

**SCOTTISH PUBLIC PENSIONS AGENCY  
MINUTES OF THE EXTERNAL MANAGEMENT BOARD MEETING HELD AT  
13:30 HOURS ON 2 FEBRUARY 2010 AT TWEEDBANK**

**In Attendance:**

James Taylor	Chair
Julia Edey	Non-executive Director
Alex Smith	Non-executive Director

Neville Mackay	SPPA Chief Executive
Pamela Brown	Director of IT and Major Projects
Chad Dawtry	Director of Policy, Strategy and Development
Chris Fenton	Director of Corporate Services
Lila Tereszczyn	Minutes

**1. Apologies and Introduction**

- 1.1 Mr Taylor welcomed everyone to the meeting.
- 1.2 Apologies were received from Alyson Stafford.

**2. Minutes of Last Meeting and Matters Arising (paper 21.2)**

- 2.1 The minutes of the previous meeting on 27 October 2009 were agreed and noted.

The summary of the action points was addressed:

2.2 Action paragraph 3.3 - Mr Mackay reported that he and Mr Taylor, had had a helpful meeting with the Director-General Finance and Corporate Services, Stella Manzie on 8 December about the Agency's future work and funding. Mr Taylor also reported that in January he and Mr Mackay had met with the Director-General Economy and Chief Economic Adviser, Dr Andrew Goudie. Both meetings have been positive and had provided an opportunity to outline the significant progress the Agency had made over the past 4-5 years; to identify some of the major concerns faced by the Agency now and in the future; to acknowledge the funds partially restored to the Budget; and to repeat the message that when Pension Reform comes, it will increase the complexity of administration of the various schemes; and that that in turn can only increase the cost of administration and the financial burden on the Agency.

2.3 Action paragraph 4.3 - Mr Mackay reported that a helpful tracker had been provided from an alternative source.

2.4 Action paragraph 4.5 - Mr Fenton noted that the merits of electronic vs physical publication of accounts and annual report documentation were covered in his finance report which recommended that accounts should be published electronically in the future.

2.5 Action paragraph 5.4 - Mr Mackay reported that the Agency had taken legal advice on the financial responsibilities and liabilities arising from third party administration contracts and this had been reflected in the draft pension administration contract currently under consideration by a third party.

2.6 Action paragraph 5.8 - Mr Fenton reported that comparator data was included in the HR metrics report contained within the Agency Progress Report.

2.7 Action paragraph 6.3 - Mr Fenton confirmed that he had written confirmation from Scottish Government of the Agency's current and future budget allocations. Mr Mackay noted that this was not a one-off exercise. Budgets were liable to unexpected in-year change and that when this occurred it was important to have a written record of the revised budget allocations.

2.8 Action paragraph 6.6 - Mr Fenton reported that the revised budget figures were contained in his finance report.

2.9 Action paragraph 6.7 - Mr Fenton confirmed that he had advised Ms Stafford of the dates of the future actuarial reviews of NHS and STSS scheme costs.

### **3. Audit Committee Report (paper 21.3)**

3.1 Mr Smith reported on the main issues and recommendations arising from the Audit Committee meeting on 19 January 2010. He noted and agreed that subject to minor corrections the draft minutes were representative of the meeting. He confirmed that arrangements were now in place for pre and post meetings with Internal Audit and Audit Scotland to discuss audit related issues. He noted that more work was required to develop and define a future audit plan which fully met the Agency's business needs but this was ongoing and reasonable progress had been made to date.

3.2 Mr Smith noted that he had asked whether the Agency could continue to function during 2010-11 due to budgetary constraints and had been reassured that it could, although there was a risk that service standards might be reduced.

### **4. Agency Progress Report to 31 December (incl. Q3 progress against Business Plan Targets) (paper 21.4)**

4.1 Mr Mackay drew the Board's attention to the progress achieved by the end of Q3 against the Agency's 25 key business targets. He noted that overall progress was extremely good. Although the Agency was behind schedule in six tasks, two of these arose from reasons outside the Agency's control and one would be finished before the end of the financial year. The remaining three would all slip into 2010-11.

