

**SCOTTISH PUBLIC PENSIONS AGENCY  
MINUTES OF THE EXTERNAL MANAGEMENT BOARD MEETING HELD AT  
13:30 hours ON 28 JULY 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
Chad Dawtry	Director of Policy, Strategy & Development
Lila Tereszczyn	Minutes

**1. Apologies and Introduction**

1.1 Mr Taylor welcomed everyone to the meeting.

1.2 Mr Taylor advised that Mr Clapperton was on annual leave and that Ms Stafford would not be able to attend part of the EMB meeting due to an important engagement in Edinburgh. The Board agreed to re-arrange the agenda items to accommodate Ms Stafford's contribution to paper 19.6.

**2. SPPA Handling of potential budget reductions from 2010-11 (Paper 19.6)**

2.1 The Board discussed a paper which identified various future financial scenarios for the Agency and the way in which these would be handled. It was noted that the publication of the Scottish Government's 2010-11 budget was due on 17 September, and that the Agency's management team would need to review its actions as soon as the budget outcome was known.

**3. Minutes of Last Meeting and Matters Arising (Paper 19.2)**

3.1 The minutes of the previous meeting on 28 April 2009 were agreed subject to minor amendments.

The summary of action points was addressed:

3.1 (3.1) HR Performance Indicator report - Mr Fenton advised that this would be covered separately during the meeting (refer to para 5.9)

3.2 (5.6) Mr Fenton advised that he had written to the Finance Directorate to clarify capital requirement and confirmed the receipt of additional allocation. He would address this matter in the finance report (refer to para 6.6)

3.3 (6.3) Mr Mackay noted that the terms of the NHS Choice exercise in Scotland had now been agreed and this negated the need to write to the UK coordinating group.

#### **4. Audit Committee Report (Paper 19.3)**

4.1 Mr Smith reported that Mr Mackay's Agency round-up paper reported on the recent publication of the NAO report into the UK-wide pensions overpayment issue. He advised that the Audit Committee was content that SPPA's perspective had been sought by the NAO.

4.2 Mr Smith brought to the attention of the Board the comments of the Internal Auditors in respect of the use of Government Procurement Card (GPC)) and on minor items of expenditure including staff expenses. No substantive issues arose, but the Agency was asked to ensure that the risks of using the card in this way were considered as part of the risk management process.

4.3 Mr Smith explained that Internal Audit had not yet provided its annual assurance statement because work had not been completed on the review of Awards and Payments; provisionally Internal Audit had provided reasonable assurance. The Committee had considered the Internal Audit assurances in respect of the Agency's accounts, and had recommended that Mr Mackay sign the accounts, subject to the clearance of outstanding matters raised by External Audit. Mr Smith requested that Mr Fenton advise the members of the Board once Audit Scotland had given formal audit clearance for the Agency's accounts.

**Action: Mr Fenton to advise the Board once the Agency's accounts had received final audit clearance.**

4.4 Mr Smith reported that External Audit had presented the ISA 260 report. He noted that the audit opinion was unqualified.

4.5 Discussion also took place about the timing of the Audit Committee Meeting timetable for 2010. It was agreed that the meetings schedule would be reviewed, taking into account the Agency's and Scottish Government's year-end accounting timetable.

4.6 Mr Smith noted that Risk 12 "Significant Changes to Resources allocated to Agency" was discussed and would be addressed by SPPA Senior Management Team if there was a change to budget allocation.

4.7 Mr Smith also noted the organisation's capability to handle business needs should there be an outbreak of pandemic flu.

4.8 Mr Smith reported that the Agency had revised its Fraud Policy and that the Audit Committee was satisfied with the measures the Agency would take in cases of suspected fraud. He noted that fraud awareness would be included as part of the Agency's staff induction process.

#### **5. Agency Progress Report to 31 July 2009 (incl. Q1 progress against Business Plan Targets and Quality Assurance Report) (Paper 19.4)**

5.1 Mr Mackay explained that his progress report was based around a new traffic light system designed to allow the Agency and the Board to monitor progress against each task and thus highlight which were at risk of late delivery. At the end of Q1 4 business plan tasks had been completed, 19 were on schedule and 2 were behind schedule. The two tasks behind schedule were not likely to be delayed significantly. The Board noted this progress and indicated that it was content with the new format.

5.2 Turning to three substantive items contained within the Agency Progress report, Mr Mackay began by reporting on the outcome of the National Audit Office report into the GMP issue which was published on Thursday 16 July, after the Audit Committee meeting. The report was in two parts - i) to identify what went wrong and who was to blame, ii) and to suggest how the issues raised might be addressed for the future.

5.3 The NAO had concluded that the two principal reasons for the problem were (a) pension schemes did not receive the correct information from HMRC and (b) in some cases a coding error had meant that pensions information had been sent by HMRC to the wrong scheme.

5.4 The main conclusion was that all parties involved in the pension administration process had a collective responsibility for ensuring data accuracy. The principal recommendation was that a single co-ordinating body should be established to co-ordinate future data sharing issues under the auspices of either the Cabinet Office or the DWP.

