



**Minutes of Meeting of the Board of Directors  
Held at 9.30m on Tuesday 16<sup>TH</sup> December 2014  
100 Bothwell Street, Glasgow**

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<b>Present:</b>	Mr Chris Brodie	Chairman	CB
	Mr Mick Lavery	Chief Executive	ML
	Mr Michael Yuille	Non-Executive Director	MY
	Mr Willie Gallagher	Non-Executive Director	WG
	Mr Rob Kennedy	Non-Executive Director	RK
	Mr John Brown	Company Secretary	JB
<b>In Attendance:</b>	Ms Polly Payne	BIS	PP
	Mr Ben Coates	BIS	BC
	Mr Stephen White	Scottish Government	SW
<b>By Invitation:</b>	Mr David Wallace	Deputy Chief Executive	DW
	Mr Mark Cassidy	Transformation Programme Director	MC
	Ms Jacqueline Steed	Chief Digital Officer	JS
	Mr Derek Ross	Executive Director of Operations & Customer Services	DR
	Mr Alan Dickson	Head of Loan Assets & Sales	AD
	Mr Gary Womersley	Legal and Compliance Manager	GW
<b>Apologies:</b>	Prof Dame Glynis Breakwell	Non-Executive Director	GB
	Mr Neil Surman	Welsh Government	NS
	Mr Chris Jones	Welsh Government	CJ
<b>Distribution:</b>	As Above		

### 1/2. Board Closed Session (Non Executive Directors only)

The Board meeting commenced at 10.45am.

### 3. Chairman's Opening Remarks and Directors' Matters

The Chairman welcomed everyone to the meeting and introduced Alan Dickson as representing the Fraud and Repayments directorate.

### 4.1 Minutes of the meeting held on 25<sup>th</sup> November 2014

The Board approved the minutes of the meeting of 25<sup>th</sup> November 2014.

## 4.2 Matters arising from previous minutes

The Board noted the written update issued with the Board papers.

BC provided an update on the BIS policy concerning the verification of household income. More work was required to identify the reasons behind the under-declaration of income by some applicants. MC had agreed to carry out further research into this issue and once this data had been considered by BIS a further update would be provided to the Board. **ACTION MB068 – BC**

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BC then advised the Board of the latest thinking around including an independent non-executive director on the Transformation Board. While the Minister was still considering potential candidates for such a roll, BC confirmed that a final decision would not be made without taking into account the impact of the introduction of the BIS/SLC Steering Board on the governance of the Transformation Programme. WG asked that a paper be brought to the Board outlining the rationale behind the appointment of an independent non-executive director and how this role relates to the Main Board, the Transformation Programme Board and the work of the BIS/SLC Steering Board. **ACTION MB069 – ML**

It was agreed that should the post of independent non-executive director be introduced to the Transformation Board, this would have to be noted in the SLC Framework Document. The Board also agreed that they would expect to see the Terms of Reference for the Transformation Board included in the revised Framework Document currently being drafted by the BIS Sponsorship Team. RK asked when the revised Framework Document would be available and suggested that Action Point MB060 remain open until the document had been circulated. JB advised that the revised Framework Document would be available prior to the Board's ad-hoc meeting on the 23<sup>rd</sup> of January when the outcomes from the Board Effectiveness Review would be considered.

JS introduced a short paper on the SLC's response to Distributed Denial of Service attacks and confirmed that work continues to ensure that the SLC is able to detect and respond to such attacks in an effective manner. CB thanked JS for her work on improving the SLC capability to deal with this type of incident and reminded the Board that this is an area of information security where the Company must remain alert to the potential risks involved. He asked JS to continue to bring to the Board's attention any other areas where the SLC could be vulnerable in relation to cyber security.

## 5.1 CEO Report

ML introduced the report and advised the Board of good progress on the AY 2014/15 Application Cycle. Service levels continue to be within target levels and preparations have commenced for the second payment instalments. In addition, the introduction of 2D barcodes on correspondence has increased the automation of inbound work and as a result will improve customer service and deliver additional savings.

The planning for the 2015/16 Application Cycle is going well and ML offered to bring an update on the marketing campaigns to support the launch of the SFE and SFW services to the January Board meeting. **ACTION MB070 – ML**

DR was then invited to provide the Board with an update on the work in his Directorate to develop resource plans for Operations & Customer Services for 2015/16. He outlined the zero-based approach adopted and confirmed this had been shared with BIS colleagues and DFES. This would inform the ongoing discussions around the SLC's budgets for the next financial year.

