

Minutes of the sixty-sixth meeting of the Board of Management held at 10.30am on Wednesday 8 December 2010 at the Grosvenor Hotel, Edinburgh.

Members

- * Mr G Houston (Chairman)
- * Dr J Brown (Chief Executive)
- * Mr J Edgar
- Mr W Gallagher
- Prof A MacLennan
- * Mr K McKay
- Mr R O'Hare
- * Prof J Simmons
- Dr P Thomson
- Mrs S Walsh
- * Ms C Wilkinson

* indicates present

Officers

- * Ms M Cahill
- * Mr R Gibson
- * Ms K McCallum
- Mr J McDonald
- * Ms J Ross
- * Dr G Stewart

Observers

Mr M McVicar, Scottish Government

66/1 WELCOME AND APOLOGIES

The Chairman welcomed members to the meeting, including Mr McVicar from the Scottish Government. Apologies were received from Mr Gallagher, Prof MacLennan, Mr O'Hare, Dr Thomson, Mrs Walsh and Mr McDonald, each of whom had been unable to attend the meeting due to the adverse weather and travel disruptions.

66/2 DECLARATION OF ANY CONFLICTS OF INTEREST

There were no conflicts of interest declared.

66/3 PREVIOUS MEETING**i Minutes of meeting held on 6 October 2010**

It was noted that at the meeting, there had been an update sought on the status of the Finance Director's departure. At this point, the Board had been assured that the Chairman and Chief Executive were managing the position appropriately and that the matter was under control.

Subject to this omission from the record of the meeting, the minutes were approved as accurate.

ii Action Grid

The contents of the action grid were noted and the following points raised:

64/2 The Chairman advised that he had extended a verbal invitation to Mr Keith Brown to join a future meeting of the Board.

61/6 and 65/9 Information Systems was a key component of the strategic roadmap that was developed. Given the time restraints on the Board meeting that day, the Executive Management Team had resolved to present a full update on the longer term approach to the next meeting of the Board, when an appropriate level of time could be allocated to the discussion.

66/4 **MATTERS ARISING**

The Board was advised that the Chief Executive had consulted with the Chairman and Convenor of the Audit Committee on the matter of vacant post for the Director of Finance. In view of SQA's expansion in the commercial arena, this role would have very unique responsibilities in addition to the archetypal professional needs. A number of options had been explored to address this dual skillset and dialogue was taking place with Scottish Government officials to achieve a prompt resolution. Interim measures had been introduced to manage the situation.

Whilst satisfied that the matter was being handled appropriately, the Board requested a progress update in due course.

66/5 **CHAIRMAN'S REMARKS**

The Chairman opened his report with a note of thanks to all those who had participated in the teleconference that had taken place on 29 November to discuss the Scottish Government's Budget announcement of 17 November 2010 and the impacts of this on SQA.

He went on to advise the Board of his recent SQA engagements, which had included attendance at the SQA Star Awards when Mr Hugh McCafferty had been presented the Fellowship Award.

66/6 **CHIEF EXECUTIVE'S REPORT**

Dr Brown referred to the contents of her report and highlighted specific areas of interest and progress, including the outputs of the annual staff survey, and her recent visits to China and Delhi that had proved very useful in terms of exploring potential opportunities.

66/7 **CfE UPDATE**

Dr Stewart opened the discussion with an update on the work that had been completed around the monitoring and tracking of SQA's CfE marketing communications.

The Board also received an update on progress against milestones for SQA's delivery and development of CfE qualifications. The following points were raised in the course of discussion:

- Significant policy decisions around QA models, appeals and fallback arrangements would be taken forward in January 2011, with presentation to the Qualifications Committee for approval before submission to the CfE Management Board for noting. These requirements brought with them, associated business

- system and budget implications that had yet to be quantified. It was noted that a milestone had been added to the programme plan to reflect this checkpoint
- A potential risk was highlighted around the delay in finalising the design documents for the CfE Scottish Survey of Literacy and Numeracy 2011. Concern had also been expressed in the education environment over the proposal to devolve survey delivery costs to Centre level.
 - At a recent meeting with Scottish Government officials, discussion had taken place around the revised full project costing submission and its implications. SQA had taken the opportunity to express significant concerns over the impact of the proposed budget cuts on SQA's recurring expenditure.

Reference was made to the findings of the recent internal audit that had taken place on the governance arrangements to support delivery of the CfE programme. It was suggested by the Board that the Scottish Government may wish to consider sharing the outcomes with partner organisations.

Some areas of good practice had been highlighted, along with a series of recommendations for improvement; it was noted that a number of these had either been addressed or were on track for completion. In relation to the risk management of the programme, it had been observed that the appropriateness of the risk register notwithstanding, it was crucial for SQA to incorporate ongoing monitoring at sub programme level.

The Board noted and welcomed the update.

66/8 PUBLIC SPENDING REVIEW

The Chairman set the scene for the discussion, highlighting that the major challenge facing SQA was around the cuts to core Grant in Aid. These funds were provided to SQA by the Scottish Government to support the delivery of SQA services, and had been reduced to approximately 16% in 2010-11 with a further proposed reduction of 37% in 2011-12. In addition there had been a notable lack of engagement with SQA before the significant reduction in budget had been announced; this was in stark contrast to that afforded to other NDPBs and was particularly troubling in light of the challenges ahead and the need for a robust and active working relationship to be in place in with Scottish Government officials.

