

**SCOTTISH PUBLIC PENSIONS AGENCY
MINUTES OF THE EXTERNAL MANAGEMENT BOARD MEETING HELD AT
13:30 hours ON 3 FEBRUARY 2009 AT TWEEDBANK**

In attendance:

James Taylor	Chair
Alex Smith	Non-executive Director
Neville Mackay	SPPA Chief Executive
Ian Clapperton	Director of Operations
Chad Dawtry	Director of Policy, Strategy and Development
Chris Fenton	Director of Corporate Services
Pamela Lane	Director of IT and Major Projects
Lila Tereszczyn	Minutes

1. Apologies and Introduction

1.1. Mr Taylor welcomed everyone to the meeting. He apologised for the delayed start to the meeting due to the overrun of the pre-meeting for Audit Committee members.

1.2 Apologies were received from Julia Edey and Alyson Stafford

2. Minutes and Matters Arising (17.2)

2.1 The minutes of the previous meeting on 28 October 2008 were agreed.

The summary of action points was addressed:

2.2 Report on Sick Absence - Mr Fenton advised that this would be covered separately during the meeting (refer to para 5.3)

2.3 Quality of services provided to Agency by SG - Mr Fenton advised that this would be covered separately during the meeting. (refer to paras 5.4 and 5.5)

2.4 HR Strategy - Mr Fenton advised that a paper on the Agency's HR strategy will be presented to the next EMB on 28 April.

Action: Mr Fenton to present HR Strategy to next board meeting.

3. Audit Committee Report (17.4)

3.1 Mr Smith reported that the Board was satisfied that the Agency will action appropriately the revised actions following the sign off of the Agency Scheme accounts. Mr Smith noted that the Internal Audit and Audit Scotland Audit Plans for 2008/09 had been reviewed and management had confirmed that it could accommodate the requirements.

3.2 Mr Smith reported that the Audit Committee had expressed concern over the potential shortfall in Internal Audit resources during the forthcoming year. Mr Mackay had agreed to pursue this concern directly with the head of Internal Audit.

3.3 He also noted that the Audit committee has requested that any red residual risks are reported to the Management Board at each meeting. A brief discussion of the current red risks ensued.

3.4 Mr Mackay added that there had been a discussion about the desirability of Agency directors attending future Audit Committee meetings. It had been concluded that their attendance would be highly desirable given that governance issues were of concern to all.

3.5 Mr Taylor reported that a self assessment of the Audit Committee had been conducted during the Audit Committee pre meeting. The assessment had been generally very favourable although a few issues had been identified which were being pursued by the Chief Executive. He suggested that a similar self assessment be conducted by the External Management Board and it was agreed to hold this in the margins of the next meeting of the Board.

4. Agency Progress Report to 31 December 2008 (17.5)

4.1 In presenting this paper, Mr Mackay advised that an additional two items had arisen after the paper had been issued to the Board. The first was the rejection of the Scottish Budget in Parliament on 11 February. If the budget was not passed at the next attempt, this would have financial implications for the Agency. [note: Budget was passed subsequently by the Scottish Parliament] The second concerned some additional issues associated with the overpayment of pensions to some public service pensioners. These were under investigation.

4.2 Turning to the substantive items contained within the Agency Progress Report, Mr Mackay advised the Board to focus on paragraph 3 which summarised where the Agency was in relation to each of the 22 key tasks contained in its 2008-09 business plan. He had introduced a traffic light system designed to alert the Board to tasks where progress was at risk. He then explained the reasons why some specific tasks had been identified as red.

4.3. In addition to the red tasks, Mr Mackay also explained the amber risk associated with the implementation of the NHS AXIS system. Ms Lane reported that although the agreed timetable for implementation was 3 May, there were some concerns about the ability of the supplier to provide some of the essential technical functionality in time to allow that target to be met. Mr Mackay advised that he would be attending a business meeting with Ms Lane on 4 February and with the supplier on 10 February. These would consider the need for escalating the issue in accordance with the agreed escalation procedure. The next Project Board meeting was scheduled for 25 February and the intention was to try to resolve as many of the outstanding issues as possible before then.

