

BOARD OF MANAGEMENT – 22 NOVEMBER 2006

Minutes of the thirty-ninth meeting of the Board of Management held at 10 am on Thursday 28 September 2006 at Dalhousie Castle, Dalkeith.

Members

- * Mr J McCormick (Chairman)
- * Mr A Cassidy
- * Mr A Colella
- * Mrs J Gillespie
- * Prof A MacLennan
- * Mrs L McKay
- * Mr I McMillan
- Mr J Mitchell
- * Mrs M Nicol
- * Mr G Rodgers
- * Prof J Simmons

Officers

- * Ms M Cahill
- Mr T Drake
- * Ms K McCallum
- * Ms J Ross
- * Mr R Sylvester
- * Mr J Young

In attendance

- Ms J Blair (items B39/7 and B39/8 only)
- Mr J McDonald (item B39/6 only)
- Ms M McKerracher (item B39/6 only)
- Dr G Stewart (item B39/6 only)
- Mr P Tait, Audit Scotland (items B39/8i to B39/8iii only)
- Ms K McKeen

Observer

- * Ms C Carlin, Scottish Executive

* indicates present

39/1 WELCOME AND APOLOGIES

The Chairman welcomed members to the meeting. Apologies were received from Mr J Mitchell and Mr T Drake.

39/2 PREVIOUS MEETING**i Minutes of meeting held on 9 August 2006**

The minutes were approved as an accurate record of the meeting.

ii Action Grid

The contents of the action grid were noted.

iii Workplan 2006

The contents of the workplan were noted.

39/3 MATTERS ARISING**37/3 ii Trading Subsidiary**

Mr Sylvester informed the Board that following the comments received from the Scottish Executive, officers had redrafted the business case. This would be resubmitted to the Scottish Executive with the intent of presenting to the Minister in October.

38/7 i **HR / Finance System – Project IRIS**

Mr Sylvester advised that the software platform was currently undergoing testing procedures. The Scottish Executive was being updated frequently on the issue of the outstanding business case and associated funding to be approved, along with the expected impact on cashflow at year end. He stressed that a decision would be required within a month, otherwise the related business cases would need to be re-assessed and prioritised.

Given the gravity of the matter and in an attempt to find resolution, it was deemed appropriate that dialogue should now take place direct between the Chairman and the Scottish Executive.

39/4 **CHAIRMAN'S REMARKS**

The Chairman noted the meeting dates for 2007, as enclosed as a paper for noting. He added that a proposed workplan for 2007 would be presented to the next meeting of the Board.

39/5 **CHIEF EXECUTIVE'S REPORT**

The Chairman noted formally that this would be Mr Colella's final meeting of the Board. On behalf of the Board, he expressed his appreciation of Mr Colella's leadership of SQA and wished him every success, both professionally and personally in the future. In response, Mr Colella recorded his sincere gratitude for the years of support and encouragement proffered to him during his time working at SQA.

He went on to present a brief overview of the main activities he had been involved in since the last meeting of the Board, highlighting the following points.

Fellowship Award

Mr Colella presented consideration of the award of SQA's Honorary Fellowship, which recognised sustained outstanding work and commitment to education in general, with strong links to the work of SQA. It was proposed to award the fellowship to Judith Sischy, Director, Scottish Council of Independent Schools and James McVittie, former Head Teacher of St Ninian's High School in East Renfrewshire.

The proposal received the unanimous endorsement of the Board.

Dalkeith Accommodation Update

Mr Colella reported that any property appraisal exercise should scope available Crown properties. Pentland House had been identified as a vacant Crown building and the suitability of this building would be evaluated and included in the next business case for presentation to the Scottish Executive. Mr Colella reiterated that no finance would be available from the Scottish Executive to fund new accommodation for the Dalkeith operations.

Board visit to Aberdeen

Mr Young advised that the itinerary for the visit would be a variant on the event held in Inverness the previous year. The programme would span over two days beginning with a formal dinner hosted by Aberdeen College on Tuesday 21 November. Key stakeholders from education and industry would be invited.

Following the Board meeting on Wednesday 22 November, a study visit to centres would be arranged to allow Board members to focus on areas such as the oil and gas industry.

The Chairman encouraged participation by all members and sought feedback from the Board in terms of any specific subject or site visit preferences. Support was given to the suggested focus, with the suggestion to include also the wider educational community in Aberdeenshire.

39/6 **QUALIFICATIONS**

The Chairman welcomed Mr McDonald, Ms McKerracher and Dr Stewart to the meeting.

i Review of Estimates, Derived Grades and Appeals

Dr Stewart presented the recommendation to withdraw the derived grades procedure and the associated development and communications programme to manage this. It was clarified that appeals would remain. This research and the ensuing analyses had received full and rigorous interrogation by the Qualifications Committee, and the final report and recommendation was now presented with its full support.

The Board considered a draft letter to centres advising of the outcome of this work. After discussion it was agreed that the letter should highlight that the impact on the appeals process had been examined thoroughly and that SQA was confident the revised process would offer greater confidence and consistency through an appeals system that was evidence based. Subject to the discussed amendments, the Board approved release of the letter to centres.

The Board noted that SQA would undertake further work to support the operation of the estimates and appeals procedures to ensure that they provided a rigorous assurance of quality and that they were clearly understood by all parties. Work would continue in strengthening the *Understanding Standards* programme designed to assist teachers and lecturers in gathering valid and reliable evidence for estimates and appeals.

In drawing the discussion to a close, it was suggested that officers should secure the engagement and endorsement of the education community as part of the communications exercise. This was strongly supported by the Chairman.

Mr Colella commended the work and diligence of the committees and its officers in bringing this strand of work to conclusion.

There was collective support for the work completed to date and the recommendation to introduce revised procedures with effect from the 2007 diet.

ii UK Market Strategy

SQA had reviewed its strategy for engagement in the UK arena, to balance its responsibility as a statutory body in Scotland whilst extending SQA's profile to be a UK wide awarding body generating increased business and offering transfer opportunities for students throughout the UK. Mr McDonald highlighted that the strategy had been considered and endorsed by the International and Commercial and Qualifications committees.

The Board acknowledged the policy and commercial opportunities available through the challenges of the UK skills agenda, and supported the work that had been undertaken to date.

iii **Approval of SCQF Company**

The Board was presented with the proposal to formalise the existing voluntary partnership arrangements for SCQF in the form of a company limited by guarantee to be called the “Scottish Credit and Qualifications Framework (SCQF) Partnership”. Its key functions would be to advance education, in promoting the integrity of the SCQF framework as a tool for supporting lifelong learning and opening access to appropriate education and training for individuals in other parts of the UK, Europe and internationally.

Mr Young advised that the formation of the company was congruent with SQA’s corporate and business plans and would offer the legal entity required to secure proper governance arrangements in SCQF operations. The other partner agencies were at the same point in the process in terms of approving formulation of the company and SQA’s involvement in this partnership arrangement would ensure SQA’s interests were appropriately represented in the significant drive to entrench SCQF in organisations across Scotland.

Whilst there was general support to establish an entity to grow and develop this partnership, much discussion ensued on the funding of the company and members sought the reassurance that on cessation of financing provided by the Scottish Executive, there would be no moral contingent liability on the Board. Officers assured the Board that although funding was guaranteed only until March 2008, it should be noted that the Scottish Executive had indicated SCQF as a key component in the future of lifelong learning in Scotland, and that SQA would include bids for funding in future associated business cases. The company would be a sole legal body and no accountability would lie with the SQA Board.

In the context of the cautionary remarks and positive comments made, the Board approved SQA’s participation in the SCQF Company, the Memorandum and Articles of Association, the internal governance arrangements, and the appointment of Mr John Young as a Director of the Company.

Mr McDonald, Ms McKerracher and Dr Stewart left the meeting.

39/7 **OPERATIONS – Report from the Certification Planning Group**

The Chairman welcomed Ms Blair to the meeting.

Ms McCallum presented a review of the report from the Certification Planning Group and reported that satisfactory progress was being maintained. The Board noted the contents of the report and in particular, supported the move to expand the scope of CPG planning, monitoring and reporting to other areas of the business.

39/8 **FINANCE AND CORPORATE PERFORMANCE**

i **Final Draft Report from Audit Scotland**

The Chairman welcomed Mr Tait to the meeting and invited him to speak to the Final Report and Audit Opinion on the external audit for 2005-06.

Mr Tait was pleased to open the report with the statement that Audit Scotland had concluded an unqualified opinion on the financial statements of SQA for the financial year ending 31 March 2006.

The report had been considered by the Audit and Performance Committee on 23 August 2006, and any amendments suggested at that time were incorporated in the report before the Board. Much discussion had been generated at the Audit and Performance Committee around the restated 2004-05 position for pension liabilities. With a significant movement of £10.1 million, it had been agreed that there should be an explicit reference to clarify why the valuation had had to be restated, and this was now contained within page five of the report.

