

**FOI MINUTES OF MEETING OF THE BOARD OF DIRECTORS  
HELD AT 10.15AM ON TUESDAY, 27<sup>th</sup> OCTOBER 2009  
WELSH ASSEMBLY OFFICES, CARDIFF**

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<b>Present:</b>	Mr John Goodfellow	Chairman	JG
	Mr Ralph Seymour-Jackson	Chief Executive	RSJ
	Mr Ian Dickson	Non-Executive Director	ID
	Mrs Barbara Duffner	Non-Executive Director	BD
	Mr David Edelman	Non-Executive Director	DE
	Mrs Sally Smedley	Non-Executive Director	SS
	Mr Chris Andrew	Company Secretary	CA
<b>Assessors:</b>	Mr Michael Hipkins	BIS	MH
	Mr Stephen Kerr	Scottish Government	SK
		<b>(by telephone conference)</b>	
<b>By Invitation:</b>	Ms Jane Hutt	Minister - Welsh Assembly Government	JH
		<b>(to item 2.2)</b>	
	Ms Lynne Hamilton	Welsh Assembly Government	LH
		<b>(to item 4.4)</b>	
	Mr Derek Ross	Deputy CEO	DR
	Dr Martin Herbert	Marketing & Customer Services Director	MHerb
	Mr Wallace Gray	ICT Director	WG
	Mr Les Campbell	Finance Director	LC
	Mr Simon Brindle	Welsh Assembly Government	SB
	Mr Graeme Duncan	SLC (Minutes)	GD
<b>Apologies:</b>	Mr Christian Torkington	Non-Executive Director	CT
<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 CT. He introduced JH to the Board and thanked her for the hospitality which had been provided by the Welsh Assembly Government as the hosts of the meeting.

**2. Strategic Overview**

**2.1 Wales Update**

RJS provided the Board with a presentation which detailed the services the Company provided to Wales, in particular highlighting the Education Maintenance Allowance (EMA) improvements that had been introduced in AY09/10. The Minister thanked RSJ for the presentation and stated that she was impressed with the continuity which existed between Further Education and Higher Education from a student perspective. She advised that lessons had been learned from AY08/09 and had enabled new ways of working to be found which had improved the service students were receiving. She then acknowledged that the Welsh language facility which existed in the Company's Colwyn Bay office was proving beneficial for Welsh speaking students and stated that although there may be different policy decisions being made by each UK Government Administration, they had a joint purpose to provide the best service possible to students.

## **2.2 IAG Services Online**

MHerb provided the Board with a presentation which detailed the Company's proposals to move the majority of the information, advice and guidance provided to students online. He provided a background to the existing online delivery model which was carried out via the Directgov website and stated that although Student Finance was one of the largest information areas on the site receiving the greatest number of visits in September each year, the Company was not currently comfortable with the way in which some of the information was presented as customers felt it was confusing and difficult to navigate. He added that the Company felt that they needed a separate site where operational issues affecting customers could be quickly communicated to them and highlighted the significant customer contact savings that could be made should the proposal be accepted. He then advised that Directgov were working towards a number of improvements, but that the main change would not be ready for about two years, which was too long for the Company to wait, and he therefore sought approval from the Board to commence negotiation with BIS and Directgov on a link to a separate Student Finance England site that would improve customer experience in the meantime.

The discussion then focused on whether an application tracker could be introduced to allow students to easily see the stage their application was at and MHerb advised that although there were plans to introduce this in the future, application processing would first have to be highly tuned in order for the tracker to be fully effective. BD then queried what the Company's experience was of the separate Wales, Northern Ireland and Scotland sites and DR advised that these sites worked well and could be more easily adapted to meet the Company's needs.

