

**MINUTES OF MEETING OF THE SPPA EXTERNAL MANAGEMENT BOARD
TUESDAY, 29 April 2014**

Present:

James Taylor	Chair
Alex Smith	Non - Executive Director
Sheena Cowan	Non – Executive Director
Eleanor Emberson	Director of Financial Strategy and Revenue Scotland
Neville Mackay	SPPA Chief Executive
Marion Chapman	Director of Corporate Services
Chad Dawtry	Director of Policy
Ian Waugh	Director of Finance
Susan Gray	Director of Business Change Programme
Gerry McGarry	Deputy Director of Operations (Delivery)

Apologies: Julia Edey and Pamela Brown

Minutes: Liz Rae

Introductory Remarks

1. Mr Taylor welcomed everyone to the meeting and wished Ms Edey and Mrs Brown speedy recoveries.
2. Mr Taylor then explained that this meeting represented the first step in the process of refining/broadening the External Management Board (EMB) to support the work on reshaping the Agency's Governance procedures in order to comply with the 2015 governance obligations.
3. There were no Declarations of Interests submitted.

**Minutes of Previous Meeting, Matters Arising and Declarations of Interest
(Paper 38.1)**

4. The minutes of the previous meeting, held on Tuesday 4 February, were agreed.

Actions

5. Mr Waugh had been asked to set up a mechanism between SPPA and Central Scottish Government (SG) to deal with payments to individual Pensioners required after closedown. He explained that this was in hand.
6. All other Actions had been completed.

Audit and Risk Committee (ARC) Report (Oral)

7. Mr Smith distributed the agenda from the ARC meeting held on 8 April and gave a report.

8. Most of the meeting had been used to cover routine business, but he drew the following points to the attention of the Board:

8.1 It had been noted that several areas of risk set out in the Agency's Risk Register were at the highest level for some time. This was largely as a result of the financial pressures described in paper 38.4. Resolution of the financial issues would result in a lowering of the risks.

8.2 A discussion had taken place about the proposals for Streamlining Agency Governance and these had been included in paper 38.5 being presented to this meeting.

8.3 Internal Audit had commented on the positive approach reflected in the Risk Register.

8.4 The ARC Annual Self-Assessment had been completed with no significant actions arising.

SPPA Progress Report End Year 2013 – 14 (Paper 38.2)

9. Mr Mackay introduced his paper which set out progress on Operational and Strategic issues for year ending 2013/14. He also explained the new format of the paper and asked for the Boards feedback on that.

10. Mr Mackay also pointed out that task 9 in the Year End Key Business Plan table should be green and not amber. The number of tasks completed in the year should be 27 not 26.

10.1 The group discussed the issues that had occurred with the TNT mail drop of P60s, Annual Pension Increase (API) letters and payslips. They were advised that lessons had been learned and the process would be reviewed to prevent an occurrence of the problem.

10.2 A question was raised regarding the Web Services figures at paragraph 13 as it was unclear if the figures had increased. EMB were assured that the take up figures were good in comparison to industry standards and the Agency were taking steps to promote this service.

10.3 Pension Liberation was explained to the meeting and the Board were informed that the Agency had provided a comprehensive guidance on the intranet regarding this. It was agreed that this subject should be brought to the attention of the next ARC meeting.

10.4 There was a discussion of progress with the contract arrangements with the IT supplier. It was noted that 2 of the 3 contracts had now been signed. [Note: the third and final contract was signed on 30 April]

New Format

11. The Board commended the new format of the Agency Round-up Report and agreed that this should continue with the following changes:

- A summary of the key issues to be included
- Abbreviations to be explained; and
- Trends to be identified.

Action: 1. Pension Liberation Issue to be brought to the attention of the next ARC meeting.

SPPA Finance Report End Year 2013 – 14 (Paper 38.3)

12. Mr Waugh presented his paper which informed EMB of the accounts and audit timeline; the shortfall in the Agency's 2014/15 budget against likely expenditure commitments; an indication of the Scheme Accounts' resource and cash outturn and an indication of the Agency Resource and Capital outturn.

13. The group considered the content of the paper and asked what the current situation was regarding Government Actuaries Department (GAD) regarding the production of cost estimates. They were assured that both Finance and Policy Directorates were in regular dialogue with GAD and the situation was now more certain than it had been for some time.

