



**Minutes of Meeting of the Board of Directors
Held at 11.30am on Wednesday 1st July 2015
Boardroom, London Office, 15-17 Furnival Street.**

Present:	Mr Chris Brodie	Chairman	CB
	Mr Mick Laverty	Chief Executive	ML
	Mr Willie Gallagher	Non-Executive Director	WG
	Mr Michael Yuille	Non-Executive Director	MY
	Mr Richard Banks	Interim Non-Executive Director	RB
	Mr John Brown	Company Secretary	JB
In Attendance:	Ms Ruth Elliot	BIS	RE
	Chris Jones	Welsh Government	CJ
	Stephen White (by phone)	Scottish Government	SW
By Invitation:	Mr David Wallace	Deputy Chief Executive	DW
	Mr Mark Cassidy (by phone)	Transformation Programme Director	MC
	Ms Jacqueline Steed	Chief Digital Officer	JS
	Mr Paul Mason	Executive Director of Repayments & Fraud	PM
	Mr Derek Ross	Executive Director of Operations & Customer Services	DR
	Joanna Rodin	BIS	JR
Apologies:	Prof Dame Glynis Breakwell	Non-Executive Director	GB
	Mr Rob Kennedy	Non-Executive Director	RK
Distribution:	As Above		

1. Chairman's Opening Remarks and Directors' Matters

The Chairman opened the meeting and welcomed those in attendance. He confirmed that there were no Declarations of Interest. CB advised the Board that he had joined the Board of the Universities & Colleges Employers Association from 1st July 2015.

CB went on to advise the Board that this was Chris Jones' last Board meeting as the Assessor from the Welsh Government. CB commented on how much the Board valued the excellent working relationship the SLC has with the Welsh Government and on behalf of the Board, thanked CJ for playing his part in building and maintaining this relationship in recent years.

2.1 Minutes of the meeting held on 3rd June 2015

As there were a number of minor changes to the draft minutes of the meeting on 3rd June 2015, CB suggested that once these amendments had been made, the final version should be circulated to the Board members and this draft would be subject to the Board's approval at the next meeting.

ACTION MB136-JB

2.2 Matters arising from previous minutes

CB confirmed that the 2014/15 Annual Accounts had been approved by the Minister and signed by the Chairman and CEO.

JB advised the Board that the Chairman, MY, ML and JB had met with Rory Murphy (SLC Corporate Risk Manager) on 25th June 2015 and discussed the proposed deep dive into the risks facing the SLC. It was agreed that the Audit Committee would undertake this exercise bi-annually on behalf of the Board. The first of these deep dives would be held in September and the Main Board would receive a report of the Audit Committee's finding at the October Board meeting.

CB confirmed his intention to review the Board's effectiveness in August 2015 and asked that proposals on the review process be brought to the Board meeting on 29th July 2015. **ACTION MB137-JB** CB also advised the Board that the 2015 Board Effectiveness Review would also consider the effectiveness of the Audit Committee and the Remuneration & Nominations Committee.

WG asked that consideration be given to an ad-hoc meeting of the Board to discuss the re-set of the Transformation Programme. ML confirmed the progress being made to approve and implement the business cases and complete the work on confirming the SLC's capacity and capability going forward. As these issues will impact on the shape of the revised change programme, it was agreed that a date should be set for a separate Board event to consider the Transformation Programme towards the end of 2015. **ACTION MB138-JB**

3.1 CEO Report

ML referred to the recent review of the service provided by the SLC to the Welsh Government. This joint review had concluded the level of service in AY14/15 was very good. CJ confirmed this view, adding that the reduction in complaints was also recognised as a good measure of the improvements in the level of service delivered to students in Wales.

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CB commented that it had been six months since he and ML had met with the Welsh Minister and CJ offered to arrange a further meeting with the Minister. **ACTION MB139-CJ**

ML then invited DR to provide the Board with an update on the progress being made with the delivery of the AY2015/16 Application Cycle. DR confirmed that delivery was on target and although more applications had been received than forecast, more had been processed and this had ensured service levels would be maintained.