The discussion then concluded with the Board agreeing that MHerb should engage with BIS and Directgov on the proposal for a link to a separate Student Finance England site being created **Action MB088 – MHerb.**

*Jane Hutt left the meeting.*

## **3. Minutes of Last Meeting and Matters Arising**

### **3.1 Minutes of meeting held on 29<sup>th</sup> September 2009**

The minutes of the meeting held on 29<sup>th</sup> September 2009 were discussed and subject to some minor amendments to wording as suggested by MH and ID, the minutes were approved **Action MB089 – GD.**

### **3.2 Matters Arising from meeting held on 29<sup>th</sup> September 2009**

A full list of actions will be held with these Minutes. The Chairman then referred to action MB082 and advised that in order to provide the Minister with the assurances that he sought from the Company, an External Review had been commissioned in relation to the operation of the AY09/10 application processing cycle for Student Finance England and plans for delivery of the service for AY10/11. He added that the outcome of the Review would help to allow conclusions to be drawn as to the level of funding the Company would require for FY10-11. He then advised that the final Terms of Reference for this Review would be circulated to the Board shortly and that the Review was scheduled to provide an interim report by the end of November 2009 **Action MB090 – CA.**

The Chairman then referred to the September Main Board minutes which stated that "the end of October was the new deadline for ensuring that all evidence is matched and all application processing is up to date." He requested an update on the current status in relation to this matter and DR assured him that this deadline would be met by the end of October.

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

### **4.1 Final Mid Year Review**

LC introduced the final mid year review report and advised that discussions were continuing with each stakeholder with regard to their financial forecast outturn for FY09-10 against the agreed budget. ID then queried why the cash implications of ongoing lease payments had not been

recognised within the APRA and LC advised that this element had not been built into the APRA at the time it was being agreed but that he was in discussions with BIS to resolve this issue.

The discussion then focused on forecasted underspends, which were detailed within the reports and RSJ advised that in terms of programmes, the resources for planned work which was now not taking place were instead being recharged to internal projects or to work being carried out for another Government Administration. MH then noted that the distribution of costs between BAU and projects appeared to change regularly and this made it difficult for Board members to track. SB advised that there were a number of factors which could cause this to happen such as the delaying or cancelling of projects, or estimates being higher or lower than expected. ID then asked about the level of expenditure classified under Payroll, which appeared to be significantly under budget when added across all the reports.

The discussion concluded with the Board requesting that further mid year information be submitted to the November Board to allow them to be able to correlate better between the Company and Government Administration budgets **Action MB091 – LC.**

#### **4.2 Quarterly Financial Update**

LC introduced the quarterly financial update and advised that there were no major issues to highlight in relation to the Company's finances for the year so far. A discussion then followed on the cost implications to the Company of IFRS and LC advised that this had been built into the forecasts for FY10/11 and discussed at length with BIS.

MH then referred to the Value of Money programme and noted that the one off refund received from HMRC had eased some of the pressures of meeting the VfM targets for FY09-10; however, he reminded the Board that this did not mean that the issues previously faced by the Company in this regard would be removed but instead would now transfer to the following FY.

#### **4.3 Financial Position FY10-11**

RSJ introduced a report on the financial position of the Company for FY10-11 and advised that although it was clear that England would require less programme work to be carried out during FY10-11, it was unclear at this stage the level that would be required. \*

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\* **Action MB092 – RSJ/CA/MH.** \* **Action MB093 – RSJ.**

ID then raised the matter of the required assurances from stakeholders that interim funding would be in place should the financial position of the Company not be confirmed by the start of FY10-11, following which the Chairman provided more background to the Review that had been commissioned. The Chairman then concluded the discussion by stating that the Board recognised the challenges which arose for FY10-11 and stated that if the funding position hadn't been clarified by around February 2010 then the stakeholders would need to be asked by the Board to provide the necessary assurances.

*Lynne Hamilton left the meeting.*

#### **4.4 Lessons Learned Review AY09/10 Service**

The Chairman introduced the item in relation to the lessons learned review for the AY09/10 service and advised that the Board would consider the individual reports contained within the pack in relation to telephone contact, processing and scanning.

