

# ANNUAL REPORT AND ACCOUNTS 2019-2020





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Front cover: UN Sustainable Development Goals

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

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## Introduction

The report is divided into three parts:

- **Performance Report** consisting of:
  - Overview section – this summarises the whole report, explaining our purpose and strategy, our business model, our activities, our operational risks, and summarises our performance.
  - Performance analysis – this shows our progress against this year's performance measures and our financial performance..
- **Accountability report** – this consists of the Corporate Governance report, a Remuneration and Staff report, and a Parliamentary Accountability and Audit report.
- **Financial statements** – these include the Directors' report and the Annual Accounts for 2019–2020.



**Bob Downes**

Chair

**Terry A'Hearn**

Chief Executive Officer

### Chair and Chief Executive's foreword

On 28 April 2019, following a series of 'climate strikes' by young people in cities, towns and communities across our nation, and across the world, Scotland's First Minister, Nicola Sturgeon, announced a climate emergency.

Amongst the first national leaders to do so, the First Minister's statement reflected Scotland's ambition to be a global leader in the fight against climate change and a champion of social, environmental and economic success.

That same social, environmental and economic success is at the heart of SEPA's statutory purpose, given to us by Scotland's Parliament. Every day we protect and enhance Scotland's environment, helping communities and businesses thrive within the resources of our planet. We call this One Planet Prosperity.

As an agency we're changing, creating an environment protection agency fit for the challenges of tomorrow. In doing so, we're delivering our regulatory and flooding services in even more powerful ways.

## Welcome to SEPA's Annual Report and Accounts 2019–2020

In our regulatory work, we're supporting business to meet Scotland's environmental laws and we're working to help as many as possible to voluntarily go further. This is essential if Scotland is to rise to the climate, biodiversity, and resource scarcity, marine and other challenges. We're bringing the same focus to helping Scotland prepare more powerfully for future increased flooding and drought as a consequence of climate change, including through the production of our new flooding strategy.

Our performance in 2019–2020 was an important step in this direction. In 2019–2020, we achieved 15 of our 17 performance measures.

Across the reporting period, environmental performance amongst Scottish regulated businesses remained high, with 90.5%<sup>1</sup> of Scottish regulated businesses recorded as 'Excellent', 'Good' or 'Broadly Compliant' in our annual Compliance Assessment Scheme.

This represented the fourth year in a row where compliance was over 90%.

<sup>1</sup> CAS, 2018 <https://www2.sepa.org.uk/Compliance/>

We supported a series of companies, including Scotland's leading brewer, Glasgow-based Tennent Caledonian, who achieved a further 'Excellent' rating for environmental stewardship, marking a five-year run of strong performance. The firm has 'locked in' sustainability to its business model by announcing ambitious plans to be carbon neutral by 2025 and is an example of the type of beyond compliance our approach to working with businesses can achieve, which recognises the economic and environmental opportunities of sustainability,

While many of Scotland's industrial sectors, achieved over 90% compliance as a whole, poor performance at complex industrial sites continued to impact local communities across the reporting period. ExxonMobil Chemical Limited, the operator of the Fife Ethylene Plant, achieved a 'Poor' Compliance Assessment Scheme rating for the second year in a row due to flaring at the site in Mossmorran during 2018. Tackling the performance issues at the Mossmorran site continued to be a priority, with strong regulatory action taken to move towards ending unacceptable flaring. Some £140 million of investment was announced by the operator in the reporting period.

We took a further significant step in our new 'sector plan' approach by delivering 11 plans, in areas such as food production, housing and infrastructure. We believe this gives SEPA a more strategic and focused way of regulating than we've ever had before. Moreover, following 22 months of work by SEPA, including significant research and our largest ever public consultation, we launched our revised regulatory framework for finfish aquaculture on 1 June 2019.

Across the period, we strengthened how we help Scotland mitigate against the impacts of extreme weather. During the period we developed One Planet Prosperity: Our Flooding Services Strategy with partner organisations, which will be consulted on in 2020–2021. The strategy sets out how we will refocus our flooding services in response to the climate emergency and how we will be ready to tackle the challenges of future flood risk. We also updated the critical methodology used to appraise and prioritise the actions in the next flood risk management strategies and delivered Ayr and Annick flood warning schemes.

The period saw significant progress and delivery as we accelerate our action towards further implementing One Planet Prosperity in 2020–2021.

### **Bob Downes**

Chair

### **Terry A'Hearn**

Chief Executive Officer



**Bob Downes**

Chair

**Terry A'Hearn**

Chief Executive Officer

Air 28 Giblean 2019, às dèidh sreath de 'stailcean gnàth-shìde' le daoine òga ann am bailtean agus coimhearsnachdan air feadh na dùthcha againn, agus air feadh an t-saoghail, ghairm Prìomh Mhinistear na h-Alba, Nicola Sturgeon, èiginn gnàth-shìde.

Bha Nicola Sturgeon air aon den chiad cheannardan nàiseanta a rinn sin, agus bha a h-aithris a' nochdadh miann na h-Alba a bhith air thùs san t-saoghal anns an t-srì an aghaidh atharrachadh gnàth-thìde agus nar luchd-brosnachaidh air soirbheachadh sòisealta, àrainneachdail agus eaconamach.

Tha an aon shoirbheachadh sòisealta, àrainneachdail agus eaconamach aig cridhe adhbhar reachdail SEPA, a thug Pàrlamaid na h-Alba dhuinn. Gach latha bidh sinn a' dìon agus a' leasachadh àrainneachd na h-Alba, a' cuideachadh choimhearsnachdan agus ghniomhachasan gus soirbheachadh taobh a-staigh na th' aig a' phlanaid de stòras. Canaidh sinn Bearrteas Aon Phlanaid ri seo.

Mar bhuidheann tha sinn ag atharrachadh, agus tha sinn a' cruthachadh buidheann dìon àrainneachd a tha iomchaidh airson dùbhlain an ama ri teachd. Ann a bhith a' dèanamh seo, tha sinn a' libhrigeadh ar seirbheisean riaghlaidh agus tuiltean ann an dòighean a tha a' sìor fhàs nas treasa.

## Fàilte gu Aithisg Bhliadhnail SEPA 2019–2020

Anns an obair riaghlaidh againn, tha sinn a' cuideachadh ghnothaichean gus coinneachadh ri laghan àrainneachd na h-Alba agus tha sinn a' toirt taic don uiread 's a ghabhas de bhuidhnean a dhol nas fhaide na sin gu saor-thoileach. Tha seo riatanach ma tha Alba gu bhith a' coinneachadh ri dùbhlain gnàth-shìde, bith-iomadachd agus gainnead stòrais, dùbhlain mara agus eile. Tha an aon dealas againn gus Alba a neartachadh mu choinneimh barrachd thuiltean agus tart san àm ri teachd mar thoradh air atharrachadh gnàth-thìde, a' gabhail a-steach tro bhith a' dèanamh ro-innleachd ùr air tuiltean.

Bha na rinn sinn ann an 2019–2020 na cheum cudromach air an t-slighe seo. Ann an 2019–2020, thug sinn a-mach 15 de na 17 ceumannan coileanadh againn.

Thar na h-ùine aithris, bha coileanadh àrainneachdail am measg ghniomhachasan riaghlaidh na h-Alba fhathast àrd, le 90.5%<sup>2</sup> de ghniomhachasan riaghlaidh na h-Alba air an clàradh mar 'Fìor Mhath, 'Math' no 'Gèilleadh san Fharsaingeachd' anns an Sgeama Measadh Gèillidh bliadhnail againn. B' e seo an ceathramh bliadhna ann an sreath far an robh gèilleadh os cionn 90%.

2 CAS, 2018 <https://www2.sepa.org.uk/Compliance/>

Thug sinn taic do ghrunn chompanaidhean, a' gabhail a-steach prìomh ghrùdaire na h-Alba, Tennent Caledonian a tha stèidhichte ann an Glaschu, a choilean ire 'Fìor Mhath' eile airson glèidhteachas na h-àrainneachd, a' comharrachadh còig bliadhna de choileanadh làidir. Tha a' chompanaidh air seasmhachd a dhaingneachadh sa mhodal gnìomhachais aca le bhith a' gairm phlanaichean àrd-amasach airson a bhith carbon neoni ro 2025 agus tha e na eisimpleir den t-seòrsa sàr ghèilleadh as urrainn an obair againn le gnìomhachasan a thoirt gu buil, a tha ag aithneachadh nan cothroman eaconamach agus àrainneachdail a thig le seasmhachd.

Ged a choilean mòran de roinnean gnìomhachais na h-Alba còrr air 90% de ghèilleadh gu h-iomlan, bha dìth coileanaidh aig làraichean gnìomhachais iom-fhillte fhathast a' toirt droch bhuaidh air coimhearsnachdan ionadail thar na h-ùine aithris. Fhuair ExxonMobil Chemical Earranta, obraiche Ionad Ethylene Fhìobha, 'Dona' san Sgeama Measadh Gèillidh airson an dàrna bliadhna ann an sreath mar thoradh air lasadh air an làrach ann am Mossmorran ann an 2018. Bha dèiligeadh ri droch choileanadh aig làrach Mossmorran na phrìomhachas fhathast dhuinn, le riaghladh làidir ga chur an sàs gus gluasad a dh'ionnsaigh crìoch air lasadh neo-iomchaidh. Chaidh timcheall air £140 millean de thasgadh ainmeachadh leis an obraiche anns an ùine aithris.

Ghabh sinn ceum mòr eile leis an dòigh-obrach 'plana roinneil' againn a' libhrigeadh aon phlana deug, ann an raointean leithid cinneasachadh bidh, taigheadas agus bun-structar. Tha sinn den bheachd gu bheil seo a' toirt dòigh riaghlaidh nas ro-innleachdail agus nas cuimsichte do SEPA na bha againn a-riamh roimhe. A bharrachd air sin, às dèidh 22 mìosan de dh'obair le SEPA, a' toirt a-steach rannsachadh susbainteach agus an co-

chomhairleachadh poblach as motha a rinn sinn a-riamh, chuir sinn air bhog am frèam-obrach riaghlaidh ath-sgrùdaichte againn airson tuathanas-uisge èisg gaine air 1 Ògmhios 2019.

Thar na h-ùine aithris, neartaich sinn mar a bhios sinn a' cuideachadh Alba gus buaidh fìor dhroch shìde a lasachadh. Rè na h-ùine sin leasaich sinn Bearrteas Aon Phlanaid: ar Ro-innleachd Sheirbheisean Tuiltean le buidhnean com-pàrteachaidh, air an tèid co-chomhairle a chumail ann an 2020–2021. Tha an ro-innleachd a' mineachadh mar a nì sinn ath-chuimseachadh air na seirbheisean tuiltean againn mar fhreagairt don èiginn gnàth-shìde agus mar a bhios sinn deiseil gus dèiligeadh ris na dùbhlain a tha an cois cunnart bho thuiltean san àm ri teachd. Dh'ùraich sinn cuideachd am modh-obrach ceasnachail a chaidh a chleachdadh gus measadh agus prìomhachas a thoirt do na gnìomhan anns na h-ath ro-innleachdan riaghlaidh cunnart thuiltean agus libhrig sinn sgeamaichean rabhadh thuiltean Inbhir Àir agus Annick.

Chunnaic an ùine aithris adhartas agus libhrigeadh susbainteach agus sinn ag obair nas luaithe a dh'ionnsaigh barrachd de Bheairteas Aon Phlanaid a chur an gnìomh ann an 2020–2021.

### **Bob Downes**

Neach-cathrach

### **Terry A'Hearn**

Ceannard

## 1.0 Performance report

### i) Overview

#### 1.1 Introduction

The purpose of this Overview section is to provide a summary of SEPA, our purpose and strategy, the key risks we are facing, our budget and our performance over the year from April 2019. We hope that most readers will find enough in this section to get a good understanding of who we are and what we achieved in 2019–2020. For those who are interested, more detail can be found in the Performance Analysis and Accountability report sections.

The Overview section shows our path to becoming a world-class environment protection agency fit for the challenges of tomorrow. It details how we have restructured to focus on on-ground delivery, which allows our staff to more powerfully use their skills and abilities. Our achievements are a testament to our position that environmental compliance is non-negotiable and our commitment to helping Scotland to prepare more powerfully for future increased flooding.

The scale of environmental challenge facing humanity is enormous and SEPA has built strong foundations to act with the urgency that is needed. We are in a strong position to start delivering results and create strategies that will be successful, but we also need to be aware of the challenges and risks we face as an organisation.



SEPA officer on a landfill site inspection, Dunbar

## 1.2 Our purpose and strategy

Our statutory purpose is to protect and improve the environment in ways that, as far as possible, also help create health and well-being benefits and sustainable economic growth. Every day we work to protect and enhance Scotland's environment, helping communities and businesses thrive within the resources of our planet. We call this One Planet Prosperity. We have only one planet but if everyone lived as we do in Scotland, we would need three planets to sustain ourselves.

Through the delivery of One Planet Prosperity we are committed to making Scotland stronger. Every Scottish business will comply with the law, and we'll work to ensure as many as possible will go even further. Our statutory purpose and range of enforcement tools means those that aren't complying will be held to account.

Scotland is a global leader in its commitment to tackling climate change, in protecting and enhancing our environment, in strengthening our international reputation for sustainable growth and supporting a transition to a low carbon economy. Scottish businesses have recognised the economic opportunity, with rapid advances in renewables investment and innovation. From supporting the sustainable development of anaerobic digestion to tackling food waste and encouraging innovation in low carbon heat networks, SEPA can play a significant role in enabling not only positive environmental outcomes, but Scotland's social and economic success.

We also help Scotland to prepare more powerfully for future increased flooding and are the national flood forecasting, flood warning and strategic flood risk management authority. We develop flood risk management strategies that set the national direction of flood risk management, helping to target investment and co-ordinate action across public bodies. We also operate Floodline, a free 24-hour advice and information service on how to prepare for, or cope with, the impacts of flooding. Customers who register for this service receive phone or text messages letting them know when there is a risk of flooding. This gives communities and businesses valuable time to take action and reduce the impacts of flooding.

Our role in providing robust advice to planning authorities also contributes towards managing overall flood risk in Scotland, by ensuring planning decisions are well informed and preventing new developments being located in high flood risk areas.

Our statutory purpose and strategy are set out in our *Corporate Plan 2017–2022* and summarised in the diagrams on the following pages. The corporate plan includes broad measures we will use to monitor our performance. Each year we publish an Annual Operating Plan that lists the specific annual measures we will report against.

## Our strategy

### Purpose

To protect and improve the environment in ways that, as far as possible, also help create health and well-being benefits and sustainable economic growth.

**Figure 1: Strategic outcomes**

#### Scotland is thriving in a low carbon world



The Scottish economy is becoming increasingly resource efficient and there is a general acceptance of the need to live within the planet's regenerative capacity. The economy is becoming increasingly resilient to the threat of scarce raw materials.

Scotland is developing innovative approaches to carbon and resource efficiency and is sharing and exporting its technologies and expertise.

#### Scottish businesses are prospering from better environmental performance



Scottish businesses recognise the benefits to them of good environmental performance and take full advantage of them.

SEPA regulated businesses secure and maintain full compliance with environmental rules and regulations. Non-compliance is not tolerated.

#### The impact of flooding is reducing



The likelihood and potential impact of flooding across Scotland is understood and strategies are developed to tackle greatest risks.

Flood warnings are provided and businesses, communities and individuals understand the steps they can take to protect themselves from the impact of flooding.

Robust advice is given to ensure planning decisions are well informed and new developments are not located in high risk areas.

#### People benefit from Scotland's improving environment



The quality of the air, water and land in Scotland is improving, providing benefits to health and local amenities and better resources for local businesses.

The impact of pollution and environmental crime is reducing.

People understand the benefits a healthy environment provides for their quality of life and take full advantage of them.

People have the information they need, when they need it, to help them make good decisions that improve the environment, society and the economy.

### Our core services

**Regulation**

**Flood risk management**

### 1.3 Our Organisational Characteristics

Our aim is to ensure that everything we do is designed to deliver our statutory purpose in the most effective ways possible. Six Organisational Characteristics are at the core of our corporate strategy and help us make day-to-day and longer-term decisions.

#### The six Organisational Characteristics

1. Producing information and evidence that people use to make decisions.
2. Helping people implement successful innovation, not minor improvements on 'business-as-usual'.
3. Helping communities see the environment as an opportunity to create social and economic success.
4. Routinely interacting with regulated businesses through their boardrooms, executive teams and owners.
5. An organisation that people are clamouring to work for.
6. Using partnerships as our principal way of delivering outcomes.

### 1.4 Our contribution to the Scottish Government purpose

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. To support its purpose, the Scottish Government has identified 11 national outcomes in relation to the National Performance Framework. We make the most significant contribution to the outcomes listed below:

- We value, enjoy, protect and enhance our environment.
- We have a globally competitive, entrepreneurial, inclusive and sustainable economy.
- We live in communities that are inclusive, empowered, resilient and safe.
- We respect, protect and fulfil human rights and live free from discrimination.
- We are open, connected and make a positive contribution internationally.

## 1.5 Our business model

We are a non-departmental public body, accountable to Scottish Ministers and the Scottish Parliament.

We are also an independent advisor on the environment. We have 1,274 employees working in 22 offices across Scotland.

### Our Board

Our Board is responsible for ensuring we fulfil the aims and objectives we have agreed with Scottish Ministers. Further detail on Board members<sup>3</sup> and the role of the Audit Committee, is covered in the Governance statement in the Accountability report section.

### Our management

Details of our management team are included in section 2.1 – The Corporate Governance report. The Board has delegated day-to-day management of SEPA's operations to the Chief Executive, who works with directors and the Agency Management Team. The Agency Management Team is comprised of the Chief Executive, the Executive Director Evidence and Flooding and the Chief Officers. The biographies of the members of the Agency Management Team are available on our website<sup>4</sup>. They are responsible for strategic planning, business management, performance management and change management, amongst other duties.

## Our portfolios

Our Corporate Plan 2017-2022 sets out the steps we need to take to help create a society that can operate within the means of only one planet. This includes making fundamental changes to the way we work in order to build an environment protection agency fit for the 21st century.

- Compliance and Beyond focuses on environmental performance, enforcement, permitting and legal services.
- Circular Economy focuses on efficient use of resources and includes our energy, radioactive substances, waste and landfill, planning and land policy, and water teams.
- Evidence and Flooding, which focuses on evidence, flood risk management and digital services.
- People and Property, which includes learning and development, human resources and management of our estate.
- Finance, which manages our financial affairs and procurement activities.
- International Services, which generates additional income by developing global commercial opportunities from our in-house expertise, as well as seeking to maximise external grant funding.
- Performance and Innovation, which includes our Communications and Marketing, Governance, Regulatory Strategy and Government Relations, Strategic Initiatives, and Innovation teams.

<sup>3</sup> [sepa.org.uk/about-us/how-we-work/our-board/](https://sepa.org.uk/about-us/how-we-work/our-board/)

<sup>4</sup> [media.sepa.org.uk/biographies/](https://media.sepa.org.uk/biographies/)

## Our core services

We have two external services: regulation and flooding.

### ■ One Planet Prosperity: Our Regulatory

**Strategy** describes how, in our role as Scotland's environmental regulator, we will work collaboratively with businesses to help them achieve their commercial goals in ways that also deliver environmental success. We need to use innovative and powerful ways of regulating so that those businesses that want to take advantage of the opportunities for profitability presented by moving 'beyond compliance' are given strong support to do so.

- To organise our regulatory work, we use two 'lenses' – a sector lens and a place lens. The combination of lenses will maximise our influence in how we regulate both sectors and geographical areas and is already being used to deliver success for The Leven Programme, a regeneration initiative with the environment and people at its heart centred around the River Leven in Fife.

### ■ One Planet Prosperity: Our Flooding Services

**Strategy** is being developed and will set out our focus on flooding services in response to the climate emergency and urgency to act. The strategy will further strengthen how we organise our flooding services and tackle the challenges of future flood risk.

## Regulating across sectors

By grounding our regulation and activities across whole sectors, we will shape our interactions with every sector and the businesses in them.

We are bringing partners together through sector planning by developing plans for every sector we regulate. Through these plans we will understand the growth ambitions of the sector and find ways to facilitate this that provides for effective environmental protection and improvement.

Sector plans will identify ways to tackle outstanding compliance issues and where there are opportunities for innovation enabling better environmental outcomes as the sector develops. This will include social issues such as recognising the importance of creating local jobs in rural communities and any issues that non-compliance is creating in the communities the sector is operating in.

This year we have published 11 sector plans, consulted on a plan for the forestry and wood processing sector and identified the remaining 17 sectors<sup>5</sup> to create plans for.

Sector plans published during 2019–2020:

- Crop production;
- Dairy processing;
- Dairy production;
- Finfish aquaculture;
- Housing;
- Leather;
- Nuclear power generation and decommissioning;
- Oil and gas decommissioning;
- Strategic infrastructure (transport and utilities);
- Water supply and waste water;
- Tyres.

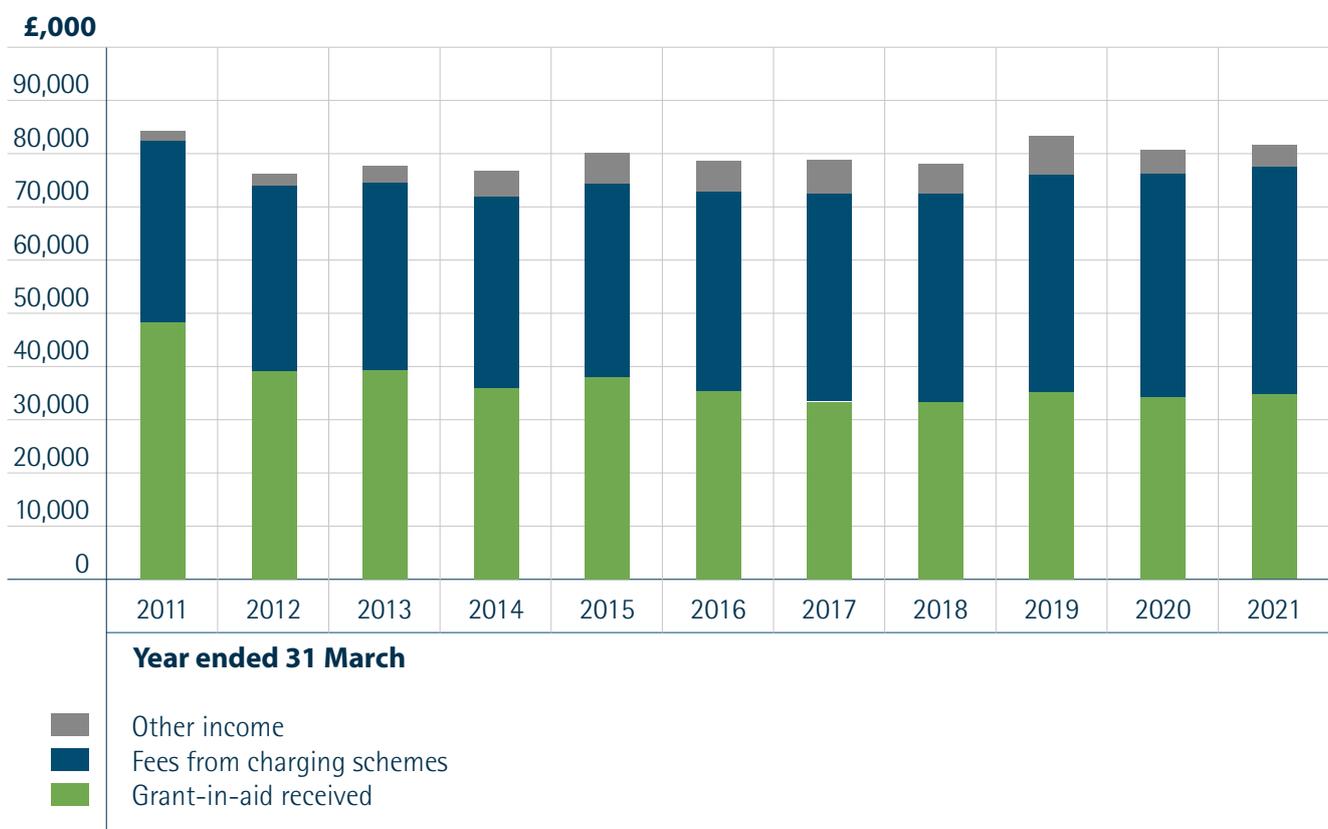
### Our funding

Our income in 2019–2020 comes from a mixture of grants from the Scottish Government (cash £34.1m) and licence fees from those we regulate (£41.8m). We also receive £4.6m of other income that comes principally from administering grants under river restoration and work we do for other public bodies.

