scotland, Historic Scotland, Keep Scotland Beautiful, Marine Scotland, NHS Scotland, Scottish Natural Heritage, The Conservation Volunteers, The James Hutton Institute and Scottish Government.

Innovation within SEPA

Given the large numbers of highly qualified scientists within SEPA's ranks, it is no surprise that our staff are always curious to experiment with new scientific techniques to improve our ability to monitor the environment. Two examples of this are illustrated below.

Floating river flow measurement

Our Hydrometry team in south-west Scotland has been working on the design and construction of a remote-controlled vessel that allows deployment of flow gauging equipment by a single person, without the need for expensive fixed infrastructure on the river banks. The design was partly inspired by an existing commercially-available vessel built by the Environment Agency and HR Wallingford and will allow river flows to be assessed at sites that were previously thought impossible due to wading limits. While the Environment Agency design represents a massive leap forward in gauging technology, it is expensive, proved too heavy for a sole operator and often required an off-road vehicle to reach less accessible sites.

Our scientists experimented with a variety of smaller vessels to carry the flow monitoring equipment and eventually designed a much lighter platform allowing rapid deployment and the ability to assess a wide range of flows. The boat offers the possibility of replacing traditional cableway systems at a large number of sites, as well as reducing assessment times from an hour to 15-20 minutes. This in turn enables a hydrologist to increase the number of assessments undertaken in a day. The new equipment will also help increase the robustness and accuracy of gauging station calibration, leading to more accurate data for our internal and external end users. Increased confidence in our high flow data, for example, will be an immediate benefit to our Flood Warning service, improving its accuracy and enhancing our operational reputation.



Surveying waste crime sites

As part of our efforts to reduce waste crime and in particular the illegal disposal and storage of waste, we have been introducing new ways of detection and analysis of waste materials. This has required close collaboration across SEPA.

We have put extra effort this year into reviewing our scientific equipment and capabilities, both in the laboratory (widening in-house waste analysis tests) and in the field (surveying, sampling and site assessment). We have increased the number of staff able to investigate volumes and types of waste, as well as beginning to train field chemists in the use of Unmanned Aerial Vehicles. This follows success from 2012 onwards with these vehicles, assisting aerial mapping for Ecology sites and for restoration work under the Water Environment Fund. Using them for waste investigations will generate more accurate planning of potential sampling activities, and put the site into context with its surroundings using our GIS (Geographic Information System) mapping techniques. We are now working on the accuracy of the data (volumes, height and location) with the aim of being able to employ it as evidence.

Over the coming year we will further develop our remote sensing techniques and expand our in-house analysis of waste samples. This will assist our role in supporting Revenue Scotland collect the correct levels of tax under the new Scottish Landfill Tax and in tracking down illegal waste operators.

EU LIFE SMART Waste Project

Practical innovative ways of tackling waste-related crime can also contribute to the [LIFE SMART Waste Project](#) we are leading, which was launched in November 2014 with European Union funding, partly with this aim in mind. The innovative aspect of this project is grounded mainly in the 'collaborative approach' being taken. We and our partners¹¹ will set intelligence and investigatory objectives using common tools around shared areas of concern, and then together identify and tackle illegal behaviour.

¹¹ NRW (Natural Resources Wales), United Kingdom; ACR+ (Association of Cities and Regions for Recycling and sustainable Resource management), Belgium; IBGE-BIM (Institut Bruxellois pour la Gestion de l'Environnement – Brussels Instituut voor Milieubeheer, Belgium).

Innovation rewarded

Two Ecology staff represented SEPA at the [16th International Water Association UK National Young Water Professionals Conference 2015](#) in Glasgow, where they presented their work. One was a key operator of the remotely piloted aircraft system innovation mentioned previously, whilst the other was involved with recent 3D seabed mapping work carried out from our survey vessel, the Sir John Murray. This is a new tool being used in marine monitoring, and is a powerful aid to expand our knowledge of coastal water bodies and the environmental health of the seabed.

The latter was given the award of conference best presenter for his talk 'Taking a fresh look at the sea bed' which was a review of our sub-tidal marine remote sensing work. This looked at the health of the invertebrate population which provided a measure of water quality under the Water Framework Directive.

The International Water Association consequently nominated him for an award to be presented on 14 July in London, hosted by the [Worshipful Company of Engineers](#), which he is delighted to accept on behalf of the hard work put in by Marine Ecology and the crew of the Sir John Murray.



Strategic environmental harms projects – Air Quality

We referred to the introduction of three strategic environmental harms projects in the 2014–2015 Annual Operating Plan. Two are covered under the performance measures section below:

- diffuse pollution on page 40;
- waste crime on page 39.

Improving urban air quality was the third project.

The quality of air in Scotland has improved considerably since the 1950s. However there are still a few areas where air quality is poor, affecting human health and the environment. This is caused by emissions from industry, transport, energy and agriculture, as well as some household activities, such as heating our homes.

Local authorities have the responsibility to investigate and declare Air Quality Management Areas where key pollutants continually exceed limits set to protect human health. There are over 30 such areas declared across 15 local authorities in Scotland, with traffic identified as the main source of emissions across the majority of these sites. As such, SEPA's air quality specialists provide support in relation to this to each local authority.

SEPA's air monitoring activities

We also monitor emissions from major industrial sources permitted under the Pollution Prevention and Control (Scotland) Regulations 2012. Emissions from these sites are controlled through strict emission limits and permit conditions. We have maintained our Airborne Hazards Emergency Response Service. In addition to this, through direct funding from the Scottish Government, we have deployed a permanent monitoring network for early detection of potential pollutant masses moving across Scotland during volcanic activity in Iceland (see page 27). We are also increasingly trying to encourage the public to assist in assessing air quality and have initiated a school-based citizen science programme, as reported on page 37.



Urban air quality harm project

In 2012 our Board identified a programme of work that was developed into a multi-agency environmental harm project to improve urban air quality. The Scottish Urban Air Quality Steering Group was formed, chaired by us with the remit to support the Scottish Government in designing the Low Emission Strategy to provide strategic direction and support the work of STEP, the [Scottish Transport Emission Partnership](#).

We have worked closely with the Scottish Government, [Transport Scotland](#) and partner local authorities in developing the draft Low Emission Strategy through policy reviews, consultation workshops, and engagement with experienced practitioners.

The steering group played a significant role in the consultation process and also provided governance for six working groups, two of which we chair. These two are responsible for taking forward the modelling and monitoring framework and embedding sustainability within the strategy. As part of this work, we have been modelling air quality in Aberdeen as a pilot project and have identified the need for robust traffic data. Along with Transport Scotland, we are developing a national approach to collecting traffic data for modelling purposes, with particular attention paid to city centre locations. The Aberdeen pilot project also demonstrated the importance of good data analysis and visualisation, to support policy development.



Air Quality Environmental Harm Project Objective:

To implement measures by 2017 which will significantly reduce urban air pollution by the end of 2020 so as to make a contribution to improving the health and the quality of life of people living in our towns and cities.

Air quality data tools

We have developed the Scottish Air Quality Database Development Project, with the support of the Scottish Government. The project aims to enhance air quality reporting, through the development of specific data analysis and visualisation tools for data held on the [Air Quality in Scotland](#) website. These tools are intended to meet the requirements of local authorities and the future Low Emissions Strategy. We will be developing tools that meet different reporting requirements, from general public tools to specialist reporting tools for local authorities. The Project will be completed by April 2016. We will retain responsibility for managing the specific data analysis sites held on the Scottish Government's Air Quality in Scotland website.

Performance measure¹²

Deliver 100% of SEPA's reporting obligations, with 90% delivered within agreed timescales

Status 

We aim to be an influential and respected authority. To achieve this we must turn our data into useful information and produce high quality reports on time. Some of these reports are required by legislation or under agreements with the UK and Scottish Governments. We identified 11 such reports that we needed to deliver this year and we completed nine of them. Two were postponed due to external factors and are now due to be delivered in 2015-2016.

¹² More detailed explanation of progress against these performance measures is available in the [Annual Review of Performance 2014-2015](#).

Performance measure

Increase the quantity of data collected from the Anglers' Monitor Initiative

Status 

By participating in citizen science we aim to develop local understanding of environmental issues and a sense of ownership of the environment amongst those taking part. We also want to promote the collection of long-term datasets to improve our understanding of Scotland's environment.

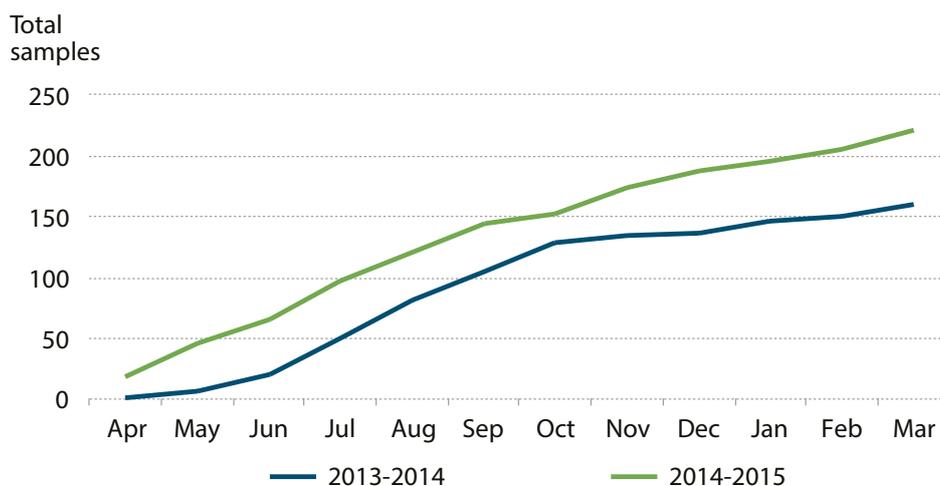
The purpose of this performance measure was to increase the amount of data collected by trained volunteers. This can be assisted by increasing the number of trained volunteers in Scotland who are engaged in the [Anglers Riverfly Monitoring Initiative](#), an established citizen science project. We intend to encourage continued participation and to increase the number of trained volunteers in the Anglers Riverfly Monitoring Initiative by contributing to the training of new volunteers.

We succeeded in increasing the amount of data from The Clyde River Foundation volunteers compared with last year and this is illustrated in the chart below. Further information can be obtained from the Clyde Catchment Riverfly Data [website](#).

The [launch](#) for the national online database for the Anglers' Riverfly Monitoring Initiative took place in July 2014. The database, developed for the Riverfly Partnership by the Freshwater Biological Association, represents a significant development for the initiative, incorporating GIS (Geographic Information System) mapping and enabling registered monitors to view their own monitoring time series data, as well as that of other registered monitors.



Accumulative samples collected over time



Performance measure

Develop a citizen science project to assess urban air quality

Status 

The purpose of this project is to raise awareness of air quality issues around schools and how travel choices can impact air quality. A teaching package is being developed to inform schoolchildren about air quality issues. This will help raise awareness of issues through both theoretical and practical sessions which are in line with the 'Experiences and Outcomes' initiative under the Curriculum for Excellence. This measure was achieved, because, despite initial delays, we completed the initial design stages of the project by the end of the year.

We decided, towards the beginning of the project, that the most appropriate time to launch the project was at the Scottish Learning Festival in September 2015 rather than the original deadline of the end of March. The initial design stages of the project, including draft versions of the website containing the teaching materials, draft Spotfire software tools and the low cost sensors, were all completed by 31 March 2015. The Air Quality Teaching Package containing these elements will be tested in the summer term at selected schools in North Lanarkshire and Glasgow, starting at St. Rochs Secondary School on 20 May. Feedback from these schools will allow us to refine the package before the launch at the Scottish Learning Festival in September 2015, which coincides with the start of the new school year.

The Teaching Package

The package was developed in collaboration with North Lanarkshire Council and Education Scotland. Development of the teaching material was led by teachers at Bellshill Academy and Carnbroe Primary School, in order to build a package that teachers want to use and learners find engaging and enjoyable. All material meets the prescribed 'Experiences and Outcomes' in the Curriculum for Excellence and encourages behavioural change by challenging learners to relate findings to their everyday experiences and the choices they make. It has also been created in recognised areas of deprivation where the language of science is not typically spoken in the home. Areas of deprivation also tend to coincide with areas of poor air quality.

The secondary school package contains six geography lessons and six science lessons. The geography lessons focus on fieldwork (citizen science) whereby the pupils monitor air quality around their school (using low cost sensors) and conduct traffic and travel-to-school surveys. The survey results are downloaded using the designed Spotfire tools, allowing

assessment of the effect of traffic on air quality in the vicinity of the school. In the final lessons the learners think about solutions to poor air quality and play a Spotfire game which allows them to see the impact of different traffic mixes and fuel types on air quality. The science lessons cover topics such as fuels, combustion, health and environment and include science experiments designed with assistance from the Scottish Schools Education Research Centre, so that they can be carried out in the school science lab. The Primary School package contains fieldwork aspects similar to the geography lessons but designed for Primary 5-7 pupils.

The package has been promoted by presentations at the Sustrans School Travel seminars, Scottish Government's Scottish Air Quality Database annual conference and the Citizen Science Urban Air Quality Advisory Group.



Performance measure

Complete 95% of our environmental monitoring planStatus 

We have a duty to monitor and report on the state of Scotland's environment and to use that scientific understanding to inform our independent regulation of activities that may affect its quality. Our environmental monitoring plan is designed to ensure that we collect the right samples at the right locations at the right time. We need to do this in order to meet our statutory monitoring obligations under European, UK and Scottish environmental law and to ensure that we gather enough data to help us understand Scotland's environment.

During 2014 we collected 30,043 samples compared to the planned 29,271 in the 2014 environmental monitoring plan¹³ ensuring we met 100% of our environmental monitoring plan.

2011-2012	2012-2013	2013-2014	2014-2015
97.6%	98.2%	100%	100%

Performance measure

Meet 100% of statutory monitoring requirementsStatus 

We must collect and report Scotland's statutory monitoring requirements for the Urban Waste Water Treatment Directive and the Bathing Water Directive. The parameters and sampling frequencies are set by the Directives and these are incorporated into our National Monitoring Plan which generates monthly sampling schedules for the year.

The main objective of the Urban Waste Water Treatment Directive is to ensure that all significant discharges of sewage are treated before they are discharged either to inland surface waters, ground waters, estuaries or coastal waters. These waters are generally those where the potentially impacted population is greater than 2,000 and the waste water thus requires secondary treatment. The Directive sets tight sampling and analysis standards for these discharges.

The Bathing Waters Directive sets limits on indicator bacteria concentrations in seawater at identified bathing waters in Scotland. SEPA monitors Scotland's 84 designated bathing waters throughout the bathing water season from 01 June to 15 September. The results of this monitoring are posted on our website and released as an [annual report](#).

All planned samples for the year to December 2014 were taken and analyses completed for all the parameters required under the Urban Waste Water Treatment Directive.

Although this measure does not cover the state of the discharges being analysed, it is worth noting that provisionally, at the end of 2014 on a rolling 12 months basis, 95% of sites were compliant.

We reported the achievement of 100% of our sampling under the Bathing Water Directive at end of Quarter 2.



¹³ Actual samplings can exceed planned samplings for a number of reasons, including some needing a repeat sampling on instructions from our laboratory.

Performance measure

Reduce the scale and impact of serious waste crime in Scotland. This year we will identify the scale and impact to set a baseline for future reporting

Status



This is the initial stage of a three to four year project to identify and tackle serious waste crime.

During 2014–2015 this project set out to measure the scale and impact of serious waste crime in Scotland; and in parallel, make progress towards building capacity and capability to tackle waste offending through the delivery of key activities. This was summed up under the following work streams as listed in the 2014–2015 Annual Operating Plan:

- improving intelligence collection; analysis and assessment about waste crime and its impact upon the environment and legitimate business;
- detecting waste crime;
- disrupting existing criminal activity;
- deter and divert individuals and groups from taking part in serious waste crime.

The main aim this year was to produce a strategic report assessing the scale of serious waste crime, which could be used by all those tackling this activity. Our completed waste crime threat assessment records the scale and impact of waste crime in Scotland, providing a baseline for future reporting. The internal report discovered significant methodological and conceptual problems in assessing waste crime, and gave recommendations on how to improve our understanding and response to it. Given the absence of waste crime data, we conducted, for the first time, a waste crime perceptions questionnaire involving waste sector participants. This gave us a baseline of victims' experiences and perceptions of waste crime. The effectiveness of future prevention and enforcement strategies will be measured against this baseline.

Other key deliverables included:

- the development and implementation of intelligence;
- investigative and partnership activities to improve our capacity and skills to detect, deter, disrupt and divert waste crime.

Significant results have been delivered in each of these areas and we have met all required deliverables for the year.

Illegal tyre dump successful prosecution

In February 2015 an operator of an [illegal tyre dump](#) was successfully prosecuted for keeping controlled waste such as tyres and associated waste, plastic containers and other waste without a waste licence between October 2012 and April 2013. This led to a 14 month imprisonment for the company director and a £195,000 fine for the company. The site in North Lanarkshire included as many as 114,000 tyres stacked haphazardly and too closely together, with insufficient fire breaks: this meant a fire would have been extremely difficult to control. The dump's position next to a hospital, schools and residential areas and a mainline railway made it both a significant threat to human health and environmental quality.

We worked with various partners to make the site safe. Patrols were undertaken several times a day by us and Police Scotland until 24 hour security was put in place. We took part in a series of multi-agency meetings between NHS Lanarkshire, North Lanarkshire Council, Strathclyde Fire and Rescue and Strathclyde Police. Bringing the case to court demonstrated constructive partnership working with the Crown Office Procurator Fiscal Service's Wildlife and Environmental Crime Unit to bring to justice those breaking laws designed to protect the environment and human health.

We used our statutory powers to remove most of the tyres and chemicals at a heavy cost to the public of £437,000. This highlights one of the hidden costs to society from those who blatantly disregard potential risks to local communities and the environment in pursuit of profit.



Performance measure

Achieve a greater than 70% uptake of required measures to alleviate diffuse pollution after first revisits to non-compliant farms

Status 

Diffuse pollution must be mitigated to improve the quality of Scotland's water environments in line with the objectives set in the River Basin Management Plans. Traditional regulatory approaches have not been successful, so the Diffuse Pollution Management Advisory Group was created and is chaired by SEPA. This oversees delivery of the Rural Diffuse Pollution Plan for Scotland. The plan aims to ensure the key stakeholders in Scotland work in a coordinated way to reduce diffuse pollution from rural sources. Members are currently working together to oversee our diffuse pollution work, to promote good practice, investigate other mechanisms to tackle diffuse pollution and review effectiveness of the current strategy.