4.4 Mr Mackay then touched on the data handling issues associated with the NHS Choice exercise. He explained that the Agency had just completed a comprehensive risk assessment of the two main options for forwarding Choice documentation to members. Both options contained risks requiring substantial mitigation and for this reason the Agency's preference was to conduct a generic exercise which did not involve the issuing of any sensitive personal data. However, it recognised that commitments had already been given by Government about the nature of the exercise. If the Agency was therefore required to initiate a Choice exercise

based upon the issue of personalised data, then the preferred option was to send these to home addresses. However, this would only proceed if a number of stringent tests had first been successfully completed. In the event of these test criteria not being met, the Agency would revert to an exercise based on the issue of generic data. The board noted this approach.

4.5 Mr Smith sought clarification on the sample methodology used for establishing levels of customer satisfaction desired from the Agency's annual stakeholder survey. He also asked Mr Clapperton to provide a brief explanation of Operational processes, roles and responsibilities in relation to the NHS phase of AXISE. The board also asked for clarification about the level of resource allocated to the Agency's Quality Assurance function. Mr Mackay explained the current QA function was focussed solely on Operational matters, and that the objective was to embed QA within the Operations Directorate during 2009-10. During the course of 2009-10 the Agency would then consider the scope for extending the QA role across other Directorates and activities.

5. Agency Finance Report to 31 December 2008 (17.6)

5.1 Mr Fenton presented the budget and outturn figures for the NHS and STSS pension schemes and for the Agency revenue costs as at the end of the third quarter. The combined net resource for the schemes was slightly below budget, although the variances represented a small proportion of overall scheme costs. Agency resource expenditure was also below budget and the Agency's management team was actively considering ways in which the expected level of underspend could be reduced.

5.2 Mr Fenton advised that the Agency would be unable to reverse the transfer of £170k made in the year from Health to Finance to fund the NHS Choice exercise, despite the delays in the Choice project. He also noted that the Agency had budgeted £140k as cover for maternity costs but it was unlikely that the Scottish Government would recharge for these costs. He also reported that the Agency continues to make progress in pursuing the recovery of debts.

5.3 Mr Fenton reported that following concerns expressed by the Board at its last meeting, a manual exercise had been carried out to calculate staff sickness absence rates, which resulted in a disappointing annualised figure of 11.1 days lost per staff member in the nine months to December. The figure compares with the business plan target of 8, and the reported figure of 7.1 for 2007/08. He advised that an investigation into the reasons for the reported increase and reversal of trends is being carried out, including the effect of long-term absences and the possibility of non-comparability with the system derived figures for 2007/08. Mr Taylor suggested that the Agency might focus on short term absence and establish the split between short and long term absences. Mr Smith suggested the Agency should also investigate whether there were classification issues which distorted the figures e.g. arising from the way in which disabled and chronically sick staff were recorded by the current system.

Action: Mr Fenton to investigate further into staff sickness trends.

5.4 Mr Fenton reported that the Agency has a remit to produce measures on the quality of service received from a variety of services provided by the Scottish Government, especially the HR Shared service centre. The task was proving more complex than envisaged as some targets were not clearly defined and the mechanisms for collecting data not addressed.

However the Agency have set up a project to measure a range of HR key performance indicators with the objective of having data collection and monitoring mechanism in place early in the new financial year.

5.5 Mr Fenton indicated that anecdotal evidence suggested that certain services were working well, such as the summer recruitment drive. This had been a perceived shortcoming in the past. The elimination of paper trails had also brought about a reduction in the processing times for Travel and Subsistence claims following the introduction of e-HR on-line. However, on the other hand very little notice had been given to the Agency about the amalgamation of the A2 and A3 grades in August 2008 and no meaningful consultation had taken place. Mr Mackay informed the Board that the SG were currently conducting review of A Band grading across all SG organisations. The outcome was expected in March.

5.6 Mr Smith suggested that in future it might be helpful to amend the way the finance report was presented in order to more readily identify key budget variances. This was agreed.

Action: Mr Fenton to amend presentation of future finance reports.

