

STUDENT LOANS  COMPANY LIMITED

**FOI MINUTES OF MEETING OF THE BOARD OF DIRECTORS  
HELD AT 10.30AM ON TUESDAY, 24<sup>th</sup> FEBRUARY 2009  
THE BOARDROOM, LINGFIELD POINT, DARLINGTON**

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<b>Present:</b>	Mr John Goodfellow	Chairman	JG
	Mr Ian Dickson	Non-Executive Director	ID
	Mr David Edelman	Non-Executive Director	DE
	Mr Christian Torkington	Non-Executive Director	CT
	Mr Ralph Seymour-Jackson	Chief Executive	RSJ
	Mr Chris Andrew	Company Secretary	CA
	Mrs Sandra Arkle	Non-Executive Director (via teleconference)	SA
	Mrs Sally Smedley	Non-Executive Director (via teleconference)	SS
<b>Assessors:</b>	Mr Michael Hipkins	DIUS	MH
	Mrs Marion Maddox	DIUS	MM
<b>By Invitation:</b>	Mr Derek Ross	Deputy CEO	DR
	Mr Wallace Gray	ICT Director	WG
	Mr Les Campbell	Finance Director	LC
	Dr Martin Herbert	Customer Services Director	MHerb
	Mr Simon Brindle	Welsh Assembly Government	SB
	Mr Graeme Duncan	SLC (Minutes)	GD
<b>Apologies:</b>	Mrs Barbara Duffner	Non-Executive Director	BD
	Mr Stephen Kerr	Scottish Government	SK
<b>Distribution:</b>	As Above		

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**1. Chairman's Opening Remarks and Directors Matters**

The Chairman welcomed the Board and noted apologies from BD and SK.

**2. Minutes of Last Meeting and Matters Arising**

**2.1 Minutes of meeting held on 27<sup>th</sup> January 2009**

The minutes of the meeting held on 27<sup>th</sup> January 2009 were approved subject to minor amendments to items 4.4, 5.1 and 7.2. GD agreed to make the approved changes and circulate the final version to members for their information **Action MB018 – GD.**

**2.2 Matters Arising from meeting held on 27<sup>th</sup> January 2009**

A full list of actions will be held with these Minutes. \*

The Chairman then advised that he had discussed MB006 with ID and they agreed that a best practice review should be carried out on the current risk management process to ensure that the Company are managing risks in line with best practice **Action MB006 - CA.**

\* **Action MB019 – RSJ.**

### **3. Board Directors' Reports**

#### **3.1 CEO Monthly Information Report**

RSJ introduced his monthly report for information and highlighted the key matters contained within it which included the launch of Student Finance England, phishing attacks and voluntary ICR repayments which the Chairman felt should be promoted as appropriate.

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\* **Action MB020 – CA.**

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#### **3.2 Context Review**

RSJ introduced the Public Relations Context Review paper which provided an overview of news and developments over the last month and asked Members to note the report. DR then provided details of an enquiry which had been received by the Press regarding the level of overseas repayments, and informed the Board that although both the SLC and DIUS Press Offices had worked together to provide all the facts and figures, it was likely that this story would appear in the press in some form.

#### **3.3 Audit Committee Report**

ID provided an overview of matters which had been discussed at the December Audit Committee which included the annual fraud report, the risk review, a presentation from the Company's Procurement Department and internal governance arrangements. CT then queried whether live data was still being used for system testing and WG advised that although it would be best practice to eradicate this process, it was still required to test some functioning of the Customer Portal. He agreed to investigate alternative possibilities and advised that he would report his findings to the Audit Committee in the near future

**Action MB021 – WG.**

#### **3.4 Remuneration Committee Report**

SS provided an update on matters which had been discussed at the January Remuneration Committee being senior staff pay, the Balanced Scorecard approach to bonuses for senior staff, the bonus analysis for all staff and a pay negotiation update.