We exceeded our 70% target for the year as 88% of farms revisited are now compliant or have started remedial work, demonstrating how effective farm visits have been in encouraging landowners and land managers in tackling diffuse pollution. Since the diffuse pollution farm work began in summer 2011 over 3,000 one-to-one visits have been completed. Over 1,000 of these visits were completed last year. We achieved our target of ensuring all initial visits or engagement with land managers in priority catchments had been undertaken by the end of December 2014.

Throughout the year we have continued to work well with our partners to deliver the Rural Diffuse Pollution Plan. Two well attended Diffuse Pollution Management Advisory Group meetings were held (in October 2014 and March 2015). Our staff engaged directly with land managers by manning stands and answering questions at major agricultural shows (Scotsheep, Royal Highland Show and the Kelso Show).

The tables below record progress to date in each of the [14 priority catchments](#) and compliance rates after the initial farm visit. The first table shows the six that have received revisits, and the second table the eight yet to be revisited.



Farms that have received revisits

Six priority catchments received 2nd visit	Initial visits completed	% visited sites compliant (1st visit)	Number sites revisited	% revisits compliant or working towards compliance	Resulting % catchment compliant after 1st revisit
River Ayr	250	13 %	157	92%	33%
River Doon	103	12%	3	100%	13%
North Ayr Coast	97	10%	2	100%	10%
Eye Water	57	28%	33	97%	63%
River South Esk	161	29%	91	89%	55%
River Ugie	363	41%	215	83%	82%
Totals	1,031	26%	501	88%	51%

Farms visits completed in 2014 (yet to be re-visited)

Eight priority catchments not yet received a 2nd visit	Initial 1st visits completed	% visited sites compliant (at 1st visit)
River Garnock	131	33%
Galloway Coastal	317	19%
River Tay	502	49%
Stewarty Coastal	152	27%
River Dee	296	28%
Deveron	380	37%
Buchan Coastal	302	43%
Irvine	195	26%
Totals	2,275	33%

These revisits were undertaken at farms identified as non-compliant at the time of the initial one-to-one visit. Of these 501 revisits, 262 (52%) have become compliant due the mitigation work carried out, a further 180 (36%) had started, but not completed, remedial mitigation. This is combined to give the 88% quoted above. Only 59 (12%) had not initiated any remedial mitigation so far.

An initial compliance rate for the agricultural sector of just 26% (with SSAFO¹⁴ and diffuse pollution General Binding Rules) in these six priority catchments, as recorded at the initial farm visit, is extremely low for any industry or business sector and illustrates the enormity of the task facing SEPA. After fewer than half of the farms have been revisited, the compliance rate in these six catchments has already risen to 51%. Interestingly the initial compliance rate for the eight catchments where inspections were completed at the end of 2014 was a little higher than the first six catchments completed (at 35% against 26%) which might be an indication that rural land managers are becoming more aware of their regulatory requirements in terms of General Binding Rules.

Achieving full compliance can take considerable time. Application for, and receipt of grants can take many months and some measures, such as the erection of slurry storage facilities will need planning permission and building warrants.

The 14 priority catchments visited so far represent about a quarter of the priority catchments SEPA has identified for rural diffuse pollution intervention. In terms of area this is also about a quarter of the total area to be targeted. We intend to address the remaining 43 priority catchments over the next two cycles of River Basin Management Planning.

¹⁴ Silage, Slurry and Agricultural Fuel Oil

.....
SEPA is a high
performance
organisation
.....



Introduction

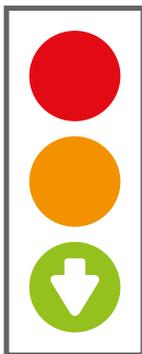
We strive for excellence, both as an environment protection agency and as an employer. We continuously review our performance and are always seeking ways of delivering higher quality services and improving effectiveness.

We have spent the year working through the consequences of the Regulatory Reform (Scotland) Act 2014, which not only gave us a statutory purpose, but also introduced new ways of delivering our regulatory duties. These are described on page 44 and include wider enforcement measures and a new charging system that will better reflect costs, risks and environmental impacts.

We also report on some of the internal projects we have been running during the year to improve our business procedures. These are described on page 45 and include introducing efficiency changes to our Contact Centre and further embedding ecosystem services into our policy analysis. This year we completed a lengthy project to combine the two offices at Stirling into one, and teams previously separated now have the benefit of working side by side in a fully modernised building, as described on page 45.

Our staff are our most valuable asset. Developing actions to improve their well-being has been reflected in our organisational involvement in the [Healthy Working Lives](#) programme. Last year we achieved the Healthy Working Lives Bronze award. This year we set our sights higher and were pleased to have achieved the Silver award, as is reported on page 46.

FACTS AND FIGURES



2%

The fall in **transport greenhouse gas emissions** on the previous year.



21

The number of senior management posts occupied by **females*** (31% unchanged on last year)

*There are 67 occupied management posts at the end of March 2015 (Grade B or higher)

2.94%*

SEPA's **Lost Time Rate** for the year compared with 2.25% last year

*% of total full-time equivalent working time available that has been lost through absence.

27

employees declared themselves **disabled**.

Better Environmental Regulation

Background

We want to be able to focus on delivering real outcomes, for the environment but also for communities and the economy. Regulatory reform is a key part of this. We continued to work with the Scottish Government as part of a Better Environmental Regulation agenda to develop new legislation and a new charging scheme to support this reform. This builds on the joint work to develop the environment aspects of the Regulatory Reform (Scotland) Act 2014.

SEPA's Statutory Purpose

The Act provided SEPA with a general purpose, giving primacy to protecting and improving the environment, including the sustainable management of natural resources, but also recognising the contribution we can and do make to improving the health and well-being of people in Scotland and contributing to achieving sustainable economic growth. In 2014–2015 the Scottish Government consulted on and issued us with statutory guidance on this new purpose.

More Proportionate and Effective Environmental Enforcement

Most of those we regulate want to understand their responsibilities and take action to comply with relevant legislation and are keen to act on advice we provide. However, where necessary, we need to be able to take effective and proportionate enforcement action, with the objective of moving offenders to compliance. Work has continued to strengthen SEPA's enforcement toolkit, as enabled by the Act. Provisions which came into force quickly under the Act included strengthened powers for the courts, a new significant environmental harm offence and enhanced SEPA powers of entry and investigation. We have been training authorised officers for this task.

In conjunction with the Scottish Government we have continued to liaise with the Crown Office and consulted on the detailed design of the new SEPA enforcement measures and corresponding regulations under the Act. This external engagement demonstrated the continued strong support for our intended approach to enforcement whilst also providing important feedback on some of the detail. We have been preparing for implementation, including developing guidance and reviewing governance arrangements for decision-making in the use of the new tools. We also carried out extensive consultation with our staff, raising awareness, and receiving suggestions on the detailed design and practical implementation issues.

Simpler and more joined-up Environmental Permissions

The Act also enables reform of the approach to environmental permissions. It is intended to drive a simpler, more risk-based and effective approach, with, for example, permits being issued according to site or by corporate body rather than by activity. Implementation of the Act is being phased in, giving priority to setting up the new enforcement arrangements first. However, work has started on developing the detailed policy intent on permissions, including opportunities to reform the approach to waste permissions.

The Scottish Regulators Strategic Code of Practice

We also worked with the Scottish Government and others in the development of the Scottish Regulators' Strategic Code of Practice which came into force on 18 February 2015. As a result of this, we have started liaising more closely with other regulators in Scotland to share good practice and promote consistency of approach, as well as ensuring we are meeting the requirements of the Code.

New Regulatory Charging Scheme

We continue to work with the Scottish Government to reform the approach to regulatory charging. We intend to replace five existing outdated and inconsistent schemes, covering 90% of our chargeable income, with a single, fairer and more risk-based scheme; delivering greater transparency and consistency. The new regulatory charging scheme will better reflect cost and environmental impact and is a key part of us targeting effort where the risks and benefits are greatest. Over the year we have been working to develop detailed proposals for a new charging scheme in advance of a formal public consultation, and there has been extensive external and internal engagement in preparation for this.



Continuous improvement in working practices

As well as the reform of our regulatory and legislative framework, various internal projects were initiated aimed at improving the way we work both in effectiveness and delivery of high quality services.

SEPA Contact Centre

One of the first areas where we sought efficiencies was the existing Contact Centre arrangements. The project has delivered significant benefits in the first year. The SEPA Contact Centre now manages 100% of our safety cover calls as well as providing a lone working service for Scottish Natural Heritage. Negotiations are underway with several other agencies such as Historic Scotland and the National Trust for Scotland to provide this service for them, increasing our revenues, and supporting wider partnership working.

Centre staff have received training to enable them to resolve more calls at first point of contact. The staff have been given access to internal systems allowing them to deal with simple finance and registry queries, freeing up staff time across the business. Our 'first point of contact' statistics have risen from 42% to 85%, whilst we have still managed to answer 97% of the 73,000 calls we received in 2014 within 10 seconds.



Other projects

The Embedding Ecosystem Services project has focused on developing our overall approach to ecosystem services assessment and introducing it into flood risk planning, and river basin management planning. Other areas such as climate change adaptation and health and well-being are being evaluated for the suitability of an ecosystem services approach.

Further projects this year have included developing a digital strategy and our people strategy. The former is intended to allow us to use digital technology innovatively and effectively in all our work and culminated in the publication of [Our Digital Future](#) just after the year end. The latter has included significant development work around job evaluation, key employee related policies and a new range of professional skills training courses.

We have also initiated work to strengthen our approach to both evidence and analysis and problem solving projects. Work has also been carried out to look at options for improving how SEPA is structured and organised and this will help to inform future improvements.



Stirling moves

After a few years of planning the move to consolidate our two Stirling offices into one new office was successfully completed in 2014–2015. The move was part of the approach to managing our property more effectively as set out in our estate strategy. This aims to make more efficient use of space, reducing costs, and helping us to reduce our carbon footprint. The newly fitted out Strathallan House, a short distance from the two original buildings (Bremner House and Erskine Court) was occupied in phases, with the final, major transfer of staff taking place in February 2015.

The modern, flexible work environment has introduced new ways of working that have been fully tried and tested at our Angus Smith Building in North Lanarkshire. This opened in July 2013 and now holds around a third of our staff in a modern, well-designed building with a first class laboratory. Strathallan House has an open plan design with numerous areas for informal 'break-out' meetings to ensure flexibility and efficient use of space.

We have taken the opportunity to replicate the Virtual Desktop Infrastructure, already in operation in the Angus Smith Building. This allows access to a desktop anywhere in the building. Although teams have a designated area, the boundaries are less defined and a healthy interaction between teams is encouraged. This is reinforced by a desk to staff ratio averaging 8:10.

The project team set up to manage the move was able to draw on the experience of the previous move to the Angus Smith Building. A regular newsletter informed staff of progress and extensive consultation over layout and staff facilities such as kitchens, bike facilities and parking took place.

In recognition of government policy to share accommodation and services with other public sector bodies, we welcomed 30 members of Scottish Natural Heritage into their section of the building in April 2015. They had been fully represented on the project team during the life of the project.

Healthy Working Lives Silver award

We take health, safety and well-being at work very seriously. Developing actions to improve well-being within SEPA are key components of our People Strategy. This has been reflected in our organisational involvement in the [Healthy Working Lives](#) programme. In February 2014 our efforts were rewarded when we were presented with the Healthy Working Lives Bronze award. This year we set our sights on the Silver award, and in October 2014 Health Scotland confirmed we had duly achieved this, with the formal presentation ceremony taking place later in March 2015.

To qualify for the award, we had to demonstrate that we continued to meet the requirements of the Bronze award as well as being able to provide evidence of how we complied with standards under the Silver award category. The assessment feedback has been really positive across many aspects of SEPA – with Health Scotland stating that 'the ethos of supporting and encouraging employees in a healthy lifestyle is embedded within the fabric of the organisation'.

The full report was made available to staff and covered various aspects of working life. Areas we scored well included encouraging employee attendance through flexible working patterns and supportive return to work policies, as well as effective communication of health issues through the SEPA intranet and staff magazine.



The future

Recommendations for future initiatives included providing greater access for our sub-contracted staff to our healthy working lives activities. A further suggestion was to promote more 'outreach' activity by staff. Given our specialist knowledge and skills on environmental issues, we should be encouraged to engage further with local communities in activities such as environmental clean-ups and landscaping activities.



Annual assessments ensure we continue to meet the Silver award standards. To maintain this, we will focus on priority areas such as healthy eating, physical activity and mental well-being.

As part of our involvement in the Healthy Working Lives programme, in June 2014 we became the first organisation to achieve the new multi-site Cycle Friendly Employer Award from [Cycling Scotland](#). In addition to the site assessment criteria, the multi-site award requires organisations to have local bike 'champions' and we now have a dozen or so named individuals spread across our office network.

Performance measure¹⁵**5% reduction from our 2013-2014 baseline in carbon emissions from energy usage at SEPA buildings**Status 

The purpose of this performance measure was to monitor our progress over the year in reducing our buildings emissions by 5%, and thus to contribute to delivering the long term target of cutting SEPA's carbon emissions by 42% by 2020, based on the 2006-2007 baseline.

We failed to achieve this target as, despite almost flat electricity consumption and falling gas use, overall emissions from all buildings have risen by 112 tonnes of carbon dioxide equivalent, or 4.4% against a target of a 5% cut for the full year. It is important to note, however, that while emissions have risen, this is due entirely to a significant increase in the electricity conversion factor we are required to use. The electricity conversion factor is almost 11% higher than last year. Unchanged conversion factors would have given a 4.3% fall in emissions, narrowly missing the 5% target.

Electricity consumption has actually risen marginally by 0.4% during the year. Gas consumption has fallen by 28% over the same period. Using the same conversion factors as last year would have given a fall in carbon dioxide equivalent emissions of 108 tonnes.

Energy use in estate	2013-2014	2014-2015	Change kWh	% change
	Q1 - Q4	Q1 - Q4		
Electricity (kWh)	3,744,319	3,757,860	13,541	0.4
Gas (kWh)	1,961,971	1,421,106	-540,865	-27.6

Emissions from energy use	2013-2014	2014-2015	Change CO ₂ e (tonnes)	% change
	Q1 - Q4	Q1 - Q4		
Overall emissions tonnes CO ₂ e Latest conversion factor	2,530	2,642	112.1	4.4
Last year's conversion factor	2,530	2,422	-107.9	-4.3

Note: The conversion factor for carbon dioxide equivalent emissions per kWh for 2014-2015 was updated in August 2014 and the electricity factor has risen by 10.6% while the gas conversion factor has hardly changed.

Of the top eight sites identified for particular focus (making up some 91% of our electricity usage last year), seven have reduced their electricity usage over the year, two by more than 10%. Within this year's top seven electricity users, the only sites where electricity usage has risen are Strathallan House and the Angus Smith Building. The former has been occupied in stages through the year, with full occupation in February 2015. The latter's figures are not comparable either, as we only took initial occupation in July 2013, with full occupation in October 2013. Particular effort is being made to manage emissions from this building as it presently represents 55% of our electricity consumption and 50% of our total CO₂e equivalent emissions.

We have completed the establishment of Building Energy Management Groups in the four largest buildings in the estate, namely Edinburgh, Dingwall Graesser, the Angus Smith Building and Inverdee. A similar group will soon be established at Strathallan House.

This performance highlights very clearly the current dilemma we have with our emissions targets. With such a high electricity component in our emissions profile, any significant change to the carbon intensity of the UK grid will be reflected in our reporting. A review of the emissions target will be considered by the Agency Management Team and the Agency Board in 2015-2016 and we will continue to review actions needed to reduce our energy use further.

¹⁵ More detailed explanation of progress against these performance measures is available in the [Annual Review of Performance 2014-2015](#).

Performance measure

No more than 5% of all waste to be consigned to landfill by 2025

Status 

We are committed to integrating high standards of environmental responsibility into all of our operations. This target is aimed at reducing our environmental impact, and meeting the Scottish Government's Zero Waste targets of no more than 5% of all waste being consigned to landfill by 2025. To achieve this we must continue to improve the performance of another element of the Zero Waste Plan, which involves reusing or recycling 50% of waste materials by 2020, and find alternatives to disposing our residual waste to landfill. We cannot control where our residual waste is disposed, but we will meet this measure by continually segregating and recycling our waste.

We have made further progress in meeting the 2025 target and our own internal targets. Last year about 73% of waste was recycled and this year it has averaged 75%. The rate for diversion from landfill averaged 90% over the year against 88% in 2013-2014.



Performance measure

Target and deliver organisational efficiencies of 3%

Status 

The Scottish Government sets efficiency savings targets for public bodies each year. We have to identify efficiency savings in order to achieve a balanced budget in future years.

After a series of meetings with the Agency Management Team and portfolio senior managers, enough efficiencies have been found for us to balance the 2015-2016 budget. The savings identified equates to 3% of our grant-in-aid received from the Scottish Government.

Performance measure

Achieve at least 98% cost recovery on our charging schemes

Status 

This indicator measures our ability to recover costs through our charging schemes, against the costs incurred in our regulatory monitoring. We have a responsibility to ensure that all relevant costs of regulatory activities are recovered through charges.

Provisional figures for the financial year to March 2015 show we are achieving 98% cost recovery on our charging schemes.

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
94%	96%	95%	96%	98%

Performance measure

Work with operators to determine 96% of applications within statutory timescalesStatus 

We want to ensure that we process applications¹⁶ within the statutory timescales so that businesses can comply with environmental legislation. The statutory timescales for determining Waste Exemptions is 21 days, Controlled Activity Regulations (Registrations) is 30 days, Pollution Prevention and Control Part B (Deemed Applications) is 12 months. For all others reported below, the statutory timescale for processing an application is four months. Over the year 98.5% of applications were processed within the relevant statutory timescale.

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Achieved (target 94%)	Achieved (target 96%)				

Performance measure

Respond to 96% of environmental incidents and pollution reports within 24 hoursStatus 

When members of the public are helping us in our work, we want to respond promptly to them. This includes responding quickly to people who report environmental incidents and pollution to us. Over the year we received 6,576 reports relating to 5,482 environmental incidents and responded to 6,439 (98%) within 24 hours, against the target of 96%.