4.2 Mr Dawtry reported on the implications for the Agency of the Chancellor's pre budget review. He noted that from April 2011 the application of 'cap and share' arrangements incorporating cost-caps on employer contribution rates would come into force. Those public service scheme members earning over £100,000 p.a. would also pay more for the pension benefits they receive. Contribution tariffs for high earners in all five schemes would be built into the cost-sharing arrangements. Tax

relief would be reduced for those earning over £150,000 p.a. A revised definition of income would include employer pension contributions resulting in moving the earnings threshold down to £130,000.

4.3 Mrs Edey asked what communication had taken place with the individuals involved. Mr Dawtry explained that it was too early to write to those affected as the details of the new arrangements had yet to be resolved by HMT and HMRC. However, Mr Clapperton explained that once the full details were known then the Agency would write to those affected. This replicated a similar process which had taken place in 2004.

4.4 Mrs Brown reported on progress with the implementation of the AXISE pension administration system. She noted that there had been significant benefits in some areas of Operations, for example in the processing of awards. However the supplier had been slow to deliver NHS interface functionality and this was causing significant problems. Although data could be uploaded to the system it could not be validated to the required level and this posed a serious risk to the integrity of the data. The next phase of delivery for data interface functionality would be on the 3<sup>rd</sup> of February. There were two other key issues where the Agency was also pursuing urgent discussions with the supplier. The first was on the development of more effective workflow functionality; the second concerned the development of member self service functions.

4.5 Board Members expressed their concerns at these issues and asked if there was anything more the Agency could do to escalate the issues in order to get a quick resolution. Mr Mackay explained that he had already met with the suppliers and would not hesitate to escalate the matter further if the latest discussions failed to deliver a satisfactory outcome. He drew the Board's attention to the knock-on effect that the delays were likely to cause during 2010, including the risk that the Agency would be unable to deliver benefit statements to all NHS members. The Agency was examining that issue in more detail and would report its conclusions at the next meeting of the External Management Board.

**Action: Mr Mackay to report on outcome of Agency's assessment of scope for issuing NHS Benefit Statements for 2010-11.**

4.6 Mrs Edey asked whether Agenda for Change (AfC) would lead to a backlog of arrears. Mr Clapperton explained that the improvements being made to the system this month would facilitate a marked reduction to the level of arrears thereafter.

4.7 Mr Clapperton reported on progress with the NHS Choice exercise. The current position was that the programme was on target and on budget. The process of issuing 125,000 statements had just commenced to all members apart from GP practitioners and dentists who would receive separate distributions in March. Quality assurance validations of member addresses had been completed and Health Boards assurances about the validity of address data had been received. Arrangements were in place to handle a significant number of member queries from February onwards. Employer and Trade Union presentations had already taken place and a further round was planned for 12 February with information packs being issued to all attendees. The Agency web site had also been updated.

4.9 Mr Mackay drew the Board's attention to three specific issues not included in the Agenda. The first concerned the decision by HMRC to convene the first meeting of the coordinating group established following the review of the GMP issue undertaken by the National Audit Office in 2009. The meeting would take place in February. The second was to report on the outcome of the first phase of the Scottish Government's 'Shaping Up' Review which set out twenty core recommendations for the Scottish Government, some of which could potentially impact upon the Agency. The third concerned the latest position with the Local Government Pathfinder Project where the Board were advised that the Agency was unlikely to be involved in the formal steering group for the next phase of the project, which was now being taken forward by the Improvement Service on behalf of CoSLA.

4.10 During general discussion, Mrs Edey sought clarification on the timeframe for the development of the Agency's proposed Efficiency Plan. Mr Mackay said discussions with Senior Management on the process, key timing and work plan would commence next week and that the agency aimed to present its conclusions to the next External Management Board meeting.