This income covered our operating costs for the year of £80m and capital investment of £2m.

The chart below shows where our income has come from for the last 10 years and our predictions for 2020–2021.

**Figure 2: Income by year from 31 March 2011 to 31 March 2021**



SEPA is committed to managing its expenditure within the income available to it year on year. The Scottish Government has allocated SEPA £31.8m cash grant for 2020–2021 operating costs and £2m for capital investment. We have estimated that the fees from charging schemes and other income to be £46.8m for 2020–2021.

**Figure 3: Expenditure by year from 31 March 2011 to 31 March 2021**

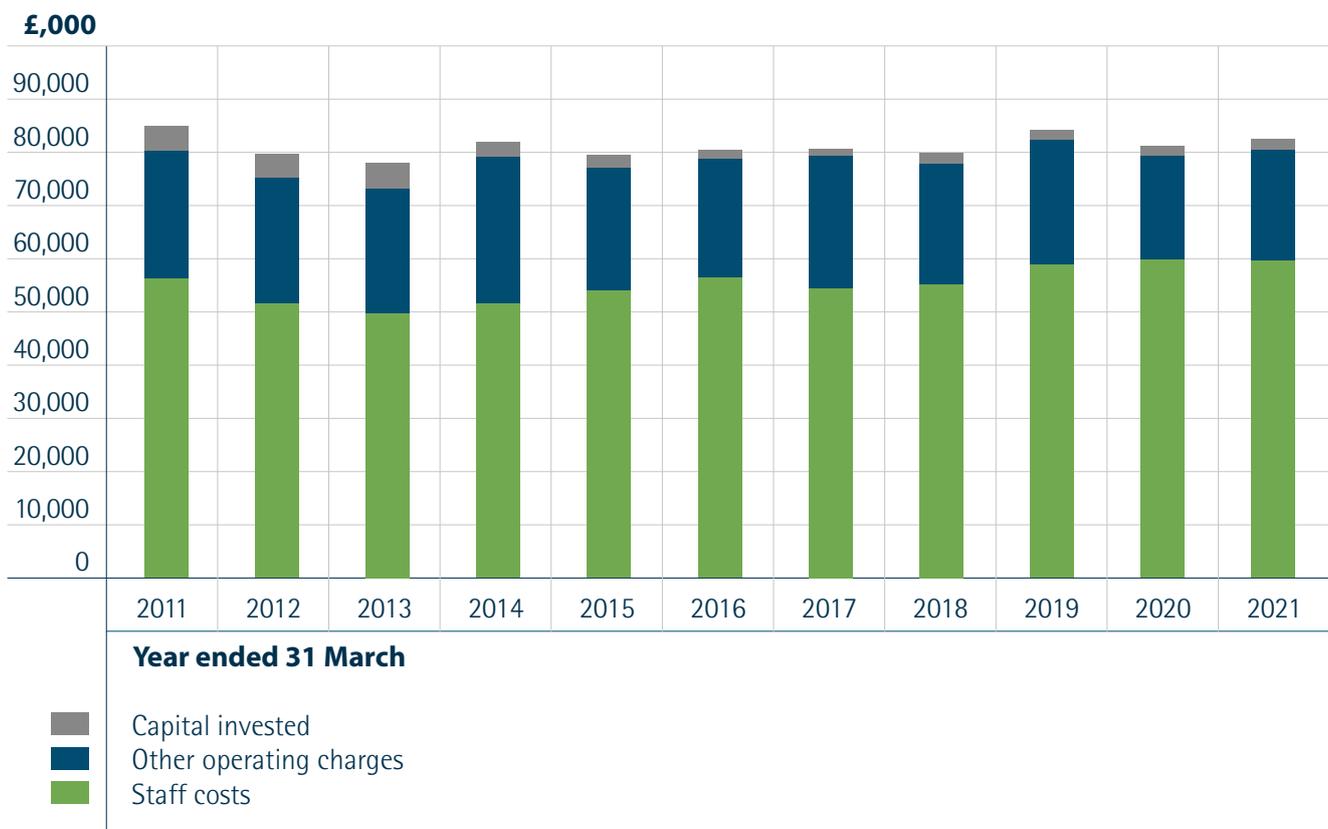


Figure 3 shows how we have spent funds received in the last 10 years and how we plan to spend the funds we anticipate in 2020–2021. The figures above exclude non-cash budget resource provided by Scottish Government each year and the annual depreciation charge. Grant-in-aid received equals the cash drawn down from Scottish Government in year.

The non-cash resource for 2019–2020 shown in the parliamentary accountability section for 2019–2020 was £3m. The non-cash expenditure for 2019–2020 was depreciation and loss on asset disposals shown in the statement of comprehensive net expenditure of £3m. Additionally, the expenditure reflected in the table excludes IAS 19 pension and unfunded pension adjustments and Life Assurance provision reflected in staff costs (Table 8, page 68).

**The scale of environmental challenge facing humanity is enormous, with a real urgency to act.**

The climate is changing and we are facing a crisis to the climate and the environment that will affect all people and sectors in Scotland. The science on climate change is unequivocal. Nine of the ten warmest years in the UK have occurred since 2002 and seven of the ten wettest years have happened since 1981. This climate emergency is recognised globally and in April 2019, Scotland's First Minister declared a climate emergency, one of the first leading political figures to do so.

In response, we committed to becoming a net zero organisation and providing climate leadership by fundamentally changing the way we work so we can

implement One Planet Prosperity as powerfully as possible. Through our regulatory role we are working with regulated businesses to reduce emissions, store greenhouse gases and become resilient to changes now and by helping them to realise their economic and social objectives through reducing their environmental impact. This is operating beyond compliance.

The Scottish Pollutant Release Inventory (SPRI) data, a database of annual mass releases of specified pollutants to air, water and land from SEPA regulated industrial sites, shows a sustained downward trend in greenhouse gas releases over the past 10 years, with both carbon dioxide and methane, the main greenhouse gases, reducing over 50% across those 10 years.



SEPA officer on site at a housing development construction site, Whitburn



Announcing Scotch whisky, distilling and brewing achieving 95.5% compliance in 2018 at the Tennent Caledonian Wellpark Brewery site

**Environmental compliance is non-negotiable. Every Scottish business will comply with the law, and we'll work to ensure as many as possible will go even further.**

**Sustained compliance from Scottish businesses**

Environmental compliance for Scotland's regulated businesses was over 90% for the fourth year in a row in the figures published for this reporting period. 90.5% of sites were assessed as compliant ('Excellent', 'Good' or 'Broadly Compliant') in 2018 and 76.2% of sites (almost 4,000 sites) rated as excellent<sup>6</sup>.

*One Planet Prosperity – Our Regulatory Strategy* is clear – every Scottish business will comply with the law and SEPA will work to ensure as many as possible go even further. Our Compliance Assessment Scheme (CAS) rates an operator's environmental performance

against its licence conditions. The annual results enable us to take a targeted approach that focuses on high risk operations and under-performing sites more frequently than compliant or low risk activities.

Scotch Whisky, distilling and brewing achieved 95.5% compliance in 2018, continuing the strong performance of the sectors. The results were announced from the site of Scotland's leading brewer, Glasgow-based Tennent Caledonian, which achieved a further 'Excellent' rating for environmental compliance, marking a five-year run of strong performance. The firm has 'locked in' sustainability to its business model by announcing ambitious plans to be carbon neutral by 2025 and is an example of the type of beyond compliance our approach to working with businesses can achieve, which recognises the economic and environmental opportunities of sustainability.

6 Compliance Assessment Scheme 2018

Our Compliance Assessment Scheme ratings help us to tackle poor performance in sectors by identifying trends and areas of improvement, as well as the success stories.

While many of Scotland's industrial sectors, such as non-renewable energy and chemicals, achieved over 90% compliance as a whole, poor performance at complex industrial sites continued to impact local communities across the reporting period. ExxonMobil Chemical Limited, the operator of the Fife Ethylene Plant, achieved a 'Poor' Compliance Assessment Scheme rating for the second year in a row due to flaring at the site in Mossmorran during 2018. INEOS FPS Limited's (Forties Pipeline) site in Grangemouth, rated as unsatisfactory since 2014, and was rated as 'Very Poor' in 2017 and again in 2018.

### Tackling compliance at Mossmorran

Two operators are based at the Mossmorran site in Fife: ExxonMobil Chemical Limited and Shell U.K. Limited. On Wednesday 13 May 2020 we announced our intention to submit a report to the Crown Office and Procurator Fiscal Service for consideration of prosecution in relation to the flaring at the Mossmorran complex during April 2019. The report, submitted outwith the period of this annual report, followed unplanned flaring within the annual report period, over a seven-day period in April 2019, and an extensive regulatory investigation involving specialist regulatory, technical, scientific and enforcement teams from across the agency.

Over 900 complaints were received by the agency's Pollution Hotline, the highest number the agency has received for any single environmental event. The move also followed a 2018 Final Warning Letter issued to ExxonMobil Chemical Limited for a 2017 'preventable and unacceptable' flaring incident.

We continue to work closely with the Health and Safety Executive, which has responsibility for site safety as part of the Competent Authority under the Control of Major Accident Hazards Regulations. Our focus remains on ensuring the company addresses the root causes of unacceptable flaring.

Announcing a package of new measures, we confirmed a detailed technical assessment of the timelines for new ground flare installations by ExxonMobil Chemical Limited including utilising independent technical advisor(s) to verify the proposed programme.

We confirmed the actions of ExxonMobil Chemical Limited continue to be under continual review during the current coronavirus pandemic with an intensified compliance programme to focus on the steps the company is taking to prevent and minimise flaring.

Thirty-nine scientific monitoring reports have, to date, been published online, with these continuing to be published on a fortnightly basis on the [sepa.org.uk/mossmorran](https://sepa.org.uk/mossmorran) hub. Published data continues to demonstrate no breach of UK air quality standards.



SEPA Officer with air monitoring equipment in the Mossmorran local area

We also announced an external review by the Irish Environmental Protection Agency of regulation to share best practice and advise on further actions that may be taken to drive compliance. The review will report by October 2020.

Recognising the requirement to strengthen arrangements for community engagement, we confirmed we were actively supporting Fife Council's review of the Mossmorran and Braefoot Bay Community and Safety Committee aimed at refreshing community participation and engagement around the Mossmorran complex. We also confirmed we would collaborate with Fife Council to review monitoring with input from local communities and other public partners as soon as is safely practical to do so.

### INEOS FPS, Grangemouth

INEOS FPS Limited's (Forties Pipeline) site in Grangemouth was rated as unsatisfactory since 2014 and 'Very Poor' in 2017 and again in 2018.

Operated by BP Exploration until October 2017, the site was unsatisfactory due to flaring and the unavailability of ground flares at the installation, in breach of permit conditions as well as breaches of the effluent consent.

A Final Warning Letter was issued by SEPA in 2018 and the company has been working constructively with technical specialists to secure the adoption of Best Available Techniques. Further to ongoing liaison with the business, permit variations require the installation of new ground flare systems reducing the impact of flaring on the community.

### SEPA's new finfish aquaculture regulatory framework

Our Finfish aquaculture sector plan, published on 3 September 2019, made clear our ambition

for a sector that recognises that protecting the environment is fundamental to success and is foremost in all the sector's plans and operations. We aim to support the sector to become a world-leading innovator of ways to minimise the environmental footprint of food production and supply. We also seek a future in which the sector has a strong and positive relationship with neighbouring users of the environment and the communities in which it operates and where it is valued nationally for its contribution to achieving global food supply.

In the last 18 months since the Scottish Parliamentary inquiries, SEPA, as one of a number of organisations regulating finfish aquaculture, has undertaken more science, monitoring, and public engagement than ever before, leading to the development of SEPA's Finfish aquaculture sector plan and the most significant overhaul of aquaculture regulation in a generation introduced one year ago.

The framework further strengthens the protection of the marine environment for the people of Scotland and followed twenty-two months of work by SEPA and implements the proposals we announced in November 2018, which were subject to Scotland-wide consultation.

The framework is underpinned by research into the impact of Scottish salmon farms, peer reviewed and published in international journal, *Science of the Total Environment*.

The new framework, applied to all new Scottish finfish aquaculture applications, included:

- More powerful modelling using the best available science – taking advantage of more accurate computer modelling approaches to improve our understanding of the risk to the local environment

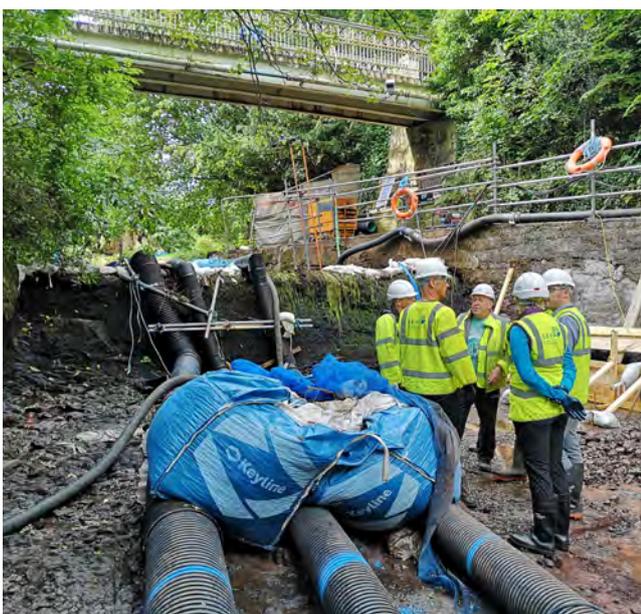
and allow assessment of the larger-scale impacts including interactions with other farms. This brings the aquaculture sector up to date with the modelling practices that are being used for other industrial sectors where there is a longer history of operation and analysis.

- A new tighter standard for the organic waste deposited by fish farms – the tighter standard limits the spatial extent of the mixing zone around farms
- New approach to sustainable siting of farms – the combination of a new standard, a more accurate model and enhanced monitoring will allow the siting of farms in the most appropriate areas where the environment can assimilate wastes.
- Enhanced environmental monitoring – requiring operators to invest in more accurate monitoring, including of waste coming from fish farms.

- Involving communities and stakeholders – establishing a new National Aquaculture Stakeholder Advisory Panel to support our commitment to continue to listen to communities, NGOs and industry.

### Salmon return to Renfrewshire river for first time in more than 100 years

Wild salmon are a declining species whose continued existence depends on being able to migrate home. The Water Environment Fund (WEF), a Scottish Government funded project managed by SEPA, aims to repair damaged urban rivers and enhance the local environment for communities, often in the most deprived areas, while improving fish stocks by removing barriers that have closed rivers for generations to migrating fish. Thanks to successful works in the Gotter Water weir, Quarrier's Village, salmon were spotted swimming upstream in an Inverclyde river for the first time in over 100 years following the successful adaptation of a redundant industrial weir.



SEPA officers visit the Gotter Water weir site during construction of the fish pass

The Gotter Water weir on completion. Improvements to the weir has opened up new upstream habitat for migratory fish

### Tackling waste crime

Waste crime not only blights our landscape and damages the environment, the operators undercut legitimate businesses and are often linked to serious and organised crime.

Serious and organised waste crime is estimated to cost the UK economy at least £600 million a year and an independent review commissioned by the Home Office in 2018 found that perpetrators are often involved in other serious criminal activity, including large scale fraud and in some cases modern slavery.

Recognising that waste criminals operate across borders, SEPA joined the Joint Unit for Waste Crime bringing together for the first time law enforcement agencies and UK environmental regulators to target waste criminals. To tackle the growing trend in criminal waste networks, the new unit will conduct site inspections, make arrests and prosecutions and, upon conviction, push for heavy fines and custodial sentences. It will be dedicated to crimes such as dumping hazardous materials on private land and falsely labelling waste so it can be exported abroad to unsuspecting countries.

SEPA also understands global waste crime trends, identifies solutions and undertakes co-ordinated enforcement activities through our broad scope of engagement at the European and international level.

As a key delivery partner of the LIFE SMART Waste project, an innovative partnership between key European bodies addressing waste crime, SEPA joined forces with INTERPOL Environmental Security Programme (ENS) and the INTERPOL Pollution Crime Working Group to successfully host the Smarter waste regulation and pollution crime enforcement conference at the BEL Convention Centre in Brussels,

Belgium. The conference brought together over 200 people representing six continents, 52 countries and a range of international bodies, creating opportunities for knowledge exchange, networking and collaboration on a truly global basis.

### We help Scotland prepare more powerfully for future increased flooding

The science on climate change is clear and flooding is likely to increase in the future, particularly due to rising sea levels, increased surface water and from rivers. To be ready for the future and adapted to the impacts of climate change, SEPA is acting now to plan and adapt to a high emissions climate scenario.

There are currently around 284,000 homes, businesses and services at medium to high risk of flooding in Scotland and, by the 2080s, this could increase by around 110,000 if little or no action is taken to tackle climate change (SEPA 2018).

This year we developed *One Planet Prosperity: Our Flooding Services Strategy* with partner organisations, which will be consulted on in 2020–2021. The strategy sets out how we will refocus our flooding services in response to the climate emergency and how we will be ready to tackle the challenges of future flood risk.

SEPA is a key delivery partner in the annual flood risk management conference, hosted by Sniffer. This year's conference focused on managing flood risk in the context of the climate emergency, and brought the flood risk management community together to share knowledge and best practice as well as shape the future agenda on this topic.

### Avoid the risk of flooding to new developments

Avoiding risk to new developments is by far the most effective way to protect people from flooding and support sustainable economic development. Our main mechanism for this is to provide specialist land use planning advice to local authorities and to provide national flood risk maps. As our sector approach develops we will work with the housing, strategic infrastructure and water supply and waste water sectors to ensure that new developments are safe from flooding now and resilient to future flooding. We will also begin a longer-term shift to a more proactive focus, helping policy makers and industry sectors plan years ahead to design more sustainable new places.

### Protect communities and businesses to reduce the risk of flooding

The 2018 National Flood Risk Assessment<sup>7</sup> shows that many communities are currently at risk of flooding, and that Scotland's flood risk will increase in future as a result of climate change. This risk cannot be avoided completely, so it is essential that people and places adapt. Examples of adaptation can include flood protection schemes and works, improved urban drainage, blue-green infrastructure, managed realignment, property level protection, catchment restoration and nature-based solutions.

It is our duty to ensure that the most sustainable measures are identified and included within flood risk management strategies. We coordinate these strategies but they are developed in close partnership with local authorities, Scottish Water and other stakeholders.

SEPA's data and expertise contributes to a range of partner projects and last year we supported the Scottish Government's **Living With Flooding: An Action Plan for Delivering Property Flood Resilience** to help homeowners and businesses prevent damage caused by flooding.

We also maintain partnerships with the Scottish Flood Forum, Neighbourhood Watch Scotland and the Citizens Advice Bureau as well as ongoing engagement with organisations such as the Scottish Business Resilience Centre to help Scottish businesses be better prepared to deal with the impacts of flooding, in the likelihood of extreme weather.

### Warn communities and business to help them prepare for flooding

We are Scotland's flood warning authority. Where it's not possible to completely avoid or eliminate the risk of flooding then we must give communities and emergency responders advance notice of flooding and help them to be prepared and protect themselves. We provide Scotland's vital flood warning service; 24/7, 365 days a year, direct to communities and businesses to help them prepare in advance of flooding.

February 2020 was the wettest on record as a number of weather systems including Storm Ciara and Storm Dennis affected large parts of Scotland. During the month we issued 190 flood warnings for both river and coastal flooding, making it one of the busiest months in recent years.

7 [sepa.org.uk/data-visualisation/nfra2018/](https://sepa.org.uk/data-visualisation/nfra2018/)



Explaining the improvements made to the flood warnings service for the River Findhorn at a community drop-in event in Forres.

The period included the issuing of two severe flood warnings for the River Teviot and Slitrig around Hawick, where a partial collapse of a building occurred, and Liddel Water at Newcastleton where dozens of properties were flooded. SEPA led on the provision of public information across the weekend with national media interviews including a live BBC breakfast interview as the event continued across the weekend, while working closely on operational activities with emergency responders and local responders to ensure they had the information to make decisions on.

As registrations for the Floodline service continue to increase our focus has been on creating a more intuitive, customer led platform and also adding to our existing flood warning areas.

Across the reporting period, we improved the flood warnings for the River Findhorn and River Lossie to take into account the building of flood alleviation schemes at Forres, Elgin and Dallas, and also

developed three new flood warning areas covering the Lossie.

With more than 1,350 additional homes and businesses already signed up from these areas, more people than ever before will receive free advance notification when flooding is predicted, providing crucial time to prepare and protect themselves, and their properties against the disruption and damage which flooding can cause.

We have continued to focus on producing information and evidence used to make decisions, from official statistics to live data from our river gauging network. Supplementing the 300 automated gauges is rainfall data collected by volunteer observers that helps SEPA and the Met Office capture Scotland's complex rainfall patterns. In 2019 we recruited new volunteers, including the Primary 6 class of the Bridge of Allan Primary School, who will help us to make informed decisions on water management, flood risk management, long term climate research as well as informing industry, agriculture and infrastructure development.



One of our Hydrologists explains how to measure rainfall to our new volunteer rainfall observers from Bridge of Allan Primary School.

**We're changing today, creating a world-class environment protection agency fit for the challenges of tomorrow**

**Creating a Phase 2 Environment Protection Agency (EPA)**

During SEPA's 'Phase 1' period, we helped drive significant improvement in Scotland's environment. Phase 1 has been highly successful and right for the time. Evidence tells us that despite these successes all environment protections agencies need to radically change to eradicate the remaining non-compliance challenges and to play our role in tackling the newer challenges of climate change, marine plastics, insect population collapse and more. SEPA is leading that change.

A successful EPA operating in Phase 2 supports step change innovations, rather than minor improvements on 'business as usual'. Through a pioneering Sustainable Growth Agreement (SGA), SEPA has embedded beyond compliance behaviour at the new town of Shawfair, just outside of Edinburgh. Signed by SEPA, Midlothian Council and Shawfair LLP, the agreement is the first of its kind in the planning and construction sector and will accelerate the delivery of a well-designed, sustainable community that promotes well-being and healthy lifestyles. One of the key projects covered within the SGA is the planned delivery of a district heating system for Shawfair's town centre, powered by surplus, zero carbon heat from the adjacent Recycling and Energy Recovery Centre (RERC).



SEPA, Midlothian Council and Shawfair LLP sign a pioneering Sustainable Growth Agreement to deliver a well-designed, sustainable community that promotes well-being and healthy lifestyles

Transformative innovation happens when strategic levels of regulated businesses understand that environmental success can lead to economic and social success. SEPA is committed to routinely interacting with regulated businesses through their boardrooms, executive teams and owners and we have taken the opportunity to do this through being a key delivery partner in the Scottish Resources Conference, Scotland's largest and most important event for sustainability, resource, and waste management professionals and hosting a roundtable in partnership with CBI focused on locking in lasting growth.

**Helping communities see the environment as an opportunity to create social and economic success.**

There are multiple influences on a business that influences its environmental performance such as consumer demands, other regulators, supply chain requirements and NGO programs. Delivering One Planet Prosperity builds, through engagement and influence, on our statutory purpose to protect and improve the environment (environmental success) in ways that, as far as possible, create health and well-being benefits (social success) and sustainable economic growth (economic success).

The Leven Programme is a SEPA led initiative that is transforming the Leven catchment into a world-leading example of environmental excellence while maximising social and economic opportunities. The vision, which locks in sustainable, inclusive growth, was cemented through the signing of a Sustainable Growth Agreement. The agreement was the first for multiple organisations to commit to working in partnership to achieve shared outcomes across a river catchment. In its first three years the range of projects that will be delivered includes a connectivity project, funded by Sustrans, low carbon innovation and the development of a sub-regional masterplan.

**Streamlining our regulatory systems**

SEPA is committed to providing digital, user-friendly services, supporting regulation that can tackle the challenges of the future. Our digital licensing team is leading the way by picking up an ICT Connect award for 'demonstrating outstanding performance and driving innovation and change' in their development of online application services.

## 1.6 Key issues and risks

This year, Scotland, along with many other nations around the world, faced one of the biggest public health emergencies in living memory. We began to actively monitor the global COVID-19 situation and put arrangements in place to prepare for the outbreak in January. This work increased as the situation in Scotland became more serious. In recent years we have significantly strengthened our business continuity arrangements and our procedures for managing emergencies. This stood us in good stead.

For the final two weeks of the year we moved our workforce to predominantly working from home. We then focused on adapting the ways we work so that we could continue to protect Scotland's environment and communities.

Initially we prioritised:

1. maintaining our flood warning services;
2. working closely with those regulated sectors that are most crucial to the function of society during the public health emergency;
3. working as much as possible with all other regulated sectors.

Throughout 2020 we will continue to adjust and adapt to these extraordinary circumstances in which everyone's resources and capacities are severely constrained. The planned use of resources for 2020–2021 was agreed before the COVID-19 public health emergency arose. The full financial impact of COVID-19 is unknown at this point. We are going to manage the prioritisation of our financial resources flexibly to minimise the consequences of



Adapting to our new way of working following moving our workforce to predominantly working from home as a result of COVID-19.

the COVID-19 outbreak and to protect the resources needed for the delivery of our statutory services.

The other risks and issues in this report are described as we saw them before the COVID-19 public health emergency occurred.

In its 15th Global Risks Report published in January 2020, the World Economic Forum said that for the first time in the report's history, all of the "top long term risks by likelihood" are environmental. While in the previous decade economic and financial crises were seen as most dangerous, the report has found that risk perceptions have shifted to extreme weather, environmental disasters, biodiversity loss, natural catastrophes and failure to mitigate climate change. This underlines the importance of our **One Planet Prosperity strategy** and our commitment to play as powerful a role as possible to help Scotland deliver the world leading climate change action set out in the Climate Change Act.

We're moving our regulation to a sectoral approach, which supports our aim that all regulated businesses fully meet their compliance objectives and as many as possible go further. For each sector we are developing a plan that provides a clear and coordinated approach to regulation and engagement. The sectoral approach is also helping us articulate and manage some of our key risks.

### Abandonment of landfill sites

The amount of waste going to Scotland's landfill sites is reducing as greater quantities of waste are being recycled and packaging is reduced. This decline in waste going to landfill will have long term positive consequences for our society but the financial pressures it will put on landfill operators could result in some landfill sites being abandoned. This is one

of the reasons that we developed the Landfill sector plan as one of our first sector plans.

We have continued to identify and assess the sites most at risk of abandonment, developing plans to help manage the environmental risks in the event of site abandonment. We aim to ensure that landfill operators demonstrate adequate financial provision to meet their obligations. We continue to learn lessons from our monitoring of the Tarbolton Landfill Limited site in South Ayrshire, which went into voluntary liquidation in 2018.

### Revised regulatory regime for finfish aquaculture

Finfish aquaculture was another of our early sector plans. It is an important socio-economic sector for Scotland, which is one of the largest Atlantic salmon aquaculture producer in Europe and third largest in the world. The Scottish finfish aquaculture industry has clearly articulated highly ambitious future growth targets for the development of the industry over the short to medium term.

In 2019, we strengthened the protection of the marine environment for the people of Scotland through the launch of a revised, evidence-based regulatory framework for Scotland's finfish aquaculture sector, and the publication of the **Finfish aquaculture sector plan**. The new framework followed 22 months of work by colleagues across the agency, a 2017 consultation, and two Scottish Parliamentary committees. One committee concluded that "the status quo is not an option", adding that the industry's expansion goal "will be unsustainable and may cause irrecoverable damage to the environment" unless governance and practices are improved markedly.



Bathing water sampling at West Sands beach, St Andrews

The features of our new **revised regulatory framework** that strengthen the regulation of this sector and mitigate the risks include:

- more powerful modelling using the best available science;
- a new tighter standard for the organic waste deposited by fish farms;
- a new approach to sustainable siting of farms;
- enhanced environmental monitoring.

### Bathing waters

Scotland has 86 designated bathing waters where we monitor water quality from 15 May to 15 September and publish the sampling results online. The general water quality for each location is described by a classification statement – excellent, good, sufficient

and poor – based on four years of monitoring data. These classifications are calculated at the end of one season for display at the start of the following season. Under the Bathing Water (Scotland) Regulations 2008, all bathing waters in Scotland should be at least of 'sufficient' classification by 2020.

This year we have been working to improve water quality at a number of bathing water sites, with particular focus on four high risk sites. At the end of December the quality of bathing water at Fisherrow Sands, was confirmed as poor for the fifth consecutive season. We will continue to deliver the focused improvement plan with our partners for this site. We are continuing to work with partner agencies to implement sustainable improvement measures for the remaining three high risk sites.

### Access to gauging stations

This year we identified a new risk in relation to getting access to the business critical gauging stations we use to monitor river, loch and tidal levels, river flows and rainfall to enable flood warning, water resources management and regulation. In some areas we do not have the agreements we need in place to ensure that we can access and maintain all our gauging stations. Work is underway to ensure we have robust and consistent lease agreements in place.

### EU exit

EU exit was high on the political and media agendas throughout the year, and our preparations for withdrawal included identifying and managing the risks associated with a 'no deal' exit. When the UK entered a transition period on 31 January 2020, the risk of an imminent 'no deal' exit was eliminated, although there is a possibility of this eventuality once again as we approach 31 December 2020.

Around 80% of environmental legislation in Scotland originates from the European Union. As the UK leaves the EU, environmental legislation is being corrected to make sure the law keeps working as it has been. This will ensure that the standards of environmental protection we enjoy today, and the principles upon which they are based, are maintained. While some of the detail of the legislation we use to regulate may change, our work to protect Scotland's environment will not.

Some of our charging schemes are currently governed by EU legislation. We will be consulting on replacing these charging schemes in 2020.

### Financial sustainability

Financial sustainability is a significant risk for us. SEPA like most central government bodies' core operating grant has not risen in line with pay increases or its services and supplies costs. We mitigate this by preparing financial scenario plans and planning a level of expenditure that is less than our forecast future income in any year. In 2020–2021 and for years to come, we will see the economic impact of COVID-19. We expect this to result in lower income from fees and charges. Our new way of working and concentration on our statutory services will identify areas where we can reduce our costs. We will manage our chargeable activities within the income that is generated through our charging schemes year on year.

Our risk management process is defined in section 2.1.

## 1.7 Performance scorecard

Our [Annual Operating Plan 2019–2020](#) identified 17 performance measures that we monitored throughout the year to assess progress towards our four outcomes. By the end of the year, 15 measures were achieved and two were not achieved. More information on these measures is included in the performance section of this report.

**Table 1: Performance measures 2019–2020 (including target date and achieved status)**

Performance measures 2019-2020		Target	Status
<b>Our Services - Regulation</b>			
<b>01</b>	Publish a plan for every sector by the end of March 2021. This year we will: <ul style="list-style-type: none"> <li>■ identify the sectors we will publish a sector plan for, along with the proposed timeline for their publication (August 2019);</li> <li>■ identify Sector Sponsor and Sector Development Plan Leads for all sectors (December 2019);</li> <li>■ initiate the development of 10 sector plans;</li> <li>■ publish nine sector plans.</li> </ul>	31/03/2020	✓
<b>02</b>	Agree at least two Sustainable Growth Agreements to specifically showcase low carbon innovation.	2	✓
<b>03</b>	This year we will have new permit templates for four sectors: finfish aquaculture, landfill, metals and Scotch Whisky sectors. We will begin issuing permits in the new template in the following sectors: <ul style="list-style-type: none"> <li>■ finfish aquaculture sector: 60-70% of 286 permits for operational sites;</li> <li>■ landfill sector: all permits for the 12 priority sites;</li> <li>■ metals sector: all permits for the 30 priority sites.</li> </ul>	31/03/2020	✗
<b>04</b>	Reduce the number of licences classed as very poor at the end of March 2019.	31/03/2020	✓
<b>05</b>	Reduce the number of licences that were non-compliant for two years or more at the end of March 2019.	31/03/2020	✓
<b>06</b>	This year we will carry out duty of care campaigns in the housing and infrastructure sectors.	31/03/2020	✗
<b>07</b>	This year we will participate in at least five multi-agency operations to disrupt waste crime.	5	✓
<b>08</b>	This year we will use intelligence to tackle at least three significant illegal waste sites.	3	✓
<b>09</b>	Increase the length of river where physical condition is restored - this year we will progress two projects towards initiation of onsite groundworks, complete options development for projects in two other communities and develop partnerships for projects in three further communities.	31/03/2020	✓

<b>Performance measures 2019-2020</b>		<b>Target</b>	<b>Status</b>
<b>10</b>	Increase the length of river where fish movement is not restricted by man-made barriers - this year we will develop partnerships for at least two historic barriers. At least three projects will reach full project design or onsite groundworks initiation.	31/03/2020	✓
<b>11</b>	Achieve more than 80% uptake of required actions to alleviate diffuse pollution after first follow-up visits to non-compliant farms.	80%	✓
<b>Our services – Flooding</b>			
<b>12</b>	This year we will be updating the critical methodology used to appraise and prioritise the actions in the next flood risk management strategies.	31/03/2020	✓
<b>13</b>	This year we will deliver the Ayr and Annick schemes, which cover at least another 200 properties with a flood warning scheme.	200	✓
<b>Our organisation</b>			
<b>14</b>	We will report on the progress of consultations that take place this year.	31/03/2020	✓
<b>15</b>	Introduce new greenhouse gas emissions reduction targets that exceed our fair share of targets set for Scotland in the forthcoming Climate Change Act.  This year we will also reduce our carbon emissions by 47% when set against our baseline emissions in 2007. We will achieve this by 31 March 2020.	47%	✓
<b>16</b>	Manage operating expenditure within income forecast for the year.	31/03/2020	✓
<b>17</b>	Recover at least 97% of our costs across our charging schemes.	97%	✓

**Key**

✓ Target achieved

✗ Target not achieved

## ii) Performance analysis

### 1.8 Performance introduction

Under our One Planet Prosperity strategy, we have set ourselves the major challenge of becoming a world-class environment protection agency fit for the challenges of tomorrow. We know we need to change to eradicate the remaining non-compliance challenges and to play our role in tackling the newer challenges of climate change, marine plastics, insect population collapse and more.

This has been a highly successful year for us in progressing towards becoming the environment protection agency we want to be. We have achieved 15 out of our 17 measures, missing one narrowly due to the COVID-19 impact.

We want Scotland to thrive in a low carbon world. This year we met our target of signing two Sustainable Growth Agreements to specifically showcase and inspire low carbon innovation. Sustainable Growth Agreements are voluntary formal agreements between us and another organisation(s) that focus on practical action to deliver positive environmental outcomes and help achieve One Planet Prosperity. This year we signed the **Sustainable Growth Agreement with Midlothian Council and Shawfair LLP** and the **Leven Programme Partnership Sustainable Growth Agreement**.

To help responsible compliant waste businesses, we will make it significantly harder for those who persistently fail to comply with environmental regulations to operate. We use all the tools at our disposal to ensure that regulated sectors meet compliance requirements. We have tackled poor environmental performance and met our target of reducing licences assessed as 'very poor', and those 'non-compliant' for two years or more.

As Scotland's national flood forecasting, flood warning and strategic flood risk management authority, reducing flood risk and its impact throughout Scotland is one of our top priorities. We help Scotland prepare more powerfully for future increased flooding. This year we have increased the number of properties covered by flood warning schemes through the delivery of the Ayr and Annick Scheme. We have also achieved all the milestones we needed to and are on track to deliver the next flood risk management strategies due to be published in December 2021. Flood risk management strategies set the national direction of future flood risk management, helping to target investment and coordinate actions across public bodies. The strategies explain what causes flooding in high risk areas as well as the impacts when flooding does occur.

Scotland is a global leader in its commitment to tackling climate change, with some of the most ambitious greenhouse gas reduction targets in the world. We want to play as powerful a role as possible to help Scotland deliver this world leading climate change action. In 2019 we set ourselves a target to reduce our own carbon emissions by 47% from the baseline set in 2007. We exceeded this, reducing our emissions to 53% below our 2007 levels.



We are working with the infrastructure and construction sectors to ensure everyone understands and complies with the Duty of Care Regulations.

We are also transforming our approach to permitting to provide businesses with permits that are clearer and more powerful, making their environmental obligations easier for operators and the public to understand. This work has proved more challenging than first expected, with the development of permit templates often requiring change to the whole regulatory approach of the sector. As such, we have not achieved the measures set of issuing permits in the new templates for four sectors. A significant amount of work has been delivered in this area. We have carried out public consultations on simple, outcome-focused permit templates for marine pen-fish farming, non-hazardous landfill and end-of-life vehicles. The new template for marine pen-fish farms has been published and is being used for new applications.

We have also issued a new healthcare waste management template for NHS sites.

The other area where we failed to achieve everything we had planned was the duty of care campaigns in the housing and infrastructure sectors. We progressed this work well throughout the year but had to postpone the inspections planned for the end of March because of the risks associated with COVID-19.

At the end of 2019-2020, the world was engulfed by the COVID-19 pandemic. This may impact the delivery of objectives such as the publication of all sector plans by March 2021 as we focus on making our best contribution to helping the nation get through the public health emergency in a way that protects Scotland's environment, communities and our people.

## 1.9 Performance report

**Table 2: Performance report (including achieved status)**

<p><b>1. Sector plans</b></p> <p>Publish a plan for every sector by the end of March 2021.</p> <ol style="list-style-type: none"> <li>1. Identify the sectors we will publish a sector plan for, along with the proposed timeline for their publication (August 2019).</li> <li>2. Identify Sector Sponsor and Sector Development Plan Leads for all sectors (December 2019).</li> <li>3. Initiate the development of 10 sector plans.</li> <li>4. Publish nine sector plans.</li> </ol>	<p>Achieved</p>
<p>Sector plans will be central to everything we do, as they help shape our interactions with every sector and the businesses in them. We aim to publish a plan for every sector by the end of March 2021.</p> <p>We met all of the development targets outlined for 2019–2020. We have:</p> <ol style="list-style-type: none"> <li>1. identified all sectors we propose to publish a plan for, together with proposed timelines for their publication;</li> <li>2. identified and appointed Sector Sponsors and Development Leads for every plan;</li> <li>3. exceeded our initial target and initiated development of 17 new sector plans this year, taking the total number of sector plans we aim to produce to 33;</li> <li>4. exceeded our initial target and published 11 sector plans during Q1 and Q2.</li> </ol> <p>Significant work has been undertaken to ensure progress of plans for all sectors identified this year. As an organisation, we are now working hard to assess critical areas of work and how we can support sectors during this difficult time, while continuing to protect and improve Scotland's environment.</p>	
<p><b>Sector plans in development</b></p> <ul style="list-style-type: none"> <li>■ Commercial and public premises development and use;</li> <li>■ Defence activities regulated by SEPA;</li> <li>■ Drink manufacture;</li> <li>■ Electricity and heat production;</li> <li>■ Food manufacture and processing;</li> <li>■ Healthcare and clinical;</li> <li>■ Livestock production;</li> <li>■ Materials recovery;</li> <li>■ Mining and quarrying;</li> <li>■ Oil and gas product manufacturing and distribution;</li> <li>■ Other manufacturing;</li> <li>■ Packaging manufacturing, reuse and reprocessing;</li> <li>■ Pig production;</li> </ul>	<ul style="list-style-type: none"> <li>■ Poultry production;</li> <li>■ Recreational, green and blue space;</li> <li>■ Shellfish production.</li> </ul> <p><b>Published sector plans</b></p> <ul style="list-style-type: none"> <li>■ Crop production;</li> <li>■ Dairy processing;</li> <li>■ Dairy production;</li> <li>■ Finfish aquaculture;</li> <li>■ Housing;</li> <li>■ Leather;</li> <li>■ Nuclear power generation and decommissioning;</li> <li>■ Oil and gas decommissioning;</li> <li>■ Strategic infrastructure (transport and utilities);</li> <li>■ Water supply and waste water;</li> <li>■ Tyres.</li> </ul>
<p>Of the two remaining sector plans, Forestry and wood processing is at the design phase before publishing. The Chemicals manufacturing sector plan is on hold to consider wider strategic concerns.</p>	

<p><b>2. Sustainable growth agreements</b></p> <p>Agree at least two Sustainable Growth Agreements to specifically showcase low carbon innovation.</p>	<p>Achieved</p>				
<p>Sustainable Growth Agreements are voluntary formal agreements between us and another organisation(s) that focus on practical action to deliver positive environmental outcomes and help achieve One Planet Prosperity. In 2019–2020 we aimed to agree at least two Sustainable Growth Agreements to specifically showcase low carbon innovation.</p> <p>We have achieved this measure, signing the following this year:</p> <p><a href="#">Sustainable Growth Agreement with Midlothian Council and Shawfair LLP</a></p> <p>Shawfair is a new development in Midlothian. One of the biggest features of the settlement will be a low carbon district heating system. General principles of the development's design and layout will protect space for district heating pipe runs to ensure this key component of Shawfair can be undertaken.</p> <p><a href="#">Leven Programme Partnership Sustainable Growth Agreement</a></p> <p>As part of this agreement we will work with partners to establish tools and projects that will demonstrate how the Leven community can move from having been a high carbon community in the past, to being a low carbon community of the future.</p> <table border="1" data-bbox="146 1057 1142 1209"> <thead> <tr> <th data-bbox="146 1057 646 1144">Total number of Sustainable Growth Agreements</th> <th data-bbox="646 1057 1142 1144">Agreed this year</th> </tr> </thead> <tbody> <tr> <td data-bbox="146 1144 646 1209" style="text-align: center;">9</td> <td data-bbox="646 1144 1142 1209" style="text-align: center;">2</td> </tr> </tbody> </table>		Total number of Sustainable Growth Agreements	Agreed this year	9	2
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9	2				

<p><b>3. Clearer permits</b></p> <p>This year we will have new permit templates for four sectors: finfish aquaculture, landfill, metals and Scotch Whisky sectors.</p> <p>We will begin issuing permits in the new template in the following sectors:</p> <ul style="list-style-type: none"> <li>■ finfish aquaculture sector: 60–70% of 286 permits for operational sites;</li> <li>■ landfill sector: all permits for the 12 priority sites;</li> <li>■ metals sector: all permits for the 30 priority sites;</li> </ul>	<p>Not achieved</p>
<p>We have not achieved this target. Work to develop new permit templates is proving more challenging than we originally expected.</p> <p>We are transforming our approach to permitting to provide businesses with permits that are clearer and more powerful, making their environmental obligations easier for operators and the public to understand. Through the work we have undertaken this year, we now have a clearer understanding that the development of effective permit templates requires a change to the whole regulatory approach to that sector. We are therefore testing and improving our methods and approaches to this.</p> <p>Completed permit templates continue to evolve and to do this effectively we are maintaining ongoing working relationships with all stakeholders. Further details are given in the table below:</p>	

Sector	Discovery	Consultation	Template issued	Comment
Finfish aquaculture	Completed	Completed	Yes	Permits issued to new site applications and variations to existing sites. Updates to new permit in development. Scoping completed of work required to review existing, operational sites on to new permit template.
Landfill	Completed.	Completed. In addition, a stakeholder event was held in February 2020.	No	Proposed permit largely supported. Changes to permit template conditions to be finalised and supporting guidance to be completed.
Metals	Completed.	Completed.	No	Scoping underway of work required to review existing priority sites on to new permit template.
Whisky	Ongoing work on water policy and regulatory approach.	Consultation arranged for May/June.	No	

**Other permit development**

Medium combustion plant	Template issued.
Healthcare waste management	Template issued to NHS sites.
Controlled Activity Regulations Herbicides.	The discovery phase has been completed. It is ready for sign off and issue.
Engineering template for large infrastructure projects.	Permit at an advanced stage. The Agency Management Team's Regulatory Sub-Committee approved approach subject to conclusion of two outstanding issues. Work has been delayed due to the COVID-19 crisis. Primary focus is on Transport Scotland.

<b>4. Decreasing non-compliance</b>	Achieved		
Reduce the number of licences classed as 'very poor' at the end of March 2019.			
<p>We are committed to ensuring that every Scottish business complies with the law. At the start of the year environmental performance amongst Scottish regulated businesses was 90.5%. We focused our efforts on licences that had been assessed as 'very poor'.</p> <p>We achieved the target of reducing this number, 64.7% of the licences that were classed as very poor improved over the year.</p>			
Reporting year	2019		
Number very poor at start of year	51		
Number assessed year to date	49		
Number of these that are still very poor this year	18		
Percentage reduction	64.7%*		
Year	2016	2017	2018
Overall percentage reduction	66%	75%	53%
*Status as at 11 June 2020. The results of the 2019 Compliance Assessment Scheme (CAS) are still in draft and will not be finalised until later in the year. These figures quoted may change in the final data set.			

<b>5. Persistently failing sites</b>	Achieved			
Reduce the number of licences that were 'non-compliant' for two years or more at the end of March 2019.				
<p>We are committed to ensuring that every Scottish business complies with the law. At the start of the year environmental performance amongst Scottish regulated businesses was 90.5%. We focused our efforts on those that had been assessed as 'non-compliant' for two years or more.</p> <p>We achieved this target of reducing this number with a 35.5% reduction in the number licences that were non-compliant for two years or more at the end of March 2020.</p>				
Reporting year	2019			
Number non-compliant at start of year	183			
Number assessed year to date	172**			
Number of these that are still non-compliant this year	102			
Percentage reduction	35.5%*			
Year	2015	2016	2017	2018
Overall percentage reduction	44%	45%	40%	37%
*Status as at 11 June 2020. The results of the 2019 Compliance Assessment Scheme (CAS) are still in draft and will not be finalised until later in the year. These figures quoted may change in the final data set.				
**Of the licences not assessed, two were revoked and one was surrendered.				

<p><b>6. Make the waste sector less attractive to criminals</b></p> <p>This year we will carry out duty of care campaigns in the housing and infrastructure sectors.</p>	<p>Not achieved</p>
<p>Businesses have a legal responsibility to ensure that they produce, store, transport and dispose of business waste without harming the environment. This is known as duty of care. We want to make sure that everyone understands and complies with the Duty of Care regulations. Our target was to carry out duty of care campaigns in the housing and infrastructure sector.</p> <p>This target was on track to deliver by end March 2020 but the final implementation was postponed as a consequence of the outbreak of COVID-19. We therefore did not achieve this measure. Inspections were due to commence in the week commencing 16 March and continue through into April. The UK Government had advised to avoid all non-essential travel and contact with others and it was considered inappropriate to encourage officers to carry out inspections given the risks involved. The inspections have been postponed to be carried out at a later date, which has not yet been confirmed.</p> <p>Despite the postponement of the inspections, some very positive work has taken place against this target. A group of our employees took part in a new training package that integrates technical Controlled Activities Regulations inspection training with duty of care for waste training. This enables us to avoid duplicating effort, as we can inspect against different licences and regulations in one inspection. The training also encompassed how to carry out the Fixed Monetary Penalty campaign.</p> <p>We have also carried out awareness raising in the sector. By working with partners in the public and private sectors we've reached audiences that we have rarely engaged with in the past. This was evident when we co-hosted a free information event with Zero Waste Scotland and Robertson Homes. At this event we made it clear that duty of care compliance is non-negotiable and highlighted areas with our partners where businesses can go beyond compliance.</p> <p>We continue to build on the campaign to ensure effective roll-out of inspections and appropriate enforcement measures when the time comes, and are currently focussing on making quality information available to operators, and supporting our officers.</p>	

<p><b>7. Make the waste sector less attractive to criminals</b></p> <p>This year we will participate in at least five multi-agency operations to disrupt waste crime.</p>	<p>Achieved</p>			
<p>We work with partners on joint action to disrupt crime. Examples include joint roadside checks of vehicles or joint inspections at sites where intelligence suggests illegal activity. By working with partners we benefit from a wider pool of intelligence. We also gain access to cross-agency crime disruption and deterrence tools enabling SEPA and partners to jointly identify and tackle a range of illegal activity.</p> <p>This year, we have met our target to participate in at least five multi-agency operations. The below table details the seven operations we have been involved in this year. We will continue to seek opportunities to disrupt waste crime via multi-agency operations.</p>				
	Q1	Q2	Q3	Q4
Number of operations completed each quarter	3	2	1	1

Number	Operation name	Details
7	Police Scotland operation	On 21 January 2020 our officers accompanied Police Scotland entering premises suspected to be linked to organised crime, where intelligence suggested waste offences were also taking place. Officers were able to substantiate the intelligence and identified stockpiled waste tyres, amongst other unauthorised waste management activities. Support was given to Police Scotland to include these offences in their wider actions. A fire at the site subsequently impacted the areas where the waste tyres were being stored.
6	Operation Mode – Grangemouth Port	On 28-29 October 2019, we participated in an operation organised by the British Transport Police. This operation focused on illicit movement of materials, including waste, through Scotland's ports. We completed a number of container checks at Grangemouth Port. Some minor offences were detected and we provided advice and guidance.
5	Operation Mode – Cairnryan Port	Operation Mode took place on 25 September 2019. We worked with Police Scotland, British Transport Police and Borders Patrol. This was part of an annual multi-agency operation to disrupt and detect crime across public or private transportation links. A check was completed on vehicles crossing to and from Ireland via Cairnryan Port. We assessed waste being transported to ensure that it complied with transfrontier and duty of care waste legislation. The day was a success with many vehicles being checked, useful intelligence gathered and guidance and advice provided.
4	Operation Pintail	On 23 July 2019, we took the lead in a multi-agency operation alongside Police Scotland concerning an unauthorised waste site in Renfrewshire. This was an intelligence-led operation that resulted in successfully halting the importation and burial of mixed waste that was suspected to have originated from England.
3	Operation Alternate	This campaign was co-ordinated by Police Scotland to reduce criminality and casualties on Scotland's roads. We participated in a multi-agency day of action alongside Police Scotland and HM Revenue and Customs. We participated in road stops with a focus on waste crime.
2	Shut Out Scammers – North Ayrshire	We are actively involved in these multi-agency campaigns aimed at raising awareness of doorstep offenders who cold-call people and scam them out of money; and where this impacts the legal collection, transport, and disposal of waste.
1	Shut Out Scammers – North Lanarkshire	

**8. Make the waste sector less attractive to criminals** Achieved

This year we will use intelligence to tackle at least three significant illegal waste sites.

