

**SCOTTISH PUBLIC PENSIONS AGENCY  
MINUTES OF THE EXTERNAL MANAGEMENT BOARD MEETING HELD AT  
13:30 hours ON 28 APRIL 2009 AT TWEEDBANK**

**In attendance:**

Alyson Stafford	Chair
Julia Edey	Non-executive Director
Alex Smith	Non-executive Director
James Taylor	Non-executive Director
Neville Mackay	SPPA Chief Executive
Ian Clapperton	Director of Operations
Chris Fenton	Director of Corporate Services
Lila Tereszczyn	Minutes

**1. Apologies and Introduction**

- 1.1 Ms Stafford welcomed everyone to the meeting.
- 1.2 Apologies were received from Chad Dawtry and Pamela Lane.

**2. SPPA Staff Video**

2.1 Mr Mackay advised that the Agency had developed a video to tell the story of the journey that it had undertaken since its relocation from Edinburgh to Tweedbank in September 2002. The video would be shown to all 250 Agency staff as part of its presentations on the Agency's 2009-10 Business Plan scheduled for the following month. It was aimed to make staff more aware of the broader context within which the Agency operated and a wider appreciation of how that context shaped the Annual Business Plan. The Board were given a preview of the video.

**3. Minutes and Matters Arising (18.2)**

3.1 The minutes of the previous meeting on 3 February 2009 were agreed. Ms Stafford thanked Mr Taylor for chairing the last External Management Board meeting in her absence.

The summary of action points was addressed:

3.2 HR Strategy - Mr Fenton advised that this would be covered separately during the meeting (refer to para 8.1)

3.3 Report on sickness absence - Mr Fenton provided EMB with an extract of his report on HR performance indicators covering annual working days lost and identifying short and long term absence. The report aimed to monitor absence and identified potential issues impacting on staff welfare and attendance.

3.4 Following discussion by the Board Mr Smith suggested that similar reports be considered by the Board on a regular basis. He also suggested comparisons might be made with other organisations or Agencies.

**Action: HR Performance Indicator report to be presented to future board meetings.**

#### **4. Audit Committee Report (18.3)**

4.1 Mr Smith reported that the attendance of the Agency Directors at the recent Audit Committee assisted greatly in the discussion of current governance issues. He noted that the Committee had some discussion about the ability of the Scottish Government Internal Audit team to deliver a quality service to the Agency given their internal staffing pressures. The Committee had however received personal assurances on this from the Head of Internal Audit who had attended the meeting.

4.2 Mr Smith also noted that in light of the current economic situation there might be a change to the 2010-11 budget allocation provided to the Agency following the 2007 Spending Review. The committee had therefore agreed that a paper should be presented to the Management Board in July outlining the Agency plans for meeting possible future budget reductions.

4.3 Mr Smith noted that the Agency's handling of pressures from Local Government stakeholders to relax the investment rules governing the local authority pension schemes had been shown to be correct given the nature of the financial crisis.

4.4 Ms Stafford advised that the Scottish Government's planned joint emergency response exercise on pandemic flu had not taken place due to the alert status reported at the weekend by the World Health Organisation concerning swine flu. The Agency's contribution to the Scottish Government exercise was therefore on hold pending the resolution of the swine flu episode.

4.5 Ms Stafford also advised that she had had discussions with Mr Mackay regarding the National Audit Office (NAO) who planned to carry out a review of the GMP issue. It was noted that the NAO had no jurisdiction in Scotland and that Audit Scotland would need to be involved in any Scottish input to the review. Mr Mackay undertook to discuss the issue further with Audit Scotland in order to agree handling arrangements.

4.6 Mr Mackay noted that the Scottish Government had recently changed their bank from HBoS to RBS at short notice. This had created some significant business risks for the Agency which it was seeking to mitigate through discussion with Finance Colleagues.

#### **5. Agency Finance Report to 31 March 2008 (18.4)**

5.1 Mr Fenton presented the financial position of the Agency pension schemes at the end of February and the forecast position at the end of the financial year. He explained that the layout of the report at Appendix 1 had been revised to draw attention to the important resource figures for the schemes while also reporting the cash position. He further explained that the resource costs were the actuarially-based calculated future costs of providing pensions to current scheme members, while cash expenditure was mainly the

payment of pensions and lump sums. The figures in the report were to the end of February as at the time of compiling the report the March figures were not available.