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Achieved (target 95%)	Achieved (target 95%)	Achieved (target 95%)	Achieved (target 95%)	Achieved (target 96%)

Performance measure

80% of new Pollution Prevention and Control applications will be determined by the end March 2015Status 

This monitors the effectiveness of our application process for activities which have not been previously regulated under the Part A regime of the Pollution Prevention and Control (Scotland) Regulations 2012 received by SEPA over the period 7 January 2014 to 7 October 2014. This showed how effectively we have implemented the new regulations, and it also revealed the quality of applications received.

This measure was achieved as we have determined seven of the eight applications received in the legal application windows, a success rate of 87.5% against a target of 80%. Applications for newly prescribed activities followed a timetable laid down in the Regulations. These application windows were provided to allow us sufficient time to determine the applications before a legal deadline of 7 July 2015 (to comply with the requirements of the Industrial Emissions Directive).

Work on completing applications received outside the legal application window continues, with the aim of completing as many as possible by the legal deadline of 7 July 2015.

¹⁶ Applications are registrations, permits, authorisations and licences excluding Radioactive Substances Act Band A nuclear site applications.

Performance measure

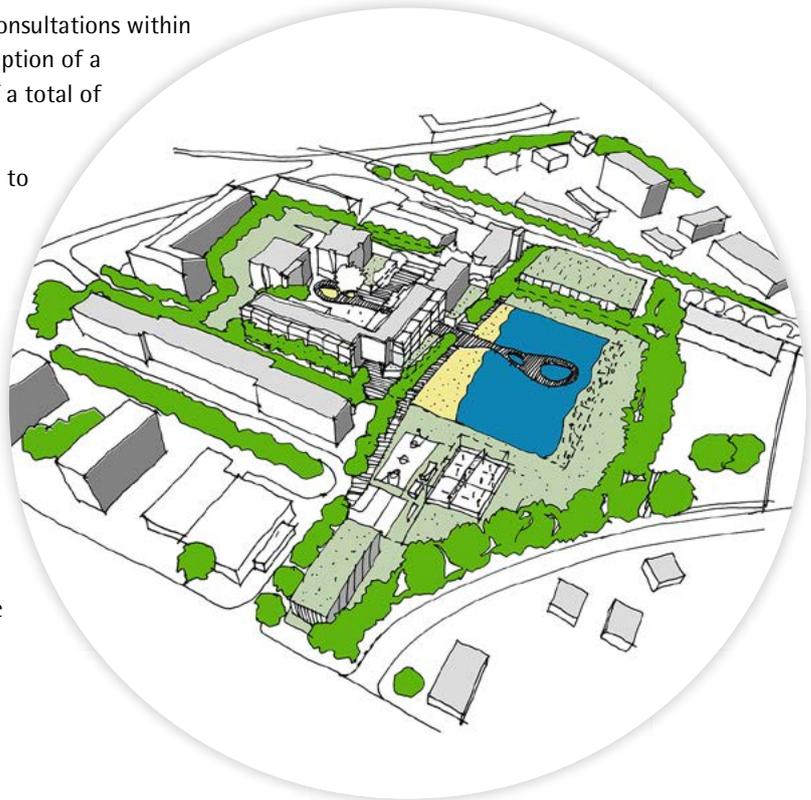
Respond to 100% of formal development plan consultations within agreed timescalesStatus 

The Scottish Government has clearly indicated the importance of the planning system to support economic growth and the role of the development plan in this process ([Planning Reform: The Next Steps, March 2012](#)). We are a key agency under the Planning etc. (Scotland) Act 2006 and a statutory consultee within the land use planning system. Our engagement in development plans is one of our key planning priorities. We receive around 200 consultations on development plans per year. By involvement at an early stage, we can ensure protection of the environment is given adequate consideration in the development plan, saving unnecessary delays to planning applications later on.

We responded to all formal development plan consultations within agreed timetables during the year with the exception of a single formal development plan. This was out of a total of 221 processed during the year.

The exception occurred in Quarter 1 and related to a consultation on a housing masterplan which was part of a development plan. This occurred at a time of particularly high workload. Whilst an exemption could have been requested to extend the timescale, this was not done.

It should be noted that a development plan can comprise consultations on 400 or more individual sites as well as policies and a range of supplementary guidance. The impact of the late response was minimal with the response being received by the consulting authority the morning after the deadline, and SEPA's response was still considered.



Performance measure

Respond to 100% of strategic environmental assessment consultations within agreed timescalesStatus 

Strategic environmental assessment is a systematic process for identifying, reporting, mitigating and monitoring environmental effects of plans, programmes and strategies. It aims to ensure that environmental issues are taken into account at every stage in their preparation, implementation, monitoring and review. Under the Environmental Assessment (Scotland) Act 2005 we have a statutory duty, as a Consultation Authority to provide advice to those undertaking strategic environmental assessments. We respond to over 200 strategic environmental assessment consultations each year.

We have responded to all strategic environmental assessment consultations within agreed timetables during the year. We have completed 214 in time, with none requiring agreed extensions.

Performance measure

Respond to 95% of planning consultations within agreed timescales

Status 

Local authorities, the Scottish Government and other agencies consult SEPA about planning applications that range from the building of individual houses to power stations and windfarms. We provide standing advice, which local authorities can use when a development has a low level of risk, but we encourage consultation where the issues are more complex. We also provide advice on environmental issues such as flooding, air quality, issues with sustainable waste management and the water environment.

The standard consultation timescale is ten working days but when complex proposals are received we will request an extension to allow us to provide a full response. Sometimes this will include holding a meeting with the developer to gain a better understanding of the proposal.

For the 3,000 planning consultations received each year, we aim to reply in the time given to us by planning local authorities and other bodies. This year we responded to 97% on time (including extensions). In total 3,867 consultations were completed on time, another 400 were completed on time after agreed extensions and 147 were late.

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
93%	90%	97%	98%	97%



Performance measure

Respond to 90% of Official & Ministerial Enquiries (OMEs) within agreed timescales

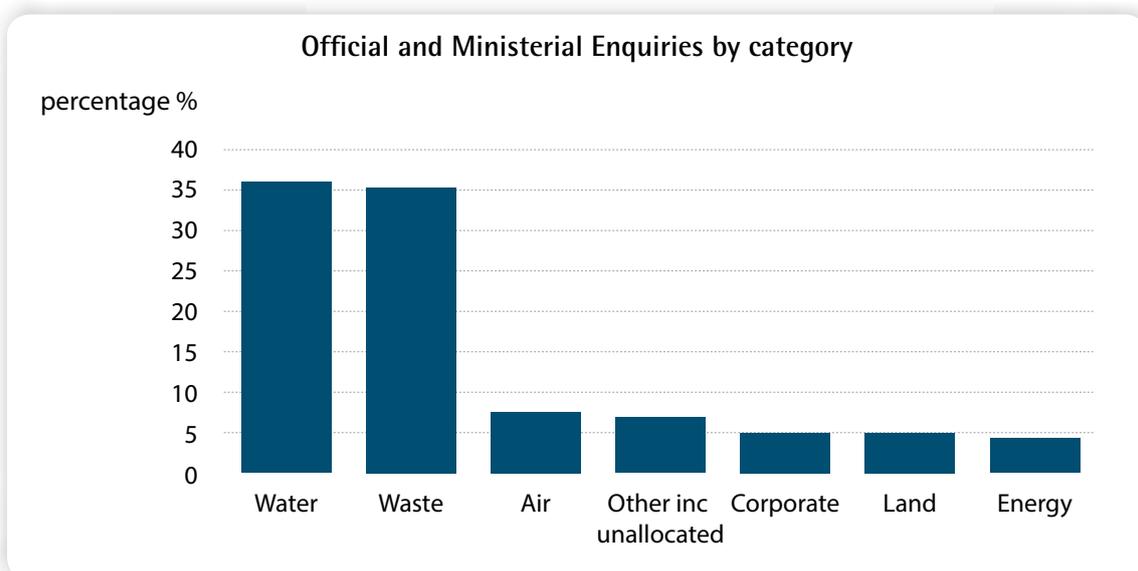
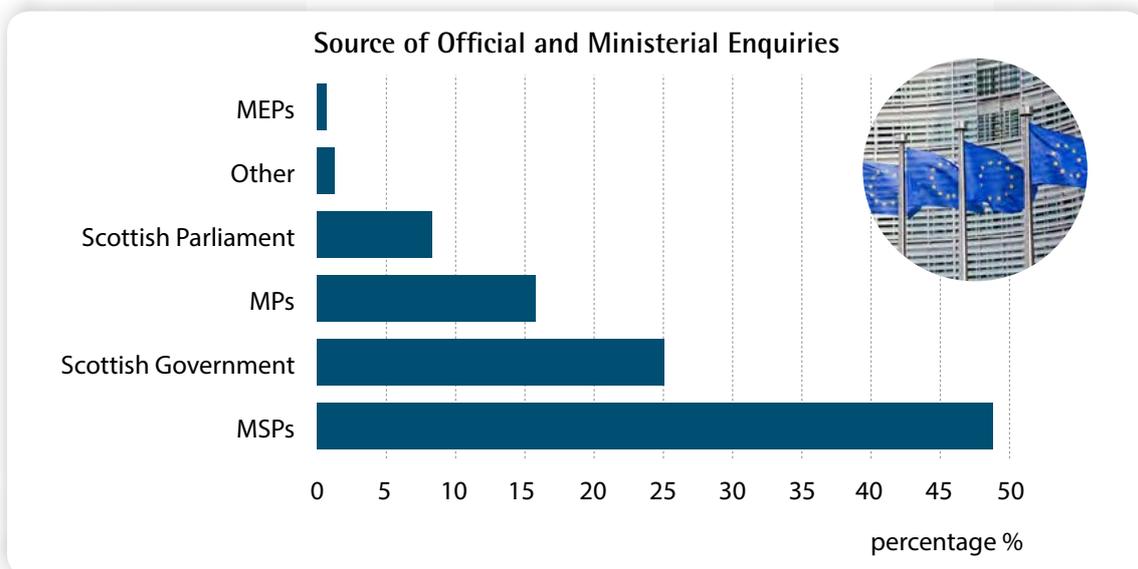
Status 

Official & Ministerial Enquiries are interactions with a variety of bodies. These include: Government seeking information for Ministers; direct enquiries from Ministers; members of the Scottish, UK or European Parliaments (including individual politicians or their staff); leaders or chief executives of local authorities; and staff from the Scottish or UK Parliaments, for example members of SPICe (the Scottish Parliament Information Centre) or committee clerks. Over the last four years we have received about 340 enquiries a year.

Over the year we received 300 Official and Ministerial Enquiries and responded to 295 within agreed timescales, equivalent to 98% against the target of 90%.

The charts below show breakdowns of enquiries by source and category. Key points from the analysis include:

- Nearly half of enquiries came from MSPs in 2014-2015.
- Compared with 2013-2014, we saw an increased proportion of enquiries from both MSPs and MPs.
- Waste and Water (including flooding) are the most significant categories, similar to previous years.



Performance measure

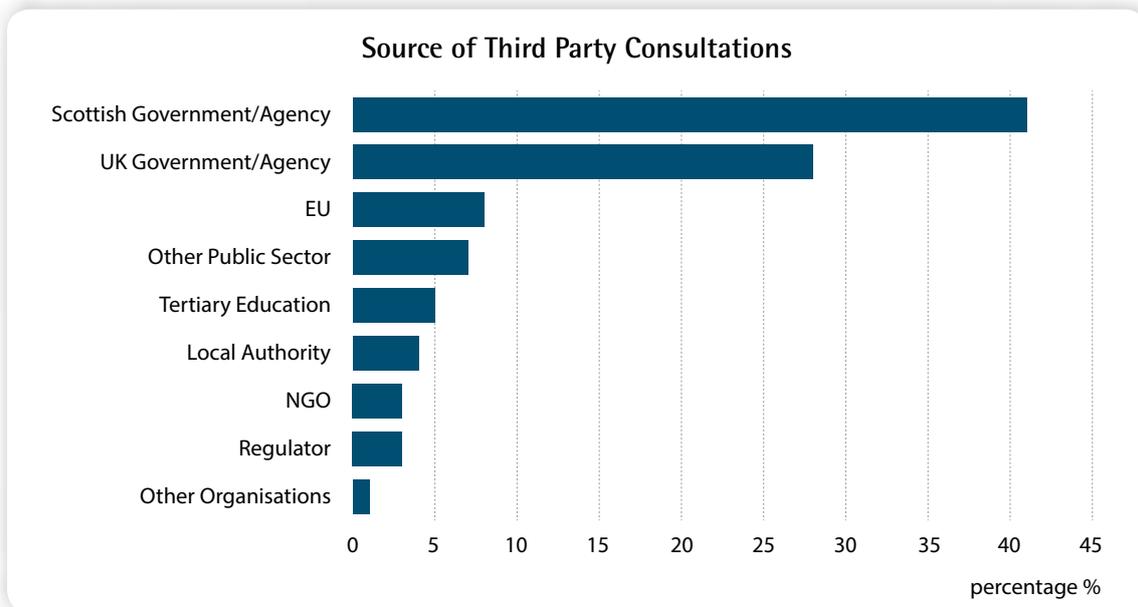
Respond to 90% of formal third party consultations within agreed timescalesStatus 

We are regularly asked to comment on a formal basis on a wide range of issues and publications by external organisations. These can range from commenting on draft reports, to providing input to proposals for legislation and regulations. We have business procedures that provide a coordinated and consistent approach to responding to these consultations.

During the year we have responded to 63 Third Party Consultations and 60 (95%) were responded to within agreed timescales, against the target of 90%.

These consultations were issued by a diverse range of organisations - from European Union bodies, UK and Scottish Governments and their agencies, other regulators, local authorities, other public sector organisations, tertiary education establishments and non-governmental organisations (NGOs). However, most consultations came from the Scottish Government and its agencies.

The nature of consultations can broadly be categorised as research, strategy, policy and legislation, guidance and regulation, with the largest proportion relating to the latter three. The chart below gives an indication of the source of consultations.



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Accounts for year ended
31 March 2015
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Directors' report

1. Introduction

The Board of the Scottish Environment Protection Agency (SEPA) presents its annual report and accounts for the year from 1 April 2014 to 31 March 2015. The accounts have been prepared in a form directed by the Scottish ministers, in accordance with Section 45 paragraphs (1) and (2) of the Environment Act 1995.

Our 2014–2015 annual operating plan described our priorities for the year, and the 32 performance measures we use to monitor our success, of which, 27 were met.

More detailed information on our performance is provided in our [Annual Review of Performance](#).

2. Statutory background

SEPA was established as a non-departmental public body (NDPB) and we are required to fulfil our functions as set out by relevant provisions of the Environment Act 1995.

3. Principal activities

Our statutory purpose, defined in the Regulatory Reform (Scotland) Act 2014, is to protect and improve the environment, including managing natural resources in a sustainable way. And so far as not inconsistent with that, to contribute to improving the health and wellbeing of people in Scotland, and achieving sustainable economic growth.

4. Independent auditors and professional advisors

Under the Public Finance and Accountability (Scotland) Act 2000, our independent auditors are appointed by the Auditor General. PricewaterhouseCoopers LLP (PwC) were appointed as our auditors for the financial year 2014–2015. The independent auditors were remunerated to the sum of £52,920 in respect of statutory audit services for the financial year 2014–2015. The fees payable to the external auditors are shown in note 6 of the 2014–2015 Annual report and accounts.

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.

Bankers

Royal Bank of Scotland
Edinburgh North Bridge Branch
31 North Bridge
Edinburgh
EH1 1SF

Royal Bank of Scotland
London Corporate SC
PO Box 39952
2 1/2 Devonshire Square
London Corporate SC
EC2M 4XJ

Citibank N.A.
Citigroup Centre
Canada Square
Canary Wharf
London, E14 5LB

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
141 Bothwell Street
Glasgow
G2 7EQ

5. Board

Details regarding the Board composition, its committees and its operation are contained in the governance statement provided on page 16, and on our [website](#).

Board members

D Sigsworth (Chairman)	J Hyland
B Downes (Deputy Chair)	N Martin
J Curran (Chief Executive) (Resigned 12 April 2015)	T McAuley
T A'Hearn (Chief Executive (Appointed 13 April 2015)	W McKelvey
R Dixon	K Nicholson
M Francis	L Sawers

6. Financial performance

6.1 Overview of the year

For the year to 31 March 2015, the excess expenditure over income shown in the Statement of Comprehensive Net Expenditure of £43,842,000 (2014 - £41,990,000) was financed by Scottish Government Grant in Aid (GiA). GiA is taken directly to the Comprehensive Net Expenditure Reserve.

The Financial Reporting Manual (FRm 2014-2015) issued by HM Treasury specifies the format of our annual accounts. GiA is included in the Comprehensive Net Expenditure Reserve in the statement of financial position rather than included in the Statement of Comprehensive Net Expenditure for the year. All other income and expenditure is included in the Statement of Comprehensive Net Expenditure. The in-year deficit is transferred to the Comprehensive Net Expenditure Reserve and is funded by GiA held there.

Total funding received for charging and other income, increased by £1,288,000 (3%) in 2015, compared to 2014. The increase consisted of £497,000 for charging scheme fees and other income of £791,000. An uplift in fees accounted for the bulk of the increase in charging scheme income. The increase in other income mainly relates to the recovery of costs of activities undertaken for other public sector bodies.

There was an increase in GiA cash funding of £2,059,000 compared to 2014, as shown in the Statement of Changes in Taxpayers equity for the year.

Total operating expenditure increased by £1,730,000 (1.8%) during the year, consisting of increases in staff costs of £2,773,000; depreciation and impairments of £40,000; board costs £6,000; auditors' costs of £1,000; research and development costs of £8,000; and property costs of £107,000. Offset by decreases in costs for supplies and services of £773,000; property and vehicle leases of £365,000; and transport of £67,000.

