

**MINUTES OF MEETING OF THE SPPA EXTERNAL MANAGEMENT BOARD
TUESDAY 3 February 2015**

Present:

James Taylor	Chair
Alex Smith	Non - Executive Director
Sheena Cowan	Non – Executive Director
Alistair Brown	Acting Director of Financial Strategy, Scottish Government
Neville Mackay	SPPA Chief Executive
Pam Brown	Director of Operations
Marion Chapman	Director of Corporate Services
Chad Dawtry	Director of Policy
Susan Gray	Director of Business Change Programme
Jane Murray	Deputy Director of Finance
Ken Kneller	Government Actuary's Department (Paper 41.07)

Apologies: Julia Edey

Minutes: Liz Rae

Introductory Remarks

1. Mr Taylor welcomed everyone to the meeting informing the Board that the sequence of papers had been changed to allow paper 41.07 (GAD Annual Report of Activity from Ken Kneller) to be taken first.

GAD Annual Report of Activity (Paper 41.07)

2. Mr Kneller introduced his paper and informed the Board that it had been 2 years since his last report.

3. The Board were reminded of GAD activity in 2014 which included support on finalising benefit designs for Police and Fire; establishing satisfactory member contribution rate structures; the completion of NHSSS and STSS valuations as at March 2012; and the commencement of work on the Police, Fire and LGPS valuations.

4. Mr Kneller also informed the Board that the Factor Reviews were in hand for all schemes and that the NHSSS and STSS Winter estimates and annual disclosures had been produced.

5. He then set out the key issues for 2015/16 which largely involved, working with SPPA to further improve data quality, prior to the next round of quadrennial scheme valuations. Mr Kneller also informed the Board that the Pension Ombudsman was expected to reach a conclusion on an issue concerning the backdating of commutation factors which could have a cash flow consequence for Fire and Police schemes.

6. It was then noted that SPPA and GAD had agreed, in principle, that all routine actuarial advice in respect of Scottish Public Service Pension Schemes will be provided under a 4 year fixed fee agreement for which the total cost would be around £6.6m. The contract will run from 1 April 2015 and cover the 4 year valuation cycle.

7. The Board asked why it was now possible to have a fixed cost when it hadn't been possible in the past. Mr Mackay explained that we had now completed a 4 year valuations cycle and so had a better understanding of the costs generated by the new Treasury regime for scheme valuations. The Board were also assured that there was a comprehensive document which set out all the inclusions and exclusions associated with the cost and that GAD were providing best value. It was also noted SPPA had confidence that GAD provided a good service and that they had excellent knowledge and expertise of Public Services Pensions and had been able to provide significant added value as a result of their broad understanding of Treasury processes and decisions.

8. It was also noted that the future allocation of funding for SPPA to reflect the costs of the fixed price contract, had still to be secured with the SG. This had been drawn to the attention of the SG Finance Directorate.

9. With regards to data improvement the Board noted the benefits of resolving data issues which included the production of more accurate valuation results and enhanced stakeholder confidence in the financial management of the schemes. A Data Improvement Plan is due to be shared with the Treasury by the end of June.

Minutes of Previous Meeting, Matters Arising and Declarations of Interest (Paper 41.01)

10. The minutes of the previous meeting, held on Tuesday 21 October 2014, were agreed and all Actions Arising had been completed.

11. Mr Taylor asked that it also be noted that the Board had met in December at an Away Day where they looked at a paper, drafted by Mr Mackay, on the Digital Agency. The Board had embraced the idea of how the Digital Agency could meet customer needs in a modern way and felt that the Digital Agency provided the key platform for the future strategic development of the Agency. It encouraged the Chief Executive and the Director of Business Change to develop the proposition further and report back to the Board with Progress.

Audit and Risk Committee (ARC) Report (Oral)

12. Mr Smith gave a report on the ARC meeting, which had taken place earlier in the day highlighting the following points:

12.1 The new format of the Audit Scotland Report of the Agency's activities in 2013-14 provided a clear understanding of the main issues arising, and he drew attention to 2 specific recommendations within the report which were:

1. Workforce Planning – there needs to be a clearer sense of progression by the Agency in this area; and
2. Governance – there were issues surrounding the progress being made with this project.

12.2 The only Corporate Risk with an overall score of over 15 related to Business Change and this was considered acceptable at this stage of the overall Change Programme. Mr Smith welcomed the changes to the format of the Register as the information was now more accessible and easier to understand.

SPPA Quarter 3 Progress Report 14-15 (Paper 41.02)

13. Mr Mackay introduced his paper which set out progress on Operational and Strategic Issues for Quarter 3 2014–15. He drew the Boards attention to the following areas;

14. The 28 key business plan tasks identified for the current year are all progressing satisfactorily. However, he noted that a small number of the Operations Directorate's second order business targets had not been met:

1. Mr Mackay explained that this was due to 4 services delivery targets that had a target of 100% and where the failure to meet the target in one case meant that the target was missed for the year: and
2. Mr Mackay explained that there had been some debate as to whether the status of the target relating to pension reform IT functionality was red or amber, as some aspects of the development are currently behind planned timescales. However, the key items required for implementation in April 2015 are still on track. The actual project status is amber so in balance it was concluded that amber was an appropriate assessment.

15. Mrs Brown updated EMB on the Police and Fire Project and informed them that they were now in the process of completing the migration of the last 3 sites – Fife, Falkirk and Lothian and Borders Fire. All data would be in the payroll system by the middle of February. The Board agreed that this was an excellent piece of work as the project would be delivered within time and budget and to the agreed quality standards.