	Q1	Q2	Q3	Q4
No of sites being investigated each quarter	4	6	5	4
No of site investigations closed each quarter	0	1	2	2

We want to help responsible compliant waste businesses by making it significantly harder for those who persistently fail to comply with environmental regulations to operate. We will use intelligence to identify those involved in criminal activities and tackle them using investigation and intervention tactics designed to deter and disrupt them from continuing the activities. We have achieved our target of using intelligence to tackle at least three significant illegal waste sites. We closed a further two investigations in Quarter 4, bringing the year total for the year to five.

**Operation Kingfisher**

A number of sites have been investigated this year that supported the wider Operation Kingfisher work examining the cross-border movement of baled waste from England into Scotland and information gathered has further supported our intelligence picture.

**Operation Pintail**

This operation dealt with a number of smaller deposit sites that matched the pattern of wider cross border waste transport and deposit, but did not involve the same large scale or long term disposal seen elsewhere. We closed two investigations in Quarter 4 and one in Quarter 3 in relation to Operation Pintail.

In Q4 we investigated two locations where baled waste had been deposited without authorisation. The investigation into these sites was concluded with final interviews having taken place but without sufficient evidence being available to proceed to formal enforcement. While the investigations have been closed work is ongoing with the landowners to discuss waste removal.

In Q3, with support from Police Scotland, we made a controlled entry onto an area of derelict land next to an end-of-life vehicle site, which intelligence suggested was being used to bury baled commercial/ household waste. Through this operation, we have been able to end the unauthorised disposal activity that had been taking place. The evidence available did not confirm the presence of baled waste, only construction and demolition wastes. Based on this, we made the decision to issue a Fixed Monetary Penalty. While the investigation has been closed, we continue to work with the landowner to secure the site to prevent any future offences.

**Biggar Road Industrial Estate, Motherwell**

We were notified that baled waste had been deposited on the site. We were able to secure the removal of the majority of the waste by the landowner using a Section 59 Notice. No further deposits of this waste type have been made. While we were unable to identify the person responsible for depositing the waste, valuable intelligence was gained that has supported the ongoing Operation Kingfisher work into cross-border waste disposal.

**Operation Magpie**

This investigation, which was closed in Quarter 2, involved a multi-agency response to a site in Newtongrange where waste was being illegally stored and cement batching was taking place without authorisation. As the activity was related to Serious and Organised Crime, we worked with Police Scotland and the Driver and Vehicle Licensing Agency to disrupt it.

Of the three associated businesses working from the site, two have stopped operating and one now takes waste to a SEPA-licensed facility.

Early intervention allowed us to stop the illegal operations becoming established and causing long-term, low-level pollution and public nuisance, which would draw a lot of resource from regional teams and create anxiety within the surrounding community. Legitimate waste businesses would also have been impacted. It may well have resulted in some legitimate businesses ceasing to operate in the area, not only because they would have been undercut financially but also because of the violence and aggression threat that comes with Serious Organised Crime linked activities.

**9. Water environment – physical condition.**

Achieved

Increase the length of river where physical condition is restored.

This year we will progress two projects towards initiation of onsite groundworks, complete options development for projects in two other communities and develop partnerships for projects in three further communities.

Scotland's rivers are a vital natural resource. Work supported by the Water Environment Fund restores the health, biodiversity and resilience of damaged rivers and their valuable fisheries and, through increasing access to greenspace, improves the health and well-being of often deprived communities. We work with partners (largely local authorities) to improve the quality of degraded river corridor – the projects can take years to complete. This year we have achieved and exceeded the targets set. The table below outlines the water body, the partner we are working with and the project status.

Water body	Partner	Partnership initiation	Scoping/ options appraisal	Design	Onsite	Complete	Outcome
Brothock Water, Arbroth	Angus Council	✓	✓				
Den Burn, Den Burn Valley community between Maidencraig and Stronsay Park.	Aberdeen City Council	✓					
River Leven, town of Leven through to Windygates, west of Methil (part of the Leven partnership project).	Fife Council	✓					
Allander Water, Milngavie	East Dunbartonshire Council	✓					
Luggie Water, Lenzie	East Dunbartonshire	✓					
Park Burn/Stand Burn, Kirkintilloch	East Dunbartonshire	✓					
River Nith, New Cumnock (Phase 1)	The Tweed Forum				✓	✓	1km of river restored
River Nith, New Cumnock (Phase 2)	The Tweed Forum			✓			
River Levern, Barrhead	East Renfrewshire Council		✓	✓			
Tollcross, Sandyhills	Glasgow City Council				✓		
Garrell Burn	North Lanarkshire Council				✓		
Back Burn, Glenrothes part of the Leven partnership project).	Fife Council		✓				

<b>10. Water environment – Fish barriers.</b>						Achieved
<p>Increase the length of river where fish movement is not restricted by man-made barriers</p> <p>This year we will develop partnerships for at least two historic barriers. At least three projects will reach full project design or onsite groundworks initiation.</p>						
<p>As well as improving the quality of degraded river conditions, the Water Environment Fund also aims to improve fish migration by easing fish passage or removing barriers (historic weirs and dams) that may have closed rivers to migrating fish for centuries. This year we have achieved and exceeded the targets set. The table below outlines the water body and the project status.</p>						
Water body	Partnership initiation	Scoping/ options appraisal	Design	Onsite	Complete	Outcome
Gateside Weir, River Eden, Fife	✓	✓				
Gottar Water, Quarriers Village, Renfrewshire			✓	✓	✓	9 km river now passable to migratory fish
Dowies Mill, River Almond (one of the seven weirs being addressed on the River Almond)			✓			
Limefield Falls, River Almond (one of the seven weirs being addressed on the River Almond)		✓	✓			
Garlogie dam, Leuchar burn, Aperdeenshire			✓			
Bronie Burn Weir, Aberdeenshire		✓	✓			
River Leven – Barrier 1 (part of Leven partnership project)	✓					
River Leven -Barrier 2 (part of Leven partnership project)	✓					

<b>11. Water environment – diffuse pollution</b>						Achieved
Achieve more than 80% uptake of required actions to alleviate diffuse pollution after first follow-up visits to non-compliant farms.						
<p>Diffuse pollution is the release of potential pollutants from a range of activities that, individually, may have no effect on the water environment, but, at the scale of a catchment, can have a significant effect. Problems occur in both rural and urban environments. We are tackling diffuse pollution as a key part of our work to improve the quality of Scotland's water environments, in line with the objectives set out in the second cycle of the river basin management plans. Diffuse pollution can be tackled by improving farmland practices, engaging with land managers and encouraging behavioural change to achieve compliance with regulations. An example of improved practices is increasing buffer strips to reduce agricultural run-off into watercourses.</p> <p>Our target is for more than 80% of farms found to be non-compliant to have started work on our recommended measures by the time of our first re-visit. We have achieved this with a 90% uptake. The farms we are revisited this year had their initial inspection 12-18 months earlier.</p>						
Year	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Percentage uptake	88%	83%	86%	88%	83%	90%

<b>12. Flood risk management strategies</b>						Achieved
This year we will be updating the critical methodology used to appraise and prioritise the actions in the next strategies.						
<p>Flood risk management strategies coordinate efforts to tackle flooding in Scotland. They set the national direction of future flood risk management, helping to target investment and coordinate actions across public bodies. The strategies explain what causes flooding in high risk areas as well as the impacts when flooding does occur. This information is used as a basis for better decision-making across flood risk management organisations.</p> <p>The development of the next flood risk management strategies, due for publication in 2021, is well underway and the target of updating methods to appraise and prioritise the actions has been met.</p> <p>Work continues on the development of the flood risk management strategies, including analysis and content development via the contract with our consultants RPS, and review and coordination with partners. A draft methodology has been agreed and work is underway to test this.</p> <p>COVID-19 had an initial impact on capacity across the board, but this has now settled and although reduced, work is continuing.</p>						

<b>13. Flood warning schemes</b>	Achieved
<p>This year we will deliver the Ayr and Annick schemes, which cover at least another 200 properties with a flood warning scheme.</p>	
<p>Reducing flood risk and its impact throughout Scotland is one of our top priorities. Our <b>Flood Warning Development Framework (2017-2021)</b> sets out to improve our forecasting and warning service, giving people advance notice of flooding and helping them to be prepared and protected.</p> <p>One element is extending our detailed local flood warning schemes. We have passed the measure and have succeeded in delivering the Ayr and Annick schemes, which cover at least another 200 properties with a flood warning scheme.</p>	

<b>14. Consultation</b>	Achieved																				
<p>Consult and engage on areas of our services.</p> <p>We will report on the progress of consultations that take place this year.</p>																					
<p>Many of the decisions we make are wide-ranging and have the potential to affect a range of stakeholders. We are continually trying to improve our services by seeking customer feedback and consulting our stakeholders before introducing any significant regulatory or policy changes. We have achieved our target to consult and engage on areas of our services. This year's consultations are listed below alongside the number of responses received.</p>																					
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Consultation title	Launched	Completed	Number of responses received
<b>Non-hazardous landfill permits</b>	November 2019	Q4	22
Consultation analysis	<p>In response to the feedback received, we are amending a small number of permit conditions. These relate to capping, authorised waste table, closure and aftercare.</p> <p>We are also investigating other issues highlighted, including the number of variations required for restoration plans.</p>		
<b>Waste management (waste motor vehicle) permits</b>	January 2020	Q4	8
Consultation analysis	<p>The feedback received was largely positive and in agreement with our reformed approach. After reviewing the responses we have updated the layout of the first table to increase understanding, provided advice and guidance to operators on how best to comply with their environmental obligations, and are developing guidance to set out how we will assess the significance of nuisance.</p>		
<b>The use of biomass or feed to regulate the organic output from marine pen fish farming to the environment</b>	October 2019	Q4	29
Consultation analysis	<p>We received responses supporting both of the options outlined in the consultation and are seeking to engage further where additional information or expertise will support decision-making.</p>		
<b>SEPA Flood Risk Management Procurement Framework</b>	October 2019	Q3	TBC
Waste data	September 2019	Q3	65
Consultation analysis	<p>The main responders were from government and the waste industry. Other responders included local authorities, land owners, consultancies and developers. For both questions, the majority of responders agreed that more data should be made available.</p>		
<b>Forestry and wood processing sector plan</b>	July 2019	Q3	31
Consultation analysis	<p>Responses led to us increasing emphasis on climate emergency and biodiversity.</p>		
<b>SEPA's WEEE charging scheme consultation</b>	April 2019	Q1	2
Consultation analysis	<p>The scheme is consistent with the comments made.</p>		

Consultation title	Launched	Completed	Number of responses received
<b>Water supply and waste water treatment sector plan</b>	December 2018	Q1	51
<b>Nuclear power generation and decommissioning sector plan</b>	December 2018	Q1	20
<b>Leather sector plan</b>	December 2018	Q1	10
<b>Housing sector plan</b>	December 2018	Q1	51
<b>Crop production sector plan</b>	December 2018	Q1	39
<b>Chemicals manufacturing sector plan</b>	21 December 2018	Q1	23
<b>Strategic infrastructure (transport and utilities) sector plan</b>	21 December 2018	Q1	47
<b>Dairy processing sector plan</b>	21 December 2018	Q1	11
<b>Dairy production sector plan</b>	21 December 2018	Q1	22
Sector plan consultations analysis	<p>We received responses from a wide range of stakeholders on our sector plan consultations. Respondents are generally supportive of the direction of travel and aspirations of the sector plans, but keen to understand more about our ambition for sectors going 'beyond compliance' and our role and remit to support that. We have added more case studies to the sector plans to provide examples of the industries going beyond compliance. We have also amended our plans to provide further information and clarification where required.</p>		

<p><b>15. Greenhouse gas emissions</b></p> <p>Introduce new greenhouse gas emissions reduction targets that exceed our fair share of targets set for Scotland in the forthcoming Climate Change Act.</p> <p>This year we will also reduce our carbon emissions by 47% when set against our baseline emissions in 2007. We will achieve this by 31 March 2020.</p>	<p>Achieved</p>																					
<p>The Scottish Climate Change Bill was passed by Parliament on 25 September 2019. The Bill sets a target of net zero emissions for Scotland by 2045 and increases the interim 2030 milestone from 70% to 75%. The national target for net zero emissions by 2045 and the interim goals fed into the setting of a new target for SEPA to reduce greenhouse gas emissions.</p> <p>SEPA agreed to adopt a net zero target in relation to our own emissions. The full detail for this target including actions to help achieve it, will be confirmed as part of the publication of our 2020-2021 Annual Operating Plan.</p> <p>We exceeded our target to reduce our own direct emissions by 47%, achieving an annual reduction of 15% and a drop of 53% from our 2006-2007 baseline.</p> <p>Note that due to the COVID-19 national lockdown from 23 March, we cannot reconcile final building energy readings for some of our estate and have used extrapolations. This is a very small proportion of annual energy consumption and has little impact on our performance measurements. The emergency lockdown is not responsible for our reductions as it became active only on the last week of the financial year.</p> <p>Emission from transport fell by 22% compared to the previous year. Emissions from electricity and gas use in our buildings fell by 12% compared to the previous year. Tables showing emissions changes from 2018-2019 to 2019-2020 for our travel and building energy can be found below.</p> <p>For the year to date, transport accounts for 41% of our total emissions and building energy accounts for 52%. The emissions of survey vessel, the Sir John Murray, account for the remaining 7% of the total.</p>																						
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<p>*carbon dioxide equivalent is a measure that allows our different greenhouse gas emissions to be compared on a like-for-like basis relative to one unit of carbon dioxide.</p>																						

<p><b>16. Organisational efficiencies</b></p>	<p>Achieved</p>
<p>Manage operating expenditure within income forecast for the year.</p>	
<p>In order to ensure we operate within the annual approved budget we monitor actual performance against this on an ongoing basis throughout the year. The accounts for the year show that we had a small underspend of £87k against our Scottish Government allocated budget for the year.</p>	
<p><b>17. Cost recovery</b></p>	<p>Achieved</p>
<p>Recover at least 97% of our costs across our charging schemes.</p>	
<p>We have a responsibility to ensure that all relevant costs of regulatory activities are recovered through charges. Our accounts show we achieved cost recovery of 98% in 2019-2020, 1% greater than target.</p>	

## 1.10 Social matters

Our statutory purpose is designed to deliver environmental, social and economic success. In addition to the performance set out in our performance report, we have also taken many steps to improve the impact we have on society and the environment through the way we conduct our business.

### Our People

We have a range of policies, procedures and guidance in place to promote equality, diversity, health and well-being in our workplace.

All our posts are graded using a job evaluation scheme to ensure SEPA promotes equal and fair pay. The scheme is operated with our recognised trade union, UNISON. To ensure job evaluation remains central to supporting the activities of a dynamic organisation, a review of our approach to job evaluation has commenced leading to the development of a new scheme.

We provide a number of schemes that give staff flexibility to manage a good work-life balance while also meeting their work objectives. To promote our commitment to flexible working we advertise all our posts with the 'Happy to Talk Flexible Working' logo. Flexible options for staff include a flexi-time scheme, flexible working patterns, including part-time or compressed hours, and flexible retirement.



In the last year, we have focused on supporting the mental health and well-being of our staff in multiple ways. We have provided five Stress and Mental Well-being workshops for managers and eight Developing Personal Resilience workshops for all staff. The

demand for both of these voluntary training courses is strong and we will continue to offer them next year. We continue to offer a free, confidential employee assistance programme, Validium, to all our staff.

This service provides counselling, signposting and information to help staff with personal or work-related problems that may be affecting their health, well-being or performance. In addition to this, SEPA has supported multiple campaigns throughout the year supporting good mental health through staff communications, marketing materials and our Healthy Working Lives programme.

We have also taken steps to progress our commitment to gender equality for our staff in the past year. We have been hosting discussion events on the topics set by the First Minister's National Advisory Council (NAC) on Women and Girls since March 2019 in a variety of our offices. These have fed back into the national conversation around gender equality but also helped us to identify where additional support or policies are needed to achieve greater gender equality. We were proud to introduce the provision of free period products in the bathrooms of our offices in 2019 as part of the Scottish Government's drive to tackle period poverty. These are available in all publicly accessible bathrooms.



In early 2020, we were re-accredited as a level two disability confident employer.

To achieve this accreditation we self-assess our approach in the following two areas: (i) getting the right people for our business, and (ii) keeping and developing our people. We continue to work towards becoming a Disability Confident Leader.



We are a fair work employer, contributing to Scotland becoming a 'Fair Work' nation. We are proud to be one of Scotland's Living Wage Employers and we continue to actively promote the scheme when we advertise posts.

### Volunteering

Recognising the critical contribution volunteering makes in building a strong and cohesive society, we have increased our paid leave to carry out volunteering activities from one day to two days a year. This allows employees to develop new skills, build important partnerships between charities and the public sector and help break down barriers between different sections of society.

### Career Ready

Career Ready is a national charity, set up by the employer community, linking local authorities and schools with employers to open up the world of work to young people. This aims to increase awareness of local job opportunities, and the number of young people in work and entering a more aspirational pathway towards work. We began supporting this charity as part of the work we do to fulfil our Social Pledge in 2018. This scheme is aimed at improving outcomes for young people from lower income backgrounds so that their success as working adults is not limited by their socio-economic background. In 2019, we supported five Career Ready mentees and in 2020 we are supporting six. Feedback from the mentees and the mentors has been excellent and it is clear that this work has been a great success.



SEPA staff in our Stirling Office

## Sustainable Growth Agreements

One of the most important tools we have for helping businesses go beyond compliance are Sustainable Growth Agreements. These are voluntary, formal agreements between us and another organisation (or organisations) that focus on practical action to deliver environmental outcomes and help achieve One Planet Prosperity<sup>8</sup>.

In July 2019, we signed a landmark Sustainable Growth Agreement called the Leven Programme Partnership<sup>9</sup>, which focuses on achieving environmental improvements while maximising social and economic opportunities. As partners in the Leven Programme, Fife Council, Sustrans, Scottish Natural Heritage, Scottish Water, Scottish Enterprise, Fife College, Forth Rivers Trust, Diageo, Central Scotland Green Network Trust and Keep Scotland Beautiful all back the Sustainable Growth Agreement.

Historically the Leven catchment was the engine of mid-Fife and every kind of industry depended on the river, including flint mills, flax/linen mills, waulk mills, paper mills, bleach works, iron works and extensive power weaving mills. The river sustained several hundred mills and factories, was home to a proud population of miners and workers in the manufacturing industries, and once had a productive port.

Sadly, many of these industries are no longer present in the area, leaving behind pockets of vacant and derelict land, and communities with high unemployment rates, poor health and well-being and other pressures associated with areas in the top percentiles of those most deprived in Scotland.



A community event in Methilhill exploring ideas on how to improve the path network along the River Leven as part of The Leven Programme's Connectivity Project.

Instead of being something that once brought communities together and provided their livelihood, the river has now become a barrier, disconnecting people and towns from each other. Serious environmental challenges have also arisen along the river catchment, with multiple pressures and environmental impacts stemming from the historical use of the river, including barriers to fish migration, water quality issues and physical river modifications. The vision of our Sustainable Growth Agreement is that by 2030, the Leven catchment will be a living, breathing example of inclusive growth, achieving environmental excellence in ways that create social and economic opportunities.

<sup>8</sup> [sepa.org.uk/media/219427/one-planet-prosperity-our-regulatory-strategy.pdf](https://sepa.org.uk/media/219427/one-planet-prosperity-our-regulatory-strategy.pdf)

<sup>9</sup> [sepa.org.uk/media/456675/levenprogrammepartnershipsga\\_webversion.pdf](https://sepa.org.uk/media/456675/levenprogrammepartnershipsga_webversion.pdf)

In December 2019, the developers behind the new town of Shawfair<sup>10</sup>, near Edinburgh, committed to a landmark Sustainable Growth Agreement that is the first of its kind in the planning and construction sector. The three-year agreement between Shawfair LLP, Midlothian Council and SEPA creates a partnership that will work together to deliver a world class exemplar development within one planet limits. The joint vision with our partners in this Sustainable Growth Agreement, is the creation of a well-designed place for people to live and prosper, connecting people to their environment in a positive way now and in the future. This resilient, sustainable place will protect and improve the natural environment, encourage active travel and help people to reduce their carbon footprints through excellence in design.

### Supporting water resource management in Malawi

We are continuing our valuable work in Malawi in partnership with the Scottish Government and Hydro Nation International by providing peer-to-peer support to both the National Water Resources Authority and the Malawi Environment Protection Agency. Through this support, we are helping the organisations to become fully operational and build the capacity to regulate water resources. This, in turn, is helping them to address water quality and scarcity issues and meet the food security, nutrition and environmental needs of the country's growing population.

In a further programme of work, we are supporting a project for Community Advocacy for Sustainable Rural Water Services in Malawi. This work is helping and equipping communities to address failing water points and ultimately, promoting social accountability in the water sector. Working with both the regulator and the communities in partnership provides a unique opportunity that works towards achieving the UN Sustainable Development Goal 6: Ensuring availability and sustainable management of water and sanitation for all.

### Our own environmental performance

Climate change is one of the biggest challenges that the world is facing. Here in Scotland, we already have some of the most ambitious greenhouse gas reduction targets in the world. We want to play as powerful a role as possible to help Scotland deliver this world leading climate change action. Our **Climate Change Commitment Statement** sets out our six climate change commitments.

In 2014, we set a challenging target to reduce our own carbon dioxide emissions by 42% by 2020. We are very pleased to announce that we achieved that goal one year early. We are now developing new targets to continue to improve our environmental performance.

To fulfil our duty under the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015, we submit a full **climate change report** to the Sustainable Scotland Network each year. Our report covers everything from emissions data to biodiversity and procurement.

<sup>10</sup> [sepa.org.uk/media/490766/shawfair\\_sga.pdf](https://sepa.org.uk/media/490766/shawfair_sga.pdf)

### Reducing waste in our offices

We are always looking for ways to reduce the waste we generate. One example of this is the recycling of the nitrile gloves, which are essential to protect staff working in our laboratories. Between January 2019 and January 2020, 250kg or 26,000 pairs of gloves have been diverted from landfill.

We have also carried out waste audits in some of our offices to help us understand what our waste is composed of and how our behaviour and practices can improve sustainability. Some of our offices have also expanded the waste items that can be recycled while others have installed new bins and signage to improve waste segregation.

### Scottish Regulators' Strategic Code of Practice

The Scottish Regulators Strategic Code of Practice requires regulatory functions to be exercised in accordance with the principles of better regulation. It is predicated on existing good practice and supports the outcome-based approach that is integral to the Government's National Performance Framework. The Code also promotes an approach whereby regulators seek to understand those they regulate, including taking into account economic and business factors appropriately.