**Action – Efficiency Strategy to be available for discussion at the next meeting.**

## **5. SPPA Finance Report Q3 (paper 21.5)**

5.1 Mr Fenton presented the finance position of the Agency and of the pension schemes at the end of December 2009, noting recent changes in the FSG allocations and the impact this would have on the forecast position at the end of the financial year. He advised of the £300k moderation of the reduction in the Agency's allocation following the publication of the 2010-11 draft Finance Bill, and explained the financial implications for the Agency.

5.2 He explained that Appendix 1 gave a summary of the financial position at the end of December for the Teachers and the NHS schemes with a combined net resource expenditure underspend of £13 million, or less than 1% of total expenditure. The variances projected forward to the year end was incorporated in our submission for the Spring Budget Revision. Deviation from this was not expected. The cash requirement following the Spring budget forecast was in line with the overall budget.

5.3 He explained that Appendix 2 gave a summary of the debt/overpayment position at the end of December. The current position was that £699k of debt had been identified compared to £602k during the same period last year. Overpayments of £1.1m had been recognised of which £1.0m had already been recovered this year.

5.4 Mr Fenton reported minor changes to the Agency finance allocation in the current financial year by FSG as part of the SBR process. He noted an increase in the Agency's capital expenditure allocation from £1.9m to £2.097m, with a transfer of £78k being made to renew workstations within the Agency. He reported an underspend of £85k in the current financial year was likely due to a number of factors including savings from the medical contract and savings on postage.

5.6 Mr Fenton confirmed that the Agency retained signed copies of the statutory accounts, and that these were also posted on the Agency's website.

5.7 Mrs Edey asked for clarification about the impact of the additional £300k in running costs for 2010-11 on the Agency's staffing complement and whether there were any risks of the allocation being reduced in-year. Mr Mackay explained that the additional funds meant that the Agency should be able to run with a staff complement of approximately 232 in 2010-11 and that it should be able to reduce its numbers to this level without the need for a voluntary retirement scheme. However, he also noted that at his recent meeting with Dr Goudie it had been indicated that the risk of an in-year budget reduction could not be ruled out.

5.8 Mrs Edey sought clarification on the staff costs transferred to capital. Mr Mackay explained that this referred to the Project Team which was still required for the original programme of work to be developed and this would run for at least another year.

## **6. Agency 2010-1 Business Plan and Budget (paper 21.6)**

6.1 Mr Mackay provided an update on progress on the SPPA Business Plan and Budget for 2010-11. He reported that this would be a year of considerable challenge in the light of a reduced financial allocation. He drew the Board's attention to three specific issues: (i) the significant uncertainty and risk associated with the unknown outcome of the 2010 UK general election, particularly in terms of the impact on the Agency's finances and on its involvement with further pension policy reform; (ii) the significant list of new tasks which the Agency planned to take forward in 2010-11; and (iii) the importance of the 2010 Spending Review which would determine the Agency's finances for the following three years.

6.2 He noted that as a result of efficiency savings, a number of significant reductions could be made to running costs expenditure in 2010-11; but that the Agency would still be required to reduce its staffing complement by around 13 people. These reductions had been shared across each functional area although the majority fell within the Operations Directorate.

6.3 Mr Mackay drew the Board's attention to the risk of the Agency not meeting all of its KPI targets in particular the target of issuing benefit statements to members of the NHS scheme. He suggested that once the Business Plan had been finalised, copies should be sent to Board members.

**Action: Send final Business Plan to Board members upon its sign-off by Senior Management Team.**

6.4 The Board had a general discussion about the draft Business Plan in which a number of detailed questions were asked and to which satisfactory answers were provided. These included questions about the size and scope of the Agency's proposed staff training programme; the risks of KPI's not being met; and the importance of monitoring progress closely during the year in order to provide robust evidence about the potential impact of further financial reductions on the Agency's service standards.

## **7. HR Strategy and Communications Strategy updates (paper 21.7)**

7.1 Mr Fenton reported that the External Management Board had approved the Agency's HR and Communications strategies when it met in July 2009. The report provided a summary of progress to date, although it did not give due credit to the Agency having achieved Investors in People Silver Status during Q3. Both strategies support the Agency in achieving its objectives set out in the Corporate Plan period.

