

**MINUTES OF MEETING OF THE SPPA EXTERNAL MANAGEMENT BOARD
TUESDAY, 22 OCTOBER 2013**

Present:

James Taylor	Chair
Julia Edey	Non - Executive Director
Alex Smith	Non - Executive Director
Sheena Cowan	Non – Executive Director
Eleanor Emberson	Director of Financial Strategy and Revenue Scotland
Neville Mackay	SPPA Chief Executive
Pamela Brown	Director of Operations
Marion Chapman	Director of Corporate Services
Chad Dawtry	Director of Policy
Susan Gray	Director of Business Change Programme

Minutes: Liz Rae

Introductory Remarks

1. Mr Taylor welcomed everyone to the meeting and introduced Sheena Cowan as a new SPPA Non – Executive Director and member of the SPPA External Management Board. Ms Cowan had been appointed in order to broaden the Boards expertise as the Agency prepared to implement the 2015 Pension Reforms.
2. Mr Taylor then requested that the order of business be changed to allow Mr Dawtry to attend another meeting. Items 1, 2, 3 and 4 would now be followed by item 7 and then the business would follow as per the Agenda.

Minutes of Previous Meeting (Paper 36.1)

3. The minutes of the previous meeting held on Tuesday 30 July were agreed. With the exception of Action Point 2.2 all had been completed. Mr Mackay is awaiting a formal response from GAD to his letter before circulating to the Board.

Audit and Risk Committee (ARC) Report and Draft Minutes 8 October 2013 (Paper 36.2)

4. Mr Smith introduced the paper, explaining that the minutes were still in draft but only a couple of changes were needed which he would make after the meeting. Mr Smith then highlighted the following areas to the Board:
 - 4.1 The Board had agreed a **revised audit plan** - taking out the planned audits of Pension Reform Agenda and Contingency Business Planning and replacing these with Risk Management and IT Services;
 - 4.2 Mr Mackay to report on **GAD progress** in implementing their promised process on changes following from their valuation error;

- 4.3 The recommendation of the Committee that Mr Mackay, as Accountable Officer, signs the **NHS and STSS Scheme Accounts**; and
- 4.4 The agreement that ARC would have responsibility for the oversight of Risk and Governance within the **Business Transformation Programme**.

SPPA Progress Report Q2 2013 – 14 (Paper 36.3)

5. Mr Mackay introduced his paper by drawing the Boards attention to:
 - 5.1 The responsibility for administering the **Police and Fire Pension Scheme** will transfer to SPPA from April 2015;
 - 5.2 **Progress against the Agency's 29 Business Targets:** This was progressing well and there were no substantive issues arising. Mr Mackay said he was confident that any red targets would be green by the year end he also reminded the Board that the Agency's Senior Management Team would shortly review the Business Plan Targets for 2013-14 prior to crystallising them. The amended targets would be included in the papers for the February Board meeting.
 - 5.3 The Agency had received 7,000 **opt – out forms** arising from the auto enrolment obligations for the NHS and STSS schemes. This was much higher than the figures estimated by HM Treasury and had resulted in a new set of Business Processes being developed within the Operations Directorate;
 - 5.4 Initial results of NHS/STSS **GAD scheme valuations** raised the possibility that the increase in the Employers Contribution Rate from 2015 could be quite substantial, however, more work was required before this potential outcome could be confirmed;
 - 5.5 The '**Pensions in an Independent Scotland**' paper was published by the Scottish Government on 23 September;
 - 5.6 The main outstanding financial issue facing the Agency in 2013-14 concerned the **cost pressures on the Actuarial Services Budget** where non-re-curing costs of £1m would be scored against a budget of £200k provided to date. Mrs Emberson advised that this issue had been discussed at the last meeting of the Scottish Governments, Pension Reform Programme Board. It had been agreed that that costs should be met by workforce areas within the Scottish Government.
6. Mr Mackay then asked if anyone had any questions/comments and the following points were discussed:
 - 6.1 Mr Taylor said that he was encouraged by the number of Pensioners who had registered for the On-Line service in such a short space of time (about 20% of all Members were now on line);

