

**SCOTTISH PUBLIC PENSIONS AGENCY
MINUTES OF THE EXTERNAL MANAGEMENT BOARD MEETING HELD AT
13:30 HOURS ON 27 OCTOBER 2009 AT TWEEDBANK**

In Attendance:

James Taylor	Chair
Julia Edey	Non-executive Director
Alex Smith	Non-executive Director
Alyson Stafford	Non-executive Director (SG Director of Finance)

Neville Mackay	SPPA Chief Executive
Pamela Brown	Director of IT and Major Projects
Chris Fenton	Director of Corporate Services
Lila Tereszczyn	Minutes

1. Apologies and Introduction

1.1 Mr Taylor welcomed everyone to the meeting.

1.2 Mr Mackay advised that Mr Clapperton was on annual leave and Mr Dawtry was attending external training. The Board agreed to re-arrange the running order of the agenda to accommodate further discussion arising from the External Management Board awayday and budget brief meeting held on 26 October.

2. Minutes of Last Meeting and Matters Arising (paper 20.2)

2.1 The minutes of the previous meeting on 28 July 2009 were agreed and noted.

The summary of the action points was addressed:

2.2 (4.3) Agency accounts have received final audit clearance - Mr Fenton advised that Board members were informed in August when the Agency's accounts were signed.

2.3 (5.6) AXISe progress update - Mrs Brown advised that this would be covered separately during the meeting (refer to para 7.1)

2.4 Mr Taylor advised that the remaining items relating to the provision of updates on the Agency's communications and HR strategies would be covered at the 2 February 2010 meeting.

2.5 Mrs Edey asked what the timeframe was for the single co-ordinating body for GMP to be established to co-ordinate future data sharing issues under the auspices of either the Cabinet Office or DWP. Mr Mackay said that it had been reported at a meeting of the HMT MOCOP group, which had met earlier in the month, that DWP would act as the coordinating body. The Agency will contact them in order to establish what role it can play in the arrangements.

3. Debrief of External Management Board Awayday and Outcomes

3.1 Mr Taylor reported that the self assessment of Board Performance had been carried out and that the outcomes of this, together with other issues discussed during the awayday had been recorded in an action point note by the Chief Executive. The Board agreed that the action point note represented the formal record of the discussions which took place during the day.

3.2 Mr Taylor noted he and the Chief Executive had met with Ms Stafford on 27 October in order to brief her about the main outcomes arising from the awayday and to discuss some of the financial issues which the Agency faced from April 2010.

3.3 Ms Stafford apologised for her absence from the awayday but said she was heartened by the ground it had covered. She commented that it was entirely appropriate for the Board to consider adjustments to its governance arrangements which might be required as a result of both day to day experience in working with the Agency and of the recent change in Chair. It was also relevant to consider how these sat alongside the specific Accountable Officer responsibilities of the Chief Executive. In order to assist with the discussion about the nature of the Agency's engagement with the Scottish Government, she explained the accountability structures within the Scottish Government, through which the Agency reported. In view of the split responsibility between the Director General for Economy and the Director General for Finance and Corporate Services, it was agreed that Mr Taylor and the Chief Executive, together with Ms Stafford in her capacity as the Agency "Fraser Figure", should seek a meeting with both parties as a useful starting point for discussions about the future challenges faced by the Agency.

Action: Chairman's meeting to be sought with DG Economy and DG Finance and Corporate Services.

4. Audit Committee Report (paper 20.3)

4.1 Mr Smith reported on the main issues and recommendation arising from the Audit Committee meeting on 20 October. He noted the views of both Internal and External Auditors in respect of the Agency's Annual Report and Accounts and Statement of Assurance. He also noted that there had been a discussion about the format of the tracker used to inform the Committee about progress with outstanding audit recommendations; and a constructive discussion about the future audit programme for the Agency. It had been agreed that Mr Smith and the Chief Executive should meet with audit colleagues before the next Audit Committee meeting in order to discuss these issues further, with the objective of improving the way in which audit recommendations are used to improve the business of the Agency.

4.2 Mr Smith then brought to the Board's attention the identification of two additional risks which had been included in the latest version of the Agency's risk register; and of work which the Agency was taking forward in the field of information assurance. He then formally notified the Board of the Committee's recommendations

regarding its approval for the final sign-off of the scheme accounts; and the proposed process for dealing with “whistleblowing”. The Board agreed to these.

4.3 In discussion, the Board also signalled its strong support for the development of a three year forward audit programme for the Agency, and encouraged a dialogue between the Agency and its auditors in order to achieve this. The Board also endorsed the need for further discussion in order to clarify the basis by which different levels of audit recommendation were ascertained and to ensure that the audit tracker was fit for purpose. Ms Stafford agreed to provide a template of similar trackers used elsewhere within the Scottish Government to assist this process.

Action: Ms Stafford to provide Audit Tracker template

4.4 Mr Smith then said that the Audit Committee had considered whether the responsibility for monitoring areas such as Health and Safety and Equalities should rest with the Committee as opposed to the External Management Board. Following discussion it was agreed that this responsibility should be allocated to the EMB, and that the Forward Meeting Planner for future EMB meetings should be modified to reflect this task.