5.5 The Board noted the NAO conclusions and confirmed that it was content for the Agency to participate in the future co-ordination arrangements.

5.6 Mrs Brown then provided an update on progress with the AXISE project. She said that the Project Board would be meeting on 6 August and a decision would be taken at that point on whether the September go live target date for the NHS element of the project was achievable. There was still a significant amount of testing to be completed, however data migration was going well, training programmes were in place and the supplier had delivered many of the remaining areas of functionality required. Mrs Brown was, therefore, likely to recommend to the Project Board that we go ahead with the September implementation. This progress was noted by the Board who requested a further update at its next meeting.

**Action: Mrs Brown to give a progress update at its next meeting.**

5.7 The Board then discussed briefly the current situation regarding the LGPS Shared Service Pathfinder Project. It was noted that emerging conclusions were likely to be available during September and the Board requested that it be kept abreast of developments.

5.8 Mr Mackay then turned to the Agency's Quality Assurance Programme. The report, deferred from the last Board meeting, set out the Agency's QA work programme for 2009-10. The Board noted the work programme and congratulated the Agency on the progress made to date.

5.9 Mr Mackay then turned to a report on Agency HR issues. He noted that the Board had asked to receive quarterly reports on key HR metrics. Mr Mackay said that he was now confident that the data presented was robust. The report had taken time to evolve into its current form but the Senior Management Team was content it reflected what was going on in the Agency. Mr Taylor asked why absences in the Operations Directorate appeared to be significantly greater than for the rest of the Agency. This was under investigation. Mr Fenton elaborated on the distinctions between short and long terms absences and Mr Smith suggested that it would be useful for future reports to record on page one the number of working days lost.

5.10 Discussion then turned to progress with the National Fraud Initiative and Mr Smith asked for further information about the £92k of overpayments noted in the round-up paper.

Mr Mackay explained that this was scheme money and not Agency money, and apologised for the fact that this inadvertently had not been reported to the Audit Committee. Mr Smith asked that an update be given at the next meeting.

**Action: Mr Clapperton to report on NFI progress at next meeting.**

5.11 Mr Mackay reported that there was still a significant data cleanse backlog caused by system problems with both Northgate and AXISE. Mrs Brown explained that the data had to be validated at source. In future the plan would be to validate the data as close to source as possible to minimise the data cleanse issues. Mr Smith asked if more resource would be allocated to this task. Mrs Brown explained that the system problems had been partially resolved and additional resources were now being allocated to the task. She added that there was a need to maximise our efforts in this area before migration of NHS to AXISE.

5.13 Mrs Edey commented that some text was missing from the section of the round-up report dealing with NHS Choice. Mr Mackay confirmed that the planned start date for the Exercise was January 2010 and that it would take four months to conclude.

## **6. SPPA Finance Report Q1 (Paper 19.5)**

6.1 Mr Fenton presented the financial position of the Agency and of the pension schemes at the end of June, and the forecast position at the end of the financial year. He reported the budget for accrued costs was too low because of recent changes in Treasury assumptions, particularly interest rates. Consequently to date we had an overspend. Adjusted 2009-10 budget figures would be submitted as part of the Autumn Budget Review process.

6.2 Mr Fenton explained that Appendix 2 gave a summary of the debt/overpayment position at the end of June. Additional overpayments since April of £710k were identified and £642k recovered indicating a high rate of activity. He noted that the introduction of AXISE had led to a backlog of debt recovery in the latter half of the previous financial year, but could not say whether this was a continuing factor. He reported that later in the year the new contributions and debtor management system would be in operation. This would allow for better financial control over contributions, better debt recovery and improved operational efficiency.

6.3 Mr Taylor asked whether the older debts were being pursued or whether they should be written off. Mr Fenton explained that ageing referred to not the period of debt outstanding but the period in which an overpayment had been made. The £4k recorded for 2005-06 could have been recorded recently. Mr Taylor asked whether procedures were in place for the recovery, review and write-off of debts. Mr Fenton said that a formal debt recovery policy had been approved by the Agency.

6.4 Mr Fenton noted that the budget was tight but at the end of the first quarter there had been a saving of £17k on net salary costs. However staff costs were currently forecast to be over-spent by £21k at the year-end. A close review of staff costs would be maintained over the coming weeks/months. Mr Fenton also noted that Directors had agreed that only in exceptional cases would there be any further recruitment.

6.5 Mrs Edey asked for information on the number of working hours which staff were required to fulfil. Mr Mackay explained that the Agency had a range of flexible working patterns which were family friendly but also subject to business need. He also reported that

the Agency had taken on 10 students to assist with the peak in processing teacher awards during the summer months. The Agency would review the effectiveness of the policy later in the year.