### **4. Formal Notings and Approvals**

#### **4.1 Quarterly Update on SLC/DIUS Performance Management Review Meeting**

RSJ provided an update on the matters discussed at the quarterly performance review meeting held on 28<sup>th</sup> January and advised that this was the first meeting between the Chairman and the Minister. He informed the Board that the topics which were discussed were the KPI's, how the current economic climate would affect mortgage style loan repayments and the delivery of the student finance service in Wales.

#### **4.2 Income Pilot – Final Draft Report**

CA presented this report which set out a summary of the final draft report on the Income (Fraud Detection) Pilot that was issued to DIUS on 12<sup>th</sup> February and advised that a final report was yet to be issued as the number of 'suspect' cases was continuing to reduce on a weekly basis. He stated that this pilot exercise had confirmed that there were some issues in relation to income verification and that the development of an income and identity bureau service had emerged as a key recommendation. CA then added that a verbal acceptance had been received in relation to the new Fraud Manager role which had a planned start date of 6<sup>th</sup> April and that it was foreseen that this position would add a great deal to the Company's continuing drive in combating fraud.

RSJ then outlined the potential financial savings to Programme funding which could be achieved from the bureau service and stated that the Devolved Authorities should consider whether this was a measure which

they should also implement. He added that it was clear that this was an operational risk as it was intended to implement the service during the early stages of the processing cycle for Student Finance England, but emphasised that this risk was classed as acceptable as the potential financial savings are significant. RSJ then thanked all of his colleagues who had worked hard to build a solution which was not particularly labour intensive and would provide major savings. SB then stated that he felt this was a useful piece of work which he might be keen to implement in Wales but he also queried whether the mainstream application form could be adjusted to better combat the areas where fraudulent information could be provided. MH stated that it is important that the Company takes a risk based approach to this activity, and reminded the Board of the drive to identify savings from a reduction in the level of fraud in the system. He noted the good work in this area that had been performed by the Company.

A brief discussion then followed on whether the introduction of requesting self employed sponsors and directors to submit the final self assessment tax return received from HMRC would provide sufficiently up to date information given the introduction of 'prior year tax' and DR advised that these individuals could be reassessed should they encounter a change in circumstances.

*Gemma Peck and Jo Thompson joined the meeting.*

#### **4.3 Governance Arrangements & Balanced Scorecard Update**

CA provided an introduction as to the matters which would be discussed in relation to governance arrangements and the balanced scorecard and RSJ added that the scorecard would sit at the heart of the business going forwards. MM then provided a presentation on behalf of DIUS and advised that the new Framework Document would provide a way for the Government Administrations to hold the Company to account and bring the remit of the Company together in one place. She reminded the Board of its role and responsibilities under the Framework and stated that having clear roles together with aligned objectives would undoubtedly help the Company perform well. MM then advised that a final presentation would be given to the March Board prior to its introduction on 1<sup>st</sup> April **Action MB022 – MH/CA.**

The Chairman then stated that he felt that timing was important in relation to performance, highlighting the amount of notice the Company was given on key policy changes as a vital part of the process. MH responded by noting that both the Company and DIUS were now operating in an unpredictable financial environment and this unfortunately meant changes were occasionally required at short notice. He added that he had discussed this matter with RSJ and informed the Board that as well as striving to achieve a regular system of change, DIUS would give as much notice as possible should these types of situations occur in the future. SB then stated that he agreed with the above points but added that the delivery of service could also drive policy decisions. ID noted the current unpredictability in business and Government and stated that he felt this meant that there was a greater responsibility for the Board to support the Executive in ensuring the continuing stability of the operating environment. The Chairman suggested it would be wise to allow time on the agenda at the Main Board every quarter to discuss strategic matters relating to student finance **Action MB023 – GD.**