The issue of the SLC's branding and the need for a refreshed communications strategy was raised by CB and the Board agreed that these issues should be considered and proposals brought back to the April Board meeting. **ACTION MB071 –DW** PP advised that the Minister would have to be consulted on any changes to the SLC branding.

ML then advised the Board that the CDS Outsourcing project has now been successfully delivered. The planned redundancies had taken place and the project was now being closed down.

The 2014 Your Voice Survey had closed on 28th November with a 69% completion rate. The survey results were being analysed and a full report would be brought to the February Board meeting. **ACTION MB072 –DW**

ML advised the Board that the recruitment process had been completed in respect of the Executive Director, Fraud & Repayments, Chief Technology Officer, and Company Secretary with Paul Mason, Tom Fitzpatrick, and John Brown being appointed to their respective roles. The final interviews for the Head of HR post would be held on 18<sup>th</sup> December. ML was considering appointing an interim manager to the Head of Digital role as the recruitment process for this key position was taking longer than initially expected.

The Board were pleased to note the awards made under the SLC Recognition Scheme and CB suggested that in future he would personally write to pass on the Board's congratulations to the staff involved. **ACTION MB073 –CB**

DW provided the Board with an update on the discussions with the Pension Scheme trustees and the plans for communicating the outcome of these discussions once they are concluded. RK emphasised the importance of the timing of communications with staff and their Trade Union representatives. CB expressed the Board's thanks to DW, Jim Maguire, the BIS Partnership Team and Robert Shaw from BIS Finance for their work in taking this important issue forward. (As he is a Trustee of the SLC Pension Scheme, Alan Dickson left the meeting for the duration of the update on this issue.)

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Due to other commitments, Stephen White left the meeting at this point.

## **5.2 Public Account Committee Hearing 15<sup>th</sup> December 2014**

ML provided a summary of the PAC review of the NAO report on the role of Alternative Providers in the management of student finance. He summarised the specific actions that had arisen from the PAC discussions and advised the Board that he would expect the newly-appointed Executive Director for Fraud & Repayments to ensure that these would be reflected in the latest version of the SLC Repayments Strategy. This would be brought to the Board in March 2015. **ACTION MB074 – ML**

ML also suggested that Paul Mason should review the recommendations of this NAO Review and their earlier Review of Repayments of Student Loans and develop a business case for further investment in fraud and repayments work. The Board welcomed this approach and PP suggested that it would be helpful to have this business case in place before the PAC hearing in March. ML agreed and suggested that a draft of the business case would go to the February Board Meeting. **ACTION MB075 –ML**

CB thanked ML and his team in SLC for their work on supporting the Permanent Secretary at the PAC hearing and on behalf of the Board recognised the personal contribution ML had made to

ensuring that the SLC's involvement in the introduction of Alternative Providers was clearly understood by the PAC.

CB went on to say that he would like the Board to have a regular, discrete 'strategy' event where issues such as the SLC approach to fraud and repayments can be considered in depth. The Board agreed that this should be in addition to the regular Board meetings. The event already arranged for January to look at corporate governance and the Board's effectiveness would be the first of such events. JB would agree with CB the agenda and timing of the next Board 'strategy' event. **ACTION MB076 –JB**

### **5.3 Proposed Main Board Dates for FY 2015/16**

The Board approved the change from Tuesdays to Wednesdays for Main Board meetings and following a short discussion, the proposed dates for FY 2015/16 for the Board, the Audit Committee and the Remuneration Committee were agreed.

### **5.4 Corporate Governance Programme**

CB welcomed Gary Womersley, SLC Legal and Compliance Manager to this part of the meeting and agreed that he should also attend for the discussion on FCA Regulation.

JB presented the monthly update on the SLC Corporate Governance Programme and provided the Board with a brief update on the Framework Document Review, the Compliance Review, and the Assurance Services Review. JB also referred to the Institute of Internal Auditors' review of the SLC's Internal Audit capability. The IIA review would be considered in detail by the Audit Committee at their meeting on 16 December.

JB also highlighted the additional costs, including staffing that had been identified by the various reviews that form part of the overall Corporate Governance Programme and CB confirmed that he would bring this to Minister's attention when he writes to him following completion of the Programme. The main purpose of this note will be to assure the Minister that the issues raised by the use of secondary branding have been properly addressed, including identifying the actions necessary to ensure that the SLC complies with the relevant legislation.

### **5.5 FCA Regulation**

JB introduced this topic and reminded the Board that the issue of FCA regulation has been included as one of the projects in the Corporate Governance Programme. He introduced GW who had recently reviewed this project's progress to date. GW presented his briefing paper that described the exclusion of ICR loans from regulation, the impact of regulation on MSL activities, and the application of the Approved Persons regime to the SLC.