The overall conclusions of the audit had highlighted that:

- corporate governance had been operated satisfactorily throughout the year, and this was reflected in the statement of internal control issued by SQA;
- SQA's arrangements to secure Best Value and achieve Efficient Government requirements were under development and had indicated satisfactory progress.

The findings of the Audit Scotland Report were affirmed by Mr Cassidy in his capacity as Convenor of the Audit and Performance Committee.

Encouraged by the positive findings of the report, the Board commended officers on their commitment to continuous improvement. On behalf of the Board, the Chairman expressed gratitude to Audit Scotland for the work presented, and also took the opportunity to record his aspiration for SQA to publish its Annual Financial Accounts before the academic year end. He trusted that this would be noted by Audit Scotland.

ii **Annual Statement of Assurance to the Board**

Mr Cassidy, as Convenor of the Audit and Performance Committee, presented the annual statement of assurance, which was offered to the Board to support its consideration of the Annual Financial Accounts. The statement recommended that the internal control systems operated during the financial year 2005-06 were adequate and effective.

The Board acknowledged the rigorous work of the Audit and Performance Committee and noted the favourable content of the statement.

iii **Annual Report and Accounts for 2005-06**

Ms Blair reported that in line with the obligations for the Financial Reporting Manual, SQA had for the first time, produced a combined Annual Report and Accounts. Section 1 of the Annual Report incorporated the feedback provided by the Board at its meeting in June, and it was hoped that the document now before the Board presented a factual account of SQA's progress towards Business Plan objectives.

Mr Sylvester went on to report on the highlights of the Accounts for 2005-06.

Profit and Loss Account

The financial position for 2005-06 reported a deficit of £0.3 million on an accruals basis. This had been arrived at after:

- an increase of £4.5 million in revenue as a result of the 12% increase in charges that had been implemented in August 2004, thus taking effect in the 2005 Diet; of this total, £4m was attributable to NQs and £0.5m to VQs;
- grant funding had continued to reduce from £12.6m in 2004-05 to £10.6m in 2005-06; this had further reduced to £9m in 2006-07;

- expenditure had increased by £2m due to a rise of £1.3m in staff costs and £0.8m in operating costs; the latter was mainly related to furniture and IT costs in respect of the move to Optima, and on excluding these, operating costs had remained flat - in line with SQA's budget objective; appointee costs had also remained flat at £13.5m.

Overall, efficiency savings of £0.5m had been achieved against the target of £0.3m set by the Scottish Executive.

Balance Sheet

The asset position had increased by £2m to £15.4m and had principally been due to fit out costs associated with the move to Optima.

Working Capital

Trade Debtors had increased from £2.4m to £3m due to:

- the increase in charges;
- a higher than average invoice run in March that impacted on the debtor position at year end;
- an invoice totalling £0.25m raised for Publications House in China outstanding at year end.

Officers continued to work towards improvements in cash collection performance and this was closely monitored on a monthly basis.

Trade Creditors had increased by £1.1m to £1.6m. In the main, this had been due to last year's balance being abnormally low. Again, Mr Sylvester assured the Board that supplier payment was monitored closely and performance had improved in 2005-06 to 69% from 60% in the previous year.

Cash

Mr Sylvester was pleased to report that the cash balance at year end was £1,000. This was testament of the rigorous efforts made to improve cash management across the organisation.

Finally, Mr Sylvester advised members that there had been a post balance sheet note in respect of the sale of Hanover House, which had realised £7.1m against a carrying value on the balance sheet of £3.26m. The revenue collected had been remitted to the Scottish Executive in August 2006.

The Board formally endorsed the Annual Financial Accounts for remit to the Scottish Executive and the Chief Executive signed the accounts in the presence of the Board.

Mr Tait left the meeting.

iv Draft Corporate and Business Plan for 2007-10

Ms Blair presented the draft plans that incorporated comments gathered from consultation with the Executive Team and Board of Management.

The revised approach to planning, monitoring and reporting arrangements plans was in keeping both with the recommendations made by Audit Scotland and the recent findings of the Performance Management Study, that amongst other things, suggested that SQA should focus its corporate objectives in outcome terms.

Ms Blair was pleased to report that actions to address SQA's corporate priorities, by way of this integrated approach, were already in progress with staffing reviews currently underway across the business. Future developments on the work included plans to extend consultation to include the Scottish Executive, stakeholders and SQA staff.