This year we have continued to organise our work around sectors. In total we now have 14 sector plans for sectors we regulate and have consulted on a further two.

Moving our regulation to a sectoral approach supports the aim that all regulated businesses fully meet their compliance objectives and as many as possible go further. Providing a clear and co-ordinated approach to regulation and engagement, sector plans will be at the heart of everything we do and will help businesses to operate successfully within the means of one planet.

We recognise the value of the approach set out in the Code to develop effective relationships with those we regulate and have clear two-way communication in place. Feedback from regulated industry, our communities, partners and stakeholders is critical to the success of delivering our work through the sector approach and we have engaged with a wide range of stakeholders as we developed the plans, as well as a formally consulting on each plan.

Our Sustainable Growth Agreements also support the approach set out in the Code to adopt a positive enabling approach in pursuing outcomes that contribute to sustainable economic growth. Sustainable Growth Agreements are voluntary formal agreements between SEPA and an organisation (or organisations) that focus on practical action to deliver environmentally positive outcomes. Through a Sustainable Growth Agreement, SEPA can help organisations collaborate with experts, innovators and stakeholders to improve their environmental performance while continuing to facilitate commercial and social success. We have continued to set up Sustainable Growth Agreements this year and now have nine in place.

### 1.11 Financial performance 2019–2020

The following section provides a summary of our financial performance for the year against our Annual Operating Plan (AOP). It excludes the EU funded LIFE income of £0.4m and an equal amount of LIFE expenditure £0.4m, as this is not included in the AOP budgeted figures or our outturn figures reflected in the table below.

Income was £1.2m less in year than originally planned. Scottish Government provided an additional £0.7m; £0.4m for additional services we provided

in year and £0.3m additional budget cover for depreciation costs. Other income was £1.8m less than planned. Income from International Services was £0.4m more than planned, as were payments from other agencies and other sources, £1m more than planned. This was offset by a reduction of £3.2m in Water Environment Fund (WEF) grants administered in year.

Our operating expenditure for the year was £1.2m less than budgeted as a consequence of changes in planned service delivery referred to above.

**Table 3: Income and expenditure 2019–2020**

<b>Income and expenditure account</b>	<b>2019–2020 budget AOP</b>	<b>2019–2020 outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Grant-in-aid	36,562	37,261	699
Charging schemes	41,955	41,860	(95)
Other income- including bank interest	6,001	4,209	(1,792)
<b>Total income</b>	<b>84,518</b>	<b>83,330</b>	<b>(1,188)</b>
Staff costs	57,140	57,753	(613)
Other staff costs	686	1,063	(377)
Property costs	4,601	4,834	(233)
Transport costs	1,471	1,583	(112)
Supplies and services	15,870	12,978	2,892
<b>Total expenditure</b>	<b>79,768</b>	<b>78,211</b>	<b>1,557</b>
Depreciation and impairments	2,750	3,068	(318)
<b>Total operating costs</b>	<b>82,518</b>	<b>81,279</b>	<b>1,239</b>
<b>Surplus to fund capital investment</b>	<b>2,000</b>	<b>2,051</b>	<b>51</b>

More detail regarding SEPA's income and expenditure can be found in the financial statements section.

The Statement of Net Comprehensive Expenditure shows net expenditure for the year of £48.6m including pensions and life assurance costs of £13.6m, which are excluded from the table above. Additionally, it also excludes grant-in-aid income of £37.2m; under international accounting standards

this income is assumed as financing and taken directly to the general reserves in the statement of changes in tax payers' equity.

SEPA only draws down cash grant-in-aid from Scottish Government when it needs it. The £37.2m noted above includes £3.1m non-cash expenditure. SEPA received £34.1m cash in year.

The Statement of Financial Position shows SEPA owes £89m more than the value of its assets at 31 March 2020. This is caused by a pension deficit at the year-end of £117m. The Financial Statements have been prepared on a going concern basis, as Board believe that SEPA will be able to pay its pension contributions in years to come from future income and Government grants.

The last formal valuation of the pension scheme deficit was at 31 March 2017. The formal deficit was estimated at £29.5m, with these liabilities being 90% funded at that time. The rate of employer's contribution agreed for the period of 2018–2021 is 20%. The formal valuation as at 31 March 2020 is underway and the results will be available later in 2020.

We carried out a desktop market valuation of our land and buildings at 31 March 2020 (£5m), this was a downward movement of £1.4m in year. We indexed gauging stations replacement cost valuations as at 31 March 2018 for two years to provide the valuation at 31 March 2020 of £16.6m.

The capital investments we made in 2019–2020 were:

■ Replacement scientific plant and equipment	£1.4m
■ Property refurbishment costs	£0.1m
■ Replacement computer hardware	£0.3m
■ Electrification fleet	£0.2m

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**Terry A'Hearn**  
Chief Executive and Accountable Officer

### Supplier payment policy

It is our policy to pay all small local suppliers as soon as possible, and other suppliers within 10 days from invoice date. 95% of our 8,952 supplier invoices were paid within the 10 day target and 99% of all invoices within 30 days.

### Anti-bribery and corruption

SEPA has zero tolerance towards fraud, bribery and corruption. It has an employee code of conduct, whistle-blowers policy and clear policies regarding acceptable level of gifts and hospitality, both given and received. We actively encourage staff to be aware of appropriate behaviours with both customers and suppliers. We also maintain a gifts and hospitality register.

There were four reports of fraud in 2019–2020 (2018–2019: none). All of these were investigated. Two investigations found no evidence of fraud, bribery or corruption and two are ongoing.

### Ministerial Direction

There were no ministerial directions received from Scottish Government in 2019–2020.

Approved by the Board on 28 July 2020 and signed on behalf of the Board.

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**Date of signature**

## 2.0 Accountability report

### 2.1 Corporate governance report

#### Directors' Report

##### Board

Our Board is responsible for the overall direction and performance of our organisation, including our efficiency and effectiveness as a public body. Members come from a variety of business, environmental and health backgrounds, and bring with them a wealth of knowledge and expertise, as well as passion for environmental issues, all of which helps us to deliver our statutory purpose and One Planet Prosperity approach to regulation.

Our Board currently comprises the Chair, B Downes, nine non-executive members and the Chief Executive, T A'Hearn. Appointments are made by Scottish Ministers and are regulated by the Commissioner for Public Appointments in Scotland. Four members of our Board retired at the end of 2019, including our Deputy Chair, L Sawers. Four new members were appointed, and an existing member, M Francis took over the role of Deputy Chair.

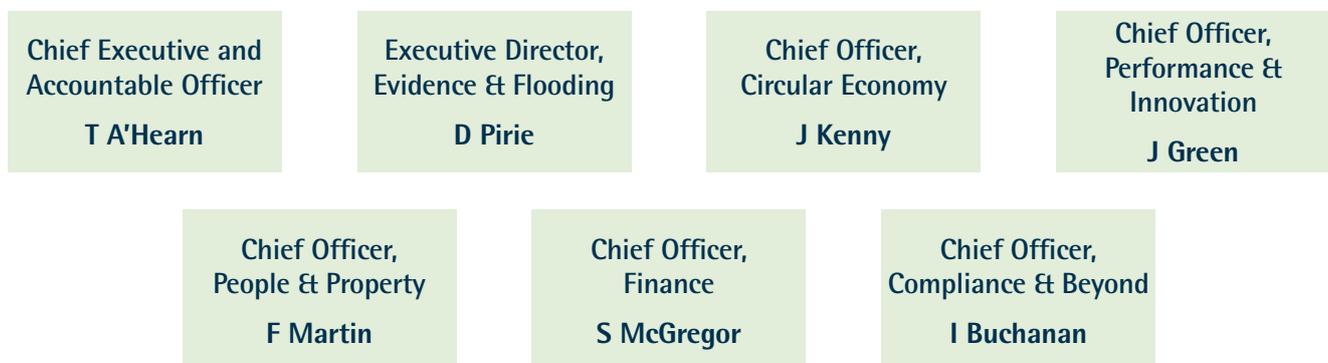
Appointments are normally for a four-year term with the possibility of a further term, subject to evidence of effective performance and satisfying the skills, knowledge and personal qualities required on the Board at the time of re-appointment.

Board members are asked to complete a declaration of interest<sup>11</sup>, which is published on our website alongside their biography.

##### Agency Management Team

Our Agency Management Team is responsible for strategic planning, business management, performance management, relationships and change management.

**Figure 4: SEPA Agency Management Team Structure**



The biographies<sup>12</sup> of members of our Agency Management Team can be found on our website.

<sup>11</sup> <https://www.sepa.org.uk/about-us/how-we-work/our-board/members/>

<sup>12</sup> [media.sepa.org.uk/biographies](https://media.sepa.org.uk/biographies)

In addition to the Agency Management Team, we also have:

- Director of International Services, (A Reid) who reports directly to the Chief Executive and is responsible for raising additional revenue for the Agency through the development and provision of new products and services.
- Executive Director, (C MacDonald) who reports directly to the Chief Executive. Having taken flexible retirement, the Executive Director is Chair of the global INTERPOL Environmental Compliance and Enforcement Committee Advisory Board and Scotland's Environmental Crime Task Force, as well as continuing to lead on the resolution of some major compliance issues.

### Auditors

Under Section 46 of the Environment Act 1995, our accounts must be audited by an auditor appointed by the Secretary of State. Under the Public Finance and Accountability (Scotland) Act 2000, our independent auditors are appointed for the Auditor General by Audit Scotland. Audit Scotland appointed Grant Thornton UK LLP as our independent external auditors for the five year period starting in financial year 2016–2017.

The fees paid to Audit Scotland in respect of the independent statutory audit for the financial year 2019–2020 are £56,750.

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.

### Other information

In the year to 31 March 2020, we did not have any notifications of data breaches to the Information Commissioner's Office.

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

### Bankers:

Royal Bank of Scotland  
30 Nicholson Street  
Edinburgh  
EH8 9DL

Royal Bank of Scotland  
European Operations Centre  
Brampton Road  
Newcastle-under-Lyme,  
Staffordshire  
ST5 0QX

External Auditors, appointed by Audit Scotland:

Grant Thornton UK LLP  
Level 8  
110 Queen Street  
Glasgow  
G1 3BX

The Audit Committee meets to receive reports from internal and external auditors and SEPA staff. The Internal Auditors and External Auditors may attend all meetings of the Committee. In addition, they may contact the Chair of the Committee at any time to express specific concerns identified during audit work.

### Statement of Accountable Officer's responsibilities

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

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of SEPA's financial affairs, of the income and expenditure, recognised gains and losses and cash flows for the financial year.

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

- observe the accounts direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that SEPA has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis;
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable;
- take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Principal Accountable Officer of the Scottish Government appointed me, the Chief Executive, as the Accountable Officer for SEPA. My responsibilities as Accountable Officer are set out in the Framework Document<sup>13</sup> issued by the Scottish Government in December 2014 and in *Managing Public Money* published by HM Treasury. They include responsibility for the propriety and regularity of SEPA's finances, keeping proper records and safeguarding assets.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that SEPA's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

### Governance statement

#### Governance Framework

SEPA is a non-departmental public body. The broad framework in which we operate is set out in a framework document<sup>14</sup>, which also defines key roles and responsibilities that underpin the relationship between SEPA and the Scottish Government. While this document does not confer any legal powers or responsibilities, it forms a key part of SEPA's accountability and governance framework.

Non-departmental public bodies are directed by Scottish Ministers to comply with the Scottish Public Finance Manual. The Scottish Public Finance Manual provides guidance on the proper handling of public funds to ensure:

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

As Accountable Officer, I have responsibility for maintaining sound systems of internal control, which support the achievement of the organisation's policies, aims and objectives set by Scottish Ministers, while safeguarding public funds and assets for which I am personally responsible.

As a public body SEPA operates in an open and accountable manner, providing high quality public services. We are committed to accessibility, openness and accountability and aim for the highest standards in corporate governance.

Our Corporate Office is Strathallan House, Castle Business Park, Stirling, FK9 4TZ.

13 <https://www.sepa.org.uk/media/157264/sepa-framework-document.pdf>

14 <https://www.sepa.org.uk/media/157264/sepa-framework-document.pdf>

## Board operation

Role of the Board:

- establishing the overall strategic direction of the organisation within the policy and resources framework agreed with the Scottish Government;
- overseeing the delivery of planned results by monitoring performance of the organisation against agreed objectives and targets;
- ensuring that we operate sound environmental policies in relation to our own operations;
- demonstrating high standards of corporate governance at all times;
- ensuring that statutory requirements for the use of public funds are complied with.

**Table 4: Attendance at meetings by Board members 2018–2019 and 2019–2020**

Board members meeting attendance	Board		Strategy		Audit Committee	
	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020
Total number of meetings in year	6	6	4	4	4	4
Board member	Number of meetings attended					
B Downes (Chair)	6	6	4	4	N/A	4
T A'Hearn (Chief Executive)	6	6	4	4	N/A	4
K Nicholson (retired 31/12/19)	3	3	0	0	1	0
L Sawers (retired 31/12/19)	6	5	4	3	4	3
R Dixon (retired 31/12/19)	6	5	3	2	3	2
W McKelvey (retired 31/12/19)	6	5	3	3	3	3
M Francis (joined Audit Committee on 18/02/20)	6	6	4	4	N/A	1
N Martin	4	6	4	4	3	4
M Hill	5	6	3	4	4	4
F Van Dijk	4	6	4	4	N/A	N/A
N Gordon	5	6	4	4	3	4
C Hume (appointed 01/01/20)	N/A	1	N/A	1	N/A	N/A
J Hutchison (appointed 01/01/20)	N/A	1	N/A	1	N/A	N/A
H Kohli (appointed 01/01/20)	N/A	1	N/A	1	N/A	1
P Matthews (appointed 01/01/20)	N/A	1	N/A	1	N/A	N/A

A full description of our Board's role and responsibilities is detailed within its Standing Orders<sup>15</sup>. Additionally, Board members are required to comply with the Code of Conduct for Members of the Scottish Environment Protection Agency<sup>16</sup>. Board members discharge their duties in accordance with the guidance set out in appointment letters and in On Board – A Guide for Board Members of Statutory Boards<sup>17</sup>.

The Board has appointed an Audit Committee to monitor and review risk, control and corporate governance. Members are appointed to the Committee by the Board. The Committee is governed by its Terms of reference and remit<sup>18</sup>.

The Audit Committee meets to receive reports from Internal and External Auditors and SEPA staff. The Internal Auditors and External Auditors may attend all meetings of the Committee. In addition, they may contact the Chair of the Committee at any time to express specific concerns identified during audit work.

### Board activity this year

As well as attending Board meetings and strategy meetings, our Board members carry out non-executive engagement with customers, partners and stakeholders. 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 arising from this activity.

Board members also meet with SEPA staff to discuss key strategic issues and attend relevant seminars and events that we, or our partners, run.

More information, including the biographies and interests of Board members<sup>19</sup>, can be found on our website.

### Corporate governance

Our strategy is set out in a five-year corporate plan<sup>20</sup>, supported by annual operating plans<sup>21</sup>. We set out the measures we will use to monitor our performance in each annual operating plan. Performance is reported quarterly to the Agency Management Team and Board and performance reports are published on our website. I produce a written report about the activity of the agency for each Board meeting. These reports are also published on our website.

We are making changes to the way we work to help us deliver our regulatory strategy One Planet Prosperity<sup>22</sup>. One of the key changes is introducing a sectoral approach to regulation. This is to support the aim that all regulated businesses fully meet their compliance objectives and as many as possible go further. We are

15 [sepa.org.uk/media/219218/agency-board-standing-orders.pdf](https://sepa.org.uk/media/219218/agency-board-standing-orders.pdf)

16 [sepa.org.uk/media/162707/code-of-conduct-final-2014.pdf](https://sepa.org.uk/media/162707/code-of-conduct-final-2014.pdf)

17 [gov.scot/publications/board-guide-members-statutory-boards/](https://gov.scot/publications/board-guide-members-statutory-boards/)

18 <https://www.sepa.org.uk/media/496182/audit-committee-terms-of-reference-feb-2020-current.pdf>

19 [sepa.org.uk/about-us/how-we-work/our-board/members/](https://sepa.org.uk/about-us/how-we-work/our-board/members/)

20 [sepa.org.uk/media/286930/2017-2022-corporate-plan.pdf](https://sepa.org.uk/media/286930/2017-2022-corporate-plan.pdf)

21 [sepa.org.uk/media/427769/annual-operating-plan-2019/2020.pdf](https://sepa.org.uk/media/427769/annual-operating-plan-2019/2020.pdf)

22 [sepa.org.uk/media/219427/one-planet-prosperity-our-regulatory-strategy.pdf](https://sepa.org.uk/media/219427/one-planet-prosperity-our-regulatory-strategy.pdf)

producing sector plans to provide a clear and co-ordinated approach to regulation and engagement across the sector. As we move forward, sector plans will be at the heart of everything we do and will help businesses to operate successfully within the means of one planet. To date, we have published fourteen sector plans and consulted on a further two.

We have a comprehensive budgeting and financial reporting system, in line with the Scottish Public Finance Manual, which compares actual results to the budgets approved by our Board. Management accounts are prepared for each portfolio, and SEPA as a whole, on a monthly basis. Significant variances from budget are thoroughly investigated. Cash flow and other financial forecasts are prepared regularly throughout the year to ensure that we have sufficient cash to meet our operational needs.

Internal Audit is provided by Scott-Moncrieff, to provide assurance that key risks are being managed effectively and value for money is being achieved. Our audit plan takes into account our risk management framework, our strategic objectives and priorities, and the views of senior managers and the members of the Audit Committee.

Before each audit, the scope is approved by the Agency Management Team and Audit Committee. The Internal Auditors produce a report following each audit for the Audit Committee. We produce a quarterly report for the Audit Committee explaining progress with management actions. The Internal Auditors supplement this with an annual report reviewing progress of management actions.

Areas that have been audited this year are: river restoration, statutory data returns and publications, Purchase to Pay, travel policies and procedures, emergency management and health and safety.

Safe SEPA is the way we keep our people safe, our resources secure and our services operating through a disruption. The activities that help us deliver Safe SEPA are business continuity, cyber resilience, information governance, emergency management, risk management, health and safety, physical security and emergency planning. We have developed handbooks for these activities to explain how we are managing them in line with legislative requirements and good practice. A dedicated section of the intranet makes it easy for staff to find the Safe SEPA information and guidance they need. We have established procedures for reporting and responding to incidents and near misses, including health and safety, information security and fraud and bribery. We have developed a quarterly Safe SEPA digest to report incidents, near misses and Safe SEPA activity to the Agency Management Team, Audit Committee and Board. Our whistle-blowing procedure was used twice over the period of this report.

We are accredited to the ISO 17025 standard for some of our sampling and laboratory testing activities. We are assessed annually by the UK Accreditation Service (UKAS) to ensure ongoing compliance with the standard. This includes a major re-assessment visit every four years. The visit in 2019 was surveillance visit one of four, and was carried out in June in both SEPA laboratories, as well as two of the Science Support Centres and multiple sampling locations. Following this visit our accreditation to ISO 17025 was maintained for another year. The next routine surveillance visit is in April 2020.

## Risk management

We have a risk management framework to identify things that might prevent us from delivering our statutory purpose and identify appropriate controls to manage the risk to a tolerable level. The risk management framework seeks to (i) understand the threats, (ii) identify and prioritise risks, (iii) identify controls to reduce or mitigate the risk, and (iv) monitor the risk until it has been reduced to a tolerable level.

Risks are assessed in terms of the likelihood of them occurring, the impact they would have if they did occur and their proximity, which is how soon they are likely to occur.

We capture corporate risks in a risk register that is reviewed quarterly by our Risk Management Group, twice a year by the Agency Management Team and Audit Committee, and annually by the Board.

Risk is frequently discussed at Agency Management Team meetings as well as at meetings of the Audit Committee and Board. The Risk Management Group meets regularly to consider ways to strengthen our approach to risk management. It reviews external analysis of key risks impacting UK organisations; it considers potential risks raised by staff or Board members; it ensures risks are being managed across the organisation and it considers the adequacy of existing controls.

## 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 these systems 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 by the Audit Committee. The committee has kept me informed of plans to address any weaknesses discovered in internal control systems.

Approved by the Board on 28 July 2020 and signed on behalf of the Board.

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**Terry A'Hearn**  
Chief Executive and Accountable Officer

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**Date of signature**

## 2.2 Remuneration of staff

### Remuneration policy

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

There were no major decisions taken on Directors remuneration in year. No performance payments were made in 2019–2020 in accordance with the Scottish Government pay policy.

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

The following sections provide details of the remuneration and pension interests of Board members.

Table 5 and supporting information is subject to audit.

**Table 5: Chair, Board Members, Chief Executive, Executive Directors, and Chief Officers**

	Salary		Value of pension benefits		Value of benefits in kind	
	£'000		£'000		£	
	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020 <sup>23</sup>
<b>Chair</b>						
B Downes	45<50	45<50	-	-	271	1,078
<b>Chief Executive</b>						
T A'Hearn	120<125	125<130	34	41	-	-
<b>Directors, Executive Directors &amp; Chief Officers</b>						
D Pirie	100<105	105<110	48	48	-	-
F Martin	80<85	85<90	30	47	-	-
S McGregor	80<85	85<90	30	46	-	-
J Green	80<85	80<85	27	39	-	-
J Kenny	75<80	80<85	29	44	-	-
A Anderson (resigned October 2018)	45<50	-	(3)	-	-	-
I Buchanan (appointed November 2018)	20<25	80<85	(14)	26	-	-
<b>Board Members</b>						
K Nicholson (retired 31/12/19)	5<10	5<10	-	-	1,282	-
L Sawers (retired 31/12/19)	10<15	5<10	-	-	130	257
R Dixon (retired 31/12/19)	5<10	5<10	-	-	39	430
W McKelvey (retired 31/12/19)	5<10	5<10	-	-	366	444
M Francis	5<10	5<10	-	-	327	240
N Martin	5<10	5<10	-	-	205	195
M Hill	5<10	5<10	-	-	115	236
F Van Dijk	5<10	5<10	-	-	150	71
N Gordon (appointed 01/01/18)	5<10	5<10	-	-	-	318
C Hume (appointed 01/01/20)	-	0<5	-	-	-	40
J Hutchison (appointed 01/01/20)	-	0<5	-	-	-	48
H Kohli (appointed 01/01/20)	-	0<5	-	-	-	-
P Matthews (appointed 01/01/20)	-	0<5	-	-	-	-

<sup>23</sup> In 2019-2020, expenses for traveling to Board meetings were grossed up for income tax and national insurance and subject to PAYE in year. In 2018-2019 a one-off payment covering all board member was made directly to HMRC for £2,307, this was not included in the figures above.

### Pension entitlements of Chief Executive, Executive Directors, and Chief Officers

The Chief Executive, Executive Directors and Chief Officers are ordinary members of Falkirk Pension Scheme. SEPA pays a fixed percentage employers pension contribution and staff pay an employee contribution, which is based on a percentage of their pensionable salary. The employers' contribution was 20% in 2019–2020 (20% in 2018–2019) and the employees' contribution ranged from 5.5% to 10.2% of pay.

All staff including the Chief Executive, Executive Directors and Chief Officers are on incremental pay scales.

