

SCOTTISH ENVIRONMENT PROTECTION AGENCY

MINUTES OF THE ONE HUNDRED AND TWENTIETH MEETING OF THE AGENCY BOARD HELD ON TUESDAY 24 JULY 2012 AT SEPA, BREMNER HOUSE, STIRLING

Present

James Curran (Chief Executive)
Richard Dixon
Ian Doig
Bob Downes
Alison Hay

Bill McKelvey
Keith Nicholson
Lesley Sawers
David Sigsworth (Chairman)
Helen Zealley

In Attendance

Karen Cochrane	Executive Officer
Kim Grant	Business Support Manager (item 11 only)
Fraser Lovell	Head Solicitor
Calum MacDonald	Director of Operations (to item 8.1)
Jennifer McCulloch	Clerk to the Board
David Pirie	Director of Science and Strategy
Jennifer Russell	Human Resources Manager
Mark Wells	Head of Strategic Communications
Jennifer Welsh	Head of Finance

1. Chairman's opening remarks

David Sigsworth welcomed everyone to the meeting including Fraser Lovell who was deputising for Calum MacDonald following his early departure from the meeting, Jennifer Welsh who was deputising for John Ford and Jennifer Russell, representing Fiona Martin. He advised that Kim Grant would join the meeting for item 11 only (Risk Management Annual Review 2011-2012).

2. Apologies for absence

Apologies for absence were received from Fred Dinning, John Ford and Fiona Martin.

3. Order of Business

The order of business was as detailed on the agenda.

4. Declarations of Interest

No declarations of interest were made.

5. Approval of minutes of meeting of 29 May 2012

The minutes of the meeting held on 29 May 2012 were approved as a correct record of the meeting.

6. Matters Arising

There were no matters arising from the previous meeting.

7. Chairman's Report (SEPA 23/12)

David Sigsworth introduced his report and drew attention to his attendance at the SOLACE conference on 31 May 2012. He noted that the event had been an extremely valuable networking opportunity, in particular to develop further joint working. In that context he noted that a meeting with Louise Macdonald of Young Scot, and a separate meeting with Derek MacKay MSP, was being arranged.

With reference to paragraph 2.8 (Keppie Architects), it was agreed that a meeting between Mark Connelly, Project Manager, and Bob Downes would be organised in order to discuss the audio visual requirements of the Angus Smith building.

Action: Calum MacDonald

The Board noted the report.

8. Management Reports

8.1 Chief Executive's Report (SEPA 25/12)

James Curran spoke to his report and advised the Board of a number of additional items of information since the document had been circulated.

He noted that the Invergordon distillery owner Whyte and Mackay Ltd had been fined for an incident in which nearly 20,000 litres of oil from its plant was discharged into the Cromarty Firth.

He advised that SEPA had published a study (supported by Scotland's River Restoration Fund) on metal contamination from the old lead mines in the Leadhills area of South Lanarkshire. He noted the anticipated public concern about health effects and advised that a communications hub had been established to respond to concerns but that no approaches had been made.

He noted the positive amount of partnership activity that was described in his report and drew attention, in particular, to SEPA's European engagement. He advised that it was his intention to provide the Board with a more detailed presentation on European activity, including the purpose, benefits and outcomes of such engagement.

Action: Allan Reid

James Curran drew attention to the successful annual visit by the United Kingdom Accreditation Service (page 12) and the progress being made in addressing the actions resulting from the surveillance visit by Lloyd's Register Quality Assurance audit service.

He advised that later in the day SEPA would be releasing (in response to a Formal Review under the Environmental Information (Scotland) Regulations 2004) the list of 12 sites where radioactive contamination may or may not be present. He added that the appropriate local authorities had been advised of SEPA's action.

He concluded by noting that SEPA had exceeded the target of completing 95% of appraisals by the end of June 2012 with an actual completion rate of 97.65%.

With reference to paragraph 3.5 (Office Accommodation) it was agreed that the draft business migration plan for the Angus Smith building would be shared with Bob Downes.

Action: Calum MacDonald

Calum MacDonald left the meeting.

The Board noted the report.

8.2 Quarterly Financial Monitoring Report (SEPA 26/12)

On behalf of John Ford, Jennifer Welsh introduced the report and noted that it was the commentary for the first quarter of the financial year. She drew attention to items of key interest including the increase in income forecast (in particular the additional funding for the Reservoir Act Implementation work) and the variance in charging income received as a result of the changes to the sewer network licences at the end of 2011-2012.

She noted capital expenditure (paragraph 5) and provided an explanation of the increase in the additional capital budget for the Angus Smith building.

In reply to a question, Jennifer Welsh advised that discussions were still ongoing with the Scottish Government in relation to the change in its approach to managing SEPA's financial position (paragraph 6.1) but that she expected that the resource transfer would be approved.

The Board noted the report.