The Board was encouraged by the focused and dynamic approach in taking forward the strategic direction of SQA, and supported the work for ongoing review.

v **Results of Risk Assessment Workshop**

The Chairman acknowledged the detail and clarity of the report outlining SQA's strategic risks. Due to time restrictions and in order to allocate the level of interrogation this matter warranted, it was agreed to discuss risk at the next meeting of the Board in the context of the work being undertaken for the introduction of a balanced scorecard.

vi **Performance Audit by Audit Scotland**

Mr Colella opened the discussion by commending the work and dedication of Ms Blair and her team in co-ordinating this major piece of work. This received the unanimous agreement of the Board.

Ms Blair advised the Board that contrary to earlier indications, the full report, and not the Key Findings report, would be published on the website on 9 November 2006. The Board was reassured that overall the report was positive and acknowledged the progress made by the organisation since 2000, along with the work of the Board and Executive Team in driving forward continuous improvement.

The Board discussed the contents of the Key Findings report, and provided constructive comment to be taken into consideration in any final revisions of the report.

Ms Blair left the meeting.

39/9 **HUMAN RESOURCES**

Ms Cahill reported on recent work that had been undertaken in the HR department.

- An equal pay audit had been completed and had not raised any issues for concern.
- The job evaluation scheme had been reviewed with the outcome that it remained effective, fair and fit for purpose. It would be in force for a further three years.
- The PMR system had been appraised and the findings were positive, confirming that SQA's current performance management system and practices were robust; however it did provide a number of areas to focus on for improvement, namely to:
 - ☐ simplify the moderation process;
 - ☐ improve and quicken the process whereby poor performance was identified;
 - ☐ increase the number of performance categories.

- An examination of the existing pay structure had been conducted, comprising a detailed external benchmarking exercise of key posts across the organisation. No major issues had emerged and SQA was satisfied that its current structure was sound and its salaries broadly competitive.

This work had been shared with the Partnership Group and positive informal discussion had taken place with both local representatives and full time officers.

Ms Cahill advised the Board that she was now keen to move forward discussions on the next three year pay deal; however she had not been able to secure a meeting with the Finance Department of the Scottish Executive. Mindful of the need to reach agreement with the Trade Unions in time for implementation in April 2007, Ms Cahill expressed her concern that any delay potentially could impact both on these negotiations and on SQA's ability to inform the 2007-08 budget process.

Ms Carlin acknowledged the points made and agreed to relay the concerns of the Board back to the Scottish Executive.

39/10 COMMITTEE REPORTS

i **Audit and Performance Committee held on 23 August 2006**

Mr Cassidy reported that the last meeting of the committee had focussed on the Annual Report, Annual Financial Accounts, and the Audit Scotland report, as all presented to the Board that day. There had been the normal review of internal audit reports. The Board noted the contents of the minutes.

ii **Advisory Council held on 1 September 2006**

The Board noted the contents of the minutes.

iii **International & Commercial Committee held on 6 September 2006**

Mr McMillan provided a detailed summary on the business covered. Following discussion on the work in China, it was agreed to present a strategy update to a future meeting of the Board.

iv **Qualifications Committee held on 14 September 2006**

Mrs McKay highlighted the main areas of work that had been considered at the last meeting of the committee, including where it had discussed and approved the recommendations of the review of Estimates, Derived Grades and Appeals. She acknowledged the significant time that the Qualifications Committee and Advisory Council had devoted to this project.

The committee had also received an update on the work in relation to ACfE and Mrs McKay took the opportunity to pay tribute to the work and leadership of Mr Young in progressing this important project. Given that this work was integral to SQA's strategic direction, she recommended that there should be Board engagement at a future date.

39/11 ANY OTHER BUSINESS

There were no matters raised.

PAPERS FOR NOTING

PFN1 Qualifications Development Update (June 2006)

The Board noted the contents of the report.

PFN2 Qualifications Development Update (September 2006)

The Board noted the contents of the report.

PFN3 Financial Report to 31 August 2006

The Board noted the contents of the report

PFN4 Highlands and Islands Strategy

The Board noted the contents of the strategy.

PFN5 Meeting Dates 2007

The Board noted the contents of the report.

39/12 **DATE OF NEXT MEETING**

The next meeting of the Board of Management would be held at 9.30am in Aberdeen on Wednesday 22 November 2006.