**Table 6: Pension entitlements of Chief Executive, Executive Directors, and Chief Officers (2019–2020)**

	Accrued pension at 31 March 2020	Accrued lump sum at 31 March 2020	Real increase in annual pensions 2019-2020	Real increase in annual lump sum 2019-2020	CETV <sup>24</sup> at 31 March 2020	CETV at 31 March 2019	Real increase in CETV 2019-2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Chief Executive</b>							
T A'Hearn	10<15	-	2.5<5	-	168	119	35
<b>Directors, Executive Directors &amp; Chief Officers</b>							
D Pirie	45<50	75<80	2.5<5	0<2.5	879	769	91
F Martin	35<40	55<60	2.5<5	0<2.5	619	529	76
S McGregor	35<40	60<65	2.5<5	0<2.5	765	672	76
J Green	25<30	30<35	0<2.5	0<2.5	447	378	55
J Kenny	30<35	55<60	0<2.5	0<2.5	581	494	73
I Buchanan	35<40	65<70	0<2.5	0<2.5	639	559	66

24 CETV – Cash equivalent transfer value

**Table 7: Pension entitlements of Chief Executive, Executive Directors, and Chief Officers (2018-2019)**

	Accrued pension at 31 March 2019 £'000	Accrued lump sum at 31 March 2019 £'000	Real increase in annual pensions 2018-2019 £'000	Real increase in annual lump sum 2018-2019 £'000	CETV at 31 March 2019 £'000	CETV at 31 March 2018 £'000	Real increase in CETV 2018-2019 £'000
<b>Chief Executive</b>							
T A'Hearn	5<10	-	0<2.5	-	119	86	19
<b>Directors, Executive Directors &amp; Chief Officers</b>							
D Pirie	40<45	75<80	0<2.5	0<2.5	769	700	37
F Martin	30<35	55<60	0<2.5	0<2.5	529	502	4
S McGregor	30<35	60<65	0<2.5	0<2.5	672	606	40
J Green	20<25	25<30	0<2.5	0<2.5	378	331	31
J Kenny	30<35	50<55	0<2.5	0<2.5	494	448	26
A Anderson (resigned October 18)	25<30	50<55	0<2.5	(2.5)<0	408	399	(6)
I Buchanan (appointed November 2018)	35<40	60<65	(2.5)<0	(2.5)<0	559	539	(3)

The highest paid person of the management team was the Chief Executive. His annual salary was within the range £125,000 to £130,000 (£120,000 to £125,000 in 2018-2019). This was 3.71 times (3.77 times in 2018-2019) the median remuneration paid to SEPA staff in 2019-2020. The median salary paid in 2019-2020 was £33,377 (£32,405 in 2018-2019).

Staff report

**Table 8: Staff costs during the year to March 2020**

	<b>Permanently employed staff</b>	<b>Others</b>	<b>Year to 31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	43,366	1,229	44,595
Social security costs	4,349	123	4,472
Apprenticeship levy	195	6	201
Pension costs	8,464	240	8,704
<b>Subtotal of payroll costs</b>	<b>56,374</b>	<b>1,598</b>	<b>57,972</b>
Other staff related costs (principally recruitment fees, staff subsistence, training costs and hiring agency and temporary staff)			1,161
IAS19 pension charge (note 16)			10,273
Life Assurance provision (note 13)			(94)
Unfunded IAS 19 Pension charge (note 13)			43
			<b>69,355</b>

**Table 9: Staff costs during the year to March 2019**

	<b>Permanently employed staff</b>	<b>Others</b>	<b>Year to 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	40,901	2,059	42,960
Social security costs	4,129	208	4,337
Apprenticeship levy	188	9	197
Pension costs	8,188	412	8,600
<b>Subtotal of payroll costs</b>	<b>53,406</b>	<b>2,688</b>	<b>56,094</b>
Other staff related costs (principally recruitment fees, staff subsistence, training costs and hiring agency and temporary staff)			1,946
IAS19 pension charge (note 16)			10,111
Life Assurance provision (note 13)			95
Unfunded IAS 19 Pension charge (note 13)			163
			<b>68,409</b>

## Pension Scheme

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% – 11.2%.

The latest formal valuation of the Fund for the purpose of setting employer's actual contributions was at 31 March 2017, with the next full formal valuation scheduled for 31 March 2020. The formal valuation at 31 March 2017 estimated the pension deficit at £29.5m, or 90% funding level, an improvement of 5% on the previous formal valuation in March 2014. The employer's contribution rate agreed for the three years from 2018–2021 is 20%.

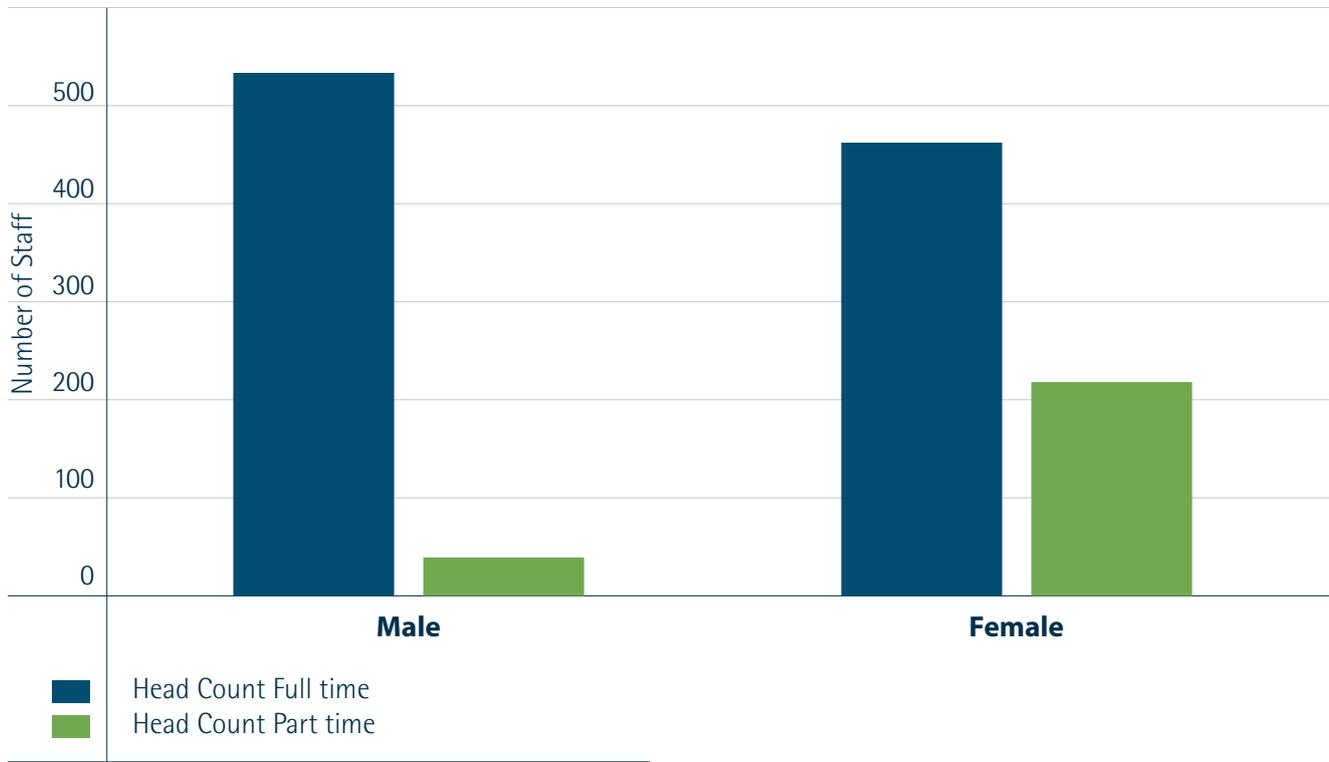
The Scheme actuaries have undertaken an accounting valuation of the pension scheme for SEPA. As at 31 March 2020, £116.8m is shown in the statement of financial position. Note 15 provides information on SEPA's share of the scheme assets and liabilities.

The pension costs for the year represent the contributions paid by SEPA to the scheme of £8,702,254 (2018–2019: £8,466,438). There was £972,912.65 (2018–2019: £1,247,477) outstanding at 31 March 2020 in relation to the pension contribution.

## Headcount

We had a total head count of 1,274 staff at 31 March 2020, a decrease of seven staff since 31 March 2019. This head count represented 1,166 Full Time Equivalent (FTE) staff (1,180 FTE for 2018–2019).

**Figure 5: Headcount of full and part time workers, split by gender as at 31st March 2020**



**Table 10: Full time equivalent (FTE) employed by portfolio**

Full time equivalent number of persons employed by portfolio	Permanently employed staff	Others	Year to 31 March 2020	Year to 31 March 2019
	FTE	FTE	FTE	FTE
Compliance and Beyond	326	9	335	349
Circular Economy	204	6	210	201
Corporate Services <sup>25</sup>	156	4	160	159
Evidence and Flooding <sup>26</sup>	448	13	461	471
	<b>1,134</b>	<b>32</b>	<b>1,166</b>	<b>1,180</b>

The numbers in Table 10 derived from SEPA payroll, reflect the current portfolio structure. The average hours paid for each month are converted to FTE by business area. These have been added together to reflect the current portfolio structure. There were 3.1 FTE (2018–2019: 7.1 FTE) working on EU Life projects, included in Corporate Services.

<sup>25</sup> Corporate Services includes People and Property portfolio (Estates, HR, Organisational Development, and Health & Safety), Performance and Innovation portfolio (Secretariat, Communications, Resilience, and Corporate Legal) and Finance portfolios (Finance and Procurement).

<sup>26</sup> Evidence and Flooding portfolio includes IT Services and Science Services.

**Table 11: Headcount by grade**

Description	Pay Range	Number of staff	
		31 March 2020	31 March 2019
Chief Executive, Directors and Chief Officers	£79,068 – £129,364	9	10
Band A	£65,113 – £73,311	22	20
Band B	£52,599 – £59,221	44	45
Band C	£44,553 – £50,162	179	167
Band D	£35,839 – £40,350	353	363
Band E	£29,643 – £33,377	399	404
Trainee	£26,325 – £26,956	10	8
Band F	£23,941 – £26,324	166	168
Band G	£19,624 – £21,575	88	90
Band H	£17,559 – £18,412	4	6
<b>Total headcount</b>		<b>1,274</b>	<b>1,281</b>

**Table 12: Gender analysis March 2019 and 2020**

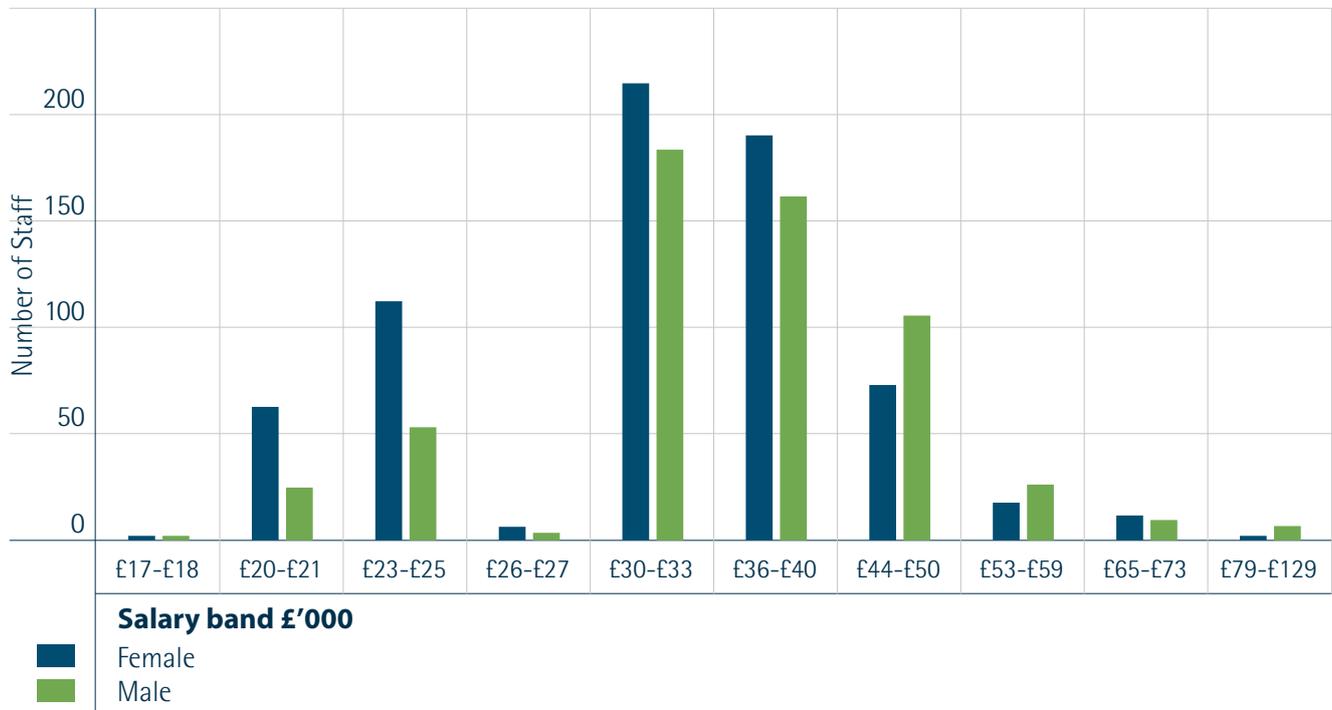
Gender analysis	31 March 2020			31 March 2019		
	Total	Female	Male	Total	Female	Male
<b>Board<sup>27</sup></b>	11	4	7	11	4	7
<b>AMT<sup>28</sup></b>	7	2	5	7	2	5
<b>Staff (includes AMT)<sup>29</sup></b>	<b>1,274</b>	<b>695</b>	<b>579</b>	<b>1,281</b>	<b>697</b>	<b>584</b>

27 Board number includes the Chief Executive: 1 male

28 AMT number includes Chief Executive: 1 male

29 Gender split is not subject to audit

**Figure 6: Headcount by gender and pay band at 31st March 2020**



**Lost time rate**

The lost-time rate shows the total amount of time lost through all employee absence as a percentage of the total number of potential working days over the year. The lost time rate due to sickness was 4.28% in 2019-2020 (2018-2019: 4.11%).

**Staff policies**

We have a range of policies, procedures and guidance in place to promote equality, diversity, health and well-being in our workplace, see section 1.10 for more information.

**Exit packages**

SEPA has a policy of no compulsory redundancy, in accordance with Public Sector Pay Policy set out by Scottish Government. There were no compulsory redundancies in 2019-2020 (2018-2019: none). The following table shows the payments made to individual staff and the total cost of staffs' exit package, including pension costs where the individual has been eligible for early retirement under pension scheme rules.

**Table 13: Payments made to individual staff and total cost of staffs’ exit package**

	Year to 31 March 2019		Year to 31 March 2020	
	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
100<150		1	-	-
<b>Total cost</b>		<b>133,379</b>	-	-

### Health, safety and well-being

Health and safety is a responsibility of and for all staff. There are a range of systems and structures in place to support the management and review of our health and safety and well-being performance. These include:

- Incident reporting – easily accessible for staff to report an incident or near miss.
- Corporate business plan and associated action plan.
- Local office based Safety Fora – to raise health and safety issues that can be addressed locally.
- Portfolio Management Teams – managing issues impacting on the portfolio.
- National Health and Safety Committee (NHSC) – demonstrates positive partnership working with portfolios, and UNISON representing all staff on health and safety matters.
- NHSC sub group made up of management and trade union representatives develops, implements and progresses (DIP) agreed health and safety matters, reporting to NHSC on a quarterly basis.
- Agency Management Team – is updated on health and safety performance monthly.
- Agency Board – quarterly updates on performance for assurance.
- Healthy Working Lives – accreditation to silver level.
- Safety cover provision – health and safety cover for lone working and going out of the office on site visits.
- A range of training for staff.
- Employee Assistance Programme.

The total number of incidents reported using our Incident Reporting system has remained consistent, with 142 incidents reported in 2019–2020 compared to 135 in 2018–2019. The number of hazards spotted in 2019–2020 was 27, compared to 29 in 2018–2019. There was no incidents reported to the Health and Safety Executive in 2019–2020 (2018–2019: one).

### Industrial relationships<sup>30</sup>

UNISON is SEPA staff's Trade Union. It is Britain's biggest Union, representing almost 1.3 million people across the UK's public services, including around 150,000 members delivering public services in Scotland. There are 14 branch officers who undertake union duties. There were 2,692 hours of staff time spent on trade union duties and activities in year. More information is provided in appendix 2.

The Joint Negotiation and Consultation Committee (JNCC) (see Figure 7) meets regularly to:

- carry out formal consultation between management and UNISON;
- carry out formal negotiation between management and UNISON;
- provide information to UNISON to allow meaningful consultation and negotiation.

The Trade Union representatives noted in Figure 7 were those active in 2019–2020. SEPA negotiates its staff's pay, terms and conditions with UNISON. The parameters of pay terms and conditions that SEPA can offer staff are contained within Scottish Government's pay policy. SEPA's pay offer for 2019–2020 was accepted by UNISON.

SEPA has a joint panel consisting of Management and Trade Union representatives that oversee job evaluation in SEPA.

Trade Union supports Management in its initiatives to ensure working conditions and an overall remuneration package that staff value.

<sup>30</sup> Industrial relations are not subject to audit

**Figure 7: The Joint Negotiation and Consultation Committee (JNCC) members**



Approved by the Board on 28 July 2020 and signed on behalf of the Board.

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Terry A'Hearn  
Chief Executive and Accountable Officer

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Date of signature

### 2.3 Parliamentary accountability

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

The 2019–2020 operating resource budget was £37.3m (2018–2019: £38.1m). SEPA incurred £37.3m expenditure against this limit.

SEPA also has an allocated Annually Managed Expenditure (AME) budget limit of £10.4m for 2019–2020 (2018–2019: £7.2m). The actual IAS 19 pension adjustments, provisions movements, and market value reductions for fixed assets in year amounted to £16.9m (note 22).

Table 14 provides a summary of the outturn for 2019–2020 against the Scottish Government targets for the year.

**Table 14: Summary of the outturn against the Scottish Government targets (2019–2020)**

	Year to 31 March 2020			Year to 31 March 2019
	Expenditure Outturn	Budget	Variance	Variance
<b>Department Expenditure Limit (DEL)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total Capital Resource (cash)	1,965	2,000	35	(74)
Operating Resource (cash) Note 21	32,141	32,142	1	270
Depreciation/Impairments (non-cash)	3,068	3,119	51	63
Total Operating Expenditure	35,209	35,261	52	333
<b>Total DEL Expenditure</b>	<b>37,174</b>	<b>37,261</b>	<b>87</b>	<b>259</b>
<b>Total Annually Managed Expenditure (AME)</b>	<b>16,910</b>	<b>10,411</b>	<b>(6,499)</b>	<b>(6,187)</b>

### Consolidated fund receipts

SEPA collects penalties for EU Emissions Trading Scheme (EU ETS) and environmental offences. During 2019–2020, penalties of £0.2m (2018–2019: £0.3m) were collected and remitted to Scottish Government.

### Value for money

SEPA, like every other government body, is expected to deliver best value and achieve efficiency savings of at least 3% in 2019–2020.

To produce a balanced budget for 2019–2020, we deleted a number of vacant posts and reduced various non-pay budgets for the year. Overall, we made budget reductions of £5.7m, of which £4.4m was non-recurrent savings.

### Fees and charges

In 2019–2020, SEPA earned £41.9m from statutory charges and £4.6m from other income. SEPA has complied with the cost allocation and charging requirements set out by Scottish Public Finance Manual, HM Treasury and the Office of Public Sector Information guidance on trading funds and commercial services. Note 19 of the Financial Statements provides the detail of our income, expenditure and cost recovery levels for charging schemes. Note 3 shows a breakdown of our other income.

Approved by the Board on 28 July 2020 and signed on behalf of the Board.

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**Terry A'Hearn**  
Chief Executive and Accountable Officer

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**Date of signature**

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

### Report on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Scottish Environment Protection Agency for the year ended 31 March 2020 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Tax Payers' Equity and notes to the financial statements, including a summary of significant accounting policies. 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 2019–2020 Government Financial Reporting Manual (the 2019–2020 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with s45(2) of the Environment Act 1995 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2020 and of its net expenditure 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 2019–2020 FReM;
- have been prepared in accordance with the requirements of s45(2) of the Environment Act 1995 and directions made thereunder by the Scottish Ministers.

#### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the **Code of Audit Practice** approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is four years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matter – property valuation**

We draw attention to Note 1 – Review of accounting policies and estimation techniques to the financial statements, which describes the effects of a material uncertainty in valuing land and buildings (including dwellings), captured in the Valuation report. Our opinion is not modified in respect of this matter.

**Conclusions relating to going concern basis of accounting**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Risks of material misstatement**

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

**Responsibilities of the Accountable Officer for the financial statements**

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

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Other information in the annual report and accounts**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Report on regularity of expenditure and income**

#### **Opinion on regularity**

In our opinion in all material respects:

- the expenditure and income in the financial statements was incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and section 45(2) of the Environment Act 1995;
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

## Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Report on other requirements

### Opinions on matters prescribed by the Auditor General for Scotland

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with s45(2) of the Environment Act 1995 and directions made thereunder by the Scottish Ministers.

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with s45(2) of the Environment Act 1995 and directions made thereunder by the Scottish Ministers;
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with s45(2) of the Environment Act 1995 and directions made thereunder by the Scottish Ministers.

### Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

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

### Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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**Joanne Brown (for and on behalf of Grant Thornton UK LLP)**

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**Date of signature**

Grant Thornton UK LLP  
110 Queen Street  
Glasgow  
G1 3BX

## 3.0 Financial statements

### 3.1 Statement of comprehensive net expenditure for the year to 31 March 2020

**Table 15: Statement of comprehensive net expenditure for the year to 31 March 2020**

	Notes	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
<b>Income</b>			
Income from contracts	2, 19	44,024	42,646
Other income	3	2,442	5,515
<b>Total operating income</b>		<b>46,466</b>	<b>48,161</b>
<b>Expenditure</b>			
Staff costs	4	(69,355)	(68,409)
Depreciation, loss on sale and impairment of non-current assets	9	(3,068)	(2,957)
Other operating charges	5	(19,355)	(23,110)
<b>Total operating expenditure</b>		<b>(91,778)</b>	<b>(94,476)</b>
<b>Net operating expenditure</b>		<b>(45,312)</b>	<b>(46,315)</b>
Finance income	6	28	12
Finance expenses	7	(3,307)	(2,751)
<b>Net expenditure for year</b>		<b>(48,591)</b>	<b>(49,054)</b>
<b>Other comprehensive expenditure</b>			
Net (loss)/gain on revaluation of property, plant and equipment	9	(1,075)	(436)
Actuarial gain/(loss) on pension scheme	15	29,451	(22,883)
<b>Comprehensive net expenditure for the year funded by GiA</b>		<b>(20,215)</b>	<b>(72,373)</b>

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

### 3.2 Statement of financial position as at 31 March 2020

**Table 16: Statement of financial position as at 31 March 2020**

	Notes	As at 31 March 2020 £'000	As at 31 March 2019 £'000
<b>Non-current assets</b>			
Property, plant and equipment	9	35,032	34,680
Intangible assets	9	882	1,122
		35,914	35,802
Trade and other receivables	11	122	268
<b>Current assets</b>			
Trade and other receivables	11	3,251	3,933
Cash and cash equivalents	10	922	1,142
		4,173	5,075
<b>Total assets</b>		<b>40,209</b>	<b>41,145</b>
<b>Current liabilities</b>			
Trade and other payables <1 year	12	(7,283)	(8,372)
Provisions for liabilities and charges <1 year	13	(142)	(138)
<b>Total current liabilities</b>		<b>(7,425)</b>	<b>(8,510)</b>
<b>Total assets less current liabilities</b>		<b>32,784</b>	<b>32,635</b>
<b>Non-current liabilities</b>			
Provisions for liabilities and charges >1 year	13	(4,592)	(2,341)
Employee retirement benefits	15	(116,806)	(132,677)
<b>Total non-current liabilities</b>		<b>(121,398)</b>	<b>(135,018)</b>
<b>Total assets less total liabilities</b>		<b>(88,614)</b>	<b>(102,383)</b>
<b>Tax payers' equity</b>			
Comprehensive net expenditure reserve		(103,842)	(117,769)
Revaluation reserve		15,228	15,386
<b>Total tax payers' equity</b>		<b>(88,614)</b>	<b>(102,383)</b>

The note numbers referred to above are incorporated within the notes to the accounts.

Approved by the Board on 28 July 2020 and signed on behalf of the Board.

Terry A'Hearn  
Chief Executive and Accountable Officer

Date of signature

### 3.3 Statement of cash flows for year to 31 March 2020

**Table 17: Statement of cash flows for year to 31 March 2020**

	Notes	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
<b>Net operating expenditure</b>		(45,312)	(46,315)
<b>Adjustments for non-cash transactions</b>			
Depreciation, amortisation and impairments	9	3,068	2,957
Pension scheme adjustment	16	10,273	10,111
<b>Movements in working capital</b>			
Decrease/(Increase) in trade and other receivables	11	838	(686)
(Decrease)/Increase in trade and other payables less than 1 year old	12	(1,094)	(204)
Increase/(Decrease) in provisions	13	2,255	55
<b>Net cash outflow from operating activities</b>		<b>(29,972)</b>	<b>(34,082)</b>
<b>Cash flows from investing activities</b>			
Purchase of non-current assets	9	(1,965)	(1,756)
Leased property decommissioning	9	(2,448)	
Proceeds from sale of non-current asset		-	80
<b>Net cash outflow from investment</b>		<b>(4,413)</b>	<b>(1,676)</b>
<b>Cash flows from financing activities</b>			
Bank interest received	6	28	12
GiA funding received in year	20	34,142	35,083
<b>Net cash inflow from financing</b>		<b>34,170</b>	<b>35,095</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(215)</b>	<b>(663)</b>
Cash and cash equivalents at start of year	10	(1,142)	(1,805)
Receipts due to the consolidated fund		167	338
Payments made to the consolidated fund		(162)	(338)
Cash and cash equivalents at end of year	10	922	1,142
<b>(Decrease)/Increase in cash for the year</b>		<b>(215)</b>	<b>(663)</b>

The note numbers referred to above are incorporated within the notes to the accounts.