ML referred to the details in the Board report of the recipients of SLC Recognition Scheme awards and CB confirmed he would write to the individuals involved to pass on the Board's congratulations and appreciation of their contribution towards delivering the SLC's Mission & Vision.

ML provided the Board with an update on the meeting with the Minister on 25th June 2015. When the Chairman and ML met Jo Johnson, the Minister congratulated the SLC on its good performance over the past three years and confirmed that he was pleased with the direction of travel. The Minister also emphasised the need for the SLC to be able to react quickly to policy decisions and agreed that the re-set of the Transformation Programme was required to ensure the Company's capability and capacity was better aligned to the requirements of BIS and the Devolved Administrations.

The Minister had sought assurance that the requirement for AY16/17 would be met and was interested in the response to the PAC's focus on repayments and fraud, including the impact of Alternative Providers. He wanted to understand better the SLC's operating costs, the potential for productivity improvements and the savings that could be driven by policy changes. CB added that any benchmarking exercise on costs must take into account differences between the SLC and a private sector banking operation. The SLC has a different cost base, different products and has suffered from a lack of investment in IT. It is important that the history of the SLC is appreciated by the new Ministerial team. RE confirmed that BIS had asked the McKinsey Review team to consider these differences when benchmarking the SLC's capability and capacity.

ML advised the Board that the Minister had also been advised that whatever the capability and flexibility of the SLC's systems, unreasonable demands or delays in the commissioning process significantly increased the risk to delivery. CB agreed and suggested that the operational difficulties experienced in AY09/10 were partly due to delays in the commissioning process. Following a short discussion on how delays in the commissioning process could impact on AY16/17, the Board agreed that ML should write to the Permanent Secretary and advise him of the Board's concerns. **ACTION MB140-ML**

DW then provided the Board with an update on the visit to the SLC on 26th June 2015 by Martin Donnelly CMG (Permanent Secretary, BIS) and Howard Orme (Director General Finance & Commercial, BIS). He outlined the content of the presentation made by the ELT which included details on performance, change projects, response to recent PAC hearings, customer input to system design, Google analytics, benefits realisation and progress with the implementation of the Target Operating Model and the Process Management Framework.

DW expressed the view that Martin Donnelly and Howard Orme had been pleased with what they had heard during this visit and wanted to support the SLC where possible to continue to develop its capability and capacity to deliver student finance. This had given DW the opportunity to highlight the ELT's concerns around delays in the commissioning process, timing of the Devolved Administrations involvement in the commissioning process, absence of a final APRA agreement for FY15/16, and the risks associated with the current approvals processes. In response, Howard Orme had offered to look again at the approvals process for recruitment and suggested that where BIS had agreed and funded SLC priorities, the Company could proceed with necessary spend and associated hires without seeking further rounds of approvals.

CB thanked DW for the update and confirmed that he had received similar positive feedback from the Permanent Secretary regarding his visit the SLC's Glasgow Office.

3.2 Change Portfolio & Transformation Programme

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

ML opened the discussion on the Programme by drawing the Board's attention to the written update included in the Board papers.

In particular, ML highlighted PwC's independent assurance of the FY2014/15 and confirmed that the predicted lifecycle benefits for the Transformation Programme were now forecast as £85.5m. He also confirmed to the Board that the BIS/SLC MPA Response Plan had been discussed with the SLC Steering Board and would be shared with John Manzoni (Chief Executive of the Civil Service and Permanent Secretary of the Cabinet Office) during his visit to the SLC on 24th July 2015.

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* **ACTION MB141-ML**

ML next advised the Board that the Transformation Programme Close down Report had been approved by the SLC Steering Board on 25th June 2015 and the process to formally close down the Programme should be completed with a final review and close down approval being given by 31 August 2015.

ML then reminded the Board and the representatives of BIS and the Devolved Administrations of the aggregated and growing risk around the delivery of the SLC's key priorities. Although the SLC Steering Board meeting on 11th June 2015 had been advised that the Company could deliver the known key priorities, there is a dependency on key decisions (external to SLC) that combined with programme unknowns add further, still to be defined, risks to delivery. CB asked that this point be brought out in the letter that ML had been asked to send to the Permanent Secretary to highlight their concerns around the impact of the delay in completing the commissioning process.