- 6.2 Mr Smith asked if the Board could have an update on the Agency's Complaints Handling Procedures. Mrs Brown confirmed that a paper was being prepared and that she would report to the Board in 2014 with the results once it had been agreed by the Senior Management Team. Mr Mackay noted that it was taking longer to resolve than expected because of a new requirement to ensure that the complaints process also complied, where necessary, with new advice from the Scottish Public Sector Ombudsman.
- 6.3 Mr Smith then commented on the Annual Returns asking if we could sustain these good figures and if there was a possibility that data quality could be further improved. Mrs Brown replied that there were a number of improvements both being enacted and also in the pipeline which would continue to drive up the quality of member data. SPPA had contacted employers and advised them that HMRC would now fine employers who submitted late returns. In the longer term it was hoped that more could be done to ensure future data submissions were validated at source;
- 6.4 Mrs Edey expressed her concerns at the rise in staff absences. Mrs Chapman said that there were no quick fixes for this and that the Agency had a robust Absence Management Policy that was strictly adhered to but there had been a lot of long-term sickness. Mr Smith said that it would be good to keep an eye on the situation. Mr Mackay informed the Board that the Agency was providing a free flu inoculation for staff again this year and that around 80 were benefitting from this.
- 6.5 Mrs Edey asked about the unusual drop in STSS Post Payment checks to below 95%. Mrs Brown explained that they had lost some key staff and alongside the competing pressures of August retirements and capitalisation it had impacted on results. The team had now been allocated more resources so the figures should improve.
- 6.6 In regard to the publication of 'Pensions in an Independent Scotland' Mrs Emberson said that there hadn't been a muted public reaction to the paper, which illustrated how pensions had become a central issue in the Independence debate. She also noted the amount of work Mr Dawtry and others had put into this.
- 6.7 Regarding the 'Key Business Tasks' Mr Mackay said that a number of new tasks associated with taking on Fire/Police would be built into an amended version of the Agency's Business Plan.

Actions:

1. Mrs Brown to inform the Board of the outcome of the paper on the Agency's compliance with the new complaints procedures (Para 6.2);
2. Mr Mackay to update 'Key Business Tasks' to reflect new Fire and Police tasks (Para 6.7).

SPPA Finance Report Q2 2013 – 14 (Paper 36.4)

7. Mr Waugh presented his paper highlighting the following key points:
 - 7.1 Mr Swinney's announcement on 11 September confirming additional **Capital Budget** cover being allocated to SPPA to take forward the Capital Programme;
 - 7.2 The increase in the **NHSS Budget** from £1,471.7m to £1,528.9m and the reduction of the **STSS Budget** from £1,355.9m to £1,158.5m;
 - 7.3 The increase in the **Agency's Resource Delegated Budget** from £11.9m to £12.5m;
 - 7.4 The **Fixed Asset Register** had been updated year end 31 March 2013 with adjustments and new capital assets purchased during the current year. Also the year to date depreciation of £796,000 had now been posted to SEAS; and
8. Mr Waugh then requested the Board to recommend that Mr Mackay, as Accountable Officer, sign the 2013-14 NHS Superannuation Scheme (Scotland) and the Scottish Teachers' Superannuation Scheme Annual Report and Accounts. (Action 6.5 Minutes of ARC Meeting on 8th October).
9. **It was agreed that Mr Mackay should sign the two sets of accounts as recommended.**
10. Mr Waugh then asked for any comments/questions on his paper and the following were discussed:
 - 10.1 Mr Taylor commented that the Agency was in as good a financial position as it could be. The importance of maintaining agency credibility with SG officials and Ministers was duly noted;
 - 10.2 Mrs Emberson spoke regarding the Agency Resource Delegated Budget and said that she needed to be informed of any additional requirements as soon as possible; and
 - 10.3 Mrs Edey asked about the underspend in Actuarial Services (recurring). Mr Mackay said that actuarial activity to date had focussed on reform related issues. However, he expected the emphasis to switch to recurring actuarial tasks later in the year, and this should mean that the allocated budget would be spent.
11. Mr Taylor said that this was a good report and that any further allocations required should be discussed between Mrs Emberson and Mr Waugh.

Pension Reform Update (Paper 36.8)

12. Mr Dawtry introduced his paper informing the Board that it should be read alongside paper 36.5 (SPPA Business Transformation Programme 2013 – 18). In his presentation of the paper Mr Dawtry highlighted the following sections of his paper.

12.1 HM Treasury advice is expected shortly around the third and final increment of **employee contribution increases**, and HMT has also been drafting directions on current and future **scheme actuarial valuations** and the operation of employer cost-capping. The new actuarial guidance was proving onerous and would have the effect of increasing scheme costs.