The increase in staff costs of £2,773,000 reflected in note 5 of the accounts is made up of an increase in payroll costs of £2,924,000; an increase in pensions costs under International Accounting Standard 19 (IAS 19) of £375,000; less a reduction in other staff costs of £526,000. The increase in payroll costs of £2,063,000 is a combination of cost of paying more staff, plus annual inflationary and pay progression costs. Plus £862,000 of additional superannuation and social security costs. Additional staff have been necessary to carry out new duties in a number of areas across SEPA. Staff have been needed to meet Flood Act duties; SEPA's responsibilities under Reservoirs Act; support Revenue Scotland in administering Scottish landfill tax and our commitments to EU projects.

Our statement of financial position shows net liabilities of £52,108,000 (2014 - £29,012,000 - restated). The accounts have been prepared on a going concern basis, as it is expected that all future liabilities not met from income generated by SEPA will be met by future GiA as they fall due.

We undertook a desk top valuation of our land and buildings and had the Sir John Murray (vessel) professionally valued during the year. Land and building estimated market values reduced by £610,000 in year and the value of the vessel decreased by £138,000. One property is held in current assets, as it is vacant and for sale with an estimated market value of £900,000. The only specialised buildings we own are gauging stations. Their asset values at 31 March 2015 have been indexed as proxy for fair value. This has resulted in a net decrease in their value of £56,463.

Following the valuation of pension scheme assets and liabilities at 31 March 2015, the pension scheme deficit has been increased to £80,957,000. The deficit at 31 March 2014 was £58,286,000; the increase in liability of £22,671,000 is a result of changes in the assumptions used to calculate the deficit. The most significant movements were a result of the changes to discount rates applied and other experience of the fund. Notes 20, 21 and 22 provide additional information.

The Scottish Government expect all public sector bodies to deliver efficiency savings of at least 3% of Scottish Government allocated cash operating budget. For us to manage our operating expenditure within the income available in year, running costs were reduced by £1,103,283 as part of the budget setting exercise for 2015-2016. This saving represents 3% of cash GiA funding received in year towards our running costs.

In 2014-2015, the charging schemes achieved 98% cost recovery (note 24) against an annual operating plan (AOP) target of 98%.

We had a net cash inflow of £197,000 (2014 -£45,000) during the year.

We received 47% of our operating income from Scottish Government GiA and generated the other 53% of our income from charging schemes and other income. There is not considered to be any significant liquidity or credit risk exposure due to credit controls in place. Our financial instruments comprise trade and other receivables, trade and other payables, cash and liquid resources. Trade receivables and payables are both held at fair value. Any cash held in accounts is with highly rated banks. These financial instruments are considered low risk.

6.2 Capital investments

We spent £2,494,000 (2014 - £2,692,000) on the following capital projects in year:

IS infrastructure / resilience / software	£387,000
Replacement of various items of scientific equipment	£784,000
Strathallan House in Stirling	£549,000
Simulated Catchment Modelling (SIMCAT)	£786,000

6.3 Equalities agenda

Under the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012, SEPA, as a listed public body, is required to set and publish equality outcomes and report on progress to achieving them every two years. In addition there is a requirement to mainstream equality through SEPA business and again reports on progress are made periodically to the Agency Management Team and the Agency Board. SEPA has five Equality Outcomes, each of which runs until April 2017.

Our Equality Outcomes are:

- To increase the number of women in leadership roles and young people employed within SEPA.
- The public, including hard to reach communities will have a better knowledge and understanding of SEPA and our role in protecting the environment.
- Flood warning services will be more widely known and used by the public, including hard to reach communities.
- Staff and public alike will have better access to our offices and public counter services.
- We will work toward a workforce profile that is in line with the demographics of Scotland.

In addition a separate Equality Action Plan sets out activity that will help to embed equality considerations throughout SEPA business. This supports delivery of the commitments made within the Equality Mainstreaming and Outcome Progress Report 2015. More information on our performance regarding disabled employees, equal opportunities and employee consultation is contained in the 2015 Equalities Mainstreaming Report, which can be found on our website.

6.4 Sustainability and the environment

A detailed report on our sustainability and the environment can be found in our Sustainability Report. This is usually published in October, with all provisional figures quoted below having by then been fully audited.

The Annual Review of Performance and the performance section of this annual report and accounts, give details on two key sustainability measures that were included in the 32 annual operating plan performance measures. These were Buildings Energy Use and Zero Waste Targets.

We failed to achieve our Buildings Energy Use target of reducing carbon emissions from energy usage at SEPA buildings by 5%. Emissions rose by 4.4% but if greenhouse gas conversion factors had remained the same as last year, we would have seen emissions fall by 4.3%, only marginally short of the 5% target. Transport represents the other major element of our carbon footprint. Our internal target was to maintain transport emissions at the previous year's level. This was achieved, with a slight fall of 2% being recorded.

The second sustainability measure, Zero Waste Targets, records progress on achieving the 2025 target of reducing waste consigned to landfill to less than 5% of SEPA's total waste. We are presently achieving a figure of 10% for waste going to landfill, and a recycling rate of 75%, both percentages well ahead of internal targets.

Progress on targets linked with our biodiversity action plans and sustainable procurement policies will be reported in this year's Sustainability Report. We are presently making good progress in implementing biodiversity action plans in our offices with grounds. We have also made good progress in reaching the target of raising sustainability to 15% of the assessment criteria for procurement. The Sustainability Report will also give a full breakdown of our emissions by source of energy usage and transport type. It will also discuss more general aspects of our sustainability work, such as working with Scottish businesses to reduce their emissions and helping Scotland to adapt to climate change.

We also publish on our website an annual statement on the steps we have taken during the previous year to promote sustainable economic growth. The latest is Promoting sustainable economic growth during 2014–2015.

6.5 Other

We have complied with the cost allocation and charging requirements set out by HM Treasury and the Office of Public Sector Information guidance on trading funds.

There were two incidents that we self-reported to the Information Commissioner's Office in year, where personal information in the form of email addresses was sent to the wrong recipients. The Information Commissioner confirmed that no further action would be taken regarding these incidents.

During the year, our staff recorded 2.94% (2014 – 2.25%) lost time due to sickness.

We had a total head count of 1,296 staff at 31 March 2015; 689 female staff and 607 male staff. Of 67 management posts, 21 were occupied by women, of which one was a member of the Agency Management Team. 345 of our employees are over 50 years old.

During the year, we gifted 12 quichs (2014 – 16) to long serving staff who left the organisation. Additionally there were nine pen sets gifted to staff.

At 31 March 2015, we held an accumulated provision of £244,310 (2014 – £501,355) for write off and impairment of debts, and the level of outstanding debt was £1,540,836 this is £99,297 more than at 31 March 2014. During the year 2014–2015, £186,171 (2014 – £521,496) of bad debts were written off or impaired through operating costs in the Statement of comprehensive net expenditure for the year. This represents 0.5% of charging scheme income.

We suffered £12,851 (2014 – £37,855) worth of losses due to theft and loss of equipment and damage to items.

There were no frauds discovered in 2015 (2014 – none) however, during the year there were:

- Three allegations of bribery and corruption were reported in relation to Waste Crime. We are continuing to work with Police Scotland Counter Corruption Unit. Police Scotland and SEPA agreed that all three allegations were linked.
- One allegation of bribery against a SEPA employee, which was unfounded and received a letter of retraction and apology.
- Two allegations of corruption reported where investigations were completed. Actions have been taken to review and strengthen internal processes and procedures.

It is our policy to pay all small local suppliers as soon as possible, and other suppliers within 10 days from invoice date. The average time taken to pay all supplier invoices was seven days, and we paid 89% of invoices within the 10 day target and 98% of all invoices within 30 days.

Our financial system currently has the capability to function with any standard currency which may be introduced as a requirement of European Monetary Union legislation.

6.6 Performance against sponsor directorate financial targets 2014-2015

We are expected to manage our budget, including GiA and charging income, in accordance with the Framework Document and Scottish Public Finance Manual. We are expected to ensure that, taking one year with another, income from GiA and charging schemes equals expenditure and are expected to achieve full cost recovery on our chargeable services. We regularly review and update charging schemes to ensure that income reflects regulatory effort and costs. We ensure that the basis for and structure of our charging schemes are transparent and incorporates independent external scrutiny, where appropriate. We propose amendments to charging schemes for ministerial approval, following consultation with charge payers and trade bodies.

Scottish Government provides a budget and cash allocation for the year, which originates from the spending review settlement and is subsequently approved in the Budget Bill. During the year, revisions are approved in the autumn and spring budget, as agreed with the Scottish Government.

We managed within the Departmental Expenditure Limit (DEL) budget limit agreed with the Scottish Government for year to 31 March 2015. For the year 2014-2015, the resource budget was £40,419,000 (2014 - £40,395,000) and we incurred £40,384,000 expenditure against this limit, an underspend of £35,000.

We were also allocated for the first time, an Annually Managed Expenditure (AME) budget limit of £6,400,000 for 2014-2015. The actual IAS 19 pensions adjustments, provisions movements and market value reductions for fixed assets in year amounted to £6,364,000, an underspend of £36,000.

Note 25 provides a summary of the outturn for 2014-2015 against the Scottish Government targets for the year.

6.7 Performance against corporate plan in 2014-2015

During 2014-2015, we undertook a mid-term review of our corporate plan 2012 - 2017. We have managed our expenditure within income over the two years (2012 to 2014). We have identified recurrent savings of £2,910,000 in the two-year period and have underspent against Scottish Government resource budgets by £7,000 over the two-year period (2012 to 2014).

We completed an annual operating plan (AOP) for 2014-2015. This AOP provides the foundation for all our planning for 2014-2015, including decisions on performance management and where to allocate resources. The annual budget based on the AOP was then agreed with the Scottish Government.

Overall income received from all sources exceeded the plan by £3,729,000. GiA received from the Scottish Government was £30,000 more than planned, and other income exceeded the plan by £4,192,000. This additional income was offset by a reduction in charging schemes income of £491,000.

The major movement on charging schemes were reductions in:

- Water Framework Directive schemes - £291,000;
- pollution prevention and control - £137,000;
- control of major accidents and hazards - £128,000;
- radioactive substances Band A, B and C - £185,000.

Offset by increases in:

- producer responsibility - £157,000;
- special waste notes - £110,000.

There were other variances across the rest of the charging scheme amounting to a further reduction of £17,000.

When preparing the budget for other income, a conservative view of the work likely to be undertaken at cost for other public sector bodies was taken. Other income was planned at £1,541,000, excluding EU Life income, which is managed on a standalone basis. The actual income for the year was £5,695,000, an increase of £4,192,000.

The main sources of additional income were:

- £2,910,000 from Scottish Government for additional work;
- £244,000 of contributions from partners for joint projects;
- £164,000 from the recovery of legal fees;
- £680,000 from LIFE+ Project;
- £194,000 was received in sundry income.

The operating expenditure approved in the budget excludes adjustments for pensions under IAS19. The actual expenditure, excluding IAS19 adjustments of £5,499,000, was £79,982,000 compared to the approved budget of £75,697,000; expenditure was £4,285,000 greater than approved in the annual budget.

The operating expenditure increase consisted of increases in:

- £2,575,000 staff costs;
- £52,000 property costs;
- £1,884,000 supplies and services.

Offset by a reductions in:

- £166,000 transport costs;
- £60,000 depreciation and impairments.

We completed the next phase of our estates strategy with the fit out of Strathallan House, Stirling and the closure of our offices in Erskine Court and Bremner House, both in Stirling. Scottish Natural Heritage staff will move in to Strathallan House in 2015-2016.

6.8 Trends 2010-2015

Our GiA income has reduced by 22.6% between 2011 and 2015. Income from the charging schemes has grown by 6.7% over the same five-year period, which is well below Retail Price Index/Consumer Price Index (RPI/CPI) over the five year period of 12.25%. This reflects our charging policy of limiting price increases over the five-year period. We have increased our other income over the five year period by 167.9%.

Our on-going change agenda has sought to improve services and to reduce costs by being proactive and forward looking. This approach has helped to meet the pressures on our budget through reduced GiA and restricted increases in charging income. The strategy to reduce costs has seen an overall reduction in staffing between March 2011 and March 2015 of 34 full time equivalent staff. The net impact on staff costs (before pension's adjustments under IAS 19) has been to restrict the increase to 4% for the last five years: compared to an RPI/CPI increase of 12.25% for the same period.

Depreciation costs have increased by 21% over the five year period and property costs have increased by 11%. Supplies and services costs have reduced by 7% over the last five-year period. Transport costs have decreased by 25% over the five-year period, as a direct result of our actions to reduce our business mileage and our impact on the environment.

We have continued to invest in non-current assets at an average of £3,803,600 per annum over the last five years, mainly to support the introduction of new legislation and the estates strategy.



Terry A'Hearn
Chief Executive and Accountable Officer

Date: 30 July 2015

Strategic report

The review of our performance for the financial year is provided in the Directors' report.

Our corporate plan 2012–2017 explains the outcomes we want to deliver for Scotland and gives an overview of the way we will work to achieve them over a five-year period. Each year we produce an annual operating plan (AOP) to complement the corporate plan. Our AOP for 2015–2016, sets out what we intend to achieve over the coming year, and how we will measure and report on our performance.

There are four outcomes that we would like to achieve for Scotland. They are:

- Scotland's environment is protected and improving.
- Scotland's environment is understood and SEPA is a respected and influential authority.
- Scotland is preparing for a sustainable future and is taking steps to limit climate change.
- SEPA is a high performance organisation.

A summary of each of our outcomes and their link to the National Performance Framework is given in the [Annual Operating Plan](#).

As a non-departmental public body, we anticipate continued financial support from the Scottish Government. The Minister for Environment, Climate Change and Land Reform approved changes to the charging scheme fees for 2015–2016. We will expect ministerial support for the new regulatory funding model being developed for implementation in financial year 2016–2017.

SEPA, in partnership with the Scottish Government, is developing improved environmental legislation, making it simpler and more effective, with targeted penalties for environmental offences. This will lead to a need to amend charging schemes to support a new, integrated, risk based framework of permissions (licences, permits, rules etc.) which we will use to control environmental activities. We have consulted on the broad principles of future charges in 2012 and there will be a further consultation undertaken on this in 2015. For more information on our consultations or to provide comments on a consultation document visit our [website](#).

We will continue work on the Scotland's Environment Web (LIFE+) project. This project has another six months to run from April 2015, and the SMART Waste project initiated in 2014–2015 will run to May 2019.

We will continue to support partnership working projects, such as Scotland's Environmental and Rural Services (SEARS) and participate fully and actively in the Rural Affairs, Food and Environment Delivery Board. We will continue to explore opportunities for shared services and shared accommodation in our efforts to reduce costs, build on our record of partnership working and reduce our impact on the environment. In 2015–2016 we will review our accommodation requirements on the east coast, and will be actively seeking shared offices.

We will continue to support the Scottish Government and the public sector on the delivery of Scotland's climate change duties.

Our financial strategy is based on our existing business model. A programme of improvement and change is on-going to develop a model of service delivery under a new integrated legislative framework.

The financial strategy assumes that the new regulatory charging scheme under development will generate similar levels of income as the schemes that it will replace. The financial model assumes both GiA and charging scheme income to be of the same magnitude as that budgeted in 2015–2016. The most significant financial risks that we will need to manage in the next five years relate to future levels of income from GiA and the new charging scheme. If either source of income reduces we will manage the consequences by identifying new sources of income and controlling operating costs.

Our financial model assumes that staff costs will continue to be roughly 65% of our operating costs. We expect to maintain the basic structure of our current pay scheme for the foreseeable future and we will follow Scottish Government guidance regarding future pay increases. Inflationary pay increases have been set at 1% for 2015–2016 and staff pay will increase by the annual progression steps that are set out within the current pay scheme. Employer's superannuation contribution rate has been agreed at 19% for the three years 2015–2018.

SEPA, like every other government body, is expected to deliver best value and achieve efficiency savings. The Scottish Government has an expectation that we will make efficiency savings for 2015–2016 of at least 3% of GiA funding provided to support our operational activities.

Accounting for pension costs (International Accounting Standard 19) will continue to cause unpredictable movements on our net assets employed through fluctuations in market conditions and underlying assumptions. From 1 April 2015, Local Government Pension Scheme (LGPS) pensions are now being earned on a career average basis.

Our liabilities, falling due in future years, should be met from income derived from charging schemes and GiA. To the extent that the pension deficit is not met from SEPA's other sources of income, it may only be met by future GiA received from our sponsoring department. Our Board has no reason to believe that such support will not be forthcoming. Given the above, it has been considered appropriate to adopt a going concern basis for the preparation of these annual accounts.



Terry A'Hearn
Chief Executive and Accountable Officer

Date: 30 July 2015

Remuneration report

1 Unaudited

The Board, Chief Executive, Executive Directors and Chief Officer's 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 Chairman and members, as well as approving the Chief Executive remuneration package. Our Board determines the contractual performance pay of the Chief Executive and ratifies the Chief Executive's recommendations on pay for the Agency Management Team.

Performance pay was not paid in 2014–2015 in accordance with the Scottish Government pay policy.

Board members contribute at least two days per month in support of SEPA's activities. The Chairman devotes, at a minimum, 12 days per month in support of SEPA's activities and the Deputy Chair devotes three days per month.

There were no major decisions taken on Directors remuneration in year.

2 Audited

Chairman, Board Members, Chief Executive, Executive Directors and Chief Officers

Year to 31 March 2015	Salary band £'000	Value of pensions benefit £'000	Total remuneration £'000
Chairman			
D Sigsworth	45-50	-	45-50
Chief Executive			
J Curran	110-115	6	120-125
Executive Directors and Chief Officers			
C MacDonald	90-95	3	95-100
D Pirie	90-95	10	100-105
A Reid	70-75	3	75-80
F Martin	70-75	9	80-85
S McGregor (appointed June 2014)*	60-65	(3)	55-60
Board members			
B Downes	5-10	-	5-10
K Nicholson	5-10	-	5-10
L Sawers	5-10	-	5-10
R Dixon	5-10	-	5-10
W McKelvey	5-10	-	5-10
M Francis	5-10	-	5-10
J Hyland	5-10	-	5-10
N Martin	5-10	-	5-10
T McAuley	5-10	-	5-10

*Salary reflects the 10 months in post.

The pensions benefit is calculated as follows:

$(\text{Real increase in pension} \times 20) + (\text{real increase in any lump sum}) - (\text{contributions made by member})$.

