

**SPPA Management Board meeting held on 17 August 2006 in Tweedbank**

**In attendance:**

Alyson Stafford	Chair
Peter Jeary	Non Executive Director
Neville Mackay	SPPA Chief Executive
Richard Arnott	Policy Director
Ian Clapperton	Operations Director
Pamela Lane	IT Director
Joanne Crone	Local Government Pension Scheme Policy
Joe Cairney (part)	NHS Payroll Project Team
Lila Tereszczyn	Minutes

**1. Apologies and Introductions**

1.1 **Ms Stafford** welcomed everyone to the Management Board meeting especially to Ms Crone who was attending for the first time. Apologies received from Mr Weir and Mrs Paterson. Congratulations were offered regarding Mr Weir on his recent marriage and to Mrs Paterson on the safe arrival of her daughter.

**2. Minutes and Matters Arising**

2.1 The minutes of the meeting on 8 March were agreed. The action point from the previous meeting relating to the review of TUPE costs had been completed.

2.2 **Ms Stafford** advised that she and Mr Mackay had agreed the arrangements for recruiting a minimum of two additional external members to cover the Agency Management Board and the Audit Committee. Ms Stafford anticipated a decision by the November meeting.

**3. Annual Report**

**Accounts (8.2)**

3.1 **Ms Stafford** sought confirmation from the SMT that the accounts gave a fair reflection over the last year. She asked that the detailed supporting documentation be considered by the Audit Committee by the end of September.

3.2 The annual accounts were discussed by the board. Mr Mackay explained they took a different form to last year due to new advice given by the Scottish Executive on how they were to be presented. He confirmed on behalf of the SMT they were fair and accurate. The board accepted the accounts.

3.3 **Ms Stafford** asked why creditors had increased since last year. Ms Lane advised that this was partly due to a dispute with an IT provider over outstanding invoices.

### **End Year performance Report (8.3)**

3.4 Mr Mackay explained that the technical annex set out the process against which the Agencies SMART targets were measured. The Agency had done well to achieve the majority of its business targets during 2005-06 especially as case loads had increased by 9½% during the year. This was accompanied by a decrease in staff in post of 8%. Despite this service delivery and quality of service had improved – the agency had issued 79% of benefit statements compared to 65% the previous year. New work had been taken on board such as Pension Sharing on Divorce. Customer satisfaction had also been positive.

3.5 It was noted that progress with the Pension Reform Agenda had been slower than anticipated although this was largely outside the Agency's control. The NHS Payroll Project had also suffered delays and would be discussed as a separate agenda item.

3.6 Ms Stafford acknowledged that this had not simply been a maintenance year but the Agency had gone beyond normal service delivery e.g. new policy areas and dealing with legacy issues, Mr Jeary endorsed same.

3.7 A discussion ensued regarding KPI's and the non delivery of data from employers. Mr Clapperton explained that most NHS employers were forthcoming with data but some STSS employers had failed to supply this information on time. These issues had been flagged up to the Pension Regulator. Ms Stafford suggested that as a courtesy the appropriate Scottish Executive Department should be advised before such action is taken in the future.

3.8 Ms Stafford sought an update on age discrimination and Preston cases. Mr Arnott explained that all schemes were considering what changes are required to ensure compliance with the EC Directive on equality in the workplace. One of the main areas of controversy had been the LGPS Rule of 85. Draft regulations to remove the Rule had been consulted upon and, subject

to final agreement, it is expected that they will be implemented at the start of October. Mr Clapperton outlined the position regarding Preston cases and explained that this work was controlled to others timescales and before the SPPA could proceed it involved the employment tribunal. This work was going to continue for some time and a small resource was dedicated to deal with the cases.

3.9 On scheme valuations Mr Clapperton advised that we hoped to complete the NHS 2003 exercise this year and commence the 2004 exercise by January 2007. The STSS 2005 data is scheduled to be forwarded to GAD in September.

3.10 The decision to defer seeking new business was endorsed by the board.

#### **Certificates of Assurance (8.4)**

3.11 Ms Stafford asked that the Certificates of Assurance would be scrutinised by the Audit Committee at its next meeting on 18 September and asked that the board should receive a report of their recommendations by end of September.

#### **4. Progress Report (8.5)**

4.1 **Mr Mackay** provided an update on Agency progress since the last meeting. He explained that the Progress Report covered the previous 3 month period.

4.2 Ms Stafford asked for clarification on how progress against the 9 Agency KPI's was reported upon. Mr Mackay explained that the list of key Agency tasks now incorporated the 9 Corporate Plan KPI's.

4.3 In response to a question from Mr Jeary on the new NHS scheme Mr Arnott confirmed that the changes would apply to all new staff from a date yet to be confirmed (in 2007) and the normal pension age (NPA) for new members would be 65. Revisions to the scheme for existing members are due to take effect by April 2008 but their current NPA of 60 would be retained. Mr Clapperton indicated that Operations would have extra work in developing an interim process to operate the new schemes and also subsequent data transfer. This would apply to both NHS and STSS. Mr Mackay advised that from consultation launch to implementation of major changes such as these the lead time would normally be expected to be around one year and that the delay in reaching agreement at UK level meant that SPPA would have considerably less time to prepare.

