

**FOI MINUTES OF MEETING OF THE BOARD OF DIRECTORS
HELD AT 10.00AM ON TUESDAY, 28th APRIL 2009
THE BOARDROOM, BOTHWELL STREET, GLASGOW**

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|-----------------------|--------------------------|----------------------------------------------------|-------|
| Present: | Mr John Goodfellow | Chairman | JG |
| | Mr Ian Dickson | Non-Executive Director | ID |
| | Mrs Barbara Duffner | Non-Executive Director | BD |
| | Mr David Edelman | Non-Executive Director | DE |
| | Mrs Sandra Arkle | Non-Executive Director | SA |
| | Mrs Sally Smedley | Non-Executive Director | SCS |
| | Mr Ralph Seymour-Jackson | Chief Executive | RSJ |
| | Mr Chris Andrew | Company Secretary | CA |
| Assessors: | Mr Michael Hipkins | DIUS | MH |
| | Mr Stephen Kerr | Scottish Government | SK |
| By Invitation: | 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 Felix Ulloa | Senior Change Analyst (Item 7.2 only) | FU |
| | Mrs Christine Aitken | Head of Change Management (Item 7.2 only) | CAIT |
| | Mr Jonathan Gent | Assistant Manager (Item 7.2 only) | JGent |
| | Mr Graeme Duncan | SLC (Minutes) | GD |
| Apologies: | Mr Christian Torkington | Non-Executive Director | CT |
| | Mr Simon Brindle | Welsh Assembly Government | SB |
| Distribution: | As Above | | |

1. Chairman's Opening Remarks and Directors' Matters

The Chairman welcomed the Board and noted apologies from CT and SB.

2. Minutes of Last Meeting and Matters Arising

2.1 Minutes of meeting held on 31st March 2009

The minutes of the meeting held on 31st March 2009 were approved.

2.2 Matters Arising from meeting held on 31st March 2009

A full list of actions will be held with these Minutes. In relation to open actions MB038 and MB039, the Chairman advised that these were now closed as they related to the Corporate Plan which was being considered at item 4.1 on the agenda.

3. Board Directors' Reports

3.1 CEO Monthly Information Report

RSJ introduced his monthly report for information and took the opportunity to update the Board on matters which SB had forwarded in his absence including an update on the Welsh Student Finance Policy review; an update on the proposals for the delivery of Student Finance in Wales; and a summary of SB's recent visit to the Colwyn Bay office. RSJ then referred to the instalment payment report which had been issued to the Board prior to the meeting and advised that SB wished the

Board to acknowledge that both overspend and underspends were proving increasingly difficult to manage, a point which SK then wholeheartedly agreed with.

RSJ then advised that with the Board's approval, he intended to realign some of the responsibilities of the Directors which would see MHerb focusing on customer service and customer experience, DR taking responsibility in relation to processing in Darlington and WG taking responsibility for programme management. SA queried where the marketing function of the Company would subsequently lie and RSJ advised that this would now fall under the remit of MHerb. The Board then approved the changes and passed their best wishes to MHerb, DR and WG in their amended roles. ID then requested that an updated organisation chart be distributed to the Board in due course

Action MB046 – RSJ.

The matters contained within the CEO report were then discussed and SA queried whether the Company were happy with the functionality and ease of use of the online application system. RSJ advised that the process was still not as developed as he would have liked but that significant improvements were scheduled to take place for the 10/11 cycle. DR then stated that although this was a deliverable for 10/11, the delay in the start of the application cycle for 09/10 meant that this would not be available at the start of the 10/11 process.

RSJ then advised that formal offers were being issued to the four successful Independent Assessor candidates and that an induction process would now follow. The Board then noted the report.

3.2 Context Review

RSJ introduced the Public Relations Context Review and requested that the Board note the report. DR then added that he expected some press activity shortly with regard to two awards which the Company had won in relation to the design of the Company's Darlington office. The Chairman then raised a matter relating to a letter written by the Permanent Secretary which he had received and RSJ agreed to circulate the letter to the Board via e-mail for information **Action MB047 – RSJ.**

3.3 Audit Committee Report

ID provided an overview of the matters which had been discussed at the January Audit Committee which included a follow up discussion to the live data in testing issue; a verbal overview of Deloitte's review of Internal Audit, of which a final report would be submitted to the June Audit Committee; a review of the 09/10 Internal Audit Plan; the External Audit Strategy from KPMG and the draft Statement on Internal Control. The Board then noted the matters which had been discussed.