The real increase in pension excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Year to 31 March 2014	Salary band £'000	Value of pensions benefit £'000	Total remuneration £'000
Chairman			
D Sigsworth	45-50	-	45-50
Chief Executive			
J Curran	110-115	19	130-135
Executive Directors and Chief Officers			
C MacDonald	90-95	(2)	85-90
D Pirie	90-95	7	95-100
A Reid	70-75	8	80-85
F Martin	70-75	12	80-85
Board members			
B Downes	5-10	-	5-10
K Nicholson	5-10	-	5-10
L Sawers	5-10	-	5-10
R Dixon	5-10	-	5-10
W McKelvey	5-10	-	5-10
M Francis	0-5	-	0-5
J Hyland	0-5	-	0-5
N Martin	0-5	-	0-5
T McAuley	0-5	-	0-5

The Chief Executive, Executive Directors and Chief Officers are ordinary members of the Falkirk Pension Scheme, and we pay the employer's pension contribution, while the employee pays the employee's contribution, based on a sliding scale, commensurate with salary banding.

The Chief Executive is on an incremental pay scale and the Executive Directors and Chief Officers are on fixed point salaries. In accordance with the Scottish Government pay policy, performance related pay has not been paid in the current financial year.

Pension entitlements of Chief Executive, Executive Directors and Chief Officers

For year ended 31 March 2015	Real increase/(decrease) at age 60		Total accrued sum at age 60		Cash equivalent transfer value at 31 March 2015	Cash equivalent transfer value at 31 March 2014	Real increase/ (reduction) in cash equivalent transfer value
	In bands		at 31 March 2015 In bands				
	Pension £'000	Lump sum £'000	Pension £'000	Lump sum £'000			
Chief Executive							
J Curran ¹	0-2.5	(0-2.5)	50-55	130-135	1,117	1,041	36
Executive Directors / Chief Officers							
C MacDonald	0-2.5	(0-2.5)	45-50	120-125	1,169	1,094	37
D Pirie	0-2.5	(0-2.5)	30-35	65-70	555	511	20
A Reid	0-2.5	(0-2.5)	35-40	90-95	842	787	27
F Martin	0-2.5	(0-2.5)	20-25	50-55	394	362	15
S McGregor ²	0-2.5	(0-2.5)	25-30	60-65	533	501	13

For year ended 31 March 2014	Real increase/(decrease) at age 60		Total accrued sum at age 60		Cash equivalent transfer value at 31 March 2014	Cash equivalent transfer value at 31 March 2013	Real increase/ (reduction) in cash equivalent transfer value
	In bands		at 31 March 2014 In bands				
	Pension £'000	Lump sum £'000	Pension £'000	Lump sum £'000			
Chief Executive							
J Curran	0-2.5	(0-2.5)	50-55	130-135	1,041	966	43
Executive Directors / Chief Officers							
C MacDonald	0-2.5	(2.5-5.0)	45-50	120-125	1,094	1,035	28
D Pirie	0-2.5	(0-2.5)	30-35	65-70	511	475	17
A Reid	0-2.5	(0-2.5)	35-40	90-95	787	736	28
F Martin	0-2.5	(0-2.5)	20-25	50-55	395	361	20

¹ Appointed Chief Executive on 7 January 2012 and resigned on 12 April 2015

² Appointed June 2014

Head count	Male	Female	Total as at 31 March 2015	Male	Female	Total as at 31 March 2014
Board ³	7	4	11	7	4	11
Agency Management Team ³	5	1	6	4	1	5
Total ³	12	5	17	11	5	16

Approved by the Board on 28 July 2015 and signed on behalf of the Board.



Terry A'Hearn
Chief Executive and Accountable Officer

Date: 30 July 2015

³ The Chief Executive sits on the Board and AMT and is therefore included in both headcounts.

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 and on the basis determined by the Scottish ministers. The annual accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of SEPA as at the end of the financial year and of the income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the annual accounts, the Accountable Officer is required to comply with the requirements of the Financial Reporting Manual and in particular to:

- Observe the accounts direction issued by the Scottish ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgments 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 annual accounts.
- Prepare the annual accounts on a going concern basis.

In addition, we have general responsibility for taking such steps as are reasonably open to us to safeguard its assets and to prevent and detect fraud and other irregularities

The Principal Accountable Officer of the Scottish Government appointed the Chief Executive as the Accountable Officer for SEPA. As Accountable Officer, the Chief Executive is responsible to the Scottish ministers.

The Chief Executive's relevant responsibilities as Accountable Officer for SEPA are set out in the framework document issued in December 2014. The Accountable Officer has responsibility for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding our assets, as set out in Managing Public Money published by HM Treasury.



Terry A'Hearn
Chief Executive and Accountable Officer

Date: 30 July 2015

Governance statement

Scope of responsibility

The Scottish Public Finance Manual (SPFM) is issued by the Scottish ministers to provide guidance to the Scottish Government, and other relevant bodies, on the proper handling of public funds. It is designed to ensure:

- compliance with statutory and parliamentary requirements;
- value for money;
- high standards of propriety;
- effective accountability and robust systems of internal control.

The responsibilities of the Chief Executive, as Accountable Officer for SEPA, are set out in the framework document issued in December 2014. The Accountable Officer has responsibility for the propriety and regularity of the public finances, for which they are answerable to the Scottish Parliament. The Chief Executive has responsibility for keeping proper records and for safeguarding our assets, as set out in *Managing Public Money* published by HM Treasury.

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

SEPA is a public body and operates in an open and accountable manner, to provide a high quality public service, based on clearly defined standards. We are committed to accessibility, openness and accountability, and aim for the highest standards in corporate governance, and the Cabinet Office guidance on codes of practice for public bodies has been adopted. Our Corporate Office is Strathallan House, Castle Business Park, Stirling, FK9 4TZ.

Board composition and operation

Our Board currently comprises of the Chairman, the Deputy Chairman, eight further non-executive members, and the Chief Executive. Members of the Board are appointed by the Scottish ministers. The normal term of office for a non-executive Board member is four years, although lengths of appointments may be varied to ensure continuity of Board membership. The Board has responsibility for ensuring that we fulfil our aims and objectives set by the Scottish ministers. The roles of the Chairman and Chief Executive are separated and clearly understood and the Board has delegated to me (as the Chief Executive) day-to-day management of SEPA.

The role of the Board, among other things, is to:

- establish the overall strategic direction of the organisation within the policy and resources framework agreed with Scottish Government;
- oversee the delivery of planned results by monitoring performance of the organisation against agreed objectives and targets;
- ensure that SEPA operates sound environmental policies in relation to its own operations;
- demonstrate high standards of corporate governance at all times;
- ensure that statutory requirements for the use of public funds are complied with.

The Board has agreed a policy of requiring matters to be reported to the Board for decision, unless specifically within the delegated powers given to the Chief Executive.

Board activity and corporate governance is monitored by both internal and external auditors.

Board committees

As has been reported in previous year's annual accounts, to provide for greater efficiency and more effective governance, matters previously considered by the Planning and Finance Committee and the Human Resources and Remuneration Committee are now presented to additional meetings of the Agency Board Strategy meetings. These were established from 1 January 2010, and are chaired by the Chairman of the Board. Executive Directors, Chief Officers; and members of SEPA staff are asked to attend meetings, when subjects of particular relevance are discussed.

The Audit Committee was established by SEPA in accordance with powers granted under Schedule 6 to the Environment Act 1995. Committee business is conducted in accordance with the SEPA Standing Orders which were approved by our Board on 12 February 2013. The Audit Committee has delegated authority from the SEPA Board, to undertake or commission work necessary to enable it to fulfill its purpose, or to take what advice, including external legal advice, it considers necessary to discharge its duties.

Audit Committee

The Chair and members of the Audit Committee are appointed by our Board. A periodic assessment of the skills of members of the Audit Committee is made by the Chairman of the Audit Committee. Relevant training and development is provided for all members of the committee. The Audit Committee has continued to monitor and review risk, controls and corporate governance and is chaired by Bob Downes, SEPA's Deputy Chair. The committee currently comprises of six non-executive members (including the Chair of the Audit Committee) and meets four times a year. The external and internal auditors attend all meetings, and are given the opportunity to speak confidentially to the committee members. The Audit Committee operates independently, and reports to the Board.

The Audit Committee's primary responsibilities include:

- making regular reports and a formal annual report to the Board;
- acting on behalf of the Board in overseeing the work of the Standards Officer;
- advising the Board on its compliance with corporate governance requirements and good practice guidance;
- establishing and overseeing a review process for evaluating the effectiveness of risk management arrangements;
- overseeing processes for securing the efficient and effective use of resources.

The Audit Committee:

- advises the Board on the selection, appointment or re-appointment and remuneration of the internal audit service provider;
- reviews the scope, efficiency and effectiveness of the work of internal audit;
- advises the Board of the Audit Committee's approval of the internal audit strategic and operational audit plans;
- considers salient issues arising from internal audit reports;
- considers progress reports and management responses to audit findings and monitors management action on the implementation of agreed recommendations;
- advises the Board on the remuneration of the external auditors;
- considers the annual accounts and reviews the appropriateness of the accounting policies adopted in their preparation;
- reviews the external audit strategy and plan;
- considers the external auditor's annual report and management letter;
- monitors action on the implementation of the agreed recommendations.

Board members

The biographies and interests of Board members can be found on our [website](#).

Agency Board meetings attended by members in the year 1 April 2014 to 31 March 2015

Member	Number of meetings attended in year
D Sigsworth (Chairman)	5 (6 possible)
B Downes (Deputy Chair)	5 (6 possible)
J Curran (Chief Executive)	6 (6 possible)
R Dixon	4 (6 possible)
W McKelvey	4 (6 possible)
K Nicholson	6 (6 possible)
L Sawers	5 (6 possible)
M Francis	5 (6 possible)
J Hyland	6 (6 possible)
N Martin	6 (6 possible)
T McAuley	6 (6 possible)

Agency Board members carry out non-executive engagement with customers, partners and stakeholders. Verbal or written reports of engagement activity are provided at each subsequent Board or Board Strategy meeting to ensure that the activity is noted for the public record and to give members and management the opportunity to discuss issues recorded at, or arising from, the activity.

For more information go to our [website](#).

James Curran resigned on 12 April 2015, and Terry A'Hearn was appointed as Chief Executive from 13 April 2015.

Audit Committee meetings attended by members in the year from 1 April 2014 to 31 March 2015

Member	Number of meetings attended in year
B Downes (Chairman)	4 (4 possible)
R Dixon	4 (4 possible)
K Nicholson	4 (4 possible)
W McKelvey	3 (4 possible)
N Martin	4 (4 possible)
T McAuley	3 (4 possible)

Strategy Board meetings attended by members in the year from 1 April 2014 to 31 March 2015

Member	Number of meetings attended in year
D Sigsworth (Chairman)	4 (4 possible)
B Downes (Deputy Chair)	4 (4 possible)
J Curran (Chief Executive)	4 (4 possible)
R Dixon	4 (4 possible)
W McKelvey	3 (4 possible)
K Nicholson	2 (4 possible)
L Sawers	3 (4 possible)
M Francis	4 (4 possible)
J Hyland	4 (4 possible)
N Martin	4 (4 possible)
T McAuley	2 (4 possible)

Additionally individual Board members support and represent SEPA in a number of its activities. Board members act as "board buddies" supporting senior managers undertaking high profile work such as the single change programme, estates strategy, climate change issues and our digital strategy, as well as providing mentoring support for a number of senior staff. Several board members regularly speak on behalf of SEPA at conferences and stakeholder events such as the Vibes awards and external conferences. Board members are sent a monthly calendar of potential engagement opportunities which includes conferences and meetings of stakeholder groups and from this list board members volunteer to attend events on behalf of SEPA and report back to the Agency Board.

SEPA Executive Directors and Chief Officers 2014 - 2015

SEPA's Executive Directors are:

Name	Post
J Curran MBE BA BSc PhD MInstP FRMetS C Met CPhys C Eng	Chief Executive and Accountable Officer
D Pirie BSc PhD CChem MRSC	Executive Director (Science and Strategy Portfolio)
C MacDonald DipEH, MCIWM	Executive Director (Operations Portfolio)

SEPA's Chief Officers are:

Name	Post
A Reid MA (Hons), MBA	Chief Officer Governance
F Martin MA CIPD	Chief Officer Resources
S McGregor CIMA	Chief Officer Finance

The Chief Executive, Executive Directors and Chief Officers biographies can be found on our [website](#).

System of internal control

As Chief Executive (SEPA's Accountable Officer), I have overall responsibility for maintaining sound systems of internal control, which support the achievement of the organisations policies, aims and objectives. This responsibility was assigned to me by the Scottish ministers.

These systems of internal control provide reasonable assurance regarding the reliability of financial information used by the business and safeguard its assets. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Our organisational structure has clear lines of delegated responsibility for both operational and financial management. There is a comprehensive budgeting and financial reporting system, in line with the Scottish Public Finance Manual (SPFM), which as a matter of routine, compares actual results to the budgets approved by the SEPA Board. Management accounts are prepared for each portfolio and SEPA as a whole, on a monthly basis. Significant variances from budget are thoroughly investigated. Financial forecasts are prepared on a regular basis throughout the year and cash flow forecasts are also prepared regularly, to ensure that we have sufficient cash to meet our operational needs.

We have a risk management system, which regularly assesses key risks and controls. The systems of internal control are designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; they can, therefore, only provide reasonable, and not absolute, assurance of effectiveness.

These systems of internal control are based on processes designed to identify and prioritise risks to the achievement of the organisation's policies, aims and objectives; to evaluate the likelihood of those risks being realised, and the impact, should they be realised; and to manage them efficiently, effectively and economically. The systems of internal control have been in place for the year to 31 March 2015, and are up to the date of approval of the annual report and accounts, and in accordance with SPFM guidance.

The risk and control framework

All bodies subject to the requirements of the Scottish Public Finance Manual (SPFM) must operate in accordance with relevant guidance issued by the Scottish ministers. At SEPA, the following processes have been established:

- Consideration and approval by our Agency Board of the organisation's risk strategy and implementation plan.
- The Agency Management Team considered corporate risk at a number of its meetings.
- A Risk Management Group is responsible for the efficient and effective management of risk, including assurance that we comply with all relevant legislation and the responsibilities of corporate governance. The group meets eight times a year and reports annually to the Agency Management Team and twice a year to the Audit Committee and annually to the Board.
- Maintenance of an internal corporate risk register which is reviewed on a regular basis.
- Appropriate risk awareness training is provided to line managers and more general awareness training is being developed for all SEPA staff.
- Development of sound risk management procedures across SEPA Portfolio's, programmes, projects and the Single Change Programme, including the production and maintenance of risk registers and risk controls.
- An annual workshop with Agency Management Team and Non-Executive Directors, to review risks and the arrangements for managing these risks.
- Regular reporting on key performance indicators and risk measures, including periodic reports from the Chairman of SEPA's Audit Committee, to the Board, concerning internal control.

We set our standards of information management through our Strategic Security Forum. This forum has set procedures for SEPA, which if followed, ensure that we comply with the 70 mandatory requirements of the Cabinet Office Security Policy Framework. Internal performance against these procedures is overseen by the Information Security Group.

There is a programme of internal audit provided by KPMG to standards defined in the government internal audit manual. Reports of all internal audits include an opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvements. The work of the internal auditors is informed by an analysis of the risk to which SEPA is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are approved by me, and following discussion with the internal auditors, are endorsed by the Board's Audit Committee.

Through our business management system, we aim to ensure that the work we carry out is to a high quality and meets customers' requirements. The steps in place to ensure this high quality of service include:

- staff training;
- individual staff competency framework;
- documented procedures;
- proficiency testing;
- line management supervision.

In addition, we have a programme of internal quality and environmental system audits to ensure effectiveness and continual improvement of our business processes.

To demonstrate that our business is well-managed and that quality is considered in all aspects of our systems and processes, we have adopted three quality and environmental management standards. Lloyd's Register Quality Assurance (LRQA) audits performance against the standards ISO 9001 (quality management system) and ISO 14001 (environmental management system). The United Kingdom Accreditation Service (UKAS) audits the performance of nominated activities in our laboratories against ISO 17025 (testing and calibration).

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the systems of internal control. My review of the effectiveness of the systems of internal control is informed by the work of the internal auditors and the executive managers within the organisation. The executive managers have responsibility for the development and maintenance of the internal control framework. I also rely on the comments made by the external auditors in their management letter and other reports. I have been advised on the effectiveness of the systems of internal control by the Audit Committee. The committee has kept me informed of plans to address any weaknesses discovered in internal control systems.

There have been no critical risks and two high risks highlighted by internal audit reports in 2014–2015. The two high risks arose from a review of legal compliance and business continuity.

- Legal compliance – overall the arrangements for horizon scanning were considered reasonable. However, there was no documentation to evidence this was being done and appropriate actions were being taken to ensure ongoing compliance over the full range of acts and regulations that affect SEPA.
- Business continuity – although continuity plans are in place, it was recommended that they should be tested.

Additionally in 2014–2015 we engaged in the National Fraud Initiative. There were 425 data matches checked. No issues arose from this exercise that had not been previously identified through normal business processes.



Terry A'Hearn
Chief Executive and Accountable Officer

Date: 30 July 2015

Independent auditors' report

to the members of the Scottish Environment Protection Agency, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of the Scottish Environment Protection Agency for the year ended 31 March 2015 under the Environment Act 1995. The financial statements comprise Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2014-2015 Government Financial Reporting Manual (the 2014-2015 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the Environment Act 1995 and directions made thereunder by the Scottish ministers of the state of the body's affairs as at 31 March 2015 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014-2015 FReM; and
- have been prepared in accordance with the requirements of the Environment Act 1995 and directions made thereunder by the Scottish ministers.

Opinion on regularity

In our 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.

Opinion on other prescribed matters

In our opinion:

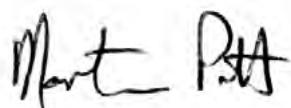
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Environment Act 1995 and directions made thereunder by the Scottish ministers; and
- the information given in the Strategic Report and Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish ministers.

We have nothing to report in respect of these matters.