A discussion then followed where the differing styles and content of the three lessons learned reports was discussed and DR advised that he, WG, and MHerb had prepared the reports independently giving a backward view on events as the Chairman had requested. The Board then referred to the media attention which the Company had received during the AY09/10 cycle and RSJ stated that although he still felt that it was the correct decision to process all late applications to ensure all

students received some funding once they had applied to SFE, this approach had added to the processing issues and delays. DR added that the application numbers had been clearly explained to the press many times but that the number of incomplete applications being included in the figures was effectively distorting the actual position. The Chairman then agreed that a rebalancing of the processing of late applications needed to be considered and that a media handling lessons learned exercise should also be undertaken **Action MB094 – DR.** SS then queried whether the Non-Executive Director's were comfortable that they had contributed sufficiently with regard to the issues in relation to the AY09/10 cycle and the Chairman advised that a governance lessons learned response would be considered at the Board strategy Awayday during November which would address this point **Action MB095 – JG.**

WG then provided an overview of the scanning report and the Chairman advised that an Internal Audit review of this implementation was also available. He requested that the relevant sections of this review be included as an annex to the report as well as distributed to the Board for information **Action MB096 – CA.** WG informed the Board that some good decisions had been made during the Scanning project but admitted that some mistakes had also been made such as the solution only being included as a workstream within the Customer First project which meant that it did not have a Senior Responsible Officer. It was then agreed that further consideration should be given to the scanning contract with a view to seeking compensation from the supplier of the scanning solution **Action MB097 – WG/CA.**

DR then presented the processing report and advised that as a result of the delayed launch of the annual cycle, a number of other 'softer' issues arose from this which had not been fully considered and that there had been insufficient detail around contingency plans to mitigate the risk of key technology components. MH stated that he felt more information as to whether the forced means tested and interim assessment contingencies had improved the process should be included in the report. A discussion on Disabled Students Allowance (DSA) applications then took place and DR advised that a separate DSA lessons learned exercise would take place **Action MB098 – DR.** He then provide a background to the DSA application process and advised that there were external factors, such as the requirement for medical assessments to be received, which were causing delays although there was also the issue of late applications which needed to be considered. DR then advised the Board that the Customer First Programme view had been to move away from providing application deadlines to students in AY09/10 but that this had impacted on the number of late applications which had been received this year. The Chairman requested that deadlines should be reintroduced for the AY10/11 cycle **Action MB099 – DR.**

MHerb then presented the telephone contact report and highlighted that issues had occurred every year, although not on the scale of this year. He also stated that the Company did not consider that it was a long term answer to hire extra staff to meet the increase in calls during the peak contact period, which normally lasted 6-8 weeks following the opening of the clearing process. RSJ agreed and advised that the long term solution was to remove calls which could be handled in a different manner but that it was unlikely that this could be achieved in time for the AY10/11 cycle unless a significant amount of money was spent. DR added that a number of factors had impacted on telephone contact this year including the delay to the start of the cycle, evidence issues and the increased media interest and that these factors had combined to cause the significant waiting times to occur. BD suggested that a manpower plan should be looked at for the 6-8 week expected peak period during AY10/11 and RSJ agreed, although he stated that while some resource contingency should be planned, the Company were not expecting the same volume of calls next year due to the steps that would now be taken. MHerb added that to avoid the associated time and costs of recruiting and training new staff for such a short peak period, existing SLC and outsourced staff were currently offered overtime to help answer the increased number of calls. RSJ stated that he was hopeful that the Review may suggest some solutions as the previous EMA Wales review had provided some useful recommendations for the Company to take forward.

RSJ then queried whether the Board felt the current balance between getting students paid on time and customer service, taking into account the funding provided, was correct, or whether additional funding should be requested which would help improve the service on offer to students. The

Chairman agreed and stated that this should be considered as part of the governance lessons learned review as it was primarily for the Board to consider whether the budget provided was sufficient for the operational needs of the Company. It was agreed that to help inform this consideration, an overarching positioning paper setting out the key themes, messages and priorities for SFE actions going forward should be drafted and submitted by the date of the strategy Awayday in November, prior to its submission to the Review **Action MB100 – RSJ/DR.**

The Chairman then concluded the discussion by thanking the Executive for their efforts in creating the three reports and asked them to take on board the comments made by the Board when submitting revised versions by the time of the strategy Awayday in November **Action MB101 – DR/WG/MHerb.** He added that the proposed lessons learned report on Stakeholder Management should also be submitted by this deadline **Action MB102 – DR.**

#### **4.5 Manual Contingency Process for AY10/11 Update**

DR provided an overview of a report which provided an update on the development of contingency plans to mitigate the risk that the scanning workflow solution was not operational for the next processing cycle. DE queried the reasons behind the Company PO Box address and DR advised that this allowed the Company to redirect mail to wherever it was required without any changes needing to be made to stationery. MHerb added that opening the mail in Darlington would also prevent mail sent to the Company by Recorded Delivery being shown as 'redirected' should a customer check the progress of the delivery online, which was confusing. This currently happens due to the mail initially being received in Hillington and then subsequently being redirected to Darlington.

