

**MINUTES OF MEETING OF THE SPPA CORPORATE BOARD
TUESDAY 28 JULY 2015**

Present:

James Taylor	Chair
Alex Smith	Non - Executive Director
Sheena Cowan	Non – Executive Director
George Brechin	Chairman of the Scottish Teachers’ Pension Board
Allan Martin	Chairman of the Scottish Firefighters’ Pension Board
Tim McKay	Chairman of the NHS Scotland Pension Board
Charles Winstanley	Chairman of the Scottish Police Pension Board
Ross Paterson	SPPA Chief Executive
Pam Brown	Director of Operations
Chad Dawtry	Director of Policy
Jackie Foster	Deputy Director of Corporate Services
Susan Gray	Director of Business Change Programme
Ian Waugh	Director of Finance

Apologies: Alistair Brown and Marion Chapman.

Minutes: Liz Rae

Introductory Remarks

1. Mr Taylor welcomed everyone to the first meeting of the new Corporate Board and informed the Board that the sequence of the agenda items had been changed to allow the approval of the 14-15 Agency Annual Report and Accounts to be taken after the Report of the Audit and Risk Committee (ARC) meeting.

Minutes of Last EMB Meeting and Matters Arising (Paper 01.01)

2. Mr Taylor reviewed the minutes with the Board and the following items were discussed:

2.1 Paragraph 16 – The importance of ensuring that an overriding Workforce Plan was in place – this would be discussed during the Q1 Report;

2.2 Paragraph 28 – The possibility of extending the tenure of the present members of the Corporate Board is under consideration and CE SPPA is talking to DG Finance regarding this as part of the new Governance arrangements. The Board will be informed as soon as these are agreed.

Summary of Actions

3. Action point 1 was completed and updates were given on Actions 2 – 8.

Declarations of Interest (Oral)

4. Declarations of Interest were given by the Chairs of the Pension Boards and these have been recorded as part of their employment conditions and submitted to HR.

Report of ARC Meeting 14 July 15 (Paper 01.02)

5. Mr Smith asked the Board to note the content of the draft minutes of the Audit and Risk Committee meeting held on 14 July 2015. He drew the following areas to the Board's attention:

5.1 Paragraph 5 – The Board had discussed the recent SPPA Data Security Breach in some depth (Mr Smith also confirmed that as Chair of the ARC Board he had been timeously informed of the incident); an update would also be given during the Q1 report.

5.2 Paragraph 7.1 – The Annual Internal Audit Assurance Statement – Mr Smith informed the Board that he had noted the reduction in the level of assurance from 'Substantial' to 'Reasonable', his concern was that, taken in the round, the recommendations from the audits undertaken both at SPPA and SG did not point to this lower level of Assurance and that it had been agreed that Mr Waugh would ask for an explanation of the method used to assess the assurance level.

5.3 Paragraph 8 - Audit Scotland's ISA260 Report on the Agency Annual Report and Accounts – Mr Smith informed the Board that the Agency had received a good, clean bill of health and that he recommended that Mr Paterson should sign the Annual Report and Accounts.

5.4 Paragraph 10 – Agency Risk Register, Mr Smith commended Mr Waugh on the paper which he said had been very helpful. He advised the Board that there were no risks with an overall residual risk of over 15 but there were 3 with an overall residual risk of 12 which were:

- Delivering digital capability across the Agency's services;
- The Ability to implement Pension Reforms for NHS and STSS, Fire and Police; and
- Resources for business needs and 5 year change programme in the absence of adequate Spending Review baseline and medium term Corporate Plan.

5.5 Mr Winstanley asked if there was a process in place to capture risks with a commonality from Pension Boards and he was assured that Pension Boards would be made aware of any Corporate Risk that would impact on their roles and responsibilities. He was also advised that this document was updated on a regular basis by all Directorates within SPPA. A copy of the Corporate Risk Register will be shared with all Pension Board Chairs.

Approval of 14-15 Agency Annual Report and Accounts

6. Mr Waugh presented his paper informing the Board that he had taken into consideration suggestions provided by Mr Brechin and highlighted changes made. The Corporate Board confirmed that they were content for the Agency Annual Report and Accounts 2014 – 15 to be signed by the Chief Executive.

SPPA Quarter 1 Progress Report 15-16 (Paper 01.03)

7. CE SPPA gave a verbal review of the paper which set out progress on Operational and Strategic Issues for Quarter 1 15-16, highlighting the following areas:

7.1 The Spending Review – Finance are preparing estimates for the 16-17 Budget and Spending Review, informing the Board that as part of this the Agency would be carrying out a desk-top exercise looking at a potential impact of a 5% and 10% reduction in resources. There were also two key determinants underpinning the submission; the outcome of the 2017 IT Procurement Contract award; and workforce planning.

7.2 Workforce Planning – The Agency had to take into consideration the implementation of the 2017 IT system; administration requirements of Police and Fire Schemes and the impact of the Digital Agency. The focus of the planning would be having the right people in the right place at the right time.

7.3 The Agency would be looking at a ‘Customer-Focused Digital Agency’. He pointed out that SPPA were working on a plan to learn what customers wanted/needed, reporting at the end of October.