MC left the meeting at this point.

3.3 Update on Risk Assessment of the CLASS System

JS provided the Board with an update on the actions taken in response to the external review of the CLASS system undertaken by PwC in March 2015. * MY suggested that the deep dive on risk by the Audit Committee in September should include reference to the PwC report and the actions taken to mitigate risk as a result of this review. **ACTION MB142- JS**

3.4 Update on McKinsey Review

ML advised the Board of the scope of the review and the timescale and methodology that the McKinsey team expected to follow. The review had been commissioned by BIS and the process developed by McKinsey was designed to establish whether the SLC has the capability, capacity and culture to deliver its short term priorities and long term vision. A Working Group had been set up to support the review team and progress would be reported on a weekly basis to a Steering Group that includes representatives from BIS (Howard Orme, Phillipa Lloyd, Ruth Elliot), the SLC Board (Richard Banks), and the ELT (Mick Laverty, David Wallace).

The Review team are due to report back by the end of July and it is expected that their findings will be considered by the SLC Steering Board and the Main Board at their meetings during week commencing 27th July 2015.

SW left the meeting at this point.

3.5 Repayments Update

PM provided the Board with an update on the work to implement the SLC Repayments Strategy. This included details of progress being made to implement the recommendations made by the NAO and PAC, the transition to the Performance Management Framework, and the implementation of the changes to the organisation structure approved at the March Board meeting.

The Board noted the good progress being made and welcomed the positive feedback that had been received from the NAO at their recent meeting with PM.

JR joined the meeting at this point

3.6 Counter Fraud Capability Review

PM introduced the Counter Fraud Capability Review by first describing the background to this initiative, including the drivers for change. He went on to advise the Board of the scope of the review and the approach being adopted to complete this work.

PM next highlighted the impact of fraud on the student finance system before going on to detail how the SLC is responding to this challenge. This approach includes considering potential fraud at the design stage with fraud impact assessments becoming an integral part of policy and product development. Analytics will also play an increasing role in fraud detection and additional resources are being deployed into the investigation of suspected fraud. Further work is also being done to exploit the use of technology and data sharing with other government departments and agencies.

CB thanked PM for his work to develop the SLC's Counter Fraud Strategy and asked that the Board receive regular updates on progress in this important aspect of the SLC's work. **ACTION MB143-PM**

3.7 Childcare Grant Update

DR provided the Board with a brief update on the issue with potential fraudulent applications for Childcare Grants that had been referred to in the CEO report to the 1st July 2015 Board Meeting.

The initial investigations have concluded that the issues in the case referred to the Board are around compliance with regulations, rather than fraud. However, this case has prompted an external review of all aspects of the Childcare Grants process. This review will not only consider the effectiveness of the existing controls but also make recommendations based on the lessons learned from recent experience.

The Board noted the outcome of the current investigation and welcomed the review of the Childcare Grant process.

3.8 Emerging Ask of AY16/17

ML introduced this topic and referred to the paper in the Board pack from Maggie Wightman, (Head of Planning & Policy) and Brian Morris (Head of the Programme Management Office.)

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3.9 Finance Report

DW introduced the Monthly Finance Report for the period to 31st May 2015. He highlighted the variations to the budget allocation and confirmed that these were being monitored by the Finance Director. He also advised the Board that the APRA letter was now expected week commencing 13th July 2015.

The Board noted the Finance Report.

3.10 SLC Steering Board meetings held on 5th & 25th June 2015

ML provided the Board with an update on the discussions at the Steering Board meetings since the 1st July 2015 Main Board meeting. The Steering Board discussions had mainly been around the SLC delivery priorities, the McKinsey Review and the close down of the Transformation Programme.

3.11 Risk Report

The Board Noted the Risk Report.

4. AOB

CB provided the Board with an update on the recruitment of new Non Executive Directors. The recruitment process is underway and it is expected that recommendations will go to the Minister in September.

5. Date of Next Meeting

The Board noted that the next meeting would take place in London on Wednesday 29th July 2015 at 10.00am.

The Board meeting closed at 14.30pm

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.