Martin Pitt,
Senior Statutory Auditor for and on behalf of
PricewaterhouseCoopers, Glasgow

30 July 2015

Annual accounts

Statement of comprehensive net expenditure year to 31 March 2015

	Note	Year to 31 March 2015 £'000	Year to 31 March 2014 £'000
Expenditure			
Staff costs	5	(56,426)	(53,653)
Depreciation, amortisation and impairments	10	(3,132)	(3,092)
Other operating charges	6	(23,059)	(24,142)
		<u>(82,617)</u>	<u>(80,887)</u>
Income			
Income from charging schemes	3, 24	36,340	35,843
Other income	4	5,729	4,938
		<u>42,069</u>	<u>40,781</u>
Comprehensive net expenditure from operating activities			
		(40,548)	(40,106)
Interest receivable and similar income	8	3	4
Interest payable net cost of IAS 19 assets and liabilities.	7	(2,571)	(2,143)
		<u>(43,116)</u>	<u>(42,245)</u>
Comprehensive net expenditure after interest paid			
		(43,116)	(42,245)
Taxation		-	-
		<u>(43,116)</u>	<u>(42,245)</u>
Comprehensive net expenditure after tax			
Other comprehensive expenditure			
Net (loss)/gain on revaluation of property, plant and equipment	10	(726)	255
Excess of comprehensive expenditure over income for the year funded by GiA			
		<u><u>(43,842)</u></u>	<u><u>(41,990)</u></u>

The excess expenditure over income represents the cost of the Scottish Government funded activities; the cash to fund these activities has been being taken directly to the Comprehensive Net Expenditure reserve. The note numbers referred to above are incorporated within the notes to the accounts contained on pages 31-62.

Statement of financial position at 31 March 2015

	Notes	Year to 31 March 2015	Year to 31 March 2014
		£'000	£'000
Non-current assets			
Property, plant and equipment	10	26,598	27,902
Intangible assets	10	3,534	3,481
		<u>30,132</u>	<u>31,383</u>
Current assets			
Assets for sale	11	900	1,000
Trade and other receivables	13	3,474	3,098
Cash and cash equivalents	12	1,573	1,376
		<u>5,947</u>	<u>5,474</u>
Total assets		<u>36,079</u>	<u>36,857</u>
Current liabilities			
Trade and other payables < 1 year	14	(4,887)	(5,011)
Provisions for liabilities and charges <1 year	17	(184)	(137)
Total current liabilities		<u>(5,071)</u>	<u>(5,148)</u>
Total assets less current liabilities		<u>31,008</u>	<u>31,709</u>
Non-current liabilities			
Other payables > 1 year	15	-	(19)
Provisions for liabilities and charges >1 year	17	(2,159)	(2,416)
Employee retirement benefits	19-22	(80,957)	(58,286)
Total non-current liabilities		<u>(83,116)</u>	<u>(60,721)</u>
Total liabilities		<u>(88,187)</u>	<u>(65,869)</u>
Net liabilities		<u>(52,108)</u>	<u>(29,012)</u>
Tax payers equity			
Comprehensive net expenditure reserve		(54,475)	(31,366)
Revaluation reserve		2,367	2,354
Total tax payers equity		<u>(52,108)</u>	<u>(29,012)</u>

The note numbers referred to above are incorporated within the notes to the accounts contained on pages 31-62. There are no events which have occurred since the statement of financial position at 31 March 2015 was prepared, which require additional disclosure. These annual accounts were approved by the Board on 28 July 2015.



Terry A'Hearn
Chief Executive and Accountable Officer

Date: 30 July 2015

Statement of cash flows year to 31 March 2015

		Year to 31 March 2015	Year to 31 March 2014
	Notes	£'000	£'000
Comprehensive net expenditure from operating activities		(40,548)	(40,106)
Adjustments for non-cash transactions			
Depreciation, amortisation and impairments	10	3,132	3,092
Pension scheme adjustment	5,21	3,136	2,277
Transferred to assets held for sale	11	-	1,000
Prior period adjustment	14	(272)	-
Movements in working capital			
Decrease/(Increase) in assets held for sale	11	-	(1,000)
Decrease/(Increase) in trade and other receivables	13	(376)	406
(Decrease)/Increase in trade and other payables less than 1 year old	14	(124)	972
Decrease in trade and other payables more than 1 year old	15	(19)	(15)
Increase in provisions	17	(210)	197
Net cash outflow from operating activities		(35,281)	(33,177)
Cash flows from investing activities			
Purchase of non-current assets	10	(2,494)	(2,692)
Proceeds from disposal of non-current assets		-	-
Net cash outflow from investment		(2,494)	(2,692)
Cash flows from financing activities			
Bank interest received	8	3	4
GiA funding received in year	2	37,969	35,910
Net cash inflow from financing		37,972	35,914
Net increase in cash and cash equivalents		197	45
Cash and cash equivalents at start of year	12	1,376	1,331
Receipts due to the consolidated fund	25	116	-
Payments made to the consolidated fund	25	(116)	-
Cash and cash equivalents at end of year	12	1,573	1,376
Increase in cash for the year		197	45

The note numbers referred to above are incorporated within the notes to the accounts contained on pages 31-62. There are no events which have occurred since the statement of financial position at 31 March 2015 was prepared, which require additional disclosure. These annual accounts were approved by the Board on 28 July 2015.

Statement of changes in tax payer's equity for the year to 31 March 2015

	Notes	Comprehensive net expenditure reserve	Revaluation reserve	Total year to 31 March 2015
		£'000	£'000	£'000
Balance at 1 April 2014		(31,366)	2,354	(29,012)
Prior year adjustment		(272)	-	(272)
Restated balance at 1 April 2014		(31,638)	2,354	(29,284)
Actuarial loss recognised in the statement of changes in tax payers equity	22	(16,964)	-	(16,964)
Income from charging schemes	3	36,340	-	36,340
Other income	4	5,729	-	5,729
Interest receivable and similar income		3	-	3
Operating expenditure ⁴	5,6,7,8,10	(85,914)	-	(85,914)
SG Grant-in-Aid in year ⁵	2	37,969	-	37,969
Revaluation of non-current assets	10	-	13	13
As at 31 March 2015		(54,475)	2,367	(52,108)
Comprehensive net expenditure reserve consists of:				
Pensions deficit	20	(80,957)		
Surplus arising from operating activities		26,482		
Balance as at 31 March 2015		(54,475)		

⁴ £82,617k operating expenditure, plus £2,571k interest payable, plus loss on revaluation £726k

Statement of changes in tax payer's equity for the year to 31 March 2014

	Notes	Comprehensive net expenditure reserve	Revaluation reserve	Total Year to 31 March 2014
		£'000	£'000	£'000
Balance at 1 April 2013		(17,920)	2,386	(15,534)
Actuarial loss recognised in the statement of changes in tax payers equity	22	(7,366)	-	(7,366)
Income from charging schemes	3	35,843	-	35,843
Other income	4	4,938	-	4,938
Interest receivable and similar income		4	-	4
Operating expenditure	5,6,7,8,10	(82,775)	-	(82,775)
SG Grant-in-Aid in year	2	35,910	-	35,910
Revaluation of non-current assets	10	-	25	25
Sale of assets		-	(57)	(57)
As at 31 March 2014		(31,366)	2,354	(29,012)

Comprehensive net expenditure reserve consists of:

Pensions deficit	20	(58,286)
Surplus arising from operating activities		26,920
Balance as at 31 March 2014		<u>(31,366)</u>

Notes to the accounts

1. Accounting policies

The 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 (FRM). 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 FRM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate for SEPA for the purpose of giving a true and fair view of its financial position are described below. 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 fair value as determined by the relevant accounting standard.

Accounting period

The accounting period commenced on 1 April 2014 and ended on 31 March 2015.

Going concern

The accounts have been prepared incorporating the requirements of international accounting standards and include an actuarial valuation of the pension scheme liability as explained in notes 19, 20, 21 and 22 to the accounts. These reflect the inclusion of liabilities falling due in future years in respect of pension liabilities arising from the application of IAS 19 to SEPA. Hymans Robertson, the actuary to the pension scheme, has calculated the liability as at 31 March 2015. The actuary conducts a triennial review of the funding basis of the pension scheme and in the intervening years rolls forward the scheme's assets/liabilities in a desk top review. The last formal valuation of the fund was conducted as at 31 March 2014 and the next formal valuation is due on the scheme as at 31 March 2017. In preparing the projected pension expense for the year to 31 March 2015, the actuary has assumed employees continue to earn new benefits in line with the regulations as they currently stand and that the pensionable payroll remains stable with new entrants replacing leavers. The other main assumptions are set out in note 20.

SEPA's liabilities falling due in future years are in part met from income derived from charging schemes, and charging scheme prices have been increased to meet the expected costs attributable to them in 2014-2015, including pension costs. The Board has no reason to expect this process to change in the future. To the extent that the pension deficit is not met from SEPA's other sources of income it may only be met by future grants or GiA from SEPA's sponsoring team, the Scottish Government Directorate for Environment and Forestry. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need. The Board of SEPA has no reason to believe that future support will not be forthcoming. Given the above it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these annual accounts.

Non-current assets

Property, plant and equipment

Valuation of these assets is recognised in the accounts as follows:

- Title of operational and non-operational land and properties are included in SEPA's accounts on the basis of the actual ownership and management of the assets concerned.
- Operational land and buildings fair 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, the fair value is assumed to be equal to open market value for existing use.
- For specialised properties, 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 exercise conducted at 31 March 2013 by a chartered surveyor working directly for SEPA to calculate what the replacement costs would be based on SEPA's recent constructions. These costs have been indexed by the construction costs indices issued by the Office of National Statistics to reflect price movements in 2014-2015.
- Surplus land and buildings are stated at open market value, in accordance with International Accounting Standard 16.
- 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 of these assets in this category have:
 - low values and short useful economic lives which realistically reflect the life of the asset; and
 - depreciation or amortisation charge which provides a realistic reflection of consumption.
- Small boats have been valued at historic cost, as Executive Directors and Chief Officers believe this is a proxy for fair value. These assets have a medium term economic life and the depreciation charge provides a realistic reflection of consumption. Periodically a professional valuation is obtained for the one larger vessel (Sir John Murray) owned by SEPA, to ensure that the historic cost is not materially different from market value.
- Depreciated historic cost is used as a proxy for fair value of plant and equipment that has a medium term economic life and where depreciation charge provides a realistic reflection of consumption.
- 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, 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. Asset lives were reviewed during the year ensuring that they continue to represent a reasonable estimate of useful economic life.

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.

Asset category	Asset lives (Years)
Buildings	20 to 60
Leasehold buildings	Over the remaining period of the lease
Plant and machinery	3 to 40
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 operational. The capitalisation threshold for assets is £5,875 including VAT. The actual salary costs including national insurance and superannuation of SEPA 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 historical cost. These are licences to use software purchased from third parties with a life of more than one year and a cost of more than £5,875. 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 £5,875. The actual salary costs including national insurance and superannuation of SEPA staff who are involved in the creation of non-current assets are capitalised against the relevant assets.

These costs are written off over the period the software is in operational use.

Impairment

The carrying value of SEPA's 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.

Provisions are usually charged to the Statement of Comprehensive Net Expenditure. If they relate to a non-current asset they will be capitalised as part of the cost of an asset. In such cases the capitalised provision will be depreciated as a charge to the Statement of Comprehensive Net Expenditure over the remaining estimated useful economic life of the underlying asset.

The provisions at the yearend were for unfunded pension liabilities in respect of pension commitments inherited from SEPA's predecessor bodies and the past chairman and for an expected staff claim.

Reserves

The Comprehensive Net Expenditure Reserve represents the excess of expenditure over income on GiA funded activities. The Revaluation Reserve reflects the increase in value of land, buildings, and items of plant included in the gauging stations, over their historical costs.

Corporation tax

The income from GiA and charging schemes is not chargeable to tax. It has been agreed with HM Revenue and Customs that profit generated from commercial contract work undertaken by SEPA will be chargeable to corporation tax.

Value added tax

Irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure or the cost of assets in the period in which it is incurred.

Leases

SEPA has a small number of operating lease rentals, the costs are charged to expenditure in equal annual amounts over the lease term. SEPA does 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 small 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 SEPA specific and UK wide charging schemes pertaining to application costs and annual subsistence charges relating to continuance of licences. Other income relates to the recovery of costs of SEPA activities undertaken on behalf of other public sector bodies in the year.

SEPA recognises income when either:

- a. cash is received with an application or variation of a licence and GiA; or
- b. invoices are raised for subsistence fees or other charges.

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

- a. will not be reclassified subsequently to profit or loss; and
- b. will be reclassified subsequently to profit or loss when specific conditions are met.

All of SEPA's 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 2015, which were invoiced in April, have been accrued. Items with a cost greater than £5,000 discovered in May have been accrued.

Pension costs

SEPA participates 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 International Accounting Standard 19 and recognises retirement benefits as the benefits are earned and not when they are due to be paid. The actuary reviews the scheme on a triennial basis and SEPA has always implemented the contributions recommended (notes 19, 20, 21 and 22). The contribution charges are recognised in the accounting years in which they arise.

SEPA provides 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, which are met directly by SEPA, these are reflected in the unfunded pension liabilities, refer to note 17.

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

SEPA's financial instruments comprise: trade and other receivables; trade and other payables; cash and liquid resources. Trade receivables are initially recognised at fair value and subsequently held at amortised cost. Robust annual reviews are undertaken of all outstanding debtors to determine the likelihood of payment and subsequent write off to the Statement of Comprehensive Net Expenditure. Debtors under review are written off to the bad debt provision until resolved. 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. SEPA is substantially funded by income from Scottish Government. Therefore it is not subject to significant liquidity or credit risk exposure.

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. This policy results in no exchange differences being included in the accounts.

Notional costs

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 (note 24). 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 and estimation techniques

These annual accounts have been prepared under International Financial Reporting Standards (IFRS). SEPA has reviewed all its accounting policies to ensure their continued relevance.

There are a number of areas where judgement has to be made in how the accounting policies outlined above are applied. Specifically these relate to:

- valuation of specialised buildings (note 10);
- the fair values of properties (note 10); and
- evidence used to assess impairment in trade receivables (note 13).

SEPA has followed actuarial advice and changed a number of the assumptions used to produce the pension's liability valuation at 31 March 2015. The three changes that had the most impact in year were the assumption made on the discount rate to be applied; the revisions made to liabilities to better reflect SEPA past service liabilities; and changes to the mortality factors used. Notes 19-22 provide the detail of the assumptions used.

During the preparation of 2015 accounts, an error was discovered in the calculation of an accrual. The error has been corrected, with the impact of increasing the accrual by £362,517 at 31 March 2015. The increase has been split between the increase that relates to financial year 2014-2015 of £ 90,661 and £271,856 due in earlier years. The financial impact on 2013/14 would have been to increase costs by £4,419, which would have resulted in the Comprehensive Net Expenditure for the year of £41,994,419 rather than the £41,990,000 shown in the accounts. The £271,856 has been set against the comprehensive expenditure reserve at 1 April 2014.

Sensitivity analysis

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's deficit. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumption at 31 March 2015	Approximate % increase in employers liability	Approximate monetary amount £'000
0.5% decrease in real discount rate	13	38,865
1 year increase in member life expectancy	3	8,951
0.5% increase in salary increase rate	6	16,582
0.5% increase in pension increase rate	7	21,413

2. Grant-in-Aid

	Year to 31 March 2015 £'000	Year to 31 March 2014 £'000
Cash GiA received to meet expenditure	<u>37,969</u>	<u>35,910</u>

The amount of GiA provided to SEPA 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. Government Financial Reporting Manual instructs that GiA goes directly to the Comprehensive Net Expenditure Reserve in the statement of financial position, as financing.

3. Income from charging schemes

	Year to 31 March 2015	Year to 31 March 2014
	£'000	£'000
Integrated Pollution & Prevention Control	5,668	5,547
Waste Management Licensing	5,039	4,891
Special Waste	1,686	1,538
Radioactive Substances Act	2,350	2,335
Control of Major Accident Hazards Regulations	125	156
Emissions Trading	291	295
Water Environment Water Services (Water Framework Directive)	20,997	20,764
Carbon Reduction Commitment	173	290
Aviation European Trading Scheme	11	27
	36,340	35,843

The financial objective for the charging schemes is full cost recovery, based on all costs including the cost of capital and other notional costs (see note 24). SEPA achieved a 98% cost recovery across all schemes in 2015 (96% in 2014 - see note 24).

4. Other income

	Year to 31 March 2015	Year to 31 March 2014
	£'000	£'000
Income from contracts	23	56
Water Environment Fund Grants	2,743	2,030
Payments from Other Agencies	2,042	2,363
EU Life income	680	426
Sundry Income	241	63
	5,729	4,938

5. Information regarding employees and Board members

Staff costs during the year	Permanently employed staff	Others	Year to 31 March 2015	Year to 31 March 2014
	£'000	£'000	£'000	£'000
Wages and salaries	38,630	3,300	41,930	39,868
Social security costs	2,949	252	3,201	3,100
Pension costs	6,590	563	7,153	6,392
Subtotal of payroll costs	48,169	4,115	52,284	49,360
Other staff related costs (principally recruitment fees, staff subsistence, training costs and hiring agency and temporary staff)			1,116	1,642
IAS19 pension charge (note 21)			3,136	2,277
Unfunded pensions charge (note 17)			(110)	374
			56,426	53,653

The total staff cost of the voluntary severance scheme included in the figures above was £506,047 (2014 - £399,829).

Average full time equivalent number of persons employed by service provision

	Permanently employed staff	Others	Year to 31 March 2015	Year to 31 March 2014
	FTE	FTE	FTE	FTE
Operations	558	48	606	590
Science and Strategy	484	41	525	526
Corporate Services	91	8	99	90
	1133	97	1230	1,206

The above numbers derived from SEPA payroll are averaged across the financial year and do not include external contract staff.

There were 15 FTE (2014 - 15) staff in Science and Strategy, 1.31 FTE in Operations and 4.8 FTE (2014 - 2) in Corporate Services working on EU Life projects.

5 Corporate Services includes Resources (Estates, Procurement, HR, Organisational Development, Health & Safety). Governance includes Secretariat, Communications, Resilience, Corporate Legal and Finance portfolios. Science and Strategy Portfolio includes IT Services and Project Management Office. Operations portfolio now includes all office support.

Headcount

These numbers exclude the Chairman and Board Members and include the Chief Executive. The table below details the headcount numbers by grade over the past two years.