5.2 Mr Fenton reported the combined net resource for the scheme was slightly below budget but the variances continued to represent a small proportion of overall scheme costs. He also reported on the debt/overpayment position at the end of March explaining there had been a significant debt increase which appeared to be related to the delayed bedding-in process of AXISe for STSS scheme cases. Mr Clapperton expanded on this point by explaining the background to the technical issues encountered with the STSS payroll system and explained that the situation should not reoccur when NHS went live.

5.3 Mr Fenton then reminded the Board on the policy of write-offs. Mr Fenton explained the new policy was to write-off below £100. How vigorously small amounts over that amount pursued was a matter of judgement.

5.4 Mr Fenton also reported that the Agency continued to make good progress in pursuing the recovery of debt. He explained that the Agency was creating a debt recovery team which would solely focus on debt recovery issues. New software was being procured in order to provide the essential technical tools to take this process further. Mr Smith suggested that the Agency might obtain views and information from Audit to assist the development of the team and tasks to be undertaken.

5.5 Mr Fenton also advised the Board that the Agency would be unable to reverse the transfer of £180k made in the year from Health to Finance in respect of the NHS Choice Exercise. He also noted that depreciation and capital changes would be under-spent as a result of the delayed go live of AXISe, and the resulting lower depreciation charge.

5.6 Mr Smith sought clarification on the assumptions for future capital depreciation costs. Mr Fenton said that the depreciation costs associated with the Pension Change Project would be written off over five years. He noted that capital expenditure in 2009-10 was forecast at around £2m. This was significantly higher than the original budget allocation as a result of delayed milestone payments in respect of the Pension Change Project, and changing levels of capitalisation of internal staff costs associated with the Project. In view of the complexity of these financial issues it was agreed that the Agency should write to David Reid in the Scottish Government Finance Directorate in order to clarify its Capital funding requirement in 2009-10.

**Action: Mr Fenton to write to Finance Directorate to clarify capital requirement.**

## **6. Agency Progress Report to 31 March (inc. Q4 progress against Business Plan Targets) (18.5)**

6.1 Mr Mackay, in presenting this paper, focused on progress against the 22 key business targets at end of Q4. It was noted that out of the 22 key business targets the Agency had met 15 targets in full, 4 targets in part and that 3 targets had been deferred. He noted that the overall performance was extremely satisfactory given the business pressures faced by the Agency during the year. Although not all targets had been met, it was acknowledged by the Board that the original targets had been deliberately stretching and that the agency should continue to adopt this approach to target-setting in the future.

6.2 Ms Stafford noted the significant progress that the Agency had made during the year and asked that this view should be reflected back to teams within the Agency.

6.3 Mr Mackay reported that since the report was written he had received assurance from the Scottish Government Health Department that it would allocate £300k to the Agency in 2009-10 to cover the costs of the NHS Choice Exercise. The good news was, however, offset by concerns regarding the impact of late changes to the Choice Exercise by the UK NHS Governance Group. It was agreed that the agency should consider sending a joint letter on behalf of the SPPA and SG Health Department seeking assurance that no further changes be made.

**Action: Agency to consider sending letter to UK NHS Governance Group concerning NHS Choice Exercise.**

6.4 Mr Mackay reported that the Agency was currently handling a backlog in recalculating dynamised GP earnings following the outcome of a recent judicial review initiated by the BMA in England and Wales. As a result the Agency was likely to have to recalculate in the region of 200 GP cases.

6.5 Mr Mackay then reported on the Agency's target to reduce erroneous data items on member records to frictional level. He explained that this year we had experienced technical problems with both the Northgate and Heywood systems which prevented the targets from being achieved. These issues were being addressed by the agency in conjunction with its IT suppliers.

6.6 Mr Mackay reported that following go-live of AXISe the STSS system continued to bed in. Although there were 49 unsolved STSS system issues, throughput analysis remained positive with a 64% increase in the number of authorised refunds and a 54% increase in the number of authorised awards. However two critical areas remained unresolved. These related to the uploading data issue and the inability to process retirement awards more than 90 days before the due date.