6.6 Mr Fenton explained that the organisation's financial allocation had been set 18 months previously. Because of the delays to the Pension Change Project, the timing of milestone payments to the contractor had slipped from last financial year into the current year. The Agency's capital allocation had been increased in 2009-10 by £1.6 million to accommodate this. However, that adjustment had been made on the basis of information that was six months old; as a result of further delay to the Project, capital spending in 2009-10 was forecast to exceed the allocation by £270k. Mr Fenton had discussed the matter with David Reid in Finance and Corporate Services, whose view was that this was a small amount which could be managed within the budget of FCS. Mr Fenton also advised that the Pension Change Project remained on budget overall, the issue was a matter of the timing of payments. Mr Smith asked that this matter be pursued with David Reid, and Mr Taylor asked that confirmation be obtained in writing. Mr Mackay explained that the Agency's budget was met from Finance & Corporate Services' budget, of which it did not form a significant component.

6.7 Mr Taylor asked whether the External Management Board was in a position to endorse and sign off the accounts. Mr Fenton advised that the Agency was at the closing stages with Audit Scotland for clearance and confirmed that there were no further changes to be made to the draft accounts. Mr Taylor confirmed that, based on this assurance the External Management Board were content to endorse the Agency's statutory accounts for 2008-09. Mr Taylor noted the quality of the work of the Finance staff in preparing the accounts

## **7. SPPA Communications Strategy (Paper 19.7)**

7.1 Mr Sharp presented the Communications Strategy. He stated that the strategy was the product of participation of all levels within the Agency and this collective approach reflected the shared responsibility we all had to communicate effectively in our day to day business. By using the four Agency key themes he explained how the Agency would better engage with stakeholders; improve service quality; provide best value; raise awareness of secure communications, and equip staff with the effective communication skills and tools required. One further key issue was the importance of first impressions in relation to the SPPA brand.

7.2 Mr Taylor and Mrs Edey enquired about levels of Freedom of Information activity. Mr Sharp explained that enquiries were not at the level experienced by central FoI Unit within Scottish Government. Mr Mackay added that he was responsible for signing off FoI requests received by the Agency and that both Mr Sharp and Miss Tereszczyn were both trained to coordinate these requests.

7.3 Mr Smith sought clarification on how we would monitor progress against the strategy. Mr Sharp indicated that communication workshops and stakeholder surveys will help assess the effectiveness of the implementation of the strategy.

7.4 Mr Mackay concluded that time had been taken to develop this strategy via SMT away-days and the set of workshop sessions and it was hoped that this represented a template for future strategies. Mr Taylor commended the fresh format and layout. Mr Smith asked for

an update in 6 months time to assess what impact this had had and how well it had been received by staff. Subject to this, the Board were content with the strategy.

**Action: update in 6 months.**

## **8. SPPA HR Strategy (Paper 19.8)**

8.1 Mr Fenton presented the draft HR Strategy document, outlining the core themes. He explained that gaps had been identified in the Agency's staff planning and recruitment processes following relocation from St Margaret's House to Tweedbank and the strategy aimed to address these issues.

8.2 Mr Mackay added that the Strategy's purpose was to support the Agency in achieving its stated business outcomes. In this the strategy identified four key challenges: the development and retention of core knowledge and skills; the need for greater flexibility in the deployment of staff; issues associated with staff planning and recruitment; and issues associated with performance management and development

8.3 The Board asked how the strategy would be rolled out to the Agency. Mr Fenton replied that it would be built into existing and future work programmes. One of the strands was already in place via the development and leadership training programme for this year; another was the HR metrics initiative. A tangible benefit was the hoped-for IiP silver accreditation in 2009/10.

8.4 Mrs Edey noted that the majority of the indicated outcomes related to service improvements and sought clarification to what extent baseline studies would measure this improvement. Mr Fenton commented that evaluations from staff training courses provided an objective view on how training assisted staff in their task.

8.5 Mr Smith asked that, as with the Communications strategy, the Board be kept informed of progress with the HR strategy. The Board noted and approved the strategy.

**Action: Update in 6 months.**

## **9. SPPA 2008-09 Draft Annual Report (Paper 19.9)**

9.1 Mr Fenton presented the draft Annual Report which set out the Agency's activities during 2008/09. The Board were invited to discuss the content of the Annual Report, its circulation and design arrangements. It was agreed that a light touch design effort was appropriate for a report of this type

9.2 The Board were content to approve the report in the current style.

## **10. Any Other Business**

10.1 Mrs Edey asked for an update on the Board's proposed away-day. Mr Mackay confirmed that the away-day would be held on 20 October. Following discussion with Mr Taylor it was suggested that part of the day would entail a self-assessment by the Board on roles and responsibilities followed by a meeting with the Board and SMT.

10.2 Mr Smith referred to the need, noted at the most recent Audit committee meeting, to extend the forward meeting planner for 12 months and asked that this be done for the next EMB. Mr Mackay would arrange that this be an item at the next Board meeting.

**11. Date of Next Meeting - 27 October 2009**

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

<b>Action Point</b>	<b>Paragraph</b>	<b>Responsible Officer</b>
Board to be advised when Agency's accounts have received final audit clearance	4.3	Mr Fenton
AXISE progress update to be given to Board at next meeting	5.6	Mrs Brown
To report on NFI progress at next meeting	5.10	Mr Clapperton
Assess what impact the Communications Strategy has had and how well received by staff - update in 6 months	7.4	Mr Fenton
Progress update of HR Strategy - update in 6 months	8.5	Mr Fenton