4. Formal Notings and Approvals

4.1 Final Corporate Plan and England Financial Plan

RSJ provided an update on the current situation in relation to the Corporate Plan and England Financial Plan advising that he and LC had held a series of meetings with the Minister to agree the way forward and that the proposal was now with the Secretary of State for approval. He added that the funding issue had been addressed by delaying some of the EU loan initiatives and identifying a source of additional funding for programme related work but that this would mean that any new initiatives identified during the course of the financial year were unlikely to be progressed as no additional funding would be available. The Chairman then stated that to aid discussions, the Board should assume that the proposal would be signed off and that if this failed to happen, a reduction on cost-base would need to be achieved as per discussions at the March Board meeting. BD then stated that she felt it was important to note that should the Secretary of State reject the proposal and the Company had to reduce costs, this would have a significant effect on the level of customer service which could be provided.

LC then added that as the additional funding from programme related work would use up the majority of the contingency within DIUS, there would subsequently be a greater focus on the Value for Money (VfM) savings which the Company were aiming to achieve. MH agreed and advised the Board that they should continue to look closely at VfM and stated that from a DIUS perspective, achieving the additional funding proposal had proved extremely challenging. He then informed the Board that

should there be any occasions during the course of the year where the Company experienced an underspend, this money would probably need to be handed back rather than reallocated by the Company.

The Chairman then advised that following discussions with LC, it had been agreed that the Corporate Plan would include more information on Risk Management, as this had been a recommendation from the Framework Document. He also advised that a risk relating to the financial position for this year should be added to the Corporate & Strategic Risk Register **Action MB048 – LC**. The proposed Corporate Plan and England Financial plan were then subsequently approved.

4.2 Application Processing Update

MHerb introduced the application processing update in relation to the new centralised service which launched on 9th February 2009 and advised that he was pleased with the progress made to date despite trends being difficult to forecast as there was no comparison to draw on from previous years due to the delay in the commencement of the cycle. He added that minimising queuing was a priority so that the Company did not fail to meet the Service Level Agreement and that an agreement had been made with staff in relation to flexible holiday arrangements which would ensure a full compliment of staff was in place during peak periods. He then highlighted the scanning solution which was in place that would reduce the amount of paper which teams in Darlington were required to process.

The Chairman then highlighted graphs which were contained within the report which showed that a number of applications were being received after the stated deadline and stated that he felt this suggested that the importance of the deadlines were not being recognised. DR advised that these deadlines had been created more for Local Authorities than the general public and although they were going to be removed for the 09/10 cycle, they were reintroduced following the delay in the commencement of application processing. DE queried whether it was the deadlines which were causing the application peaks but DR felt that for 09/10 it would be a risky strategy to remove them as many customers may leave applying until the last minute as a result. DE then suggested that the deadlines for means tested and non-means tested loans could be swapped as this order seemed more logical to him. The Chairman then requested that the Executive investigate what could be done to reduce the percentage of applications received after the stated deadline **Action MB049 – DR**. He then concluded this discussion by stating that the most important factor was for students to be paid by the first day of term and that he understood that the deadlines helped to achieve this.

A discussion then took place in relation to the turnaround time of applications and the Chairman highlighted that the process seemed to be quicker when customers completed the application online. He queried whether it would be possible to charge for processing paper applications to help increase the number of online applications but SA stated that it was important for the Company to be confident in their online facility before this suggestion could be seriously considered. The Chairman requested that further analysis of the processing times and costs relating to online and paper applications be carried out **Action MB050 – DR**. BD then sought further information as to the first time accuracy figures contained within the report and stated that she felt 8% represented a significant number of mistakes. DR reassured the Board that this figure was based on first time accuracy from applications being input by new members of staff and that the applications were checked again before they were deemed to be fully processed. RSJ advised that there was a fine balance to be achieved as spending more money to improve the process could increase performance but this would slow down the process. BD acknowledged the points made but requested that further analysis be carried out as to the reasons behind the 8% figure which had been reported **Action MB051 – DR**.