In discussion the Board highlighted the following key points:

- The Scottish Government should have taken into consideration that SQA had realised efficiency savings of £625k in the budget for 2011-12.
- SQA must continue to focus on efficiency savings but it was recognised that these in themselves would not address the shortfall in funding.
- One of the key elements of the Scottish Government's Pay Policy was a commitment to no compulsory redundancies for the period of the spending review until March 2011.
- There would be a severe impact on SQA's strategy to progress the 2020 Vision that was targeting generation of significant increased revenue in markets outside Scotland in the years to come. SQA has made significant progress in the modernisation and efficient running of its overall operation to ensure that these opportunities could be realised however, there was still ongoing frustration around the delay in gaining Scottish Government approval for the establishment of a Trading Subsidiary which had been initially requested by SQA in 2004.

- SQA must undertake an aggressive review of its current portfolio by cost and income, and develop a range of scenarios pushed out to 2020, modelling different impacts in the future. This should take consideration of opportunities to rationalise, address duplication and remove low uptake qualifications. This would require, and should be supported by, open and transparent dialogue with Scottish Government officials.
- The reduction of core grant in aid funding is provided by Scottish Government to SQA to '**help meet core operational costs in respect of the delivery of its functions**'. In order to recoup the operational costs no longer subsidised by Scottish Government grant in aid, SQA must look to establish economically sustainable charges for its qualifications and services through an increase in fees. It was noted however that the 1.5% increase that had been implemented for entries in the 2011-12 academic year had already been met with negative feedback. The Board expressed its disquiet at effectively transferring a proportion of the Scottish qualification system delivery costs from central government to SQA customers. It was felt strongly that any change to the economic funding model should be placed with the Scottish Government.
- Of significant concern were the changes in the curriculum along with the uncertainty in uptake of qualification type as a result of CfE. The precise number and range of qualifications uptake was unknown and presented SQA with several uncertainties around the senior phase and income from Literacy and Numeracy awards. This had already placed additional strains on the SQA budget.

It was noted that the Executive Management Team had a meeting scheduled with Scottish Government officials the following day. Thereafter, an update would be provided to the Board, when it would be decided whether a further meeting would be required with the Chairs of Committees in advance of the next scheduled meeting of the Board.

66/9 FINANCE & CORPORATE GOVERNANCE

i **Draft Corporate Plan 2011-14**

In the context of the funding discussions that had taken place, there was a strong consensus of opinion that the corporate plan could not be approved in the absence of confirmation on resources and funding from the Scottish Government.

ii **Financial Report to 31 October 2010**

The Chief Executive presented the financial report to end October 2010. This was noted by the Board.

iii **Approval of Catering Contract award**

Capital Projects with a total value of over £100,000 required the approval of the Board of Management. The existing catering contract would expire on 31 March 2011 and members had before them a proposal to award the catering contract to Albacore.

The Board approved the capital spend on the understanding that due procurement processes had been followed. It was noted that on this approval, further authorisation would be sought from the Scottish Government.

66/10 BUSINESS DEVELOPMENT REPORT

The Chief Executive presented the report for the period to October 2010 and provided an update of activities against the business plan.

The overall status against objectives remained at green and on target with the exception of the objective around the establishment of the Trading Subsidiary, which continued to report at amber. Feedback had been received from the Scottish Government on the draft Memorandum and Articles of Association, and final versions were with the Scottish Government for approval.

The Board noted the update.

66/11 REPORT FROM CERTIFICATION PLANNING GROUP

The Board noted the update on certification planning, and was pleased to note that activity was progressing on schedule. It was noted that contingency plans were in place to manage any impact from the disruptions caused by bad weather.

As an aside, the Board approved that SQA should follow Scottish Government guidelines in granting staff with a public holiday on 29 April 2011 in recognition of the Royal Wedding. This approval was provided on the assurance that plans were in place to manage delivery of the Diet.

66/12 COMMITTEE REPORTS

i Accreditation Committee – 7 September 2010

The record of the meeting was noted. It was highlighted that a significant amount of effort had been attributed to the work around the Common Conditions.

ii International and Commercial Committee – 8 September 2010

A verbal update had been provided to the previous meeting of the Board. The record of the meeting was noted.

iii Qualifications Committee – 5 November 2010

The record of the meeting was noted. Dr Brown provided an update on the findings of the Higher Mental Health Care Review, and advised that SQA's action plan would be reported to the next meeting of the Qualifications Committee.

iv Audit Committee – 10 November 2010

The record of the meeting was noted and that Carole Wilkinson had joined membership of the Committee.

It was highlighted that a piece of work would be undertaken to review internal and external audit recommendations for currency and relevancy. The outputs of this work would be reported to the next meeting of the Audit Committee in February 2011.

v **Advisory Council – 29 November 2010**

The meeting had been cancelled due to adverse weather conditions.

vi **International and Commercial Committee – 6 December 2010**

The notes of the meeting would be presented to the next meeting of the Board. It was noted that SQA's Strategy for Growth had been reviewed and presented to the Committee for approval. Members had requested further information around the detail behind targets for the coming two to three years. The updated strategy would be brought back to the next meeting of the ICC, before final presentation to a future meeting of the Board.

vii **Accreditation Committee – 7 December 2010**

The meeting had been cancelled due to adverse weather conditions.

66/13 **ANY OTHER BUSINESS**

There were no matters raised for consideration.

PAPERS FOR NOTING

The Board considered the following papers:

1 **PwC Internal Audit – Review of Governance of CfE Programme**

This was noted by the Board and had been considered under item B66/7.

2 **Shawfair Relocation Highlight Report**

The current position was noted.

3 **Annual Equality Review**

The Board noted the contents of the Review.

4 **SQA Staff Survey 2010**

The outputs were noted by the Board and had been referred to under item B66/6.

66/14 **DATE OF NEXT MEETING**

The next meeting of the Board of Management had been provisionally set for 26 January 2011 and this would be confirmed by Janice Ross as soon as possible.

Frustrations over the lack of advanced planning were observed.