GW advised the Board that since writing his paper on 6<sup>th</sup> December, he had been able to resolve some of the outstanding issues around exclusion of Scottish and Northern Irish ICR loans and it was likely that he would soon be able to confirm that these activities would not fall to be regulated by the FCA. As it had already been confirmed that English and Welsh ICR loans were also excluded, GW advised the Board that he expected there to be no changes required in respect of the SLC approach to ICR loans. GW will confirm this legal advice in writing to the Chairman and the CEO in order to provide an audit trail should the FCA require evidence to support this conclusion. GW would also confirm that BIS Legal agreed with this interpretation of the existing legislation. **ACTION MB077 - GW**

GW went on to outline the impact of FCA regulation of MSL activities, including the requirement to change the SLC's approach to handling complaints about MSL deferments. As MSL activities are a very small part of the SLC's work programme and regulation would result in disproportionate costs and bring no tangible benefits to customers, GW advised the Board that he had considered an alternative approach. This would require the introduction of legislation that would also exclude MSL activities from FCA regulation. Ministerial approval would be required to introduce this type of Negative Resolution and PP advised that should the Board decide to go down this route, the BIS Sponsorship team would consider how best to take this forward. GW confirmed that a decision would be required by the end of January in order to meet the Parliamentary timetable. CB asked that GW prepare a paper for the Board to assist them in deciding whether or not to seek a Negative Resolution in respect of MSL activities. This paper should highlight the costs and benefits of both options and would be discussed at the next Board meeting. **ACTION MB078 – GW**

The Board then considered the implications of the Approved Persons scheme should the MSL activities be regulated. GW described the application process and WG questioned whether this would include Non-Executive Directors whose term on the Board is due to end next year. GW agreed to seek a decision from the FCA on this issue. **ACTION MB079 – GW**

RK suggested it would be helpful to know what other government-owned organisations were covered by the FCA regime and what the Approved Persons scheme had meant for Non-Executive Directors. GW agreed to discuss with the BIS Sponsorship team how this information might be provided and advise the Board of the outcome of his enquiries. **ACTION MB080 - GW**

CB brought the discussion to an end by thanking GW for his work on FCA regulation and advised that the outcome of this should be reflected in the updated version of the Framework Document that was due to be reviewed by the Board prior to their workshop on corporate governance and Board effectiveness that has been arranged for January 2015.

## **5.6 Change Portfolio & Transformation Programme**

CB welcomed Mark Cassidy, Transformation Programme Director to the meeting.

MC presented a paper on the SLC portfolio and Transformation that provided the Board with an update on the work to revise the Business Case and the Transformation Roadmap. This included details of the latest thinking on the replacement for the CLASS system. MC also advised the Board of the discussions that were ongoing with the SLC's IT providers that were helping to inform the appraisal of the options around delivering the new IT requirements, including the SAM project.

MC went on to advise the Board of the opportunity to upgrade the specification of the hardware components required to support the production environment for the CLAM service. The advantages and cost savings of upgrading to IBM Power 8 Series systems were considered and the Board agreed the proposal to fund the purchase of the upgrade.

The Board then reviewed the latest information on the benefits being delivered by the Transformation Programme and noted the revised figures for FY13/14 that had now been independently assured by PWC.

In response to RK asking for an update on the building of the SLC's internal digital capability, JS provided details of progress to date.

The Board welcomed all the latest information on the Transformation Programme and encouraged ML and MC to complete their work on the revised Business Case and Roadmap as early as possible. CB asked that ML provide the January Board with details of the latest version of the

revised Business Case and Roadmap and the latest thinking on the preferred approach to implementation **ACTION MB081 – ML**

### **5.7 Risk Report**

The Board noted the December Risk Review and approved the Information Risk Appetite Statement (V3 dated November 2014) included with this report.

### **5.8 Disaster Recovery**

JS agreed to provide the Board with a further update on the progress being made to improve the SLC arrangements for ICT Disaster Recovery at the February Board meeting. **ACTION MB082 – JS**

### **5.9 Extension of Manpower Contract**

The Board approved the proposal to extend the existing contract with Manpower for the provision of recruitment services at Darlington, Glasgow and Wales.

### **5.10 Extension of SOPRA contact**

The Board approved the proposal to increase the value of the existing contract with SOPRA for business systems analyst services.

## **6. AOB**

There was no other business considered.

## **7. Date of Next Meeting**

The Board noted that the next meeting would take place in London on Tuesday 27<sup>th</sup> January at 11.00am.

**The Board meeting closed at 14.00pm**

**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.**