4.5 The board then discussed the proposed timetable for the publication of the Agency’s Schemes’ accounts. Mr Fenton stated that if the report was signed this week, it could be printed and laid before Parliament in early December. There followed a discussion about the need to physically print reports as opposed to making them available in electronic format. Mr Fenton agreed to investigate the pros and cons of both methods and to report back with some conclusions at the next meeting

Action: Mr Fenton to consider merits of electronic vs physical publication of accounts and annual report documentation and report back at next meeting.

5. Agency Progress Report to 31 July 2009 (incl. Q2 progress against Business Plan Targets) (paper 20.4)

5.1 Mr Mackay, in presenting his report, noted that the Agency was making satisfactory progress against its key Business Plan targets. Although it was behind schedule in three tasks, due to other work pressures, five tasks had been completed and seventeen were on schedule. He noted that the main focus for the Agency during the past quarter had been on the implementation of the AXISe system, and this had inevitably meant that some other activities had been displaced.

5.2 Mr Mackay then drew the Board’s attention to a number of specific issues. On the National Fraud Initiative (NFI), he explained that the project had now reached conclusion. The exercise had resulted in 1500 cases being checked, out of which 29 overpayments totalling £130k had been identified. None of these were fraud cases. He said that following previous concerns about the way in which the Agency managed the NFI, the process had been significantly strengthened this year. One positive outcome of this was that the Agency had found it easier to handle the NFI task within the timescales set by Audit Scotland.

5.3 On NHS Choice, Mr Mackay explained that the exercise was still on track for implementation in January 2010. The Agency's senior management team took a collective responsibility for managing the risks associated with the project, and as part of this process Health Boards were currently assessing the accuracy of member home address data. Based on the results of this exercise, together with other actions taken by the Agency and health employers to mitigate risk, the Agency would make a decision in November on whether to send Choice data to member home addresses.

5.4 Mr Mackay reported that the Agency was in discussion with a significant public body over the possible provision of pension administration and consultancy services. The Agency was currently developing detailed costings with a view to reaching a formal agreement during early 2010. Ms Stafford suggested that any such arrangement should make clear where the financial responsibility lay in the event of administrative errors being made, and Mr Mackay agreed to pursue this point.

Action: Agency to ensure that financial responsibilities and liabilities arising from third party administration contracts are clarified

5.5 Mr Mackay then provided an update on the Local Government Pension Scheme Pathfinder project. He reported that the Project Board had reached conclusions regarding the first phase of the work, and this would be communicated shortly to key stakeholders. There was also an agreement as to how the work should be taken forward. Although the Agency was willing to participate in this further work, there were potential propriety issues which were being investigated before a final decision about the Agency's role could be taken.

5.6 Mr Mackay reported that in July 2008 the Investors in People (IiP) UK organisation had introduced three additional levels of accreditation i.e. gold, silver and bronze. Notification was received this morning, following a full extensive assessment involving more than fifty staff, that the Agency had been recommended for silver status (note: subsequently confirmed on 3 November) resulting in the Agency becoming one of the first public sector bodies to receive this level of accreditation. The Board commended the Agency on this work and Mr Taylor commented on the strong ethos of cohesion and team work within the Agency.

5.7 In general discussion, Mr Smith asked about the extent to which trends relating to customer complaints were addressed by training and quality assurance processes. Mr Mackay apologised for the fact that the usual quarterly Quality Assurance report had been omitted from the Board papers. He assured the Board that the QA team worked closely with the Agency's training manager to ensure that issues addressed by customers were resolved through improved training and business processes.

5.8 Mr Smith also suggested, in the context of a discussion about the Agency's HR metrics, that it would be helpful if future reports provided an appropriate comparator figure in order for the Board to assess the nature of progress.

Action: HR metrics report to include appropriate comparator data.

5.9 As part of the discussion on HR issues, Mr Taylor asked whether the Agency monitored the reasons why people left the organisation. Mr Mackay explained that all leavers were interviewed upon their departure and this provided a useful way of establishing whether there might be actions for management which were not apparent from the other staff engagement processes used by the Agency.

6. SPPA Finance Report Q2 (paper 20.5)

6.1 Mr Fenton presented the finance position of the Agency and of the pension schemes at the end of September, together with the forecast position at the end of the financial year. He advised that the budget figures for the schemes had been revised in line with those submitted during the Autumn Budget Review process.

6.2 He explained that Appendix 2 gave a summary of the debt/overpayment position at the end of September. In six months, with additional overpayments and recovered amounts, the level of debt over the first quarter fell by £29k. He also indicated that the net resource expenditure was above budget by 0.2%. Mr Fenton predicted that there would be improved performance once the debt collection system was up and running at the end of December and that this would be the last report presented in this format. Mr Smith noted that he was content that the new debt recovery collection process would soon be in place and would like to see evidence of improvement for future meetings.

