

**SCOTTISH PUBLIC PENSIONS AGENCY
MINUTES OF THE MANAGEMENT BOARD MEETING HELD ON 29 JANUARY
2008 AT TWEEDBANK**

In attendance:

Alyson Stafford	Chair
Julia Edey	Non Executive Director
Peter Jeary	Non Executive Director
Alex Smith	Non Executive Director
James Taylor	Non Executive Director
Neville Mackay	SPPA Chief Executive
Ian Clapperton	Director of Operations
Chad Dawtry	Director of PSD
Mark Howells	Director of Corporate Services
Pamela Lane	Director of IT/BSU
Lila Tereszczyn	Minutes

1. Apologies and Introductions

1.1 Ms Stafford welcomed everyone to the meeting.

2. Minutes and Matters Arising (13.2)

2.1 The minutes of the previous meeting on 29 October 2007 were agreed.

The summary of action points were addressed:-

2.1 Declarations of interest - it was noted that Mrs Edey was a member of the Borders Health Board and that Mr Smith continued for the time being to be involved with the work of the Directorate General for Health within the Scottish Government. The Board agreed it was appropriate for both to participate fully in Board discussions. Ms Stafford stressed the importance of transparency and requested that any future potential conflicts of interest were drawn to the attention of the chair before the commencement of each meeting.

2.2 Mrs Edey sought an update on the situation involving MHO status members. Mr Clapperton confirmed that an accuracy check of the records for all MHO members was still ongoing and a written update would be available at the next meeting.

Action: Mr Clapperton to produce account of progress with review of MHO member records.

2.3 Mr Mackay noted that he had not as yet amended the Agency risk register to include reference to the risks associated with the NHS Agenda for Change exercise. This was because a new format for the Agency Risk Register had been developed which was more fit for purpose and this has only been approved by the Audit Committee at its last meeting. The revised risk register would be presented at the next Audit Committee meeting.

Action: Mr Mackay to add the Agenda for Change Programme to the Agency's new format risk register

3. Progress Report to 31 December 2007 (13.3)

3.1 Mr Mackay explained that the Agency received a positive outcome from the 2007 Spending Review which would allow it to address its historical legacy issues and would provide a solid financial footing for the next 3 years. Since the previous meeting the Agency had also:

- secured agreement to the new Local Government Pension Scheme on 18 January
- published the Agency and scheme accounts at the end of December
- completed the preparation of a comprehensive Agency Disaster Recovery Plan. After some discussion Mr Mackay agreed that this should be tested before the next meeting if possible
- completed the preparation and issue of member benefit statements representing an overall increase of 2% (note: figure subsequently revised to 6%) over the previous year.
- completed an options analysis for the longer term options for replacing the current payroll system at or before the expiry of the current IT supplier's contract in December 2010.
- Undergone and passed its annual IiP assessment. A full re-assessment is scheduled for April 2008.

Action: Mr Mackay to test Agency disaster recovery plan

3.2 There was discussion about the level of customer complaints and the extent to which causal trends might be established. Mr Clapperton said that because the overall number of complaints was very low, it was hard to establish trends. However, the main concern was the ability of the payroll team to keep up with the number of transactions and queries. Robust measures were now in place to identify and deal with the problems as they arose.

3.3 The board discussed their concerns relating to Agency staff turnover which had exceeded the levels anticipated during the current year. It was noted that the Agency SMT intended to address this as part of its new people/HR strategy to be developed in 2008-09.

3.4 The Board also discussed the way in which the Agency had handled an incident in November during which some benefit statements had been temporarily mislaid by the body to whom they had been sent. Ms Stafford expressed her thanks to all involved in handling the incident. It was noted that the Agency's data handling arrangements had received a "substantial assurance" from auditors and that the arrangements would

have to be revisited during 2008 once the outcome of the Scottish Government review of data handling was complete.