The Board then discussed the suggested questions which MM had provided in her presentation and RSJ suggested that the Board needed more information to assist in managing the capacity and capability of the Company going forward as the focus had primarily been on delivery up until this point. MM then queried whether the Board were comfortable with all the strategies which came before them and the Chairman responded that forward looking Board reports would assist in evaluating strategy proposals. CT added that Non-Executives were required to use their own experience and judgement in these matters and strategies were not the only method of evaluating the performance of the Company. CA noted that further shaping of the future Board schedule and papers should assist in this and requested input from the Board, since he was keen that the quantity of information included in the Board pack did not increase overall. In terms of the framework document, the Chairman asked MM what would happen should all four Government Authorities fail to agree on certain matters and MM agreed to send Annex B of the document to the Board as this detailed the mechanisms in place to deal with this **Action MB024 - MM.** The Chairman then queried whether ID was content with the role of the Audit Committee and ID responded that a recent

review had left him content with its performance, however, skills and training gaps had been identified and were subsequently being addressed.

CA then introduced the Balanced Scorecard section of the presentation and advised that the Scorecard would be delivered in line with the Delivery Strategy and would be used to drive performance. He then proceeded to outline the background, next steps and key dates in relation to the implementation of the Scorecard and offered to answer any related questions from the Board. The Chairman then stated that paying the right money to the right student on time and protecting Government money should be two important objectives for the Company. ID queried whether protecting Government funds was a matter for DIUS rather than the Company and RSJ agreed that although the Board should be aware and provide insight, overall management of this was a matter for DIUS and HM Treasury. MH then advised that the relationship between DIUS, the Company and the Devolved Administrations could be complicated, particularly with regard to ICR and MM suggested that there should be a separate discussion on the memorandum of understanding between DIUS, HMRC and the Company to improve understanding

**Action MB025 – DR.**

CA informed the Board that the final stage in the Scorecard development process was the agreement of appropriate targets for the measures in the Delivery Strategy and stated that this should be complete for the March meeting. DE queried whether there should be an overlap between the reporting of the KPIs and the introduction of the Scorecard as a contingency plan and RSJ advised that this could be carried out if required. CT then sought assurance that the content included in the enablers section of the Scorecard was both necessary and sufficient and DR informed him that this was a starting document which could be amended as we move forwards whilst MHerb highlighted the exhaustive process which had been undertaken to get to this stage. It was agreed that a comprehensive summary paper setting out the proposed enabler measures and targets should be presented to the March meeting for approval

**Action MB026 – CA.**

*Gemma Peck and Jo Thompson left the meeting.*

#### **4.4 Bothwell Street Refresh – Approval of Spend**

MHerb introduced a tabled report in relation to the Bothwell Street refresh project which sought approval of additional spend of £116K for items which were previously out of scope but were now fully funded. Following a brief discussion, the Board approved the additional spend.

#### **4.5 Draft Corporate Plan & Financial Plans**

LC introduced this item and provided the Board with the latest draft of the Corporate and Financial Plans which referred to specific domiciles where appropriate. He added that he hoped to have a fully funded plan available for the March Board. RSJ then suggested that it was possible that no fully funded plan would emerge given the current funding environment. LC confirmed that if this scenario arose, targets and services which had already been agreed would need to be reviewed in an attempt to bridge the funding gap.

The Chairman then noted that within the Corporate Plan, there was no mention of the current financial environment in which the Company were operating. He also requested that some notes be added to pages 16 and 17 of the Plan explaining the reasons behind the major increases or decreases from FY08-09 as appropriate. LC noted these points and agreed to make the suggested amendments to the Plan

**Action MB027 – LC.**

ID then sought an update on the FRS17 valuation of the Company's Pension fund and RSJ advised that the Company would be discussing this matter with KPMG in the coming weeks. LC then added that Mercer had advised the Trustees about the current volatility of the Scheme's investments but that no updated triennial valuation figure would be available for a few months. A brief discussion then took place on the International Financial Reporting Standards and LC advised that he would be providing an update on this matter to the Audit Committee in March

**Action MB028 – LC.**

#### **4.6 Draft Operating Plans & Budget Update**

LC presented the draft operating plans and budget update which highlighted issues with the present funding model and detailed how the Company planned to resolve these issues. The Chairman then queried whether the Company would be provided with any of the money which would be saved through the new fraud initiatives and LC advised that there would be no automatic offset should the initiatives be successful, since Programme and operating funding is held separately within DIUS. RSJ then stated that he felt that a fundamental point in relation to the operating budget was how the Company rationalised the rising cost of projects.