12.2 The Pensions Regulator has produced a draft **Public Service Code of Practice** which the Agency has commented on;

12.3 The negotiation phase of the **reforms** has, to all intents and purposes, drawn to a close for all five schemes; and

12.4 Under **Governance** he said that to date there has been some discussion around the terms of the new Scheme Advisory Boards. He would discuss the implications of SPPA now being responsible for the four schemes with the Pension Regulator. Mr Mackay said that it was important that being responsible for four schemes did not require the Agency to have to carry out four of everything in terms of the work of the scheme advisory Boards. He would be looking to develop sensible arrangements which minimised the risks of needless duplication of effort whilst recognising the wishes of the Pensions Regulator and the relevant legislative obligations.

13. Mr Dawtry then asked for any comments/questions on his paper and the following were discussed:

13.1 Mr Smith asked if there was a point where the Board should meet again with the Pension Regulator. Mr Dawtry replied that he would raise this possibility when he next met with the Regulator in November.

14. The Board thanked Mr Dawtry for his Paper and update.

[Mr Dawtry left the meeting for another engagement]

Fire and Police (Oral Update)

15. Mr Mackay confirmed to the Board that as from 1 April 2015 the responsibility for the administration of the Police and Fire Pension Schemes will pass to SPPA and that the Agency would now begin focusing on making decisions on costs, roles and responsibilities etc. He focussed on two areas in particular:

- a) **Project planning issues** - Mrs Brown would be leading on this and we hope to have a Project Manager in place as soon as possible;

- b) **Financials** – Mr Mackay informed the Board that he is meeting with Justice Department Officials to discuss both Transitional Costs and on-going service charge costs.

16. He noted that SPPA and its IT Provider were assessing the **technical issues** associated with transferring the data to SPPA and this work is continuing.

17. Mr Mackay said that he would provide a further update at the next meeting.

18. The Board agreed that it should be kept informed of Progress, and agreed with the need to employ a Project Manager as soon as possible.

Actions:

1. **Mr Mackay to provide update on F&P at next meeting (Para 17);**

SPPA Business Transformation Programme 2013 – 18 (Paper 36.5)

19. Mrs Gray presented her paper to the Board explaining that she would focus on the outcome of the first Business Transformation Board meeting that took place on 9 October. She highlighted the following areas:

19.1 The SPPA Business Transformation Programme Board agreed on its **Vision** which is -

“ to enable SPPA to undergo the far reaching business changes necessary for it to successfully deliver its business objectives from 2015; and to develop its status as a national centre of expertise for the operational delivery of public sector pensions services. “

19.2 The **Programme Outcomes** were agreed as being:

1. Ensure the continuity and quality of pensions services as changes to pension schemes are implemented;
2. Enhance the way in which the organisation and its systems and data are managed to enable successful business change;
3. Accommodate the strategic development of the Agency’s services and governance arrangements; and
4. Build on key internal and external relationships during a period of significant change supported by a flexible, knowledgeable workforce.

19.3 The Programme will have **4 Phases** which are:

1. Definition;
2. Delivering Capability;
3. Business Implementation; and
4. Programme Close

19.4 Mrs Gray highlighted that there were key **crosscutting issues** that needed to be identified and dealt with as a matter of great importance.

19.5 She also drew the board's attention to the Annexes:

- A. Purpose and Roles and Responsibilities
- B. Programme Plan
- C. Project Summary
- D. Risk Register

20. Mrs Gray then asked for any comments/questions on her paper and the following points were discussed:

20.1 Mrs Edey said that it was a very comprehensive paper and agreed that it would be advisable to consider the crosscutting issues sooner rather than later.

20.2 Mr Taylor stated that he was comfortable with the progress and would like to be kept informed on the Programme and Governance Assurance arrangements as these developed;

20.3 Mrs Emberson said that she was impressed at the way the documentation was set out and asked if she could share the method with others.

21. Mrs Gray added that the Risk Register and other documents would change and adapt as the Programme advanced and she would report back to ARC, as requested, regarding the Risks.

22. The Board endorsed the decisions made at the Programme Board and the ARC meeting.

SPPA IT Strategy (Paper 36.6)

23. Mrs Chapman presented her paper to the Board which set out SPPA's IT Strategy and highlighted the following points:

23.1 The new **Business Transformation Programme** had a major dependency on IT solutions and made reference to the new Scottish Government (SG) 'Digital' team. They have introduced a Digital Public Services Strategy that had been set up as a result of the recommendations made by the McClelland review of Digital Public Sector IT;

23.2 At the moment SPPA were examining what was the best way to **engage with stakeholders and customers** to ensure that their views and concerns were taken into account in developing IT solutions;