- 3.5 The Board also discussed the desire of the new Scottish administration to encourage public bodies to demonstrate how they were contributing to the new National Performance Framework Agencies. It was noted that at present it was difficult to reconcile specific Agency tasks to the outcomes contained in the NPF. A series of discussions are to take place in the course of year with all SG Agencies to identify the way forward and as such the business planning and corporate governance arrangements for 2008-09, which would be discussed at the next meeting, were likely to be of an interim nature.

Action: Mr Mackay to make available draft Corporate Plan, Business Plan and Framework Document at next meeting.

4. Finance Report to 31 December 2007 (13.4)

- 4.1 Mr Howells presented the finance paper for budget and outturn figures (cash and resource) for the year to December and Budget and Project outturn figures for the full year for the NHS and Teachers' pension schemes. He explained that since both cash and accruals were below the existing budget a supplementary estimate had not been submitted as part of the SBR process. Mr Smith asked how this compared to previous years and Mr Mackay agreed the agency would advise on this in due course.

Action: Director of Corporate Services to check the comparative position at last year and its outcome.

- 4.2 Mr Howells explained the level of debt and overpayment over 2 years being recovered through SEAS. Mr Mackay informed the board that at the previous Audit Committee and Management Board it was agreed that new arrangements be set up for debt recovery. The Agency also intended to take forward a project in 2008 which would consider the case for an IT solution to the debt recovery issue.
- 4.3 Ms Stafford noted that in 2005-06 there were overpayment for STSS but no overpayments for NHS. Mr Howells explained that Paymaster administered the NHS scheme at that time and the Agency did not have access to any comparative NHS information which they might have kept.
- 4.5 The Board then discussed the Agency's Running Costs Budget for 2007-08 and noted that good progress was being made towards achieving a balanced budget over the year. Mr Mackay drew their attention to the way in which the Finance and Sustainable Growth Directorate of the Scottish Government was handling the £180k which had been transferred to the Agency in-year in order to take forward the Agenda for Change. He noted that due to technical issues within NHS employer organisations, it would not be possible to spend these funds during 2008-09, and they were in fact being redeployed by FSG rather than reallocated to Health. He had secured a reasonable assurance from the relevant officials in FSG that the Agency would receive additional funding in 2008-09 sufficient to complete the Agenda for Change;

this meant that the Agency's budget for 2008-09 would have to reflect this additional anticipated income.

- 4.6 The Board discussed briefly VAT repayments and heard that the Agency is currently negotiating with HMRC a settlement for VAT incorrectly reclaimed in respect of its rent and rates. It is anticipated that there will be sufficient funds within this budget to meet any resulting payment.

Action: Director of Corporate Services to update VAT position at next meeting

- 4.7 Ms Stafford expressed her thanks to Mr Howells for his service to the Agency and wished him every success in his new post.

5. Audit Committee Report (13.5)

- 5.1 Mr Jeary gave a brief report on the audit committee which took place on 16 January 2008. The board was advised of the main points:

- SPPA staff had been invited to take part in training on VAT;
- SPPA Finance Handbook now complete. Specific appendices now agreed to cover Risk Management and Business Continuity Planning;
- Risk Management/Business Continuity/Debt Recovery - The Agency plans to draw up a revised Risk Register, Business Continuity Plan and to progress debt recovery timetable.
- Internal/External Audit timetable for 2008-09 audit programme agreed following recent discussions;
- Handling Sensitive Data – audit report concluded that substantial controls in place for handling hard copy data.

- 5.2 Ms Stafford advised the board that this was Mr Jeary's last meeting and thanked him for his contributions to the Audit Committee and the External Management Board over the past 4 years.

6. Pension Change Project (13.6)

6.1 Ms Lane provided an update on the significant progress made on the project. The Board also heard about the changes to the plan, new implementation dates, project governance, key milestones and the impact on project capital budget. Ms Lane expressed her disappointment that key products such as the payroll interface and various areas of functionality had not been delivered to the agreed timescales by the supplier. Following discussions with the supplier new dates had been agreed but this had resulted in a delay in implementation for STSS to 26/5/08 and NHSSS to 30 June 2008. Ms Stafford asked how confident Ms Lane was with the new dates and Ms Lane replied she was confident provided that the payroll interface was delivered in time as this was the critical task on the project plan.