Approved by the Board on 28 July 2020 and signed on behalf of the Board.

### 3.4 Statement of changes in tax payers' equity for the year to 31 March 2020

**Table 18: Statement of changes in tax payers' equity for the year to 31 March 2020**

	Notes	Comprehensive net expenditure reserve £'000	Revaluation reserve £'000	Total year to 31 March 2020 £'000
Balance at 1 April 2019		(117,769)	15,386	(102,383)
Grant from sponsoring department	20	34,142	-	34,142
Net expenditure for the year		(48,591)	-	(48,591)
Assets disposed of		-	-	-
Total of pension re-measurements	15	29,451	-	29,451
Revaluation of non-current assets	9	(1,075)	(158)	(1,233)
<b>As at 31 March 2020</b>		<b>(103,842)</b>	<b>15,228</b>	<b>(88,614)</b>
<b>Comprehensive net expenditure reserve consists of:</b>				
Pensions deficit	15	(116,806)		
Surplus arising from operating activities		12,964		
<b>Balance as at 31 March 2020</b>		<b>(103,842)</b>		

**Table 19: Statement of changes in tax payers' equity for the year to 31 March 2019**

	Notes	Comprehensive net expenditure reserve £'000	Revaluation reserve £'000	Total year to 31 March 2019 £'000
Balance at 1 April 2018		(80,509)	14,212	(66,297)
Grant from sponsoring department	20	35,083	-	35,083
Net expenditure for the year		(49,054)	-	(49,054)
Assets disposed of		30	(30)	-
Total of pension re-measurements	15	(22,883)	-	(22,883)
Revaluation of non-current assets	9	(436)	1,204	768
<b>As at 31 March 2019</b>		<b>(117,769)</b>	<b>15,386</b>	<b>(102,383)</b>
<b>Comprehensive net expenditure reserve consists of:</b>				
Pensions deficit	15	(132,677)		
Surplus arising from operating activities		14,908		
<b>Balance as at 31 March 2019</b>		<b>(117,769)</b>		

The note numbers referred to above are incorporated within the notes to the accounts.

Approved by the Board on 28 July 2020 and signed on behalf of the Board.

### 3.5 Notes to the accounts

#### Note 1. Accounting policies

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

#### Accounting convention

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

#### Accounting period

The accounting period commenced on 1 April 2019 and ended on 31 March 2020.

#### 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 15 and 16 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 2020. 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 desktop review. The last formal valuation of the fund was conducted as at 31 March 2017, with the next formal valuation scheduled for 31 March 2020. In preparing the projected pension expense for the year to 31 March 2020, 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 15.

SEPA's pension liabilities falling due in future years are met from income derived from charging schemes and grant-in-aid (GiA). Future years charging scheme fees will be increased to meet the expected costs attributable to providing these services, 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 will be met by future GiA from Scottish Government Directorate for Environment and Forestry. Under the controls applying to parliamentary income and expenditure, grants may not be paid in advance of need. The Board and AMT believe that SEPA will continue to receive support from Scottish Government, accordingly they consider it appropriate to adopt a going concern basis for the preparation of these annual accounts.

## Non-current assets

### Property, plant and equipment

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 current value is assessed on the basis that the occupation for existing use will continue for the foreseeable future, unless otherwise stated. For non-specialised properties, where there is direct market evidence, the current 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 valuation exercise conducted by an independent chartered surveyor at 31 March 2018 to calculate what the replacement costs would be. In 2019–2020, this valuation was indexed to reflect inflationary increases for the intervening years, to produce the valuation at 31 March 2020 reflected in these accounts.
- 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;
  - depreciation or amortisation charge, which provides a realistic reflection of consumption.
- Vessels have been held at historic cost, as the Board believe this is a proxy for current value. This asset has a medium term economic life and the depreciation charge provides a realistic reflection of consumption. A professional valuation has been obtained for the vessel (Sir John Murray) to ensure that the historic cost is not materially different from market value. At 31 March 2020, the valuation of the Sir John Murray was £0.76m compared to the net book value of £0.72m reflected in these accounts.
- Depreciated historic cost is used as a proxy for current value of plant and equipment that has a medium term economic life and where depreciation charge provides a realistic reflection of consumption.
- Expenditure on improvements, repairs, and renewals of non-current assets is charged to the Statement of Comprehensive Net Expenditure in the year the expenditure is incurred, unless it is considered to have replaced a part of an asset. If it has replaced part of an asset, it will be capitalised and the cost and cumulative depreciation or amortisation of the asset it has replaced, will be removed from non-current assets.

## Depreciation and amortisation

Depreciation or amortisation is provided on all non-current assets, other than freehold land. Depreciation or amortisation is calculated on a straight line basis over the useful lives of the asset as detailed in Table 20. Depreciation and amortisation is charged to the Statement of Comprehensive Net Expenditure on the carrying value of the non-current assets. An element of the depreciation and amortisation arising from the increase in the valuation, and in excess of the depreciation or amortisation that would be charged on the historic cost value of the asset, is taken to the Revaluation Reserve.

**Table 20: Assets separated into categories and their lives**

<b>Asset category</b>	<b>Asset lives (Years)</b>
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 in operational use. The capitalisation threshold for assets is £6,000 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 £6,000, including VAT. These licences are written off over the period they are in operational use.

### In-house developed software:

In-house developed software is the cost incurred for developing software with a life of more than one year and a cost of more than £6,000, 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 asset.

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. The provisions at the year-end were for:

- Unfunded pension liabilities in respect of pension commitments inherited from SEPA's predecessor bodies and the past Chair.
- Life assurance benefit provided to staff under SEPA's terms and conditions of employment as estimated by Hyman Robertson based on the profile of the staff employed as at 31 March 2020.
- Decommissioning costs for leased properties as estimated by Cushman and Wakefield as at 31 March 2020.

## Reserves

The Comprehensive Net Expenditure Reserve represents the excess of expenditure over income on grant-in-aid (GiA) funded activities. The Revaluation Reserve reflects the increase in value of land, buildings, and gauging stations over their historical costs.

## Value added tax

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

## Leases

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 capital items is shown as financing income and credited directly to the Comprehensive Net Expenditure Reserve.

**Income**

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

Statutory income is defined as income which SEPA receives in its regulatory role and for which the basis for charging is defined within statute. Non-statutory income covers a range of income primarily for the recharge of staff time or services provided to other organisations.

SEPA recognises income on delivery of performance obligations as per IFRS 15.

Other operating income relates primarily to grant income which SEPA recognises in line with International Accounting Standards (IAS) 20.

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

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

All of 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 2020, which were invoiced in April, 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 that 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 15 and 16). 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 that are met directly by SEPA – these are reflected in the unfunded pension liabilities, refer to note 13.

### **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 transaction price, which is assumed to be their fair value. Robust annual reviews are undertaken of all outstanding debtors to determine the likelihood of payment. If it is assessed/known that a debt will not be paid it is written off to the Statement of Comprehensive Net Expenditure. Subsequent recoveries of amounts previously written off are taken to the Statement of Comprehensive Net Expenditure.

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

### **Foreign exchange**

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

### **Notional costs**

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

### **Contingent liabilities**

SEPA occupies a number of leased properties, and we maintain these properties in excellent order. Some properties have a potential liability at the end of the lease to reinstate the internal layout of the building to their original floor plan. A provision is in place for properties where the estimated costs are considered to be significant.

The majority of our gauging stations are on leased sites. When we no longer require these facilities they have to be decommissioned, removing the plant, buildings and restoring the site. The level of these potential future liabilities will be subject to negotiation with individual landlords.

### Review of accounting policies and estimation techniques

SEPA has reviewed all of 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 9);
- the current values of properties (note 9);
- valuation of pension liabilities (notes 15 and 16);
- evidence used to assess impairment in trade receivables (note 11);
- estimated cost of decommissioning (note 9);
- valuation of life assurance liability (note 13).

### 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 deficit. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out in Table 21:

**Table 21: Change in assumption at 31 March 2020**

<b>Change in assumption at 31 March 2020</b>	<b>Approximate % increase in employers liability</b>	<b>Approximate monetary amount £'000</b>
0.5% decrease in real discount rate	13	52,723
0.5% increase in salary increase rate	3	11,130
0.5% increase in pension increase rate	10	40,621

Cushman and Wakefield non-current property valuation has been provided subject to 'material valuation uncertainty'. They recognise that as a result of the global pandemic (COVID-19) there may now be greater uncertainty in markets on which the asset valuations are based.

The material uncertainty has arisen in accordance with RICS<sup>31</sup> guidance. The valuation provided represents the best information available to SEPA at this time. The net book value of land and buildings included in the accounts is £5m. A reduction in valuation of 10% would impact SEPA by £0.5m, which would not be material.

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

**Future changes in accounting standards**

Changes that were due to be introduced under International Financial Reporting Standards (IFRS) 16 have been delayed by a year. The public sector will implement this standard from 1 April 2021. This will require all leases that run for more than 12 months to be reflected in the balance sheet. Note 14 outlines our current lease commitments of £15.1m that will appear on our balance sheet.

**Subsequent events**

In July 2020, the Government issued a consultation document on the proposed remedy to address age discrimination, in the transition arrangements that were adopted by Local Government Pension Scheme in 2015 (McCloud Judgement). Our actuaries included an estimate of this liability in their valuation of SEPA's pensions liabilities. The scheme actuary notified us in August 2020 that proposed remedy may now be less than half of their previously estimated figure. The additional liability arising from the McCloud judgement was £1.9m (31 March 2019). The proposed remedy reduced this to less than £1m. This is considered to be immaterial to our overall financial position at 31 March 2020 and has not been reflected in the pensions deficit valuation reflected in our financial statements. It is anticipated this will be further quantified by the actuaries in 2020-2021, and will be included in the triannual pensions valuation which is currently being undertaken and will be reflected in our 2020-2021 annual report and accounts.

There are no other events which have occurred since the statement of financial position at 31 March 2020 was prepared, that require disclosure.

## Note 2. Income from contracts

**Table 22: Income from contracts – 31 March 2019 and 31 March 2020**

	Year to 31 March 2020	Year to 31 March 2019
	£'000	£'000
<b>Statutory income</b>		
Charging Scheme fees & charges (note 19)	41,860	40,820
Scottish Landfill Tax	534	617
Scottish Landfill Communities Fund	149	149
Supporting enforcement undertakings	97	64
<b>Non statutory income</b>		
Provision of services	1,384	996
	<b>44,024</b>	<b>42,646</b>

## Note 3. Other income

**Table 23: Other income – 31 March 2019 and 31 March 2020**

	Year to 31 March 2020	Year to 31 March 2019
	£'000	£'000
Grants	2,366	5,451
Other	76	64
	<b>2,442</b>	<b>5,515</b>

## Note 4. Information regarding employees and Board members

**Table 24: Staff costs during the year to March 2020**

Staff costs	Permanently employed staff	Others	Year to 31 March 2020
	£'000	£'000	£'000
Wages and salaries	43,366	1,229	44,595
Social security costs	4,349	123	4,472
Apprenticeship levy	195	6	201
Pension costs	8,464	240	8,704
<b>Subtotal of payroll costs</b>	<b>56,374</b>	<b>1,598</b>	<b>57,972</b>
Other staff related costs (principally recruitment fees, staff subsistence, training costs and hiring agency and temporary staff)			1,161
IAS19 pension charge (note 16)			10,273
Life Assurance provision (note 13)			(94)
Unfunded IAS 19 Pension charge (note 13)			43
			<b>69,355</b>

**Table 25: Staff costs during the year to March 2019**

<b>Staff costs</b>	<b>Permanently employed staff</b>	<b>Others</b>	<b>Year to 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	40,901	2,059	42,960
Social security costs	4,129	208	4,337
Apprenticeship levy	188	9	197
Pension costs	8,188	412	8,600
<b>Subtotal of payroll costs</b>	<b>53,406</b>	<b>2,688</b>	<b>56,094</b>
Other staff related costs (principally recruitment fees, staff subsistence, training costs and hiring agency and temporary staff)			1,946
IAS19 pension charge (note 16)			10,111
Life Assurance provision (note 13)			95
Unfunded IAS 19 Pension charge (note 13)			163
			<b>68,409</b>

More information on SEPA's staff can be found in Section 2.2 - Remuneration of Staff.

**Note 5. Other operating charges**

**Table 26: Other operating charges to 31 March 2019–2020**

<b>Operating charges categorised</b>	<b>Year to 31 March 2020</b>	<b>Year to 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Supplies and services	12,735	16,651
Property costs	3,223	2,759
Transport costs	1,478	1,655
Research and development costs	127	329
Board expenses	20	13
Property and vehicle leases	1,715	1,650
External Auditor's remuneration – audit services	57	53
	<b>19,355</b>	<b>23,110</b>

**Note 6. Interest receivable and similar income**

**Table 27: Interest receivable and similar income to 31 March 2019–2020**

	<b>Year to 31 March 2020</b>	<b>Year to 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest received	28	12

**Note 7. Interest payable**

**Table 28: Interest payable to 31 March 2019–2020**

	<b>Year to 31 March 2020</b>	<b>Year to 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
International Accounting Standards (IAS) 19 net return on pension scheme assets and liabilities (note 15)	3,307	2,751

The negative net return position on pension assets at 31 March 2020, is as a result of the actual interest on assets of £7,652k being significantly less than the interest on liabilities of £10,959k (note 15 refers).

**Note 8. Taxation**

SEPA is not liable to corporation tax for 2019–2020 (nil for 2018–2019).

**Note 9. Non-current assets**

**Table 29: Non-current assets to 31 March 2020**

Year to 31 March 2020	Tangible assets										Intangible assets			31 March 2020
	Land	Buildings	Leasehold buildings fit out	Gauging stations	Plant & machinery	Vessel	Computer equipment	Motor vehicles	Fixtures fittings, tools & equipment	Total tangible assets	Software developed in-house	Purchased software	Total intangible assets	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 April 2019	852	5,495	7,022	17,217	11,077	1,815	3,277	560	270	47,585	1,161	3,814	4,975	52,560
Purchases	-	52	198	370	731	-	248	185	-	1,784	37	144	181	1,965
Decommission provision	-	-	2,448	-	-	-	-	-	-	2,448	-	-	-	2,448
Disposals/Impairments	-	-	(17)	-	(186)	-	-	-	-	(203)	-	-	-	(203)
Revaluations	5	(1,397)	-	(84)	-	-	-	-	-	(1,476)	-	-	-	(1,476)
<b>At 31 March 2020</b>	<b>857</b>	<b>4,150</b>	<b>9,651</b>	<b>17,503</b>	<b>11,622</b>	<b>1,815</b>	<b>3,525</b>	<b>745</b>	<b>270</b>	<b>50,138</b>	<b>1,198</b>	<b>3,958</b>	<b>5,156</b>	<b>55,294</b>
<b>Depreciation</b>														
1 April 2019	-	-	2,275	604	6,581	1,038	1,953	287	167	12,905	819	3,034	3,853	16,758
Charge for year	-	237	496	614	781	55	369	65	13	2,630	84	337	421	3,051
Disposals/Impairments	-	-	(9)	-	(177)	-	-	-	-	(186)	-	-	-	(186)
Revaluations	-	(237)	-	(6)	-	-	-	-	-	(243)	-	-	-	(243)
<b>At 31 March 2020</b>	<b>-</b>	<b>-</b>	<b>2,762</b>	<b>1,212</b>	<b>7,185</b>	<b>1,093</b>	<b>2,322</b>	<b>352</b>	<b>180</b>	<b>15,106</b>	<b>903</b>	<b>3,371</b>	<b>4,274</b>	<b>19,380</b>
<b>Net book value at 31 March 2020</b>	<b>857</b>	<b>4,150</b>	<b>6,889</b>	<b>16,291</b>	<b>4,437</b>	<b>722</b>	<b>1,203</b>	<b>393</b>	<b>90</b>	<b>35,032</b>	<b>295</b>	<b>587</b>	<b>882</b>	<b>35,914</b>
<b>Net book value at 31 March 2019</b>	<b>852</b>	<b>5,495</b>	<b>4,747</b>	<b>16,613</b>	<b>4,496</b>	<b>777</b>	<b>1,324</b>	<b>273</b>	<b>103</b>	<b>34,680</b>	<b>342</b>	<b>780</b>	<b>1,122</b>	<b>35,802</b>

**Table 30: Non-current assets to 31 March 2019**

	Tangible assets										Intangible assets			31 March 2019
Year to 31 March 2020	Land	Buildings	Leasehold buildings fit out	Gauging stations	Plant & machinery	Vessel	Computer equipment	Motor vehicles	Fixtures fittings, tools & equipment	Total tangible assets	Software developed in-house	Purchased software	Total intangible assets	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 April 2018	827	4,749	6,998	16,235	10,460	1,815	4,919	457	946	47,406	3,949	7,088	11,037	58,443
Recategorise	-	676	-	-	-	-	-	-	(676)	-	-	-	-	-
Additions	-	135	24	364	840	-	166	116	-	1,645	-	111	111	1,756
Disposals	-	-	-	-	(223)	-	(1,808)	(13)	-	(2,044)	(2,788)	(3,385)	(6,173)	(8,217)
Revaluations	25	(65)	-	618	-	-	-	-	-	578	-	-	-	578
<b>At 31 March 2019</b>	<b>852</b>	<b>5,495</b>	<b>7,022</b>	<b>17,217</b>	<b>11,077</b>	<b>1,815</b>	<b>3,277</b>	<b>560</b>	<b>270</b>	<b>47,585</b>	<b>1,161</b>	<b>3,814</b>	<b>4,975</b>	<b>52,560</b>
<b>Depreciation</b>														
1 April 2018	-	-	<b>1,788</b>	-	<b>6,009</b>	<b>982</b>	<b>3,425</b>	<b>243</b>	<b>155</b>	<b>12,602</b>	<b>3,521</b>	<b>6,095</b>	<b>9,616</b>	<b>22,218</b>
Recategorise	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for year	-	213	487	582	766	56	336	54	12	2,506	86	324	410	2,916
Disposals	-	-	-	-	(194)	-	(1,808)	(10)	-	(2,012)	(2,788)	(3,385)	(6,173)	(8,185)
Revaluations	-	(213)	-	22	-	-	-	-	-	(191)	-	-	-	(191)
<b>At 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>2,275</b>	<b>604</b>	<b>6,581</b>	<b>1,038</b>	<b>1,953</b>	<b>287</b>	<b>167</b>	<b>12,905</b>	<b>819</b>	<b>3,034</b>	<b>3,853</b>	<b>16,758</b>
<b>Net book value at 31 March 2019</b>	<b>852</b>	<b>5,495</b>	<b>4,747</b>	<b>16,613</b>	<b>4,496</b>	<b>777</b>	<b>1,324</b>	<b>273</b>	<b>103</b>	<b>34,680</b>	<b>342</b>	<b>780</b>	<b>1,122</b>	<b>35,802</b>
<b>Net book value at 31 March 2018</b>	<b>827</b>	<b>4,749</b>	<b>5,210</b>	<b>16,235</b>	<b>4,451</b>	<b>833</b>	<b>1,494</b>	<b>214</b>	<b>791</b>	<b>34,804</b>	<b>428</b>	<b>993</b>	<b>1,421</b>	<b>36,225</b>

The charge in the Statement of Comprehensive Net Expenditure includes depreciation charged for the year and the net book value of impairments £3,051k plus the loss on disposal £17k – a total of £3,068k.

Buildings category includes properties whose current value (market value equivalent) was provided by Cushman and Wakefield at £5m on 31 March 2020 (£5.5m at 31 March 2019). The global pandemic (COVID-19) has had an unprecedented impact on markets and the economy, as a result the valuers can place less reliance on previous market evidence when providing valuations. Cushman and Wakefield valuation is provided subject to 'material valuation uncertainty'. They recognise that there may now be greater uncertainty in markets on which the asset valuations are based.

Leasehold buildings fit out costs have been increased in year by £2,448k, which is the estimated cost of returning the internal layout to the original form. The estimates were supplied by Cushman and Wakefield as at 31 March 2020.

Gauging stations are specialised buildings. A full assessment of replacement cost was conducted by Cushman and Wakefield, our property services advisor, as at 31 March 2018. Their valuation was made using the depreciated replacement cost approach set out in the Royal Institution of Chartered Surveyors (RICS) Red Book<sup>32</sup>. The net replacement cost was estimated at £14.1m for 354 gauging stations. SEPA owns the land for 25 gauging stations and 329 are on leased sites. Indexation has been applied to these 2018 values for two years to produce a valuation as at 31 March 2020.

The vessel (Sir John Murray) is reflected at historic cost as at 31 March 2020. It was valued by Century Marine to ensure that its carrying value is a fair reflection of the market value of the asset. Century Marine valued the vessel at £765k as at 31 March 2020. The net book value at 31 March 2020 included in non-current assets was £722k.

Depreciated historic cost has been used as a proxy for the current value of fixtures and fittings, motor vehicles, plant and machinery, computer equipment, and software. All 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. 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 £6k including VAT.

The £1,075k net loss on revaluation of property, plant and equipment, shown in other comprehensive expenditure, relates to valuation movements in gauging stations and land and buildings of £1,233k (£1,476k-£243k) offset by the reduction of £158k from the revaluation reserve, shown in statement of changes in tax payers' equity for the year to 31 March 2020.

<sup>32</sup> 'Red Book' Valuations are those that meet the criteria set out by the Royal Institution of Chartered Surveyors (RICS). It sets out the mandatory rules and standard guidelines for RICS Registered valuers to follow when they are undertaking valuations.

## Note 10. Cash and cash equivalents

**Table 31: Cash and cash equivalents as at 31 March 2019 and 2020**

	<b>As at 31 March 2020</b>	<b>As at 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2019	1,142	1,805
Net change in cash and cash equivalent balances	(220)	(663)
Balance at 31 March 2020	<b>922</b>	<b>1,142</b>
The following balances were held in:		
Government banking services	910	1,126
Commercial banks and cash in hand	12	16
Balance at 31 March 2020	<b>922</b>	<b>1,142</b>

## Note 11. Trade and other receivables

**Table 32: Trade and other receivables as at 31 March 2019 and 2020**

	<b>As at 31 March 2020</b>	<b>As at 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Trade receivables	1,442	1,652
Less provisions for bad debts	(370)	(181)
Trade receivables net	1,072	1,471
Other trade receivables	11	11
Prepayments and accrued income	2,168	2,372
Sub total	<b>3,251</b>	<b>3,854</b>
<b>Amounts falling due after one year</b>		
Prepayments	<b>122</b>	<b>347</b>
	<b>3,373</b>	<b>4,201</b>

At the year end, the total bad debt provision is £370k (2018–2019: £181k). Included within the trade receivables there is: £70k (2018–2019: £17k) owing from central government bodies; £6k (2018–2019: £10k) owing from local authority bodies; £0 (2018–2019: £5k) owing from NHS bodies; and £206k (2018–2019: £598k) owing from other public bodies.

## Note 12. Trade and other payables

**Table 33: Trade and other payables as at 31 March 2019 and 2020**

	<b>As at 31 March 2020</b>	<b>As at 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Trade payables	1,305	1,995
Other taxes and social security	1,148	1,723
VAT	45	164
EU grant deferred income	253	670
Accruals and deferred income	4,532	3,820
	<b>7,283</b>	<b>8,372</b>

Included within the trade and other payables there is: £979k (2018–2019: £1,549k) owing to local authority bodies; £1,148k (2018–2019: £1,723k) owing to central government bodies; £17k (2018–2019: £0) owing to NHS bodies; and £2k (2018–2019: £6k) owing to other public bodies.