- 23.3 The importance of ensuring **Procurement Processes** were carried out correctly. Mrs Chapman informed the Board that SPPA have appointed an experienced Procurement Officer who will start work formally in January 2014.
- 23.4 The report into IT failures in the Public Sector, produced by **Audit Scotland** is being used as a checklist in the process;
- 23.5 The Board were informed that **success would mean** improved, integrated modern technical solutions that have been developed with our customers' needs in mind. Our customers and stakeholders will be able to find and use our services easily and those services will be capable of responding quickly to changing needs. Our IT platforms will be agile and adaptable and cost effective; and
- 23.6 There had been a meeting with **SG Digital Services** to investigate the requirements of their IT Investment Board and understand their expectations.
24. Mrs Chapman then asked for any comments/questions on her paper and the following points were discussed:
- 24.1 Mr Mackay commented on the content and layout of the report, saying that the way we now crystallise our strategies all onto one page of paper makes for better understanding and enables staff to be clearer about what the Strategy means for them.
- 24.2 Mrs Edey asked to what extent, going forward, could we influence any changes associated with the SCOTS System. Mrs Chapman told the Board that the Agency was in constant contact with the SG 'Digital Team' and will be as we go forward with our digital goals, and this would include feedback on the SCOTS system.
- 24.3 Mr Mackay assured that Board that we had the endorsement of the SG to our IT Strategy and said that we were in constant dialogue with the centre on how our Digital needs could be met.
- 24.4 Ms Edey said that she was concerned that there were several areas within Scotland that didn't have good access to Broadband to take advantage of advanced Digital Services.
- 25. The Board agreed this approach and suggested that the Agency keep up the engagement with SG Digital Services and the SG IT Investment Board.**

Interim IT Solution (Paper 36.7)

26. Mr Mackay presented his paper which set out the reasons why the SPPA Senior Management Team had overturned its previous decision to adopt the Axise Platform as the solution for NHS and STSS 2015 – 17 and had now decided to adopt the Altair Platform.

27. Mr Mackay stated the main key factors that were taken into account before the new decision was made were:

27.1 **Cost** – The proposed overall cost of Altair is certainly affordable in comparison with the previous cost and also cheaper than the alternative Axis-e option. There is no doubt that if these terms were available in July we would have recommended this option be accepted;

27.2 **Business Capacity and Business Risk** – the main business risks have been carefully considered and mitigated. Given the additional tasks associated with the transfer of Police and Fire schemes to SPPA and the need to protect 'Business as Usual' Altair is the best option. One critical factor in reaching this conclusion is that the IT supplier will be much more willing to support SPPA through the Business Change Process using the Altair platform than using the alternative;

27.3 **Technical Capability** – Mr Mackay explained that Altair provided a much better technical solution because of the nature of the database underpinning the system. Axis-e would still remain as a contingency for a period; and

27.4 **Strategic Fit** – Mr Mackay stated that moving NHS and STSS to Altair provides a better fit with the Agency as a whole and the 1213-18 Business Change Programme.

28. Mr Mackay then asked for any comments/questions on his paper and the following points were discussed:

28.1 Mr Taylor said that it seemed clear that had these costing options, including a fixed price, been available earlier then Altair would have been the chosen solution.

28.2 Mr Smith said that he was comfortable with the change but asked if this was best commercial practice and whether we had taken advice on our approach.

28.3 Mr Mackay answered that it was clear in procurement terms that as we had an existing contract with a clause that allowed changes/additions to be made during the existing contract and this was what we were doing. We would be basing any changes to the contract on advice from procurement and legal experts.

28.4 Mrs Edey said that she was disappointed that it had taken the supplier 3 months to come up with this new solution and price but also agreed that it provided the best solution to the SPPA's needs.

28.5 Mrs Emberson said that if the current supplier wanted to have a chance of getting the contract again when it comes up for renewal they would have to do a good job.

29. The Board Endorsed the Agency's decision to adopt the Altair upgrade. The Board suggested that the Agency should check that this had been carried

out in best commercial practice and that the SMT's pursuit of enhanced Digital availability was imperative to the future of the business.

EMB Meeting Planner (Paper 36.9)

30. The meeting dates were agreed and 5 February was agreed as the date for the next EMB Away Day.

Next Meeting

31. The next meeting of the Board is scheduled for Tuesday 4 February 2014 at 13.30 at SPPA.

Summary of Actions

Number	Para	Action	Action Officer
1	6.2	Mrs Brown to inform the Board of the outcome of the paper on the Agency's compliance with the new complaints procedures.	Mrs Brown
2	6.7	Mr Mackay to update 'Key Business Tasks' to reflect new Fire and Police tasks	Mr Mackay
3	17	Mr Mackay to provide update on F&P at next meeting	Mr Mackay