4.3 Annual Performance & Resource Agreement Letter Update

The Chairman advised that the Annual Performance & Resource Agreement Letter had still to be issued but that he expected it to be issued shortly following the Secretary of State's consideration of the Ministers recommendation in relation to the final Corporate Plan.

5. Strategic Overview

5.1 ICT Strategy/Direction of Travel

WG provided the Board with a presentation in relation to the ICT Strategy which he intended to submit to the July Main Board for approval which detailed the methodology used, the key components of the strategy and the potential benefits which could be obtained by the Company. He then sought the Board's input to the future direction of ICT highlighting that a possible option for the future was to create technical architecture which would allow each Government Administration to be a separate entity on the system, as at present the CLASS system did not allow this to happen. A discussion then took place on this matter and DR advised that there may be some issues raised around affordability should this proposal be taken forward as England had provided the majority of the funding for the CLASS system, yet Wales and Northern Ireland also used it. BD stated that it was important that any future options should maximise flexibility and help to take the Company forward and the Chairman noted that WG was looking for guidance from the Board on whether this idea should be progressed. SCS then queried whether the Ovum benchmarking exercise referred to by WG was now complete and WG advised that he would forward the report to the Board prior to the July meeting **Action MB052 – WG**. It was agreed that further discussion on the ICT Strategy should continue in the period leading up to the July Board, focusing on the need to drive down costs while also focusing on the appropriate customer service channels.

It was then agreed that any decisions or recommendations made by the Board in relation to the ICT Strategy would occur at the July Board once the draft strategy had been received.

5.2 Customer Services Strategy Update

MHerb provided an update in relation to the Customer Services Strategy and SCS queried whether he was content with the progress which was being made. MHerb replied by stating that excellent progress had been made and the Company was exactly where he expected it to be in terms of the strategy at this point. He added that his focus would be on financial pressures over the coming months. BD then sought further information as to the benefits of the investment which had been made as a result of the strategy and MHerb responded that his Directorate had become far more productive over the course of the last year due to the changes that had been implemented. He then agreed to circulate further information in relation to BD's request outside of the meeting **Action MB053 – MHerb**.

5.3 SLC Programme Report

DR presented the SLC Programme Report and highlighted that the next major release on the Customer First programme, which had been scheduled for 29th April, had been delayed due to issues in final testing and would now be released in the first week in May. *

5.4 Update on 'Strategic View' Items raised at November 2008 Board Away Day

RSJ provided an update on the 'Strategic View' items which had been raised as actions from the November 2008 Board away day being the use of repayment databases; the management of the loan book and the risks created; and an analysis of costing by transaction or loan account. He advised that a report, which would provide further information on these matters, would be submitted to the June Board **Action MB054 – RSJ**.

5.5 Quarterly Strategic Discussion on Student Finance

The Chairman introduced the quarterly strategic discussion on Student Finance which he explained was a new addition to the agenda that he hoped would provide a regular opportunity for the Board to have constructive discussions in relation to the challenges which were being faced within the Student Finance sector. He added that discussions of this nature had taken place at the pre-Board meeting on 27th April at which the Non-Executive Directors, MH and RSJ were in attendance but that due to time constraints at this meeting, this item would be covered in more depth at future Board meetings. He noted that the intention was to change the structure and format of future Board meetings to allow this to happen and agreed to provide a summary of key actions for the Company Secretary **Action MB055 – JG**.

6. Performance Reports

6.1 Final KPI Report FY08-09

CA presented the final KPI report and noted that due to the challenging year which the Company had faced, there were more KPIs which had a 'Red' status at year end than had been anticipated. He added that KPI8, which monitored the percentage of loan accounts that are in arrears, had changed to a 'Green' status at year end and MH acknowledged that this was a great result achieved by the Company. The Board then noted the report.