6.2 The board discussed the implications to the current supplier following the delay to go live and the plan to extend the current contract with Northgate. Ms Lane also notified the board that the Gateway Review Team has been advised on up to date progress.

7. Income Generation (13.7)

- 7.1 Mr Dawtry provided a progress report on income generation strategy outlining targets and objectives which would be of future benefit to the Agency. The main points covered were:
- a) following the successful outcome of SR07 the Agency could now take forward its income generation and associated research and intelligence activities with confidence;
 - b) options for generating additional income from sub letting part of the building had been put on the back burner following the SR07 outcome, and the agency's energies were now being directed at taking forward a local government pension scheme shared services proposal;
- 7.2 On taking forward the local government opportunity the board heard that a meeting had taken place between SPPA and 3 councils. To investigate the practicalities it was agreed that a feasibility study be carried out, led by one of the councils with support from the SPPA, in the first instance via a feasibility framework document.
- 7.3 There was further discussion on the Agency's position, financial implications, liabilities, options availability, resources, training and knowledge management. The Board noted that Mr Dawtry's feasibility framework document had raised these issues to ensure that they would be addressed as part of any study. In parallel with the study, the Agency will start to consider the practicalities associated with any agreed timetable for realising this opportunity.

8. Research and Intelligence Strategy (13.8)

- 8.1 Mr Dawtry presented a draft Research and Intelligence Strategy for the Agency to the Board and welcomed comments.
- 8.2 The main points of the presentation were:
- a) that the strategy's aim was to support better decision making and management through the provision of relevant information. The strategy covered three main areas: continuous improvement; researching the pension market; and evaluating pensions policy.
 - b) continuous improvement would be supported through establishing a broader understanding of performance; researching the pensions market would enable the appropriate decisions to be taken on where new business opportunities lay; and evaluation of pensions policy would improve awareness and understanding of practical operation of pensions policy for the schemes regulated by the Agency.
 - c) the resources available to develop research and intelligence activities are likely to remain limited, however, the SR07 outcome provided the opportunity to take these three strands forward through a mixture of internal resources and calling on support from third parties.

- 8.3 The Board endorsed the approach suggested and noted that the strategy would remain a 'living document' in the sense that priorities and activities would change over time. In particular, it was felt that the 'evaluating policy' strand was becoming more important giving the current economic and political context. It was agreed that the effectiveness of the strategy would continue to require collaborative working across the Agency.

9. Any Other Business

- 9.1 Mr Smith sought confirmation on Mr Howell's replacement. Mr Mackay notified the board that Chris Fenton, currently Finance Director of the Fisheries Agency in Aberdeen would commence with SPPA on Monday 10 March 2008. Mr Mackay explained to the board that there would be a six week gap from Mr Howell leaving and Mr Fenton's commencement. During this gap he would assume responsibility for the Finance function and Pam Lane would assume responsibility for HR and Facilities.
- 9.2 Ms Stafford wished Mr Jeary well and thanked him for services provided to the Board over the past four years.

10. Any Other Business

- 10.1 There were no other business and the meeting concluded at 1600 hrs.

11. Date of Next Meeting

- 11.1 29 April 2008

Summary of Action Points

Action Point	Paragraph	Responsible Officer
Report on progress with review of MHO member records	2.2	Mr Clapperton
Agenda for Change to be added the Agency's new format risk register	2.2	Mr Mackay
Test Agency disaster recovery plan	3.1	Mr Mackay
Make available draft Corporate Plan, Business Plan and Framework Document at next meeting	3.5	Mr Mackay
Check the comparative position at last year and its outcome	4.1	Mr Fenton
Update VAT position at next meeting	4.6	Mr Fenton