6. Agency Performance Measurement Framework (17.7)

6.1 Mr Dawtry and Mrs Gray presented the paper on the Agency's emerging Performance Management Framework. Mr Dawtry indicated that the purpose was to refocus and build on what the Agency had already in place. The key changes are designed to more effectively align Agency key activities to Scottish Government and organisational outcomes and to improve the robustness of the performance measurement process. Over time this would help to facilitate more effective performance benchmarking against analogous organisations .

6.2 Mr Taylor commended the paper and commented that performance management was a key priority for the Agency. He also indicated that this demonstrated good governance and a commitment to evidence based decision making. He commented that it was important that staff should be brought along with the new approach. They should not view performance management as a threat to themselves. Mr Dawtry agreed with this and noted that avoiding a blame culture and creating a learning environment was at the heart of the Agency's business culture.

6.3 Mr Smith sought clarification on how the new approach would influence the development of the Agency 2009-10 Business Plan. Mr Mackay explained that the Agency Business Plan being developed will have a different look and feel for 2009-10 which will reflect the new approach. He added that each Director was holding a Directorate awayday which was designed to populate the Directorate and Agency business plans. Mrs Gray is working with Directors to ensure consistency in the development of each Directorate's Business Plan through using the new template.

Action - Mr Mackay to present Agency 2009-10 Business Plan at next Board meeting

7. Payroll Future Options (17.8)

7.1 Ms Lane brought the Board up to date with the results of the Options analysis conducted to establish the future arrangements for the Pension Payroll IT system. The issue had arisen because the current contract with the existing IT supplier expires in December

2010. She indicated that three options were considered and their respective risks, costs and benefits were identified in the supporting paper. Ultimately, Option 3 (continuing with the current system) had been agreed by the Senior Management Team as this represented the best balance between risk and reward. It provided a return on existing sunk investment and also helped reduce the amount of pressure on day to day business. However, it was noted that a case would need to be submitted to the SG procurement team in order to obtain the authorisation for this approach.

7.2 The Board asked to be kept informed of developments.

8. AXISe Implementation - Operational Perspective (17.9)

8.1 Mr Clapperton provided the Board with an update on the AXISe implementation for STSS and on the main lessons learned. He reported that the overall process had been successful but not everything went well and a number of important lessons had been learned and these will be addressed before going live on NHS. The main issues related to the need to ensure that adequate end to end testing had been completed before go-live; the need for improved training and written desk instructions; the need to ensure that NHS staff gain experience of the AXISe system before go-live by shadowing STSS staff; the need to increase the amount of go-live support; and the necessity of minimising work arrears pre go-live and to have a more effective communication plan including progress review.

9. LGPS Pathfinder Project Report (17.10)

9.1 Mr Dawtry presented an update of progress in the Local Government Shared Service Pathfinder project. Progress has been slow. Back in November 2007 an aspiration target of conclusion by April 2008 with implementation shortly afterwards had been discussed. However, subsequent changes in the project management arrangements meant that the Agency now had much less influence over the pace and direction of travel. In practice the options appraisal stage is just commencing following the completion of a PID in November 2008. The project was unlikely to reach conclusions before the summer.

9.2 The Board expressed disappointment with progress, noting that this was largely outwith the control of the Agency. They noted that Mr Swinney had personally asked the Agency to focus on this area of work as part of its objective to become recognised as a centre of pensions expertise. The Board indicated its willingness to assist with overcoming any further obstacles which may appear.

10. Any Other Business

10.1 There were no items raised.

11. Date of Next Meeting

11.1 To be held on 28 April 2009 at 1300 hrs

Meeting end 1630 hrs

Summary of Action Points - to be completed

Action Point	Paragraph	Responsible Officer
HR Strategy to be presented at next Board on 28 April 2009	2.4	Mr Fenton
Reported sickness absence increase and reversal trends to be investigated	5.3	Mr Fenton
Finance report key variances to be readily clarified - presentation change of report	5.6	Mr Fenton
The Agency Business Plan to be presented to the Board	6.3	Mr Mackay