9. Draft Annual Accounts 2011/2012 (SEPA 22/12)

In introducing the report Jennifer Welsh (on behalf of John Ford) noted that the draft annual accounts 2011/2012 had been agreed by the Audit Committee at its meeting on 26 June 2012. She noted that the financial statements had been prepared on a going concern basis and had been audited by PricewaterhouseCoopers LLP. She drew attention (paragraph 1.2) to the one unadjusted error mentioned in PwC's report to the Audit Committee.

As indicated at the Audit Committee, Jennifer Welsh advised the Board that the pension deficit had increased to £40,609,000 due to a lower discount rate, increased mortality rates and a decrease in the expected returns on fund assets (paragraph 4.1 of the Annual Report and Accounts). She drew attention to the notes to the new Accounts (page 31) and the going concern statement. She advised the members that it was still the case that SEPA's sponsoring department, the Scottish Government Environment and Forestry Directorate, would continue to provide support to meet SEPA's annual pension scheme contributions that were not met from other sources of income.

Following discussion it was agreed that John Ford would provide to members assurance of that continuing support from the sponsoring department for SEPA's pension scheme.

Action: John Ford

A number of minor variations to text were suggested and agreed.

The Board approved the Annual Accounts 2011/2012 subject to those amendments, and with final approval being delegated to the Chief Executive.

10. Draft Annual Report 2011/2012 (SEPA 21/12)

David Pirie spoke to the report and invited the Board to approve the Annual Report for presentation to the Scottish Parliament in September. He noted that the performance information contained in the report was already in the public domain in SEPA's Annual Review of Performance but drew attention, in particular, to the case study examples which illustrated the success of SEPA's day-to-day activities.

In reply to a question David Pirie reminded members that the report was published on-line and was designed to reflect this principally electronic usage. Following discussion it was

agreed that, for next year's report, the opportunity should be given to Board members to comment on the format of the report during the earlier development phase.

Action: David Pirie

The Board approved the Annual Report 2011/2012.

11. Risk Management Annual Review 2011/2012 (SEPA 24/12)

Kim Grant joined the meeting for this item and introduced the Risk Management Annual Review. She reminded members that the Review had been considered by the Audit Committee at its meeting on 26 June 2012.

In reply to a question about a number of risks added to the register (annex 2) Kim Grant advised that substantial progress had been achieved since the register was finalised at the end of March 2012. Following discussion it was agreed that additional explanatory information would be provided in the key causes note column before the report was published on the website to ensure clarity of the detail provided.

Action: Kim Grant

The Board approved the report.

Kim Grant left the meeting.

12. Board Work Programme

12.1 Report on Board seminar 24 July 2012

David Sigsworth noted that, in the morning seminar, the Board had had a presentation and workshop on Urban Air Quality. He asked that thanks be passed to the external speakers, Fintan Hurley of the Institute of Occupational Medicine and Tom Brydone of Perth and Kinross Council, and all the staff who had been involved in making the session such a success.

12.2 Board Engagement Activity

It was noted that a written report on Bill McKelvey's and Helen Zealley's participation in a conference on the subject of "PM_{2.5} and Exposure Reduction" had been circulated with the Board papers.

13. Board Committee Reports

13.1 Audit Committee - draft minute and Annual Performance Report 2011/2012 (SEPA 20/12)

Bob Downes spoke to the draft minute of the Audit Committee held on 26 June 2012 and the Annual Performance Report that had been noted at that meeting.

With reference to the draft minute he noted Ally Taylor's departure from KPMG and, as a result, Andy Shaw's appointment as her replacement. He advised that KPMG's three year contract for SEPA's internal audit provision came to an end on 31 March 2013 and that a decision was needed on whether to extend the contract for a further two years, or re-tender it. With the Chairman's agreement, he indicated that he intended setting up a short life working group to interview the KPMG responsible personnel together with John Ford, Director of Finance and Corporate Services and invited Ian Doig and Keith Nicholson to be the members of that group. It was agreed that the meeting would be held as soon as possible so that a recommendation could be made to the Audit Committee at its meeting on 23 October 2012 and, if approved, to the Board for endorsement at the November meeting.

In relation to the Annual Performance Report Bob Downes drew attention to the key issues which emerged during the year through the internal audit activity.

The Board noted the report.

14. Action Note

In reply to a question about item 352 (the requirement for a report to illustrate the action to be taken to achieve a balanced budget in 2013/2014) James Curran advised that the Agency Management Team were to discuss efficiency savings at an exceptional meeting in August and that he anticipated bringing a report to the Board Strategy meeting on 23 October 2012.

15. Any Other Business

Jennifer McCulloch advised that Dave Gorman had emailed asking her to inform Board members that he would soon be in a position to circulate a Draft Sustainable Funding Model Consultation Document. This would allow Agency Board members to provide any views and comments but given the tight timescale, there will only be a short window of 7 to 10 days to do this.

16. Date and time of next meeting

The next meeting will be held on 18 September 2012 in Aberdeen and at the revised start time of 2.00pm.