6.7 Mr Mackay introduced, for the first time, a Health and Safety report and advised that this would become a standing item for future Board meetings. He reported that the Agency's H&S activity was based upon a partnership between its senior management team, staff and trade unions. H&S assessments are carried out on a quarterly basis with all new starts receiving H&S induction.

6.8 Mr Mackay reported that the Agency's document security arrangements had been reviewed resulting in the implementation of a clear desk policy for cellular offices. The Agency had also upgraded its building security arrangements and all staff would shortly be issued with photo passes and pin numbers. Mr Mackay explained that he, the Director of Operations and the Director of IT, had attended separate one day training programmes on document, data and physical security issues. All Agency staff would be required by the end of July to obtain the Cabinet Office level 1 qualification in protecting information via an interactive e-training module which was available on the Scottish Government intranet site.

6.9 Mr Taylor asked about progress with the Local Government Shared Services Pathfinder Project. Mr Mackay explained that much effort had been put in and ownership had passed from the Agency to Local Government. At present consultants were gathering

information on the unit costs of pension administration from the Agency and from local authority pension scheme administrators. In parallel with this Mr Mackay advised that the Agency was in contact with another organisation (identity protected for reasons of confidentiality) and was exploring potential administration opportunities with them.

6.10 Mr Smith noted that a more thorough review of the Agency's policy function was planned for 2009-10 and asked for clarification. Mr Mackay explained that the Agency policy team were addressing succession planning and role issues. There was also a read across into the Scottish Government National Conversation which needed to be captured as part of the exercise.

6.11 Ms Stafford gave the Board a brief update on the Scottish Government financial situation and the potential implications for the next three years.

## **7. SPPA business Plan and Budget 2009-10 (18.6)**

7.1 Mr Mackay presented the Agency Business Plan and explained that a number of changes to the format of the plan had been made. There was now a clearer line of sight between business outcomes and key tasks. The plan identified 25 specific business plan tasks which had been structured under 4 key themes - improving service quality; ensuring governance and compliance; improving organisation efficiency; and developing capability. Each key theme delivered 2-3 key outcomes. This document would be reviewed quarterly by the External Management Board and staff would receive regular progress reports.

7.2 Mr Mackay added that the Agency Risk Register had been revised to reflect the issues raised at the Audit Committee meeting.

7.3 The Board endorsed the Agency Business Plan for 2009-10.

## **8. SPPA draft People Strategy (18.7)**

8.1 Mrs Murphy presented the draft People Strategy which addressed the issues facing the Agency in respect of the development and management of its staff. She explained that the report represented work in progress rather than a final report, and sought feedback from the Board. A number of comments were made which would be considered as the strategy developed further.

## **9. SPPA Operations Quality Assurance Strategy and Work Programme (18.8)**

9.1 It was agreed that this paper would be deferred to the next meeting.

## **10. EMB Future Meeting Planner and Awayday (18.9)**

10.1 The meeting dates agreed for the External Management Board were

28 July 2009

27 October 2009

2 February 2010

27 April 2010

The EMB Awayday was agreed for the 20<sup>th</sup> of October 2009 at a venue to be agreed.

## **11. Any Other Business**

11.1 Ms Stafford reported that she had agreed with the DG Finance & Corporate Services of the Scottish Government that it would be more appropriate for the SPPA External Management Board to be chaired by one of the existing Non Executive Directors. She would continue to attend Board meetings as the Agency “Fraser Figure”. She asked members of the External Management Board to register any potential interest in assuming the Chair role within the next two weeks.

## **12. Date of Next Meeting**

12.1 28 July 2009 at 13:30 hrs.

Meeting end 1620 hrs

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

<b>Action Point</b>	<b>Paragraph</b>	<b>Responsible Officer</b>
HR Performance Indicator report to be presented to future board meetings	3.1	Mr Fenton
Write to Finance directorate to clarify capital requirement	5.6	Mr Fenton
Consider need for letter to go to UK NHS Governance Group concerning NHS Choice Exercise.	6.3	Mr Mackay