The Chairman then queried whether the staff who would be opening incoming mail for the AY10/11 application cycle would simultaneously update the system to show that the item had been received as this would assist contact centre staff in providing accurate information to customers. DR confirmed that this would be the case and that the process would be in place prior to the commencement of the 10/11 cycle.

The Board noted the report.

#### **4.6 Scanning/Workflow Management System Monthly Update**

WG tabled a paper which provided an update on the scanning/workflow management system and advised that a robust plan was in place to change, test and implement the system prior to the beginning of the AY10/11 application cycle. MH then queried whether changes had been made to business processes and WG advised that the requirements for the workflow element of the system had been significantly simplified which would in turn make the system easier to use. DE then queried whether WG was comfortable that the anticipated post-implementation defects which were referred to in the report would not cause significant problems and WG stated that he did not foresee these defects having a material effect on the performance of the system. DR commented that it is common practice for systems to go live with a small number of defects, but emphasised that the scanning system would not go live if these defects were significant. WG added that extra assurance would be provided by Internal Audit as they would be carrying out a pre-implementation audit of the system.

### **5. Board Directors' Reports**

#### **5.1 CEO Monthly Information Report**

RSJ introduced the monthly CEO report for information and sought any comments that the Board had on the content of the report. The Chairman queried whether the Company's Freedom of Information Policy would be submitted to the Board and it was subsequently agreed that the Policy should be submitted to the November Main Board for noting **Action MB103 – CA.**

#### **5.2 Audit Committee Report**

ID provided a verbal update on the matters which had been discussed at the September Audit Committee which included the KPMG External Audit Strategy, a pre-implementation review of Scanning, the revised Risk Management Policy and the proposed review of Risk Management processes. CA then provided an update on this review and advised that he had met with the Deputy

Head of Internal Audit of BIS and was content that he was capable of carrying out the review. He added that the intention was to carry out the review during November in line with the planned timetable, as it had been provisionally agreed with BIS that the findings may help with the response to the External Review. The Chairman and RSJ both stated that the timing of the review should be revisited as the Company's priority during November should be on providing time and assistance to the External Review team. ID then commented that he remained unconvinced that BIS Internal Audit would be able to provide the necessary range of benchmarks and the same external broad perspective as a firm of consultants. As a result of these comments, CA agreed to slow down the timetable for the review, and to have a further discussion with ID on the terms of reference and the approach to taking this work forward **Action MB104 – CA/ID.**

## **6. Company Performance Reports**

### **6.1 Balanced Scorecard Report - Summary**

The Chairman introduced the Balanced Scorecard summary report and sought any comments that the Board had on the content of the report. He stated that he felt the front-page summary page did not properly reflect the current position of the Company, although he acknowledged that the individual detailed reports contained within the Information Pack did highlight issues which had a 'Red' status. RSJ then stated that although he felt the Scorecard provided an accurate picture in terms of whether students were being paid on time, he suggested that the effectiveness of the Scorecard should form part of the governance discussions which would take place at the strategy Awayday in November. CA advised that the Board would shortly be required to formally provide their quarterly feedback on the effectiveness of the Scorecard, which the Chairman agreed could be best done at the Awayday, and MH requested that all of the Scorecard summary pages for the FY09-10 so far be provided to the Board for their information **Action MB105 – CA.**

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

\* **Action MB106 – MHerb.**

The Chairman then confirmed that the agenda and any supporting papers would be issued for the strategy Awayday by Friday, 6<sup>th</sup> November **Action MB107 – CA.**

### **8. Date of Next Meeting**

The Board noted that the next Board meeting would take place on Tuesday, 24<sup>th</sup> November 2009 at 10.30am in Darlington

**The meeting closed at 2.35pm**

### **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 within a numbered item, these sections 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.**