14. The Board noted:

- The further funds for Altair stage payments of £750m was re-affirmed on 7 February 2014;
- The provisional £20,600 underspend on the revised Capital Budget;
- The reduced timelines for agreeing Agency and Scheme accounts and for laying accounts before Parliament;
- The sources of, and reasons for, pressure on the 2014-15 Budget;
- The provisional outturn of less than 1% of budget for the 2013-14 Pension Scheme Accounts; and
- The provisional outturn of less than 1% of capital budget for the 2013-14 Agency Accounts and underspend of £230,000 on resource budget and the possible sources of further adjustment.

15. As the Budget was to be discussed in paper 38.4 it was decided that this should be discussed later in the meeting.

SPPA Annual Business Plan and Budget (Paper 38.4)

16. Mr Mackay presented the Agency Business Plan and Budget for 2014-15 suggesting that they begin with the Budget.

17. A discussion then took place and the following main points were noted:

- There was a shortfall of circa £1.5m on actuarial costs associated with Pension Reform;
- Additional administration costs of approximately £300k are required to ensure the full implementation of all Pension Reform and Business Change Activities – all possible efficiencies had been examined; and
- The Agency had been in discussion with the SG about securing additional funding but a decision was unlikely to be made until late in the year which would be too late.

18. Against this context, the Board agreed with the action recommended by the Chief Executive in paragraphs 11 and 12 of paper 38.4. It was noted that there had been significant changes in the Agency's circumstances in the period following the announcement of the Scottish Budget in September 2013 and that the risks associated with the Agency's 2014/15 work programme had increased substantially. In reaching this decision the Board took note of the overall balance of risk for SPPA on operational delivery and budget, the options it has to mitigate budget risk if necessary later in the year and the importance to Ministers of competent management of pension reform.

19. The Board discussed and subsequently approved the detail of the Agency Business Plan for 14-15 agreeing that it should not be crystallised until the end of Q2.

Streamlining Agency Governance Processes (Paper 38.5)

20. Mr Mackay presented his paper which set out the basis for a discussion on ways in which the administrative burdens associated with the new governance arrangements which will apply from April 2015 might be sensibly managed across the Agency's various governance structures. The Board were also informed that the Agency had created a new post which will have responsibility for implementing the new requirements (Gail Devlin will be in post from 5 May).

21. After discussion the Board agreed with the principle of striking the right balance between receiving too much and too little information. The Board decided that the processes already put in place towards streamlining the paperwork for EMB

should continue. The Non-Executive Directors, led by Mr Taylor would continue to discuss the issue monthly via e-mail with a view to agreeing the administration arrangements underpinning the new governance process at a Board meeting later in the year.

Business Change Programme Report (Paper 38.6)

22. Mrs Gray highlighted the main points of his paper which was intended to provide External Management Board (EMB) with an update on the Business Change Programme.

23. The Board noted the content of the paper and welcomed the achievement of the Programme's first milestone. They liked the new 'Dashboard' report and they were content with the level of detail contained in the Report.

Scottish Independence – Transitional Planning Arrangements (Paper 38.7)

24. The paper gave an insight into arrangements that may be required by the Agency if in the event of a 'Yes' vote in the September referendum.

25. The Board noted the content and agreed that an away day to discuss the post-referendum situation should be held during October.

Life of a Pension (Oral)

26. Mr Mackay explained that this was a training course provided by the Agency's Technical Training Team and it had been suggested that it might be useful for existing or new Board members to undertake in order to provide knowledge on how Pensions work. The course would take about an hour and cover Pension Life from beginning to end.

27. The Board agreed that they would be prepared to attend a one hour training session to be arranged later in the year and that it could then be part of the induction process for new Board members.

Any Other Business

28. Mr Mackay reminded the Board that there would be a meeting with the Pension Regulator on 27 May and informed them that he would distribute a briefing note before the event.

Public Sector Finance Primer (Presentation)

29. Ms Emberson gave a presentation on Public Finance Controls and the Scottish Budget. EMB members agreed that it was very useful and that it should also be put forward as part of the Induction process for new Board members.

Next Meeting

30. The next meeting of the Board is scheduled for Tuesday 29 July 2014 at 13.30 in SPPA.

Summary of Actions

Number	Para	Action	Action Officer
1	10.3	Pension Liberation Issue to be brought to the attention of the next ARC meeting.	Mrs Brown