## Note 13. Provision for liabilities and charges

**Table 34: Provision for liabilities and charges year to 31 March 2020**

<b>Year to 31 March 2020</b>	<b>Unfunded pension liabilities £'000</b>	<b>Provision for leased property decommissioning £'000</b>	<b>Life assurance provision £'000</b>	<b>Total provision for liabilities and charges £'000</b>
Balance at 1 April 2019	2,036	-	443	2,479
New provision	-	2,448	-	2,448
Actuarial valuation changes	(94)	-	43	(51)
Utilised in year	(142)	-	-	(142)
As at 31 March 2020	<b>1,800</b>	<b>2,448</b>	<b>486</b>	<b>4,734</b>
Liabilities due > 1 year	1,658	2,448	486	4,592
Liabilities due < 1 year	142	-	-	142
As at 31 March 2020	<b>1,800</b>	<b>2,448</b>	<b>486</b>	<b>4,734</b>

**Table 35: Provision for liabilities and charges year to 31 March 2019**

Year to 31 March 2019	Unfunded pension liabilities	Life assurance provision	Total provision for liabilities and charges
	£'000	£'000	£'000
Balance at 1 April 2018	2,011	413	2,424
Actuarial valuation changes	163	95	258
Utilised in year	(138)	(65)	(203)
As at 31 March 2019	<b>2,036</b>	<b>443</b>	<b>2,479</b>
Liabilities due > 1 year	1,898	443	2,341
Liabilities due < 1 year	138	-	138
<b>As at 31 March 2019</b>	<b>2,036</b>	<b>443</b>	<b>2,479</b>

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

There is also a provision at 31 March 2020, for the Life Assurance liability. Hymans Robertson have estimated SEPA's liability to pay death in service benefits on all staff in post at the end of the year.

The property decommissioning provision is the potential cost of reinstating leased properties to their original floorplan as estimated by Cushman and Wakefield at 31 March 2020.

#### Note 14. Financial commitments

There are capital commitments at 31 March 2020 of £98k (2018–2019: £60k).

Table 36 provides information regarding operating 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.

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 also determined at the point of agreement.

**Table 36: Total commitments under operating leases as at 31 March 2020**

	Land and buildings		Other	
	2020 £'000	2019 £'000	2020 £000	2019 £000
Payable within one year	1,523	1,641	3	119
Later than 1 year but less than 5 years	5,734	6,605	5	11
After 5 years	7,800	9,488	-	-
	<b>15,057</b>	<b>17,734</b>	<b>8</b>	<b>130</b>

### Note 15. 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 £118m (2018–2019: £133m) for the financial year ended 31 March 2020, as valued by Hymans Robertson, the actuaries to the Falkirk Council Pension Fund. The actuary uses a number of factors to estimate SEPA's net liability, these include discount rates, salary increases, mortality, retirement age and expected returns on pension fund assets.

In 2019–2020, the pension fund deficit decreased by £15.9m. This was mainly due to decreases in liabilities from changes in the discount rate applied to expected future benefits paid by the scheme (+£40m), reductions in liabilities as a result of changes to the mortality assumptions (+£16.3m), and reductions from actual experience of (+£2.1m). These positive movements were offset by a reduction in return on assets of (-£28.9m), less employer costs shown in Statement of Net Comprehensive Expenditure (-£13.6m). The discount rate applied by the actuaries (2.3%) is based on corporate bond yields, which fell by 0.1% during 2019–2020.

The key assumptions used by the actuary include:

#### Financial assumptions

**Table 37: Financial assumptions to 31 March 2019 and 2020**

Year ended	31 March 2020 (% per annum)	31 March 2019 (% per annum)
Pension increases	1.9	2.5
Salary increases	3.0	3.0
Discount rate	2.3	2.4

#### Mortality

**Table 38: Average future life expectancies**

Average life expectancy 2020	Males	Females
Current pensioners	20.5 years	22.8 years
Future pensioners	21.7 years	24.3 years

Average life expectancy 2019	Males	Females
Current pensioners	21.2 years	23.7 years
Future pensioners	22.7 years	25.5 years

The default longevity assumptions are based on the Fund's data curve with improvements in line with CMI 2018 (2018–2019 CMI 2016).

## Defined benefit obligation

**Table 39: Defined benefit obligation**

	Number	Total salaries/ pensions		Average age	Liability split	Liability split	Weighted average duration at previous formal valuation (years)
	31 Mar 2017	Pensionable payroll 2019-2020 £'000	31 Mar 2017 £'000	31 Mar 2017	31 Mar 2020 £'000	Percentage (%) at 31 March 2020	
Actives	1,230	43,444	39,735	48	271,498	65.0%	26.7
Deferred pensioners	743	-	2,355	48	60,864	14.6%	26.8
Pensioners	346	-	4,134	65	85,012	20.4%	13.3
<b>Total</b>					<b>417,374</b>	<b>100%</b>	<b>22.9</b>

## Sensitivities

By the nature of assumptions or judgements, any change will have an impact on the value of the asset or liability reported in the annual accounts. The most significant financial impact arises from changes to assumptions used to calculate the pension deficit. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out in Table 40:

**Table 40: Change in assumption at 31 March 2020**

Change in assumption at 31 March 2020	Approximate % increase in employers liability	Approximate monetary amount £'000
0.5% decrease in real discount rate	13	52,723
0.5% increase in salary increase rate	3	11,130
0.5% increase in pension increase rate	10	40,621

Falkirk Council Pension Fund has relied on valuations provided by its advisors for its property holdings. These have been reported on the basis of 'material valuation uncertainty' given the unknown future impact of COVID-19 on the real estate market. The fund held Property and Affordable Housing investments of £24.9m at 31 March 2020. These assets are noted in Falkirk Council Pension Fund accounts for the year to 31 March 2020 as having potential price movement of plus or minus 13% (+£3.24m or -£3.24m). SEPA's share of the Falkirk Council Pension Fund assets is 12.97%, plus or minus £0.4m, which is not material.

## Assets

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.

**Table 41: Asset value as at 31 March 2019 and 2020**

Asset category	As at 31 March 2020				As at 31 March 2019			
	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	%
<b>Equity securities:</b>								
Consumer	19,524	-	19,524	7%	25,203	-	25,203	8%
Manufacturing	17,825	-	17,825	6%	19,119	-	19,119	6%
Energy and utilities	11,915	-	11,915	4%	11,910	-	11,910	4%
Financial institutions	22,317	-	22,317	7%	23,548	-	23,548	7%
Health and care	10,481	-	10,481	4%	10,457	-	10,457	3%
Information technology	24,073	-	24,073	8%	27,969	-	27,969	9%
Other	1,069	-	1,069	0%	112	-	112	0%
<b>Debt Securities:</b>								
UK Government	4,782	-	4,782	2%	-	-	-	-
<b>Private equity:</b>								
All	-	6,725	6,725	2%	-	8,212	8,212	3%
<b>Real estate:</b>								
UK property	-	18,452	18,452	6%	-	18,588	18,588	6%
Overseas property	-	76	76	0%	-	2,759	2,759	1%
<b>Investment funds and unit trusts:</b>								
Equities	61,181	-	61,181	20%	66,175	-	66,175	21%
Bonds	15,719	-	15,719	5%	23,567	-	23,567	7%
Infrastructure	-	34,232	34,232	11%	-	26,352	26,352	8%
Other	28,582	5,855	34,437	12%	30,644	1,806	32,450	10%
<b>Derivatives:</b>								
Other	-	-	-	0%	-	-	-	-
<b>Cash and cash equivalents:</b>								
All	17,760	-	17,760	6%	19,433	-	19,433	6%
<b>Totals</b>	<b>235,228</b>	<b>65,340</b>	<b>300,568</b>	<b>100%</b>	<b>258,137</b>	<b>57,717</b>	<b>315,854</b>	<b>100%</b>

**Table 42: Change in fair value of SEPA's pension plan assets, defined benefit obligations, and net liability for the year ended 31 March 2019 and 2020**

Pensions deficit	Year ended 31 March 2020			Year ended 31 March 2019		
	Assets	Obligations	Net (liability)/ asset	Assets	Obligations	Net (liability)/ asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	315,854	-	315,854	285,641	-	285,641
Present value of funded liabilities	-	(448,531)	(448,531)	-	(382,573)	(382,573)
<b>Opening position as at 31 March</b>	<b>315,854</b>	<b>(448,531)</b>	<b>(132,677)</b>	<b>285,641</b>	<b>(382,573)</b>	<b>(96,932)</b>
<b>Service cost</b>						
Current service cost <sup>33</sup>	-	(19,028)	(19,028)	-	(15,927)	(15,927)
Past service cost	-	(71)	(71)	-	(2,611)	(2,611)
<b>Total service cost</b>	<b>-</b>	<b>(19,099)</b>	<b>(19,099)</b>	<b>-</b>	<b>(18,538)</b>	<b>(18,538)</b>
<b>Net interest</b>						
Interest income on plan assets	7,652	-	7,652	7,782	-	7,782
Interest cost on defined benefit obligation	-	(10,959)	(10,959)	-	(10,533)	(10,533)
<b>Total net interest</b>	<b>7,652</b>	<b>(10,959)</b>	<b>(3,307)</b>	<b>7,782</b>	<b>(10,533)</b>	<b>(2,751)</b>
<b>Total defined benefit cost recognised in profit or (loss)</b>	<b>7,652</b>	<b>(30,058)</b>	<b>(22,406)</b>	<b>7,782</b>	<b>(29,071)</b>	<b>(21,289)</b>
<b>Cash flows</b>						
Plan participants' contributions	2,904	(2,904)	-	2,802	(2,802)	-
Employer contributions	8,826	-	8,826	8,427	-	8,427
Benefits paid	(5,714)	5,714	-	(5,640)	5,640	-
<b>Expected closing position</b>	<b>329,522</b>	<b>(475,779)</b>	<b>(146,257)</b>	<b>299,012</b>	<b>(408,806)</b>	<b>(109,794)</b>
<b>Re-measurements</b>						
Change in demographic assumptions	-	16,298	16,298	-	-	-
Change in financial assumptions	-	40,013	40,013	-	(39,725)	(39,725)
Other experience	-	2,094	2,094	-	-	-
Return on assets excluding amounts included in net interest	(28,954)	-	(28,954)	16,842	-	16,842
<b>Total re-measurements recognised in other comprehensive income</b>	<b>(28,954)</b>	<b>58,405</b>	<b>29,451</b>	<b>16,842</b>	<b>(39,725)</b>	<b>(22,883)</b>
Fair value of employer assets	300,568	-	300,568	315,854	-	315,854
Present value of funded liabilities	-	(417,374)	(417,374)	-	(448,531)	(448,531)
<b>Closing position as at 31 March</b>	<b>300,568</b>	<b>(417,374)</b>	<b>(116,806)</b>	<b>315,854</b>	<b>(448,531)</b>	<b>(132,677)</b>

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

### Note 16. 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 2020. There is a decrease in forecast net liabilities of £14m 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 in Table 43.

**Table 43: Statement of comprehensive net expenditure as at 31 March 2019 and 2020**

Statement of comprehensive net expenditure	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
<b>Charge to operating costs</b>		
Current service cost	19,028	15,927
Past service cost	71	2,611
Total service cost	19,099	18,538
Employer contribution	(8,826)	(8,427)
<b>Added to staff costs</b> (see note 4)	<b>10,273</b>	<b>10,111</b>
Projected return on employers assets	(10,959)	(10,533)
Actual return on employer assets	7,652	7,782
	<b>(3,307)</b>	<b>(2,751)</b>

Hymans Robertson have estimated SEPA's employer's contributions for the period to 31 March 2021 at approximately £8.7m.

### Note 17. 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 13, 14, and 19 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. Board Member Declarations of Registered Interests is published on the SEPA website.

### Note 18. Segmental analysis for year to 31 March 2020

SEPA mainly operates in Scotland and is currently organised into portfolios. SEPA sets out its aims and objectives for the five years 2017–2022 in its Corporate Plan. Each year SEPA publishes an Annual Operating Plan.

SEPA manages its assets and liabilities on a corporate basis, not by business segments.

**Table 44: Segmental analysis for year to 31 March 2020**

<b>Extracted from Management Reports for period 12</b>	<b>Evidence &amp; Flooding</b>	<b>Chief Exec</b>	<b>Performance &amp; Innovation</b>	<b>People &amp; Property</b>	<b>Finance</b>	<b>International Services</b>	<b>Compliance &amp; Beyond</b>	<b>Circular Economy</b>	<b>Corporate</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income:</b>										
Revenue from Charging Schemes	-	-	-	-	-	-	-	-	41,861	41,861
Other income	-	-	-	-	-	-	-	-	4,200	4,200
<b>Total income</b>	-	-	-	-	-	-	-	-	<b>46,061</b>	<b>46,061</b>
<b>Less expenditure</b>										
Staff costs	22,370	272	3,935	2,074	1,156	439	16,852	9,977	674	57,749
Other operating charges	9,769	53	925	5,279	324	214	1,034	2,374	349	20,321
Depreciation and impairment	-	-	-	-	-	-	-	-	3,119	3,119
<b>Total expenditure</b>	<b>32,139</b>	<b>325</b>	<b>4,860</b>	<b>7,353</b>	<b>1,480</b>	<b>653</b>	<b>17,886</b>	<b>12,351</b>	<b>4,142</b>	<b>81,189</b>
<b>Net expenditure for year</b>	<b>(32,139)</b>	<b>(325)</b>	<b>(4,860)</b>	<b>(7,353)</b>	<b>(1,480)</b>	<b>(653)</b>	<b>(17,886)</b>	<b>(12,351)</b>	<b>41,919</b>	<b>(35,128)</b>
<b>Reconciliation to annual accounts</b>										
Adjustment to depreciation and impairments										51
Increase in bad debt provision										(126)
Additional accrued income										10
Additional accrued expenditure										(11)
Add life assurance adjusted provision										(43)
Add unfunded pension additional provision										236
Pension scheme adjustments										(13,580)
<b>Net expenditure for the year</b>										<b>(48,591)</b>

SEPA's contribution to EU projects is included in the expenditure in Table 44. Over and above this there was £0.4m direct EU funded expenditure included in the Statement of Net Comprehensive Expenditure for the year. The associated income has been included in other income for the year in the Statement of Net Comprehensive Expenditure (£46.1m above plus £0.4m is £46.5).

**Table 45: Segmental analysis for year to 31 March 2019**

	<b>Evidence and Flooding £'000</b>	<b>Chief Exec £'000</b>	<b>Performance &amp; Innovation £'000</b>	<b>People and Property £'000</b>	<b>Finance £'000</b>	<b>Commercial Services £'000</b>	<b>Compliance &amp; Beyond £'000</b>	<b>Circular Economy £'000</b>	<b>Corporate £'000</b>	<b>Total £'000</b>
<b>Income:</b>										
Revenue from Charging Schemes	-	-	-	-	-	-	-	-	40,820	40,820
Other income	-	-	-	-	-	-	-	-	6,851	6,851
<b>Total income</b>	-	-	-	-	-	-	-	-	<b>47,671</b>	<b>47,671</b>
Staff costs	21,911	309	3,783	1,938	1,089	236	16,421	9,834	243	55,764
Other operating charges	10,779	72	979	4,807	341	277	1,054	6,377	402	25,088
Depreciation and impairment	-	-	-	-	-	-	-	-	2,959	2,959
<b>Total expenditure</b>	<b>32,690</b>	<b>381</b>	<b>4,762</b>	<b>6,745</b>	<b>1,430</b>	<b>513</b>	<b>17,475</b>	<b>16,211</b>	<b>3,604</b>	<b>83,811</b>
<b>Net expenditure for year</b>	<b>(32,690)</b>	<b>(381)</b>	<b>(4,762)</b>	<b>(6,745)</b>	<b>(1,430)</b>	<b>(513)</b>	<b>(17,475)</b>	<b>(16,211)</b>	<b>44,067</b>	<b>(36,140)</b>
Adjustment to disposal of assets										2
Add unfunded pension additional provision. Add life assurance additional provision										(24)
Add pension scheme adjustments to staff costs										(30)
										(12,862)
										<b>(49,054)</b>

SEPA's contribution to EU projects is included in the expenditure in Table 45. Over and above this there was £0.5m direct EU funded expenditure included in the Statement of Net Comprehensive Expenditure for the year. The associated income has been included in other income for the year in the Statement of Net Comprehensive Expenditure (£47.7m above plus £0.5m is £48.2m).

**Note 19. Trading accounts**

**Table 46: Trading account schemes year to 31 March 2020**

<b>Schemes</b>	<b>ERS</b>	<b>PRW</b>	<b>RSA Band A</b>	<b>Other</b>	<b>Total</b>
<b>Year to 31 March 2020</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>	<b>38,192</b>	<b>1,227</b>	<b>1,664</b>	<b>777</b>	<b>41,860</b>
Expenditure					
Staff costs	(28,771)	(641)	(1,078)	(1,053)	(31,543)
Depreciation/cost of capital	(2,228)	(30)	(43)	(27)	(2,328)
Bad debts	(150)	(99)	(58)	(37)	(344)
Other operating charges	(7,600)	(148)	(771)	(197)	(8,716)
<b>Total expenditure</b>	<b>(38,749)</b>	<b>(918)</b>	<b>(1,950)</b>	<b>(1,314)</b>	<b>(42,931)</b>
<b>(Under)/Over recovery</b>	<b>(557)</b>	<b>309</b>	<b>(286)</b>	<b>(537)</b>	<b>(1,071)</b>
<b>% Cost recovery</b>	<b>99%</b>	<b>134%</b>	<b>85%</b>	<b>59%</b>	<b>98%</b>

**Table 47: Trading account schemes year to 31 March 2019**

<b>Schemes</b>	<b>ERS</b>	<b>PRW</b>	<b>RSA Band A</b>	<b>Other</b>	<b>Total</b>
<b>Year to 31 March 2019</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>	<b>36,936</b>	<b>1,129</b>	<b>1,793</b>	<b>962</b>	<b>40,820</b>
Expenditure					
Staff costs	(27,891)	(702)	(1,024)	(907)	(30,524)
Depreciation/cost of capital	(2,013)	(31)	(39)	(32)	(2,115)
Bad debts	(117)		(41)		(158)
Other operating charges	(7,467)	(281)	(771)	(282)	(8,801)
<b>Total expenditure</b>	<b>(37,488)</b>	<b>(1,014)</b>	<b>(1,875)</b>	<b>(1,221)</b>	<b>(41,598)</b>
<b>(Under)/Over recovery</b>	<b>(552)</b>	<b>115</b>	<b>(82)</b>	<b>(259)</b>	<b>(778)</b>
<b>% Cost recovery</b>	<b>99%</b>	<b>111%</b>	<b>96%</b>	<b>79%</b>	<b>98%</b>

**Table 48: Additional schemes**

<b>Other individual schemes each with fees of less than £1m</b>	<b>Scheme fees each over £1m</b>
AVIA – Aviation	ERS – Environmental Regulation (Scotland)
COMAH – Control of Major Accident Hazards Regulations	RSA – Radioactive Substances Act
CRC – Carbon Reduction Commitment	PRW – Producer Responsibility Waste Packaging
ETS – EU Greenhouse Gas Emissions Trading	
RES – Reservoirs Charging Scheme	

**Note 20. Grant-in-aid Funding**

**Table 49: Grant-in-aid (GiA) funding received as at 31 March 2019 and 2020**

	<b>Year to 31 March 2020</b>	<b>Year to 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Cash GiA received to meet expenditure	<b>34,142</b>	<b>35,083</b>

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.

**Table 50: Net expenditure as at 31 March 2019 and 2020**

		<b>Year to 31 March 2020</b>	<b>Year to 31 March 2019</b>
		<b>£'000</b>	<b>£'000</b>
Budgeted cash allocation	Capital	2,000	1,682
	Operating costs	32,142	33,459
Total cash that could be drawn down in year		34,142	35,141
Cash drawn down in year		(34,142)	(35,083)
Cash remaining with Scottish Government		<b>-</b>	<b>58</b>

**Note 21. Operating resource reconciliation**

**Table 51: Operating resource reconciliation as to 31 March 2019 and 2020**

<b>Operating resource reconciliation</b>	<b>Note</b>	<b>Year to 31 March 2020 £'000</b>	<b>Year to 31 March 2019 £'000</b>
Net Operating Expenditure, Statement of Comprehensive Net Expenditure		(45,312)	(46,315)
Add back pensions adjustments	4	10,273	10,111
Add back life assurance	4	43	95
Add back unfunded pensions	4	(94)	163
Add back depreciation and impairments	9	3,068	2,948
Less cash paid out on unfunded pensions	13	(142)	(138)
Less cash paid out on life assurance	13	-	(65)
Add interest received excluding interest on EU funded grant deposits	6	23	12
<b>Section 2.3 Parliamentary accountability expenditure outturn</b>		<b>(32,141)</b>	<b>(33,189)</b>

The interest received excludes £5k interest on Life balances. The interest received on life funds are invested in the Life Project in year.

**Note 22. Annually Managed Expenditure (AME)**

**Table 52: Annually Managed Expenditure (AME) as to 31 March 2019 and 31 March 2020**

<b>Annually Managed Expenditure (AME)</b>		<b>Year to 31 March 2020</b>	<b>Year to 31 March 2020</b>	
	<b>Note</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
IAS 19 pension charge	4	7,000	10,273	(3,273)
Unfunded pension charge	4	150	(94)	244
Interest payable IAS 19 assets & liabilities	7	2,800	3,307	(507)
Leased property decommissioning provision	13	-	2,448	(2,448)
Less cash paid out on unfunded pensions	13	(139)	(142)	3
Death in service provision	13	100	43	57
Movement in market value of fixed assets	9	500	1,075	(575)
<b>Section 2.3 Parliamentary accountability expenditure outturn</b>		<b>10,411</b>	<b>16,910</b>	<b>(6,499)</b>

<b>Annually Managed Expenditure (AME)</b>		<b>Year to 31 March 2019</b>	<b>Year to 31 March 2019</b>	
	<b>Note</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
IAS 19 pension charge	4	4,000	10,111	(6,111)
Unfunded pension charge	4	(84)	163	(247)
Unfunded pension payments taken against DEL	4	-	(138)	138
Interest payable IAS 19 assets & liabilities	7	2,500	2,751	(251)
Death in service provision	13	50	95	(45)
Death in service payments taken against DEL	13	-	(65)	65
Movement in market value of fixed assets	9	700	436	264
<b>Section 2.3 Parliamentary accountability expenditure outturn</b>		<b>7,166</b>	<b>13,353</b>	<b>(6,187)</b>

## Appendix 1

**Figure 8: Direction by the Scottish Ministers**



### 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

### Trade Union facilities time<sup>34</sup>

In accordance with SEPA's statutory responsibility under Trade Union (TU) (Facility Time Publication Requirements) Regulations 2017, the schedule below provides the required data relating to SEPA's Trade Union representatives for the period 2019–2020.

### Relevant union officials

**Table 53: Number of relevant union official employees 2019–2020**

Number of employees who were relevant union officials during 2019–2020	Full-time equivalent employee number
14	14

### Percentage of time spent on facility time<sup>35</sup>

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

**Table 54: Percentage of time spent on facility time**

Percentage of time	Number of employees
0%	1
1 – 50%	13
51% – 99%	0
100%	0

### Percentage of pay bill spent on facility time<sup>36</sup>

**Table 55: Percentage of total pay bill spent on paying employees for facility time during 2019–2020.**

Total cost of facility time	£38,638
Total pay bill	£57,771k
Percentage of total pay bill on facility time	0.07%

### Paid trade union activities<sup>37</sup>

**Table 56: Percentage of time spent on union activities as a percentage of total paid facilities time**

Time spent on paid trade union activities as a percentage of total paid facility time (hours)	43%
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<sup>34</sup> All footnotes on this page refer to information taken from HM government Supporting Guidance for the Trade Union (Facility Time Publication Requirements) Regulations 2017.

<sup>35</sup> TU activities – means time taken off under section 170(1) (b) of the 1992 Act. TULR(C) A section 170. There is no statutory entitlement to paid time off to undertake TU activities. However, TU representatives are entitled to be granted reasonable unpaid time off to participate in TU activities.

<sup>36</sup> Total paid facility time hours – total number of hours spent on facility time by TU representatives during a relevant period. Does not include hours attributable to time taken off under section 170(1) (b) of the 1992 Act in respect of which a TU representative does not receive wages.

<sup>37</sup> Paid TU activities – time taken off for TU activities under section 170 (1) (b) of the 1992 Act in respect of which a TU representative receives wages from the relevant public sector employer. There is no statutory entitlement to paid time off to undertake activities.

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