CT then queried whether the efficiency of Customer Services could be assessed using unit costs and MHerb advised that using this method would not provide a relative comparison due to the implementation of Student Finance England, which was an entirely new service. MM then intimated that unit costs would be of interest to DIUS in the long term and CT stated that he would like to see a continuous improvement in customer service. He requested that there should be a clear picture of where the relationship between performance and the operating budget could be assessed and LC agreed to investigate the possibility of creating a more transparent report to address this issue **Action MB029 – LC.**

### **5. Strategic Overview**

#### **5.1 09/10 Programme and Customer First Report**

DR presented the joint Programme and Customer First report and advised that the report had been amended following comments at the previous Board, however, this was still ongoing with further changes likely to be made over the coming months. \*

DR then provided an update with regard to the HMRC data share and the potential underspend in the Customer First budget.

### **6. Performance Reports**

#### **6.1 KPI Report FY08-09**

CA presented the monthly KPI report and ID noted that there were an increased number of downward arrows which indicated a fall in performance from the previous month. CA then advised that a number of these arrows related to customer satisfaction targets which had already been recognised by the Board, however, the fall in the on-line take-up figures was more of an issue. MHerb provided a background as to the reasons for the recent fall in the figures and then advised that he would be submitting a report on this matter to the Board in the near future **Action MB030 - MHerb.** The Board then noted the report.

### **7. Management Reports**

#### **7.1 Customer Services Directorate Report**

MHerb introduced his quarterly Customer Services Directorate report and provided an overview of the key items which included on-line take-up; the increased value which was being added by the Customer Insight team; avoidable contact and the slow down in mortgage style loan repayments. He then advised that it was looking increasingly unlikely that the funds would be available to meet the agreed processing service targets for the year ahead and therefore, significant remodelling work may still need to be carried out.

*Steve Simpson joined the meeting.*

#### **7.2 Human Resources Quarterly Report**

RSJ introduced the Human Resources quarterly report which included turnover and sickness absence figures for the year to date and DE queried why the turnover figure for Assurance Services was significantly higher than the YE target. CA advised that in recent months, a relatively small number of

resignations had been received from individuals who had chosen to leave the Company to further their career which had impacted on the percentage figure due to the small size of the Division. The Board then noted the report.

*Steve Simpson left the meeting.*

### **7.3 Expenses Policy Comparison**

LC presented the expenses policy comparison which provided an overview of the effects of the new expenses policy which was implemented in April 2008. DE then raised an issue relating to the claiming of VAT on fuel and LC advised that this was the only expense where a flat rate approach to reclaiming VAT was not required.

### **8. Any Other Business & Key Actions review**

RSJ advised that he had discussed with SB, the possibility of holding the July 2009 Main Board in Cardiff and SB had agreed to investigate this and confirm the details for the March Board **Action MB031 – SB.**

RSJ then informed the Board that the Permanent Secretary, Ian Watmore, would be leaving his role to become the new Chief Executive of the Football Association in May. He stressed that this was important for the Board to note as it meant that a number of the key personnel responsible for Student Finance had left DIUS in quick succession, taking with them a considerable amount of knowledge.

DE then queried when the Chairman would be visiting the Colwyn Bay office as he was also interested in attending. The Chairman advised he would be visiting in March with David Thomson, Head of Customer Contact, and that DE was welcome to join them.

### **9. Date of Next Meeting**

The Board noted that the next Board meeting would take place on Tuesday, 31<sup>st</sup> March 2009 at 10am in Glasgow.

**The meeting closed at 2.00pm**

### **Annex - Main Board Information Papers**

The Board were invited to review the Board Information reports and raise any queries direct with the authors.

**NB: Where asterisks appear these items have been excluded from the minutes before placing on the website as the subject under discussion falls within one or more of the exemptions contained in Part II of the Freedom of Information Act, 2000 and can be reasonably withheld.**