6.3 Mr Fenton reported that the Agency finance budget for 2009-10 was based on the baseline provision, advised by FSG, and two transfers from Health Department of £70k and £303k. He advised the Board however, following notification from FSG, that the baseline provision already included the £70k transfer from Health Department. This would necessitate compensating adjustments to the expenditure in the rest of the year. Mr Smith noted that there needed to be greater clarity about the basis of funds allocated to the Agency, and it was agreed that one way of achieving this would be for the Agency to seek written confirmation of its understanding of budget allocations in the future.

Action: Agency to seek written confirmation from SG of its understanding of its future budget allocations

6.4 Mrs Edey noted that there would be an overspend of £170k by the end of the year for staff costs. Mr Mackay explained that this was because the Agency had made a conscious decision to run at the maximum staffing complement during the year and turnover had decreased. However, compensating savings were available elsewhere in the Agency's administration budget.

6.5 Turning to the Agency's capital budget, Mr Fenton advised that the largest component of capital expenditure was the Pension Change Project. Because of delays to the project, the timing of milestone payments to the contractor had slipped

from the last financial year into the current year. He explained that FSG were notified of this issue and as a result the Agency had been advised of an increase of £1.6m in the capital allocation. The adjustment, however, did not take into account more recent changes which would result in a capital overspend this year of £270k. Since the allocation for depreciation and cost of capital was set under the SR07 process our current forecast would result in our overall allocation close to budget.

6.6 The Board highlighted a small number of discrepancies to Appendix 3 of the Finance Directors report, and asked for a revised version to reflect the current revised budget.

Action: Mr Fenton to revise the budget figures and circulate the changes to the Board

6.7 Ms Stafford asked when the next actuarial review of scheme costs was due. She noted that if the assumptions changed, then there would be a need to reflect these in the overall SG Spring Budget Revision. Mr Fenton agreed to consider this request and report back to Ms Stafford quickly.

Action: Mr Fenton to advise Ms Stafford of timings of future actuarial review of NHS and STSS costs.

7. AXISe NHS Implementation Report (paper 20.6)

7.1 Mrs Brown provided an update on the progress of the Pension Change Project which focussed on the NHS AXISe implementation. She explained that the implementation took place on 24 September 2009 as planned with a ten day transition period over the long weekend to minimise downtime. This was preceded by a full training programme specific to work areas and workshops to all NHS staff. Heywood floor walkers supplemented the process later. A support process had been implemented for the logging and monitoring problems in the live environment and all support work would be handed over to ISU at the end of December.

7.2 She reported that the transition was much smoother for NHS than for the STSS implementation due to lessons learnt from the previous STSS implementation. She explained that some calculation issues were still being addressed by the supplier, mainly in the area of GP Practitioners and Injury Benefits. These were still under test and would be implemented as soon as possible.

7.3 She noted that the Gateway 5 review (implementation) would take place at the end of March. The Project team would be meeting with the supplier in November to plan the remaining work streams such as data interfaces and web services.

7.4 Mrs Brown advised that the project was currently on budget but there was very little contingency budget for any potential changes or project management costs which were estimated at about £200k. She reported that regular communication was taking place with staff and was still continuing. A circular had been issued to NHS employers advising of the new system implementation.

7.5 In discussion, Mrs Brown was asked whether the Agency intended moving to the new Altair system once the AXISe system had been implemented fully. She advised that there were some financial issues associated with this, and that the Agency would need to consider carefully the business benefits of further significant change. A full options assessment would be undertaken before any decision was taken.

7.6 Mrs Edey asked about the legacy system provided by Northgate and how long the Agency would be retaining this. Mrs Brown advised that the Agency was now paying a reduced rate for a read-only service and the contract would end at the end of March 2010.

7.7 The Board congratulated the Agency on the implementation of the NHS element of the project.

8. SPPA Budget 2010-11

8.1 Mr Mackay reviewed the main issues relating to the Agency's 2010-11 budget. The board endorsed the approach being taken by the Agency and discussed the handling arrangements for further engagement with the Scottish Government on this issue.

9. Future Meeting Planner (paper 20.7)

9.1 The Board agreed the dates of future meetings subject to any possible changes in governance reporting dates required by the Scottish Government

10. Any Other Business

10.1 There was no other business.

11. Date of Next Meeting - 2 February 2009

Summary of Action Points - to be completed

Action Point	Paragraph	Responsible Officer
Chairman's meeting to be sought with DG Economy and DG Finance and Corporate Services	3.3	Mr Mackay
Audit Tracker template to be provided	4.3	Ms Stafford
Merits of electronic vs physical publication of accounts and annual report documentation and report back to next meeting	4.5	Mr Fenton
Agency to ensure that financial responsibilities and liabilities from third party administration contracts are clarified	5.4	Mr Mackay

HR metrics report to include appropriate comparator data	5.8	Mr Fenton
Agency to seek written confirmation from SG of its understanding of its future budget allocations	6.3	Mr Fenton
Budget figures to be revised and changes circulated to the Board	6.6	Mr Fenton
To advise Ms Stafford of future actuarial review of NHS and STSS costs	6.7	Mr Fenton