Headcount by grade

Band	Pay range - £	Number of staff at 31 March 2015	Number of staff at 31 March 2014
CEO, Executive Directors and Chief Officers	Greater than £68,393	6	5
A	59,321 – 68,393	20	20
B	47,918 – 55,248	41	42
C	40,589 – 46,796	167	170
D	31,703 – 36,916	376	371
E	26,485 – 30,536	422	421
Trainee	23,523 – 24,089	5	6
F	20,938 – 23,524	162	168
G	16,963 – 19,067	93	93
H	14,407 – 16,188	4	3
Total Headcount		1,296	1,299

	At 31 March 2015	At 31 March 2014
Band of highest paid Director	£110-115,000	£110-115,000
The average salary cost per employee was	£33,462	£32,744
Ratio of average cost per employee to highest paid member of staff	3.45	3.49

Analysis by contract type SEPA employees	Number of staff At 31 March 2015	Number of staff At 31 March 2014
Permanent contract	1,194	1,188
Fixed term employees	102	111
SEPA headcount at 31 March	1,296	1,299

Average FTE supplied by agency staff in year	To 31 March 2015	To 31 March 2014
Full time equivalent agency staff used during the year	15	25

Voluntary severance

SEPA has sought applications for voluntary redundancy in light of Scottish Government policy of no compulsory redundancies in 2010 to 2015. All applications for voluntary severance are considered against a set of criteria. These criteria are non-discriminatory (age, gender etc.). For this reason the cost of staff taking their pension early is excluded when considering the payback period for each application. The Voluntary Severance (VS) Scheme offered staff pay equivalent to one year's salary, as compensation for terminating their contract of employment. The average payment per member of staff was £31,312.

The following table shows the payments made to staff and the total cost of the exit package including pension strain costs. Where employees offered VS met the criteria to take early retirement under pension scheme rules, SEPA met the pension strain cost of these employees. The pension strain costs represent the additional costs incurred by the pension scheme for paying a pension before the normal retirement age.

Band	Year to 31 March 2015		Year to 31 March 2014	
	Total number of voluntary severance payments made to individuals by band	Total number of exit packages made to individuals by band	Total number of voluntary severance payments made to individuals by band	Total number of exit packages made to individuals by band
£'000	Number	Number	Number	Number
0 – 10	-	-	1	-
10 – 25	6	5	14	12
25 – 50	3	2	2	4
50 – 100	-	-	-	1
100 – 150	-	2	-	-
150 – 200	-	-	-	-
Total Number	9	9	17	17
Total cost	281,811	494,514	£311,432	£399,829

There were no compulsory redundancies in the year (2014 – none). The figures above exclude the additional Employer National Insurance costs and legal costs paid by SEPA.

The figure also excludes one flexible retirement, where SEPA incurred a pension strain cost of £11,533.

6. Other operating charges

	Year to 31 March 2015	Year to 31 March 2014
	£'000	£'000
Supplies and services	15,300	16,073
Property costs	3,645	3,538
Transport costs	1,607	1,674
Research and development costs	308	300
Board expenses	20	14
Property and vehicle leases	2,126	2,491
External Auditor's remuneration – audit services	53	52
	23,059	24,142

7. Interest payable

	Year to 31 March 2015	Year to 31 March 2014
	£'000	£'000
International Accounting Standards (IAS) 19 net return on pension scheme assets and liabilities	(2,571)	(2,143)
	<u>(2,571)</u>	<u>(2,143)</u>

The negative net return position on pension assets at 31 March 2015 is as a result of the actual return on pension scheme assets and liabilities of £8,330,000 being significantly less than the projected return on employee assets and liabilities of £10,901,000 (note 21 refers).

8. Interest receivable and similar income

	Year to 31 March 2015	Year to 31 March 2014
	£'000	£'000
Bank interest received	3	4
	<u>3</u>	<u>4</u>

9. Taxation

SEPA is not liable to corporation tax for 2014-2015.

10. Non-current assets

Year to 31 March 2015	Tangible assets										Intangible assets			Total
	Land	Buildings	Lease-hold buildings	Plant and machinery	Vessels	Computer equipment	Motor vehicles	Fixtures fittings tools and equipment	Assets in course of completion	Total tangible assets	Software developed in-house	Purchased software	Total intangible assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation														
At 1 April 2014	955	15,152	5,947	12,216	2,020	4,340	315	3,260	468	44,673	4,324	5,984	10,308	54,981
Recategorised in year	-	189	-	-	-	-	-	(216)	-	(27)	-	-	-	(27)
Restated - 1 April 2014	955	15,341	5,947	12,216	2,020	4,340	315	3,044	468	44,646				
	4,324	5,984	10,308	54,954										
2,494														
Additions at cost	-	-	-	-	-	-	-	-	2,494	2,494	-	-	-	2,494
Brought into operational use	-	177	855	669	-	344	-	-	(2,913)	(868)	-	868	868	-
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	(22)	-	(354)	-	-	-	(737)	-	(1,113)	-	-	-	(1,113)
Revaluations	78	(895)	-	(45)	-	-	-	(128)	-	(990)	-	-	-	(990)
At 31 March 2015	1,033	14,601	6,802	12,486	2,020	4,684	315	2,179	49	44,169	4,324	6,852	11,176	55,345
Depreciation														
At 1 April 2014	-	5,194	799	7,191	700	1,543	123	1,221	-	16,771	3,173	3,655	6,828	23,599
Recategorised	-	(36)	-	-	-	-	-	-	-	(36)	-	-	-	(36)
Restated - 1 April 14	-	5,158	799	7,191	700	1,543	123	1,221	-	16,735	3,173	3,655	6,828	23,563
Charge for year	-	284	361	746	82	499	29	180	-	2,180	228	586	814	2,995
Impairments	-	-	-	-	137	-	-	-	-	137	-	-	-	137
Disposals	-	(16)	-	(337)	-	-	-	(737)	-	(1,090)	-	-	-	(1,090)
Revaluations	-	(215)	-	(33)	-	-	-	(144)	-	(392)	-	-	-	(392)
At 31 March 2015	-	5,211	1,160	7,567	919	2,042	152	520	-	17,570	3,401	4,241	7,642	25,213
Net book value														
At 31 March 2015	1,033	9,390	5,642	4,919	1,101	2,642	163	1,659	49	26,598	923	2,611	3,534	30,132
At 31 March 2014	955	9,958	5,148	5,025	1,320	2,797	192	2,039	468	27,902	1,151	2,329	3,480	31,382

Year to 31 March 2014	Tangible assets										Intangible assets			Total
	Land	Buildings	Lease-hold buildings	Plant and machinery	Vessels	Computer equipment	Motor vehicles	Fixtures fittings tools and equipment	Assets in course of completion	Total tangible assets	Software developed in-house	Purchased software	Total intangible assets	
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	1,132	15,913	675	12,329	2,020	3,033	234	3,356	4,757	43,449	4,294	5,998	10,292	53,741
Recategorised in year	-	98	-	(2)	-	1	-	(95)	-	2	1	(1)	-	2
Restated at 1 April 2013	1,132	16,011	675	12,327	2,020	3,034	234	3,261	4,757	43,451	4,295	5,997	10,292	53,743
Additions at cost	-	-	-	-	-	-	-	-	2,663	2,663	29	-	29	2,692
Brought into operational use	-	-	5,272	294	-	1306	81	(1)	(6,952)	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	(96)	-	(462)	-	-	-	-	-	(558)	-	(13)	(13)	(571)
Revaluation	(27)	87	-	57	-	-	-	-	-	117	-	-	-	117
Transferred for sale	(150)	(850)	-	-	-	-	-	-	-	(1000)	-	-	-	(1,000)
At 31 March 2014	955	15,152	5,947	12,216	2,020	4,340	315	3,260	468	44,673	4,324	5,984	10,308	54,981
Depreciation														
At 1 April 2013	-	4,902	526	6,814	669	1,084	102	1,304	-	15,401	2,725	3,056	5,781	21,182
Recategorised	-	114	-	-	3	(2)	-	(127)	-	(12)	(5)	2	(3)	(15)
Restated 1 April 13	-	5,016	526	6,814	672	1,082	102	1,177	-	15,389	2,720	3,058	5,778	21,167
Charge for year	-	287	273	782	28	461	21	176	-	2,028	453	610	1,063	3,091
Impairments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	(42)	-	(445)	-	-	-	-	-	(487)	-	(13)	(13)	(500)
Revaluations	-	(67)	-	40	-	-	-	(132)	-	(159)	-	-	-	(159)
Transferred for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2014	-	5,194	799	7,191	700	1,543	123	1,221	-	16,771	3,173	3,655	6,828	23,599
Net book value														
At 31 March 2014	955	9,958	5,148	5,025	1,320	2,797	192	2,039	468	27,902	1,151	2,329	3,480	31,382
At 31 March 2013	1,132	11,011	149	5,515	1,351	1,949	132	2,052	4,757	28,048	1,569	2,942	4,511	32,559

The charge in the Statement of Comprehensive Net Expenditure includes depreciation and amortisation charged for the year and the net book value of impairments.

Buildings category includes properties whose fair value is provided by Knight Frank and the building component of the gauging stations, whose fair value is the estimated replacement costs.

For buildings that have an active market, SEPA had a desk top valuation of its estate completed by Knight Frank as at 31 March 2015. The resulting valuation showed a reduction in market values of £610,000 from the valuation at 31 March 2014. £510,000 relates to non-current assets and £100,000 to current assets. This has been reflected in this set of accounting statements

The specialised buildings assessment of replacement cost was conducted for the year 2012/13. The exercise was conducted by a chartered surveyor working directly for SEPA to calculate what the replacement costs would be for the gauging stations based on SEPA's recent constructions. These estimated replacement costs were indexed to reflect movements in costs for 2014-2015.

Depreciated historic cost has been used as a proxy for the current value of fixtures and fittings, boats, motor vehicles, plant and machinery, computer equipment and software. All of 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.

The Sir John Murray (the only large vessel) was valued by Century Marine at £1,000,000 as at 31 March 2015, this is £250,000 lower than the value put on the vessel at 31 March 2014. An impairment of £137,000 has been made in accounts for 2014-2015, bringing the depreciated net book value in line with the valuation.

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 £5,875.

The £726,000 net loss on revaluation of property plant and equipment shown below the net operating expenditure line in the Statement of Comprehensive Net Expenditure for the year, relates to the valuation movement in land and property held within non-current assets, which has previously been impaired and the asset held for sale in current assets. More information is contained in note 11 below.

11. Current assets for sale

	Year to 31 March 2015	Year to 31 March 2014
	£'000	£'000
Current assets for sale	900	1,000
	900	1,000
	900	1,000

One property is held for sale at 31 March 2015. This property has been vacated and is actively being marketed. The market valuation of the property was provided by Knight Frank. There was a reduction in its value of £100,000. The bulk of this impairment has been written off to other comprehensive expenditure in year.

12. Cash and cash equivalents

	Year to 31 March 2015	Year to 31 March 2014
	£'000	£'000
Bank, current and deposit account and petty cash	412	579
Deposit account – EU funds	1,161	797
	1,573	1,376

SEPA has £407,841 in commercial accounts with Royal Bank of Scotland and £1,161,590 with Citibank, in accordance with Government Banking Service arrangements.

13. Trade and other receivables

	Year to 31 March 2015	Year to 31 March 2014
	£'000	£'000
Trade receivables	1,588	1,632
Less provisions for bad debts	(244)	(501)
Trade receivables net	1,344	1,131
Other trade receivables	12	108
Prepayments and accrued income	2,118	1,859
	3,474	3,098

At the year end the total bad debt provision is £244,310 (2014: £501,355). Included within the trade receivables there is £677,792 (2014 - £9,207) owing from central government bodies, £56,733 (2014: £10,892) owing from local authority bodies, £369 (2014: £1,069) owing from NHS Bodies and £182,548 (2014: £208,108) owing from other public bodies.

14. Trade and other payables: amounts falling due within one year

	Year to 31 March 2015	Year to 31 March 2014
	£'000	£'000
Trade payables	56	1,010
Other taxes and social security	959	-
VAT	82	52
Accruals and deferred income	3,790	3,949
	4,887	5,011

Included within the trade payables there is £1,173 (2014: £0) owing to local authority bodies, £958,934 (2014: £80,462) owing to central government bodies, £1,678, (2014: £0) owing to NHS bodies and £1,134 (2014: £20,530) owing to other public bodies.

15. Trade and other payables: amounts falling due after one year

	Year to 31 March 2015	Year to 31 March 2014
	£'000	£'000
VAT	-	19
	-	19

16. Contingent liabilities

SEPA has no known contingent liabilities at 31 March 2015, which may result in future liabilities.

SEPA occupies a number of leased properties which have dilapidations clauses in the leases. SEPA maintains these properties in excellent order, but has a potential liability to reinstate the internal layout of the building to its original floor plan at inception of the lease. These costs will be subject to future negotiation.

17. Provision for liabilities and charges

Year to 31 March 2015	Unfunded pension liabilities ⁷	Other provisions ⁸	Total provision for liabilities and charges
	£'000	£'000	£'000
Balance at 1 April 2014	2,553	-	2,553
Actuarial valuation changes	(110)	-	(110)
Provisions made	-	42	42
Utilised	(142)	-	(142)
As at 31 March 2015	2,301	42	2,343

Year to 31 March 2015	Unfunded pension liabilities	Other provisions	Total provision for liabilities and charges
	£'000	£'000	£'000
Liabilities due > 1 year	2,159	-	2,159
Liabilities due < 1 year	142	42	184
As at 31 March 2015	2,301	42	2,343

Year to 31 March 2014	Unfunded pension liabilities	Legal provision	Total provision for liabilities and charges
	£'000	£'000	£'000
Balance at 1 April 2013	2,316	40	2,356
Actuarial valuation changes	374	-	374
Increase in provision	-	(40)	(40)
Utilised	(137)	-	(137)
As at 31 March 2014	2,553	-	2,553

Year to 31 March 2014	Unfunded pension liabilities	Legal provision	Total provision for liabilities and charges
	£'000	£'000	£'000
Payable within 1 year	2,416	-	2,416
Later than 1 year less than 5 years	137	-	137
After 5 years	-	-	-
Total as at 31 March 2014	2,553	-	2,553

6 The unfunded pension liabilities represent liabilities in respect of pension commitments inherited by SEPA from predecessor bodies and past Chairman. These liabilities are payable to other authorities for employees who have retired and includes one direct payment to a pensioner.

7 Provision for other claims represents an estimate of staff claims.

18. Financial commitments

The table below provides information regarding expenditure committed to in future financial years. The analysis of land and buildings, lease and rental costs are subdivided to show the total costs related to the length of the lease left to run.

Capital commitments	Year to	Year to
	31 March 2015	31 March 2014
	£'000	£'000
Contracted for but not provided	-	-
Not Later than 1 year	-	-
Later than 1 year but less than 5 years	-	-
Total	-	-

Total future aggregate minimum lease payments:	Land and buildings		Other	
	2015	2014	2015	2014
Year to 31 March	£'000	£'000	£'000	£'000
Payable within 1 year	1,673	1,879	77	144
Later than 1 year but less than 5 years	6,555	7,336	119	57
After 5 years	18,338	21,187	-	-
Total	26,566	30,402	196	201

All contractual land and building leases are 'full repairing' leases and the basis of all future lease payments is as deemed at the point of agreement. All vehicle lease payments are determined at the point of agreement. It is SEPA's responsibility to ensure that all vehicles are maintained in accordance with the contractual terms.

19. Pension costs

SEPA contributes 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. This Scheme is a multi-employer scheme. Employee contributions, based on salary, are fixed by statute currently on a scale of 5.5% - 12%.

The latest formal valuation of the Fund for the purpose of setting employer's actual contributions was at 31 March 2014, with the next full formal valuation as at 31 March 2017. The Scheme actuaries have undertaken a pension expense calculation for SEPA as at 31 March 2015, and these figures form the basis of the statement of financial position and funding disclosures made in these accounts.

The pensions costs for the year represents the contributions paid by SEPA to the scheme of £7,189,334 (2014 - £6,392,285). An amount outstanding at 31 March 2015 in relation to the pension contribution was £816,170 (2014 - £758,163).

20. IAS 19 – Pension asset and liabilities

In accordance with International Accounting Standard No 19 'Employee Benefits' (IAS19), SEPA is required to account for the net pension liability of £80,957,000 (2014 - £58,286,000) for the financial year ended 31 March 2015 as valued by Hymans Robertson the actuaries to the Falkirk Council Pension Fund.

In order to assess the value of the Fund's liabilities as at 31 March 2015, the actuary has used: the bid value of fund assets at the latest available date; the actual split of fund assets at the latest available date; the fund returns at the latest available date; the latest number of employees; the latest available information on deferred and active pensioners; and the other data rolled forward from the last formal valuation at 31 March 2014. The actuary has projected the results of the March 2014 valuation forward to 31 March 2015 using approximate methods. This exercise allows for changes to the financial assumptions, additional benefit accrual, and estimated cash flows over the year and the current membership information.

The actuary has:

- a. Made allowance for the removal of the entitlement for new members to retire under the "Rule of 85" for new entrants from 01 December 2006.
- b. Projected pension expense for the year to 31 March 2015 allowing for the new LGPS benefits design implemented from 01 April 2009.
- c. Assumed members retiring who are now able to elect to take an additional tax-free lump sum in lieu of part of their pension. The actuaries have included an allowance for 50% of future retirees to take additional cash up to HM Revenue and Customs limits for pre April 2009 service and 75% of the maximum cash for the post April 2009 service.
- d. Used post retirement mortality assumptions based on Hyman's Club Vita analysis. These are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the fund and are based on data provided for the last formal valuation. Improvements have been assumed on long term rate in the rate of longevity at 1.25% per annum. Based on these assumptions the average future life expectations at age 65 are:

	Males	Females
Current Pensioners	22.1 years	23.9 years
Future Pensioners*	24.3 years	26.3 years

*Figures assume members aged 45 as at last formal valuation date.

- e. Calculated future liabilities using Consumer Price Index (CPI) uplift applied to future pension payments.
- f. Valued the assets in the whole Fund at bid value.

- g. The asset values below are at bid value as required under IAS 19. Where asset splits were not available at the exact start and end dates, the nearest split prior to these dates has been used by the actuaries.