7. Management Reports

7.1 Year End Report on SF08-09 Application Cycle

DR introduced the year end report on the SF08-09 application cycle and reminded the Board that this report dealt with processing undertaken by Local Authorities as well as those applications processed by the Company in Darlington. He added that the report showed that this had been the most successful year so far for student finance processing across the UK and that the systems had remained substantially stable throughout the whole year with no major outages and no impact on performance. The Board then joined BD in congratulating the Company on this major achievement.

Felix Ulloa, Jonathan Gent and Christine Aitken joined the meeting.

7.2 Business Simulation

MHerb provided an introduction to a presentation on the Company's use of business simulation to develop a greater understanding of application processing times to avoid potential bottlenecks. JGent and FU then proceeded to provide the presentation and showed an example of how the simulation could assist the Company in forecasting whether the planned set-up was appropriate. MHerb concluded the presentation by informing the Board that this was a step change from the Local Authority regime and although this would only form one part of the Company's decision making, the simulation would prove extremely useful going forward.

Felix Ulloa, Jonathan Gent and Christine Aitken left the meeting.

7.3 Quarterly Financial Update

LC presented the quarterly financial update and advised that FY08-09 had been a good year which had seen a number of pressures and challenges. He stated that the FRS17 deficit looked like it would decrease from the previous year but that the actuarial valuation of the SLC Pension Scheme was likely to be worse, a situation that would be confirmed during Summer 2009. LC then referred to the provision for dilapidations which was currently being discussed with the Company's External Auditors and highlighted the loan book analysis which was included within the report for the first time.

ID then referred to the change in the value of write-offs which had occurred and LC explained that this was due to a change in the process for dealing with deceased debtors. ID then sought further information in relation to the increase in the value of EU loans and RSJ advised that following their introduction in 2006, a higher than expected take-up had been experienced and there had been few repayments thus far due to the short life of this type of loan.

BD then queried whether there was scope for a reduction in the amount of consultancy spend considering the current fiscal environment and RSJ agreed that this was undoubtedly an area where savings could be achieved and that the Company would be seeking to reduce these costs in the future.

7.4 Value for Money Update

LC introduced the Value for Money update and highlighted that it was clear that there would be an increasing amount of focus on this matter due to the current fiscal environment. SCS then referred to the savings that were detailed within the report and sought information as to the proportion of new savings compared to those which had been routinely saved and LC advised that around half of the expected £1.7M detailed within the report would be achieved from previous efficiency savings.

MH then stressed the importance of this matter for the coming year and requested that a fuller breakdown of planned savings be supplied to the Board. SA agreed and stated that she felt there should be a level of prioritisation, with a focus on a few key areas where savings could be achieved as this would assist in helping the Company to focus on this important matter. LC agreed to submit a detailed breakdown of the expected savings to the June Board meeting **Action MB056 – LC**. DR then stated that it was important for the Board to remember that a number of the VfM initiatives would require input from Change Management and that there would be a limited capacity for this.

7.5 Company Secretary Report

CA introduced his quarterly report and invited the Board to ask any questions with regard to its contents. MH queried whether the new Fraud Manager was now in place and CA advised that the successful candidate, Heather Laing, had commenced employment with the Company in this role on 6th April. The Board then noted the report.

7.6 ICT Directorate Report

WG introduced his quarterly Directorate report highlighting that third instalments had been paid to students with no significant issues being identified. The Board then noted the report.

7.7 Independent Assessor's Annual Report

CA provided an overview of the Independent Assessor's annual report which covered all cases reported on from 1st April 2008 until 31st March 2009. He advised that only four cases were dealt with in this period which had mainly resulted from a relaxation by DIUS to allow the Assessor to concentrate on debt sale cases referred to him by Honours Student Loans. *

8. Any Other Business & Key Actions review

* He advised that this had led the Secretary of State to issue a statement requesting that the relationships between DIUS and all its NDPB's be reviewed by the Permanent Secretary to establish the accountability and responsibility between organisations.

9. Date of Next Meeting

The Board noted that the next Board meeting would take place on Tuesday, 30th June 2009 at 11.00am in Darlington.

The meeting closed at 1.05pm

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.