7.4 Mrs Cowan asked if the Agency was working to a particular workforce planning model. CE SPPA answered that at the moment he was working with Sally Paterson (SPPA HR) who had experience in this area, to look at the introduction of A4s into the Agency to start with and then things would be clarified from there. He was also looking at getting some assistance from the SG.

7.5 Mrs Edey queried the timing of a final Business Plan and CE SPPA advised that he hoped to have it finalised by the end of October.

7.6 CE SPPA gave the Board an update on the security breach which had taken place a few weeks earlier. He informed them that the situation had been handled very well by Mrs Brown’s team along with Mrs Gray and that a detailed plan, continuing the data sharing activities at SPPA and detailing the handling required was nearing completion. All staff had now been trained in all the recommended areas.

7.7 Mrs Brown assured the Board that lessons had been learned within SPPA and processes were now in place to ensure that all staff knew exactly what had to be done and that the momentum on security would continue.

7.8 CE SPPA confirmed that clarification had been received regarding the Pension Ombudsman case on Milne vs. GAD and letters would be sent out to those affected w/b 3 August informing them that the Agency were aware of their situation and would be back in touch with them as soon as possible.

7.9 He also discussed the end of 'contracting-out' which is due to end with the introduction of the single-tier State Pension from 6 April 2016., There are a number of factors for SMT to consider, both in the run up to that date and beyond. A large volume of work is to be transferred to SPPA over the next year or so and a plan is being put in place to handle the change but the costs of IT functionality and assigning staff are not yet clear.

7.10 CE SPPA asked the Board to note that the format of the Q1 report was a work in progress and that it was hoped that in the future it would cover KPIs more comprehensively, with more information and statistics together in one document.

8. CE SPPA then invited questions on his comments or the paper.

8.1 Regarding the Police and Fire Service Level Agreements not yet being in place, Mrs Brown advised that she expected the Fire document to be signed soon but further discussion still needed to take place regarding the Police document. This was not expected before 5 August. If the SLA is not agreed by the end of August, then intention is that the service standards in place for NHS and STSS schemes would be adopted until an SLA is agreed.

8.2 There was a discussion around contracting out and Mr Brechin noted that this would not only be an issue for the Agency but scheme members too. CE SPPA informed the Board that Mr McGarry from the Operations Directorate was leading on this and working alongside Mr Preston from Policy and a Treasury Working Group to develop a plan to implement the change.

8.3 The Board also discussed the impact of the Fire and Police SLAs not yet being in place and how this was impacting on the business. Mr Brechin asked if the Agency saw the Pension Boards reviewing these. CE SPPA advised that he saw the Pension Boards role in this as being to hold SPPA to account on the outcome of these exercises and to monitor progress. CE SPPA will be taking these matters forward with the customer requirements work.

8.4 Mr Smith expressed concern over the estimated Capital underspend of £5,515,000 for 15/16. Mr Waugh assured him milestone payments for software development had still to be signed off, Milne calculation software development costs and digital proposals had to be factored in, and Fire and Police time and materials payments remain contractual commitments. However, there was always the expectation that the capital funding allocated as part of the last Spending Round in

2013 would remain uncommitted until completion of the 2017 integrated pension and payroll IT procurement.

8.5 Mr Brechin asked if the IT Procurement exercise had been paused to take into consideration the specs needed for the Digital Agency and if not, why not. Mrs Foster explained that this hadn't been an option as the present IT contract ends in March 2017.

8.6 Regarding the combined schemes net resource expenditure being below budget by £5m Mr McKay asked what impact this would have on the Agency's ability to pay pensions. Mr Waugh assured him that there was always a margin of safety built in to resource accounts estimates. In viewing the figures reported, he stressed that the reader needs to make the clear distinction between the accounting and cash estimates. In the unlikely event the resource expenditure figure was wrong (the accounting estimate) there would be a reputational risk rather than a monetary one.

8.7 Board members were then given the reasons for the tasks within the Key Business Tasks that had not been met and were content with the explanations.

Governance (Paper 01.04)

9. Mr Dawtry presented his paper which outlined the proposed changes to the SPPA Governance arrangements. A detailed discussion followed with the following agreed:

1. There will be 12 monthly SPPA monthly Management Meetings;
2. There will be 2 Corporate Boards per year;
3. Each Pension Board will meet quarterly, 2 of which should take place before a Corporate Board;
4. There will be 4 ARC meetings per year (with the monthly Management Meeting in the morning, followed by ARC in the afternoon); and
5. There will be one Corporate Customer Board per year.

10. Other areas of the paper have to be discussed further before agreement can be made, CE SPPA will take all opinions into consideration and produce further guidance as soon as possible.

Action 1 Paragraph 10: CE SPPA to take forward concerns regarding various areas on the Governance paper.

Any Other Business

11. No Other substantive business items were discussed.

Next Meeting

12. The date of the next meeting of the Board is scheduled for 26 October 2015 at 13.30 in SPPA.

Summary of Actions

Number	Para	Action	Action Officer
1	10	CE SPPA to take forward concerns regarding various areas on the Governance paper.	CE SPPA