16. The annual Customer Survey was carried out in December 2014 with a 20% response rate. Overall customer satisfaction had remained broadly the same as last year. Mr Mackay also informed the Board that the Agency were looking to develop a continuous survey during 2016 to replace the current annual snapshot. An update on this will be brought to a future EMB.

Action: Mrs Chapman as Paragraph 16.

17. The Stakeholder Communications Project, which focuses on the April 2015 pension reforms, is progressing well. Mr Mackay passed round a sample scheme booklet which the Board agreed was well set out and easy to understand. The booklets and other information will also be placed on the SPPA web site.

18. The Spring Budget Revision adjustments were made in January 2015 and a request for additional funding in 2014-15, previously notified to the Finance, Constitution and Economy Portfolio in respect of actuarial and other costs, had been agreed by the SG. The Agency had also received an unwanted £600k due to an administration error by the SG and this would be returned.

19. All scheme regulations will be in place by April 2015 and our IT suppliers now have the functionality details for the changes required to the pension administration system.

20. Ministers have now decided that independent chairs of the Scheme Advisory Boards will not be required. Co-chairing arrangements are being put in place for the LG, NHS and Teachers' schemes and we will have further dialogue with stakeholders about the preferred approach for the Police and Fire Fighters' schemes. The Advert for Chair and Vice Chairs of Pension Boards will go out next Friday (13 February) and be advertised for 3 weeks. Interviews will take place in April.

21. Mr Smith was concerned at the rise in the number of vacancies that had arisen since the last HR Metrics report at the end of Quarter 2. Mrs Chapman explained that the Agency had been carrying B and C band vacancies for some time but due to the long timescales involved in recruitment (the Agency has to work to SG guidelines) had been unable to fill them. However, the Agency had now been given permission to hold promotion boards for these key posts.

SPPA Quarter 3 Finance Report 2014-15 (Paper 41.03)

22. Mrs Murray presented this paper and the Board noted the following:

- The Agency Resource Expenditure (not Including Fire and Police) to 31 December 2014 was £7,665,861;
- The Agency Capital Expenditure (not including Police and Fire) to 31 December 2014 was £1,859,083; and
- The forecast resource expenditure for the year (including Police and Fire) is £13,019,566; and
- The forecast capital expenditure for the year (including Police and Fire) is £4,760,000.

23. In overall terms the Agency was solvent and was heading for a slightly larger than anticipated underspend at the end of the financial year. The reasons for this were discussed and noted.

IT Procurement Progress Report and Evaluation Framework (Paper 41.04)

24. Mrs Chapman presented her paper to the Board outlining the approach being taken in the IT Procurement Project and the current position.

25. SPPA have received 7 Pre-Qualifying Questionnaires which are all expected to move forward to the tendering stage. The Invitation to Tender (ITT) will be issued w/c 2 February. The Weightings, Statement of Requirements and Terms and Conditions have been agreed (SMT were involved and will continue to be involved at every stage) and resources from across the Agency will be secured for the evaluation process. The timescales at the start of the Project had seemed challenging but due to the efforts of the team the Project is on course.

26. During a detailed discussion of the proposed evaluation weightings the Board noted that the Cost/Quality balance was 70/30 and both the Agency and the SG were happy with this. There was a 20% weighing on future Digital Services which the Board was content with. The Agency was confident that it could cope with assessing all the applicants and was willing to involve members of the EMB if EMB requested. Everyone who submits a tender will be invited to the supplier presentations.

27. The next step is to agree the evaluation resources and arrange training sessions for evaluators. The Board agreed that this was a major undertaking and were pleased with the progress so far.

Staff Survey and liP Results Report (Paper 41.05)

28. Mrs Chapman gave a detailed report of the paper which highlighted the areas for action/improvement as a result of the Investors in People Exercise and Staff Surveys which took place at the end of Quarter 3. The results were slightly disappointing in that the Agency is now slightly behind the SG average. However, given the various business changes, growing workloads and lack of any meaningful pay increases, the result is not entirely unexpected. SMT are dedicated to ensuring that the main issues identified by the survey are properly addressed. The recurring themes are in people development and management, leadership issues and some equality of treatment/diversity issues.

29. The Board agreed with the immediate actions and initiatives that were to be put in place to try and resolve some of the issues but commented that it was important not to over-promise solutions and that there was a need to measure the progress throughout the exercise.

Programme Board Update (Paper 41.06)

30. Mrs Gray highlighted the main points of her paper which provided the Board with an update on the Business Change Programme. The overall status of the Programme is amber and progress is at 50% with a target of 56% as 3 milestones were not completed on time. One of these will be completed soon and 2 have been re-planned.

31. The Programme went through its second Gateway Review in November and received an Amber Green delivery capability assessment. As far as the individual projects are concerned, Agency Governance received a red/amber rating due to a period of re-planning resulting from changing stakeholder views. The Gateway Review produced 10 recommendations 1 critical and 9 essential, EMB were provided with the list, their due dates and an update on progress with each one. There will be a Health Check for the Programme in April followed by another Gateway Review in September.

32. The Board noted the content of the paper.

Any Other Business

33. No Other substantive business items were discussed.

34. Mr Taylor noted that this was Mr Mackay's last meeting before retirement. He thanked Mr Mackay for his highly effective leadership of SPPA over more than 10 years and wished him well for the future on behalf of the Board.

Next Meeting

35. The next meeting of the Board is scheduled for Tuesday 28 April 2015 at 13.30 in SPPA.

Summary of Actions

Number	Para	Action	Action Officer
1	16	Agency are looking to develop a continuous survey during 2016 to replace the current annual snapshot. An update on this will be brought to a future EMB.	Mrs Chapman