7.2 In respect of the HR strategy 5 actions had already been completed with a further 10 in progress, while 3 (marked in red in the paper) had yet to commence. In respect of Communications, 10 actions had been completed, a further 10 were in progress and 11 had yet to commence.

7.2 Mr Taylor asked for a definition of the colour coding used to be made available for future reports. The Board felt that the format used to present progress was both clear and helpful, and requested that it be used for future discussions. It was also suggested that the next Board meeting might consider a similar report on progress with the Agency's Training strategy.

**Action: CF to provide colour code key within future reports and to bring progress report on the SPPA Training strategy to the next meeting**

## **8. 2009 Stakeholder Survey Analysis (paper 21.8)**

8.1 Mr Mackay reported on the fourth Annual Survey of customer satisfaction conducted by the Agency involving scheme members and employing organisations had produced interesting, challenging and sometimes perplexing results. Overall the feedback was extremely good with very positive responses recorded for issues such as the politeness of staff, the ways in which they handled telephone calls, and the quality of information provided in employer circulars. However, the overall customer satisfaction scores for the Agency showed a reduction of 5% in the member survey compared to 2008; and a 13% reduction for employers. The main areas of dissatisfaction concerned the timeliness of responses to letters and e-mails, the quality of information provided in some of those responses and the difficulties associated with contacting the right member of staff as a result of the new voice activated telephone system which had been introduced in 2009.

8.2 Mr Mackay explained that the introduction of the Voice Recognition System clearly did not work as well as had been expected, and the Agency would review this as a matter of urgency. He also noted that at present the Agency deliberately chose not to acknowledge letters it received from customers. This was for cost reasons given the very significant numbers of mail items received each year. However, it would revisit this policy and look at the scope for making any cost effective changes in the future. Mr Mackay also advised that the Quality Assurance and training teams would continue to focus on focusing on quality improvement issues during the year.

8.5 On a final point Mr Mackay noted that he had just received the provisional results from the 2009 Staff Survey, and was pleased to note that this had recorded

some significant improvements during the year. It was agreed that this should be subject to a more detailed discussion at the next External Management Board meeting.

### **Action - Staff survey results to be presented to the External Management Board at the next meeting**

8.6 Mrs Edey asked whether, given comments from members and employers, the Agency might consider reintroducing a geographically based team structure. Mr Clapperton said that this was unlikely, as the new functional structures had been introduced for a specific reason and the reasons underpinning that decision still remained valid. However, he noted the strength of feeling that had been expressed about the benefits of contacting known individuals, and would consider how this might be accommodated within any new arrangements.

## **9. Programme of AC and EMB meetings 2010-2011 (paper 21.9)**

9.1 Mr Mackay noted that the Board might find it helpful to have a regular meeting planner update. This was supported by the Board.

## **10. Any Other Business**

10.1 Mr Clapperton issued to the Board the Q3 Quality Assurance report for the Operations directorate. He noted that the combined accuracy statistics for NHS/STSS was 94.31%, although the figure was significantly higher for NHS than STSS. The reasons for this were under investigation.

10.2 Mr Taylor reported that both Mrs Edey and Mr Smith had their term of service on the External Management Board extended by 3 years, which meant that they would continue to be on the Board until mid-2013. Mr Taylor thanked them both for their continued service.

## **11. Date of next meeting**

11.1 27 April 2010

### **Summary of Action Points - to be completed**

<b>Action Point</b>	<b>Paragraph</b>	<b>Responsible Officer</b>
To report on the outcome of Agency's assessment of scope for issuing NHS Benefit Statements for 2010-11	4.5	Mr Mackay
Efficiency Strategy to be available for discussion at the next External Management Board meeting	4.10	Mr Mackay
Final Business Plan to be sent to External Management Board members upon its sign-off by Senior Management Team	6.3	Mr Mackay

Colour code key within future HR and Communication strategies update; and to bring progress report on the SPPA Training strategy to the next External Management Board meeting	7.2	Mr Fenton
Staff survey results to be presented to the External Management Board at the next meeting	8.5	Mr Mackay