Agenda Item	12
Report No	RES/38/26

The Highland Council

Committee: Corporate Resources

Date: 27 August 2026

Report Title: Pensions Guarantee to SPPA for High Life Highland Instrumental Music Instructors

Report By: Assistant Chief Executive – Corporate

1. Purpose/Executive Summary

1.1 As a result of nationally implemented changes, Instrumental Music Instructors employed by High Life Highland (HLH) who have been part of the Council's Local Government Pension Scheme, will move to, or have the choice to move to, the Scottish Teachers Pension Scheme (STPS) administered by the Scottish Public Sector Pensions Agency (SPPA).

1.2 As a result of this change, the SPPA has sought from the Council a Letter of Comfort regarding guarantee of the pension contributions HLH would be due to SPPA. This report relates only to the guarantee sought, and contrasts with the existing guarantee the Council has made to the Council's Pension Fund. This report does not relate to pensions benefits employees may receive, and the position relating to the guarantee has no impact on the nature of pension benefits music instructors would receive. Ultimately pension benefits are determined by existing pension scheme arrangements and not a matter for this report or this Committee, and the choice (for currently employed instructors) is theirs to make as to which scheme they are in. HLH as employer of the instructors, are leading on engagement with their staff on this matter.

1.3 It is normal practice in relation to pensions, for guarantees to be sought from the Council for other related parties, and in fact when HLH was first established, in June 2011 the Council's then Resources Committee agreed to admit HLH to the Council's Pension Scheme and in turn that the Council would act as guarantor to any pension risks relating to HLH's admission to this scheme and relating to their overall workforce.

1.4 The Council is therefore currently acting as a guarantor for HLH pension arrangements, and what is set out in this report is an amendment to the nature of guarantee sought. The letter of comfort relates only to pension contributions from HLH to SPPA, not for all pension liabilities (the SPPA pension benefit liabilities are ultimately underwritten by Government). For context there are currently 63 (52 fte) music instructors employed by HLH representing a relatively small element of their overall workforce of 818 (630 fte).

2. Recommendations

2.1 Members are asked to:

i. Note the contents of this report and the background changes relating to pension arrangements for High Life Highland music instructors;

ii. Agree to provide a Letter of Comfort guarantee to the Scottish Teachers Pension Scheme for the reasons and on the basis as set out within this report.

3. Implications

3.1 Resource – there is no direct resource implication arising from this report. This alters the nature of the guarantee already in place for HLH pension liabilities. On a maximum case, were all music instructors to move to STPS, the overall total of contributions guaranteed is estimated as £658k per annum based on current instructor numbers. It is not known how many current instructors may elect to change pension schemes. On a directly comparable basis, this is c£200k more than the equivalent guarantee to the Council's Pension Fund given teachers pensions operate on a different contribution rate basis. But as noted earlier, the Council's current guarantee covers all liabilities, with the STPS/SPPA letter of comfort request actually relating to a more reduce risk scope. The nature of guarantee would shift from a guarantee to the Council's Pension Scheme, to a guarantee to STPS for any instructors moving between pension schemes.

3.2 Legal – this report takes account of relevant rules and regulations including changes made by SPPA/STPS which has led to the letter of comfort sought.

3.4 Risk – the Council already acts as guarantor for HLH pension liabilities therefore this report is an amendment to guarantees sought rather than introducing an explicitly new risk guarantee. The likelihood of the guarantee being call is considered very low, and as laid out in this report the number of instructors to which the guarantee relates is relatively modest (a maximum of 63 at present) when considered in the context of HLH's overall workforce (circa 818) and also when Council's overall size and financial scale is considered.

3.5 Health and Safety (risks arising from changes to plant, equipment, process, or people) – nothing to highlight.

3.6 Gaelic – nothing to highlight.

4. Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This is an update report, and therefore an impact assessment is not required.

5. Background

5.1 Prior to the changes as described in this report, HLH music instructors in common with most HLH staff, were part of the Highland Council Pension Scheme.

5.2 In July 2025 the Scottish Public Sector Pensions Agency (SPPA) issued circular 2025/07 relating to changes relating to Music Instructors as regards the Scottish Teachers Pensions Scheme (STPS) to:

- Advise stakeholders of revised Membership eligibility criteria;
- Provide guidance and FAQs for implementation from 1 August 2025.

5.3 The changes in summary were as follows:

- From 1 August 2025, all roles covered by SNCT (teachers) terms and conditions are explicitly eligible for STPS membership which includes all music instructors (excluding any who are self employed);

- Any person commencing employment on or after 1 August 2025 will be automatically enrolled in STPS.

5.4 Therefore new music instructors would by default be part of STPS, existing employees would have a choice as to which scheme they were part of (move to STPS or remain within the Highland Council Pension Fund).

5.5 HLH have been engaging with the SPPA and Council officers in the intervening period, and engaging with their staff regarding these changes. Arising from this work, earlier this year SPPA sought a Letter of Comfort from the Council to act as guarantor for pension contributions.

6. Letter of Comfort

6.1 The Letter of Comfort sought is relatively straightforward and the draft text of which is represented below.

"Please accept this letter as formal confirmation that Highland Council would act as guarantor for High Life Highland liabilities in respect of STPS contributions.

I trust that this letter provides you with the confirmation that you require to set up Highlife Highland as an STPS employer."

6.2 As noted earlier, the Council already acts as guarantor for HLH pension liabilities in regard to the Council's Pension Scheme, with that guarantee extending beyond only pension contributions (the request of STPS) but to cover <u>all</u> pension liabilities. The STPS letter of comfort is therefore narrower in focus and risk exposure than the guarantee the Council agreed in June 2011. There is a slight increase in one aspect of the guarantee sought, in that under STPS employer contribution rates are 26% of pensionable pay, whereas in the Council's Pension Scheme the equivalent rate is

17.5% i.e. on a per employee basis the amount of pension contribution the Council is asked to guarantee is higher. As stated earlier, the total number of current instructors is 63 and not all of whom may necessarily move onto STPS, or may do so in the short to medium term. On a maximum estimate basis, were all HLH music instructors to move to STPS, the annual value of employer pension contributions to which the guarantee relates is estimated as £658k, which would represent a circa £200k additional guarantee relative to them remaining in the Council's Pension Scheme. These figures would of course be lower were only some of the staff group elect to move schemes. As stated earlier, given the existing guarantee to the Council pension scheme covers all pension liabilities, and the STPS has a narrower focus (on contributions), for any employees transferring there would be an overall reduction in the totality of the Council's risk guarantee exposure, albeit with too many factors and variables to allow a reasonable quantification of this.

6.3 Any guarantee would only be utilised in the event of default and the risk and likelihood of which is assessed as very low.

Designation: Assistant Chief Executive – Corporate

Date: 17/8/26

Author: Allan Gunn, Assistant Chief Executive – Corporate, Catriona Stachan – Pensions Manager

Background Papers: