

BOARD OF MANAGEMENT – 26 SEPTEMBER 2007

Minutes of the forty-fourth meeting of the Board of Management held at 10 am on Wednesday 8 August 2007 in the Boardroom, Dalkeith.

Members

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

Officers

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

In attendance

- Dr G Stewart
- Ms J Blair

Observers

- Mr M Haggerty
- Mr K McKenzie, Scottish Executive

- * indicates present

44/1 WELCOME AND APOLOGIES

The Chairman welcomed Mr Mike Haggerty and Mr Kenny McKenzie to the meeting. Apologies were received from Mr Cassidy, Professor Simmons and Ms Carlin.

44/2 PREVIOUS MEETING**i Minutes of meeting held on 8 August 2007**

The minutes were approved as an accurate record of the meeting, subject to clarification on the references to the future reporting route for the work around the Review of the Accreditation Unit and regulations.

ii Action Grid

The Board noted and agreed the action grid.

44/3 MATTERS ARISING**43/5 Coincident Exams**

Having reported to the last meeting that wide consultation would take place on timetabling, Ms McCallum reported that a communication detailing the approach to be adopted for 2008 had been issued to Directors of Education and Heads of Centre. This had been informed by the outcomes of this year's timetable, and offered a number of options along with the invitation to highlight any other areas of concern.

At a future date, the Board would receive a report on the analysis of the work being undertaken.

43/9 **Trading Subsidiary**

A position update on the Trading Subsidiary – following the recent submission to the Scottish Executive – was expected for presentation to the next Board meeting in September. Mr McKenzie reported that the Scottish Executive would endeavour to progress this for ratification during the beginning of September, and aim to report back to the next meeting of the Board. Since all comments from the Scottish Executive had been addressed, it was expected that the business case should now be approved timeously.

44/4 **CHAIRMAN'S REMARKS**

The Chairman reported that positive engagement with Ministers and the Scottish Executive continued to take place, and it was pleasing to welcome Cabinet Secretary, Fiona Hyslop to the Optima building earlier in the week to meet students and observe the on-line results service.

44/5 **CHIEF EXECUTIVE'S REPORT**

Dr Brown presented an overview of the headline issues since the last meeting of the Board.

She reported that the Executive Team would submit a response to Scottish Executive on the development of a skills strategy for Scotland. This would embrace SQA's views, comments and aspirations for the role SQA could play as part of this continuum of education from early years through to lifelong learning. It was crucial for the Board to consider the impact of these developments on the wider skills strategy and within the context of the Leitch review of skills in England.

It was agreed that this work would inform the strategic agenda for the Board, and enable it to contribute fully to the development of a comprehensive skills strategy for Scotland that would position SQA as a key player and influencer. This was fully supported by the Board, and members encouraged the value of wider engagement with Ministers. A wide ranging discussion took place about baccalaureates and the work underway to establish a science qualifications strategy. Mr McKenzie asked the Board to be mindful of the current spending review and its potential impact on the allocation of funding to portfolios.

Fellowship Award

The Chief Executive 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 Mr Iain McMillan CBE.

The proposal received the enthusiastic endorsement of the Board.

Continuous Improvement

Work continued to progress and would initially be focussed in three areas; National Qualifications, HN/SVQ and Commercial operations. Cross-directorate groups had been established to take forward the work and had been received positively by staff.

Founded on identifying more efficient and effective methods in SQA's processes, structures, roles and competencies, the longer term activities of the work would be extended across all areas of the organisation. It was restated that any changes to structure would be driven by evidence of its potential to enhance SQA's effectiveness and capabilities.

Modernisation

It was noted that the funding received from the Scottish Executive to support SQA's modernisation activities should read £857,000.

44/6 MAIN DIET

i Update and media coverage

The Chief Executive opened the report by extending her gratitude to SQA officers on the successful delivery of certification in the 2007 Diet. In particular she thanked Mr Drake for his support and guidance during the process. This appreciation was echoed by Ms McCallum, who reported that delivery of the certification had not been without its challenges. She went on to provide an overview of the issues that had arisen, and the steps taken to reach resolution.

- Risk that industrial action by Royal Mail could impact on the delivery of certificates had invoked contingency procedures. Royal Mail had provided assurance that certificates would be distributed on the agreed date, and over 155,000 certificates had been successfully delivered to candidates.
- In anticipation of a high level of candidates registered to access Results Online, a decision had been taken to host the service externally; Scolocate had been the chosen provider. During testing of the service, some technical issues had arisen around load balancing between servers. These were resolved prior to going live and SQA had had robust contingency plans in place to host the service internally should the need arise.
- Once active on Monday 6 August, a larger than anticipated number of users had either forgotten or lost their User IDs and/or passwords. Contingency plans had underestimated the numbers accessing the service and this was exacerbated by a high number of candidates attempting to register for the service on the day.
- There had been a further complication around the URL that had been originally communicated to candidates. In the period between the issue of this information in January 2007 and the actual launch of Results Online, a more secure link with a new URL had been established. The correct link had been placed on the SQA website; however the changed URL had not been sent to the aforementioned candidates, resulting in them experiencing problems being able to access the service. A fix for this had been put in place during the day.

Ms McCallum was pleased to report that the Results Online service had improved dramatically by the Monday evening and 20,000 candidates had successfully accessed their results before receipt of their certificates.

The Board was alerted that 358 users had been erroneously issued with full or partial access details for other candidates. Immediately the issue was discovered, all the relevant accounts had been locked and the Board was assured that every step would be taken to ensure that security of individual candidate results would not be breached. In subsequent consultation with the Scottish Executive and the Chairman, it had been decided to close the Results Online service. This had been a measured decision, based on the need to protect candidate data. All candidates would have received the

paper copy of their certificates by post. The Board was assured that an appropriate communication would be issued to all candidates that had been affected, and that any ensuing media coverage would be managed with prudence.

Notwithstanding the challenges that had occurred with the new on-line service, the Board congratulated staff on the dedication and commitment that had been shown towards reaching successful delivery of the Diet. It was noted that a full lessons learned exercise would be undertaken to identify areas for improvement of the Results Online service in future years.

Mr Haggerty went on to report that media coverage had been largely positively. He outlined the communication plan that had included consultation with the Royal Mail, phased release of coverage in the Sunday press in the lead up to the issue of results, and ongoing dialogue with the Scottish Executive. The Board was reminded of the communications protocol, and that all media enquiries should be directed through the Chairman and the Chief Executive.

Dr Stewart provided a comprehensive update on the entries and results, reporting that performance had shown a matured and well embedded system in place. The main highlights of her report included:

- An increase on last year of 25,000 in entries, with an improved uptake in National Courses at all levels except in Standard Grade and Advanced Higher. These uptake patterns would be investigated to identify any trends.
- Pass rates remained stable at Standard Grade, Intermediate 1, Higher and Advanced Higher, with increases at Access 2 and 3 and Intermediate 2.
- The removal of derived grades had had no discernable impact on pass rates, however there had been a reduction in Standard Grade Credit.
- The status of eligibility for all appeals was not yet known, but initial figures had shown an increase at Stage 1, with a similar rise anticipated at Stage 2. Contingency plans were in place to deal with this potential increase.

Mr McDonald advised that the examinations in China had been run according to the Scottish timetable. A detailed update on the entries and awards was provided.

It was reported that as part of the partnership with the Interactive University (IU), IU had had responsibility for the provision of all learning and teaching materials. SQA visits to the centres in China had identified that some students had not received access to Scholar materials until late in the term. This matter would be addressed as part of a full evaluation that would be undertaken on the strategy for the delivery of NQs overseas. This review would also consider the provision of additional support to centres.

There had also been evidence to suggest that candidates had found the ESOL examinations challenging at Higher and Intermediate 2 levels. This could have impacted on the performance of those students also taking SQA examinations in other subjects, particularly in specialist subjects that required a technical appreciation of the English language. As part of SQA's international strategy, actions would be taken to address the delivery of ESOL courses in all SQA centres in China.

Finally, Mr McDonald informed the Board that with the increased activity in international markets and overseas centres, it had been agreed to introduce a differential reporting format for results.

On behalf of the Board, the Chairman commended SQA staff for the time and effort that had been invested to ensure a successful Diet. The experience had underlined the importance of the modernisation agenda to upgrade and develop SQA systems.

ii **Report from the Certification Planning Group**

Following completion of her first Diet, Ms McCallum reported the apparent need to review and update the basic information systems that supported the delivery of certification. The work being undertaken as part of the continuous improvement programme would help identify and prioritise those areas for focus.

Further to the contents of the report, she advised that:

- The UCAS results had been issued one day ahead of schedule, on 31 July.
- Cardonald College had alerted SQA on 24 July to a late submission of Unit results that would affect approximately 400 candidates. Remedial action had been taken and no candidates were disadvantaged.
- Other e-activity, such as electronic marks capture and scanning with ESOL, would undergo a full evaluation exercise.

The Board noted the contents of the report.

44/7 **FINANCE AND CORPORATE PERFORMANCE**

The Chairman welcomed Ms Blair to the meeting.

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

In the absence of Mr Cassidy, Mr Mitchell presented the annual statement of assurance, which was offered to the Board to support its consideration of the Annual Financial Accounts. The statement detailed the various reports and assurance that had been considered by the Audit and Performance Committee, and concluded that the internal control systems operated during the financial year 2006-07 were adequate and effective.

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

ii **Audit Scotland Opinion**

The draft report from Audit Scotland, outlining the status of the 2006-07 audit and setting out the findings of their annual review, had been presented to the Audit and Performance Committee on 4 July 2007

The Committee had duly considered and approved the report, and recommended the Annual Report and Accounts for remit to the Board of Management.

The Board acknowledged the contents of the report.

iii **Annual Report and Accounts for 2006-07**

Ms Blair introduced the draft Annual Report and Accounts for 2006-07 and advised that for the second time they had been combined into one document. After careful scrutiny of the Annual Report at the last meeting of the Audit and Performance

Committee, all comments had been taken on board and incorporated into the body of the text as necessary.

At that meeting, the Committee had also considered SQA's Internal Audit Annual Assurance Statement for 2006-07, which highlighted the contribution of SQA's own internal team to the effectiveness of the internal control environment. This had been presented to the Board for information as a paper for noting.

Mr Sylvester presented the Annual Accounts that had been prepared in accordance with the Financial Reporting Manual (FReM), and for the final year, the Charities' Statement of Recommended Practice SORP. It was noted that this would not apply in the 2007-08 reporting due to the loss of SQA's charitable status in April.

He drew attention to page 59 of the accounts, highlighting that the presentation of the figures had changed due to new requirements by the FReM. The comparatives for 2006 had been restated to take account of these changes.

Firstly, the new reporting requirements required that all non EU funding of a revenue nature was credited directly to reserves (on the Balance Sheet), and as such was not accounted for in surplus/deficit calculations (on the Profit and Loss account). In 2006-07, such funding had totalled £16,005,000.

Funding of a capital nature would also be credited directly to reserves rather than being treated as deferred income as in prior years. Capital funding released in the year had totalled £1,751,000. This however, would continue to be written off over the useful lives of the assets, but as a transfer between capital and revenue reserves.

The result of these changes reported a deficit for the year of £21,347,000 in the Income and Expenditure account. Mr Sylvester explained that had these changes to accounting for government funding not been introduced, the net deficit for the year would have been reported at a much lower figure of £3,591,000 and that this loss could be attributed to two main factors:

- The FRS17 actuarial adjustment which was a credit of £1,068,000.
- The net loss of £4,232,000 on the sale of Hanover House.

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

44/8 **CURRENT PERFORMANCE AND FUTURE PLANS**

Ms Blair highlighted the forthcoming changes to the format of reports that would use the Balanced Scorecard for the focus of Board reporting and reduce the amount of information provided in Appendix 2, the business plan monitoring report. In future, this would include only the Scorecard and high level commentary for any measures where performance was recorded as Red or Amber. Appendix 3 would be removed, and reviewed regularly by the Executive Team. Members were reminded that should they require any more detailed background information, this could be issued immediately upon request.

Ms Blair went on to report progress during the first quarter of the new financial year and provided a full commentary on the red and amber scored measures. This supporting text had also been expanded in the papers on the request of the Board at its last meeting.

The Corporate Risk Register (Appendix 4) was presented for the first time as a combined risk register, and had been updated to reflect those risks for the new financial year, as well as the risks that had been escalated by the management team for Board attention.

The Chief Executive updated the Board on Risk 8, SQA Staff Pay Award negotiations, and advised that the Unions had now received the approved pay proposal from the Scottish Executive and it was hoped to complete voting by 12 noon on 10 August and conclude the pay deal negotiations by the end of that week.

The Board noted the contents of the report, and approved the proposed way forward in the reporting format.

44/9 COMMITTEE REPORTS

i Accreditation Committee held on 7 June 2007

The Board noted the contents of the minutes.

ii Advisory Council held on 1 June 2007

Ms McKay drew attention to the Advisory Council's strong endorsement of the Modernisation Programme. Members had shown an appreciation of the benefits it would deliver, along with the substantial investment that would be required; in particular they highlighted the importance of securing long term funding. There had also been encouragement for working with LTS in using the Glow platform and extending its infrastructure to include colleges and others.

It was noted that the Advisory Council intended to compile an Annual Report for presentation to the Board and Scottish Executive. This report would include areas that had been considered by the Advisory Council and outline key issues and recommendations arising from that work. Providing a cross-sectoral view, independent of the Board, the Report would highlight the valuable contribution of the Advisory Council in fulfilling its function.

The Board noted the contents of the minutes.

iii Audit and Performance Committee held on 4 July 2007

The Board noted the contents of the minutes.

iv International and Commercial Committee held on 20 June 2007

The Board noted the contents of the minutes.

v Qualifications Committee held on 22 June 2007

Ms McKay sought clarification on both the decision making powers of the International and Commercial Committee and SQA's stance in relation to IPR. The Chief Executive responded that a review on the role of committees would be subsumed within the work of the PFMR, an element of which would be to assess SQA's administration and governance arrangements. It was agreed that clarity around IPR was required and that this would be addressed. It was also noted that a long term strategic discussion should take place around SQA's market and product strategy, and that this would be factored into a future meeting of the Board.

vi **Remuneration Committee held on 27 June 2007**

The Chairman reported that the Committee had endorsed the conclusion of the Executive Team performance management process for 2006-07 and agreed the performance objectives for 2007-08.

The work on the Executive Team pay deal remained outstanding. The Chief Executive added that this issue was prevalent across multiple NDPBs.

44/10 **ANY OTHER BUSINESS**

There were no matters raised for discussion.

In bringing the meeting to a close, the Chairman noted formally that this would be Mr Drake's final meeting of the Board. On behalf of the Board, he recorded its gratitude to Mr Drake for his congeniality, leadership and major contribution to the development of SQA through its history.

PAPERS FOR NOTING

The Board noted the contents of the following papers:

PFN 1 Qualifications Development Update

PFN 2 SQA's Internal Audit Annual Report for year ending 31 March 2007

PFN 3 Public Procurement Reform Agenda (McClelland) Update

PFN 4 Business Development Strategy

PFN 5 Financial Report to 30 June 2007

PFN 6 Meeting Dates 2008

44/11 **DATE OF NEXT MEETING**

The next meeting of the Board of Management would be held in Esk/Forth, The Optima Building, Glasgow on Wednesday 26 September 2007.