Assets

Asset category	31 March 2015				31 March 2014			
	Quoted prices in active markets	Prices not quoted in active markets	Total	%	Quoted prices in active markets	Prices not quoted in active markets	Total	%
	£000	£000	£000		£000	£000	£000	
Equity securities:								
Consumer	21,038	-	21,038	10	19,199	-	19,199	10
Manufacturing	12,957	-	12,957	6	11,314	-	11,314	6
Energy and utilities	8,568	-	8,568	4	9,927	-	9,927	5
Financial institutions	15,882	-	15,882	7	15,967	-	15,967	8
Health and care	11,280	-	11,280	5	12,510	-	12,510	7
Information technology	8,773	-	8,773	4	5,749	-	5,749	3
Other	3,746	-	3,746	2	4,902	-	4,902	3
Private equity:								
All	-	12,589	12,589	6	-	10,165	10,165	5
Real estate:								
UK property	-	15,626	15,626	7	-	12,696	12,696	7
Overseas property	-	764	764	0	-	989	989	1
Investment funds and unit trusts:								
Equities	46,743	-	46,743	22	42,431	-	42,431	22
Bonds	19,302	-	19,302	9	16,233	-	16,233	8
Infrastructure	-	5,469	5,469	2	-	3,878	3,878	2
Other	25,416	-	25,416	12	19,577	-	19,577	10
Derivatives:								
Other	8	-	8	0	-	-	-	0
Cash and cash equivalents:								
All	9,223	-	9,223	4	5,694	-	5,694	3
Totals:	182,943	34,450	217,393	100	163,503	27,728	191,231	100

- h. As required under IAS19 the actuary has assumed an expected investment return on assets of 14.2% for the year from 1 April 2014 to 31 March 2015.
- i. Financial assumption used in 2014–2015 to arrive at the discount rate has been amended under IAS19 in two ways:
- It is derived from a corporate bond yield curve constructed from yields on high quality bonds. In 2014–2015 a discount rate was assumed based on the yield on Government bonds plus a measure of the credit spread.
 - The discount rate used recognises the weighted average duration (or term) of the benefit obligation
- j. The approach the actuary has adopted has been revised and is now constructed using the UBS corporate bond curve for durations of up to 8 years, and from 12 years onwards they have used a gilts curve plus a long term average credit spread of 1% per annum. They have interpolated between the two approaches to cover the durations between 8 and 12 years.

k. The financial assumptions utilised by the actuary to calculate liabilities under IAS 19 were based on:

Year ended	31 March 2015 (% per annum)	31 March 2014 (% per annum)
Pension increases	2.5	2.8
Salary increases – to 31 March 2020 (2016)	2.5	1.0
Salary increases – after 31 March 2020 (2016)	CPI plus 0.5	5.1
Discount rate	3.3	4.3

	Number		Total salaries / pensions £(000)		Average age	Liability split	Liability split	Weighted average duration
	15 January 2015	31 March 2014	31 December 2014	31 March 2014	31 March 2014	31 March 2015 £'000	Percentage (%)	At previous formal valuation
Actives	1,270	1,266	39,866	39,135	48	220,142	64.4%	27.6
Deferred pensioners	573	559		1,765	47	44,298	13.0%	26.4
Pensioners	293	285		3,445	63	77,176	22.6%	13.1
Total						341,616	100%	23.1

l. As a result of these financial assumptions being applied, SEPA obligations or liabilities under the scheme have increased by £48,832,000. This liability has been partially offset by cash inflows in year being greater than cash benefits paid by £5,304,000, and returns on assets £20,857,000. The overall increase in the pension deficit in year is £22,671,000, taking the total deficit up to £80,957,000.

m. The most two most significant movements are caused by:

- Changes in the financial assumptions – the discount rate applied has fallen by 1% compared to 2013/14.
- Other experience which has increased the deficit by £21,243,000 – representing 8% of past service liabilities. This increase in liability has arisen from the difference between assumptions being applied each year to arrive at the accounting valuation and the actuals performance reported under the formal valuation at 31 March 2014. The bulk of the movement has arisen from difference in salary growth and the rest on ill health, retiral and members movements.

n. The negative effect of the change in the discount rate has been mitigated by a reduction in pension increase assumed of 0.3% from 31 March 2014 and by a change in the salary growth assumptions. Salary growth has been assumed at a single rate of 2.5% for 5 years, followed by increases of CPI plus 0.5%: compared to 31 March 2014, when 1% had been used for 3 years then 5.1% p.a.

Change in fair value of SEPA's pension plan assets, defined benefit obligations and net liability for the year ended 31 March 2015

Year ended 31 March 2015	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	191,232	-	191,232
Present value of funded liabilities	-	(249,518)	(249,518)
Opening position as at 31 March 2014	191,232	(249,518)	(58,286)
Service cost			
Current service cost*	-	(10,220)	(10,220)
Past service cost (including curtailments)	-	(11)	(11)
Effect of settlements	-	-	-
Total service cost	-	(10,231)	(10,231)
Net interest			
Interest income on plan assets	8,330	-	8,330
Interest cost on defined benefit obligation	-	(10,901)	(10,901)
Impact of asset ceiling on net interest			
Total net interest	8,330	(10,901)	(2,571)
Total defined benefit cost recognised in profit or (loss)	8,330	(21,132)	(12,802)
Cashflows			
Plan participants' contributions	2,650	(2,650)	-
Employer contributions	7,095	-	7,095
Contributions in respect of unfunded benefits	-	-	-
Benefits paid	(4,441)	4,441	-
Unfunded benefits paid			
Expected closing position	204,866	(268,859)	(63,993)
Remeasurements			
Change in demographic assumptions	-	(2,930)	(2,930)
Change in financial assumptions	-	(5,318)	(5,318)
Other experience	-	(21,243)	(21,243)
Return on assets excluding amounts included in net interest	12,527	-	12,527
Changes in asset ceiling			
Total remeasurements recognised in other comprehensive income	12,527	(29,491)	(16,964)
Effect of business combinations and disposals			
Fair value of employer assets	217,393	-	217,393
Present value of funded liabilities	-	(298,350)	(298,350)
Closing position as at 31 March 2015	217,393	(298,350)	(80,957)

* The current service cost includes an allowance for administration expenses of 0.2% of payroll.

Change in fair value of SEPA's pension plan assets, defined benefit obligations and net liability for the year ended 31 March 2014

Year ended 31 March 2014	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	174,325	-	174,325
Present value of funded liabilities	-	(220,825)	(220,825)
Opening position as at 31 March 2013	174,325	(220,825)	(46,500)
Service cost			
Current service cost*	-	(8,549)	(8,549)
Past service cost (including curtailments)	-	(72)	(72)
Effect of settlements	-	-	-
Total service cost	-	(8,621)	(8,621)
Net interest			
Interest income on plan assets	7,952	-	7,952
Interest cost on defined benefit obligation	-	(10,095)	(10,095)
Impact of asset ceiling on net interest	-	-	-
Total net interest	7,952	(10,095)	(2,143)
Total defined benefit cost recognised in profit or (loss)	7,952	(18,716)	(10,764)
Cashflows			
Plan participants' contributions	2,506	(2,506)	-
Employer contributions	6,344	-	6,344
Contributions in respect of unfunded benefits	-	-	-
Benefits paid	(4,042)	4,042	-
Unfunded benefits paid	-	-	-
Expected closing position	187,085	(238,005)	(50,920)
Remeasurements			
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	(11,598)	(11,598)
Other experience	-	85	85
Return on assets excluding amounts included in net interest	4,147	-	4,147
Changes in asset ceiling	-	-	-
Total remeasurements recognised in other comprehensive income	4,147	(11,513)	(7,366)
Effect of business combinations and disposals	-	-	-
Fair value of employer assets	191,232	-	191,232
Present value of funded liabilities	-	(249,518)	(249,518)
Closing position as at 31 March 2014	191,232	(249,518)	(58,286)

* The current service cost includes an allowance for administration expenses of 0.2% of payroll

21. IAS 19 – Details of entries in the statement of comprehensive net expenditure

IAS 19 requires SEPA to analyse and disclose its pension liabilities as at 31 March 2015. There is an increase in forecast net liabilities as calculated by Hymans Robertson in their capacity as actuary to the Falkirk Council Pension Fund. This amount has been reflected in the annual accounts. IAS 19 also requires SEPA to analyse and disclose the amounts included within the Statement of Comprehensive Net Expenditure, these are detailed below.

	Restated		
	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2013
	£'000	£'000	£'000
Statement of comprehensive net expenditure			
Charge to operating costs			
Current service cost	10,220	8,549	6,595
Past service cost	11	72	550
Total service cost	10,231	8,621	7,145
Employer contribution	(7,095)	(6,344)	(6,484)
Added to staff costs (see note 5)	3,136	2,277	661
Projected return on employers assets	(10,901)	(10,095)	(9,060)
Actual return on employer assets	8,330	7,952	7,094
Taken to interest (payable)/receivable (see notes 7-8)	(2,571)	(2,143)	(1,966)

22. IAS 19 – Details of entries in the statement of changes in tax payers equity

The changes in IAS 19 have resulted in the 2013 comparators being restated in note 20 above. The note below shows the information as previously reported.

Year to 31 March	2015		Restated 2014	
	£'000	% of scheme assets	£'000	% of scheme assets
Difference between the expected and actual return on scheme assets	12,527	5.8	4,147	2.2
Experience gains and losses on scheme liabilities		% of the total present value of scheme liabilities		% of the total present value of scheme liabilities
Actual gain/(loss) recognised in statement of changes in tax payers equity	(29,491)		(11,513)	
Actual return on plan assets	(16,964)	5.6	(7,366)	3.0

23. Related party transactions

SEPA is 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, SEPA has had various material transactions with the Scottish Government and with other entities for which the Scottish Government is regarded as a parent body (note 2, 13 & 14 refers). During the year, apart from their service contracts, no Board Member, key manager or other related parties have undertaken any material transactions with SEPA.

24. Fees and charges

The table below highlights the related activity costs against income received by charging schemes.

Schemes													
Year to 31 March 2015													
	COMAH £000	CRC £000	AVIATION £000	PPCA £000	PPC B £000	RSA £000	Waste £000	SPW £000	ETS £000	WEWS £000	Total £000		
Income	125	173	11	4,397	1,271	2,350	5,039	1,686	291	20,997	36,340		
Expenditure													
Staff costs	147	73	2	3,597	675	1,151	4,592	137	251	15,534	26,159		
Depreciation / cost of capital	7	2	-	219	41	47	255	6	8	1,644	2,229		
Bad debts	-	-	-	4	9	-	37	-	-	-	50		
Other operating charges	31	79	-	1,403	157	686	1,214	51	101	5,029	8,751		
Total expenditure	185	154	2	5,223	882	1,884	6,098	194	360	22,207	37,189		
(Under)/Over recovery	(60)	19	9	(826)	389	466	(1,059)	1,492	(69)	(1,210)	(849)		
% Cost recovery	68%	112%	550%	84%	144%	125%	83%	869%	81%	95%	98%		
Schemes													
Year to 31 March 2014													
	COMAH £000	CRC £000	AVIATION £000	PPCA £000	PPC B £000	RSA £000	Waste £000	SPW £000	ETS £000	WEWS £000	Total £000		
Income	156	290	27	4,329	1,218	2,335	4,891	1,538	295	20,764	35,843		
Expenditure													
Staff costs	203	95	4	3,503	735	1,134	4,700	83	200	15,126	25,783		
Depreciation/cost of capital	9	4	-	194	39	47	233	4	8	1,531	2,069		
Bad debts	-	-	-	10	26	-	104	-	-	-	140		
Other operating charges	56	90	1	1,535	199	810	1,431	44	114	5,212	9,492		
Total expenditure	268	189	5	5,242	999	1,991	6,468	131	322	21,869	37,484		
Under/(Over) recovery	(112)	101	22	(913)	219	344	(1,577)	1,407	(27)	(1,105)	(1,641)		
% Cost recovery	58%	153%	540%	83%	122%	117%	76%	1,174%	92%	95%	96%		
Key:													
COMAH	Control of Major Accident Hazards Regulations			WM	Waste Management Licensing & Producer Responsibility			PPC	Pollution Prevention Control & Air Pollution Control				
SPW	Special Waste			ETS	EU Greenhouse Gas Emissions Trading			WEWS	Water Environment and Water Services Act				
RSA	Radioactive Substances Act			CRC	Carbon Reduction Commitment			AVIA	EU-ETS Aviation				

25. Resource limit – outturn 2014-2015

Year to 31 March	2015			2014
	Outturn £'000	Budget £'000	Variance £'000	Variance £'000
Department expenditure limit				
Total capital resource	2,494	2,495	1	8
Operating resource - cash	34,487	34,824	337	(13)
Prior period adjustment	271	-	(271)	-
Depreciation/impairments – non-cash	3,132	3,100	(32)	120
Total operating resource	37,890	37,924	34	107
Total expenditure	40,384	40,419	35	115
Annually managed expenditure limit	6,364	6,400	36	(4,402)

There was an underspend in year against the Departmental Expenditure Limit (DEL) allocated to SEPA by Scottish Government of £35,000. Operating DEL was £34,000 underspent and capital resource DEL was underspent by £1,000.

Additionally there was Annually Managed Expenditure (AME) of £6,054,000: against an AME of £6,400,000, an underspend of £346,000. The £6,054,000 consists of: £5,707,000 IAS 19 adjustments for the funded pension scheme; plus a decrease in the level of provisions held £68,000 for unfunded pensions and other liabilities; and £415,000 reduction in market value movements on properties.

SEPA received £115,401 in fines and penalties that were paid over to the consolidated fund in year. (2014 – Nil)

26. Segmental analysis as at 31 March 2015

SEPA only operates in Scotland and is currently organised into portfolios.

Segmented Accounts Year to 31 March 2015

Segmented Accounts	Operations	Science and Strategy	Chief Executive	Governance	Resources	Finance	Corporate	Life*	Total
Extracted from period 12 monthly financial report									
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income:									
Revenue from charging schemes	-	-	-	-	-	-	36,340	-	36,340
Other Income	-	-	-	-	-	-	5,049	680	5,729
Total Income	-	-	-	-	-	-	41,389	680	42,069
Less expenditure per corporate management accounts									
Staff costs	25,285	21,812	182	1,678	1,530	854	383	274	51,998
Other operating charges	6,037	10,393	60	292	5,971	548	1,053	393	24,747
Depreciation and impairment	-	-	-	-	-	-	3,182	13	3,195
Total expenditure	31,322	32,205	242	1,970	7,501	1,402	4,618	680	79,940
Net expenditure for year	(31,322)	(32,205)	(242)	(1,970)	(7,501)	(1,402)	36,771	-	(37,871)

Reconciliation to annual accounts

Increase in capital charges & impairment in asset values	(662)
Add pension scheme adjustment to staff costs	(3,136)
Less cash spend on unfunded pensioners that has transferred to the balance sheet	142
Add pension adjustment for unfunded pensioners	110
Add pensions interest adjustment	(2,571)
Less late accruals	(122)
Less prior period adjustment	272
	(43,842)

*Managed as a separate project.

Segmented assets and liabilities at 31 March 2015

Portfolio	Operations	Science and Strategy	Chief Executive	Governance	Resources	Finance	Corporate	Life	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment assets									
Non-current assets	226	12,051	-	-	17,855	-	-	-	30,132
Assets for sale	-	-	-	-	-	-	900	-	900
Trade receivables	-	-	-	-	-	-	3,474	-	3,474
Cash	-	-	-	-	-	-	412	1,161	1,573
Total liabilities	-	-	-	-	-	-	(88,187)	-	(88,187)
Total net assets	226	12,051	-	-	17,855	-	(83,401)	1,161	(52,108)

Restated segmented accounts year to 31 March 2014

SEPA managed itself on a directorate basis

Portfolio	Operations	Science and Strategy	Chief Executive	Governance	Resources	Finance	Corporate	Life*	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income:									
Charging schemes	-	-	-	-	-	-	35,843	-	35,843
Other income	-	-	-	-	-	-	4,497	426	4,923
Total income	-	-	-	-	-	-	40,340	426	40,766

Less expenditure per March 2014 Agency Management Accounts

Staff costs	24,451	20,509	198	1,554	1,408	781	107	274	49,282
Other operating charges	6,678	10,114	13	408	6,399	750	1,464	140	25,966
Depreciation, amortisation and impairment	-	-	-	-	-	-	3,236	13	3,249
Total expenditure	31,129	30,623	211	1,962	7,807	1,531	4,807	427	78,497
Net expenditure for year	(31,129)	(30,623)	(211)	(1,962)	(7,807)	(1,531)	35,533	(1)	(37,731)

Reconciliation to annual accounts

Decrease in capital charges & impairment in asset values	416
Add pensions scheme adjustment to staff costs	(2,277)
Add pensions adjustment for unfunded pensioners	(242)
Add pensions interest adjustment	(2,143)
Less late accruals	(53)
Less reduction in provision	40
Statement of comprehensive net expenditure for the year	(41,990)

*Managed as a separate project.

Segmented assets and liabilities at 31 March 2014

Portfolio	Operations	Science and Strategy	Chief Exec.	Governance	Resources	Finance	Corporate	Life	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment Assets									
Non-current assets	250	11,232	-	-	19,901	-	-	-	31,383
Trade receivables	-	-	-	-	-	-	3,098	-	3,098
Asset for sale	-	-	-	-	-	-	1,000	-	1,000
Total liabilities	-	-	-	-	-	-	(65,869)	-	(65,869)
Cash	-	-	-	-	-	-	1,376	-	1,376
Total net assets	250	11,232	-	-	19,901	-	(60,395)	-	(29,012)

Appendix 1: Scottish Government Statement of Accounts Direction



SCOTTISH ENVIRONMENT PROTECTION AGENCY

DIRECTION BY THE SCOTTISH MINISTERS

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 2006, 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 19 March 2001 is hereby revoked.

Richard Grant

Signed by the authority of the Scottish Ministers

Dated 9 December 2005

Appendix 2: Scottish Government Directions to SEPA in 2014-2015

[The Scotland River Basin District \(Status\) Directions 2014](#)

[The Solway Tweed River Basin District \(Standards\) \(Scotland\) Directions 2014](#)

[The Scotland River Basin District \(Standards\) Directions 2014](#)

[The Cross-Border River Basin Districts \(Scotland\) Directions 2014](#)

[The Water Environment \(Controlled Activities\) \(Unconventional Oil or Gas Development \(Scotland\) Direction 2015](#)

[The Reservoirs \(Disclosure of Information\) Directions 2015](#)