## **5. Q1 2006-2007 Agency Administration Budget (8.6)**

5.1 Mr Mackay explained one significant factor driving up Agency running costs was the delay in the Payroll Project. However a range of other factors previously discussed by the Board were also significant. He confirmed there was likely to be an overspend of £0.5m during the current financial year and explained that discussions had taken place with the SE FCSD finance team with a view to adjusting the Agency's financial allocation for this year from within existing FCSD resources. He noted that many of the costs being borne this year were one-off costs and that they were largely incurred as a result of "spend to save" measures which would deliver a recurring administrative cost saving in the longer term. There was therefore a reasonable expectation that the Agency would be able to live within its budget allocation for 2007-08.

5.2 Ms Stafford suggested that the Agency continue to deliver the agenda set out in its current annual business plan but continue dialogue to find a corporate solution across FCSD.

## **6. Customer Survey Results and Action Plan (8.7)**

6.1 Ms Stafford noted that the survey focused on the end customer i.e. employers or members and asked for a progress report specifically against how the task improvements were identified and taken forward. Mr Clapperton explained that key areas identified from the survey had been identified and allocated to individual staff in Operations.

6.2 Mr Clapperton confirmed that support had been given by the Scottish Executive with regards to the development of the survey. A discussion followed during which Mr Mackay stated that in addition to the work on the survey the Agency had introduced a complaints process to ensure that complaints were handled quickly and correctly and that trends were identified.

## **7. Payroll Project Update (8.8)**

7.1 Ms Stafford welcomed Mr Cairney who was attending for the first time to give a presentation on the Payroll Project. Mr Cairney covered background details, management controls, financial considerations and the way forward. This was followed by a question and answer session.

7.2 Ms Stafford thanked Mr Cairney for his detailed summary and asked whether the date of 6 January 2007 for commencing NHS Payroll function was

achievable, given the New Year break. Mr Cairney explained the contingencies that had been developed to handle this point.

7.3 Ms Stafford queried the risks of duplicate payments being made during the test regime. Mr Cairney explained that the system calculated output and payment both on the test and live systems but only the live system was authorised to release payment.

7.4 Discussion followed regards to STSS and NHS system testing. Mr Cairney advised that a more comprehensive and thorough period of acceptance testing than was performed in September 2004 would be undertaken for both systems in September 2006. This will provide demonstrable evidence that both systems are fit for use.

7.5 If the user acceptance test indicated that the application was not fit for purpose then Mr Mackay advised that it may be necessary to abandon the current project for NHS Payroll to be handled in-house or continue with a later implementation date.

7.6 Mr Mackay clarified that subject to the Agency's IT supplier being able to meet the deadlines agreed with the Agency. The Agency Management Team would confirm the next steps in w/c 25 September. He noted that if the project was cancelled then all Capital Funding would have to be reclassified which would result in an additional revenue expense of £300k for the year. He emphasised that the project had to work.

7.7 Ms Stafford concluded that September would be a critical month as to whether the Agency should proceed or not and asked that the Management Team keep her informed of the situation. Ms Stafford asked that the Payroll project receive a "health check" from the Gateway Review team and the Mr Mackay agreed to take this forward.

7.8 Ms Stafford encouraged the Agency to ensure that contingency plans were in place in case the payroll project could not meet the expected January 2007 start date. Mr Mackay said if the testing proved negative then the Agency would need to extend the Paymaster contract and Ms Lane and Mr Cairney were scheduled to meet with the Procurement Team on Tuesday 22 August to discuss the options and risks associated with this.

## **8 Structural Review (8.9)**

8.1 Ms Crone presented a paper on the Structural Review covering the background, process and next steps. The Board heard how the Structural

Review would result in major change to the Agency and its business with a view to ensuring its ongoing sustainability in a challenging and changing environment. The review specifically considered current and future business functions to ensure the Agency meets its future business needs and aspirations. Ms Stafford thanked Ms Crone for her presentation and welcomed the level of engagement across the organisation. The continuation of this was encouraged as the process moves from development through to implementation.

8.2 Mr Jeary asked how costs were being taken into account. Mr Mackay explained that as part of the process 3 commitments had been made: (i) changes would be cost neutral, (ii) significant staff engagement during the process and (iii) no redundancies. He also explained the Agency had to build on the dynamic way the business was evolving and continue its drive in delivering efficiencies across the Agency.

8.3 Both Ms Stafford and Mr Jeary welcomed the phasing approach taken by the Agency towards implementation with the Strategy and Development function building up over time.

## **9. Issues for next meeting**

9.1 Items for discussion out with the normal updates to include

- Payroll Project Update
- Structural Review Update

Action Points from SPPA Management Board minutes on 17 August 2006.

Action Point	Para	Officer
D Weir to confirm accrual figure	3.3	D Weir
N Mackay to report on "health check" for NHS Payroll Project	7.9	N Mackay

## **10. Date of Next Meeting**

10.1 The next meeting will take place on 7 November 2006.