

BOARD OF MANAGEMENT – 4 OCTOBER 2017

For approval

Minutes of the one hundred and eleventh meeting of the Board of Management held at 11am on Thursday 17 August 2017 in Esk/Forth, Optima.

Members

- * Mr G Houston (Chairman)
- * Dr J Brown (Chief Executive)
- Ms E Craig
- * Mr S Hagney
- * Mrs J Handley
- * Dr W Mayne
- * Mr H McKay
- Mr R O'Hare
- * Mr R Stewart
- * Dr P Thomson
- Ms C Wilkinson

* indicates present

Officers

- * Ms J Blair
- * Ms M Cahill
- * Mr L Downie
- * Ms L Ellison
- * Mr J McMorris
- * Ms J Ross
- * Dr G Stewart
- * Mr S Martin, item 111/2 only
- * Ms C Clark, item 111/12 only

Observers

- * Mr K McKenzie, Scottish Government
- * Mr D Richardson, Audit Scotland, items 111/9 ii to 111/9 vi only

111/1 WELCOME AND APOLOGIES

The Chairman extended a welcome to members of the Qualifications Committee, who joined the Board that day to receive a presentation on the activities and delivery of certification at the beginning of August.

Lee Downie, Director of Business Systems and Transformational Change was also welcomed to his first meeting of the Board, as was Stephen Martin, Head of Communications and Engagement, who was present for the purposes of the NQ Certification presentation. Kenny McKenzie was in attendance from the Scottish Government.

Apologies were noted from Eleanor Craig, Raymond O'Hare and Carole Wilkinson.

111/2 NQ 2017 PRESENTATION

The Chief Executive opened the presentation on 2017 NQ Certification, results and associated media reporting. It was discussed and noted that:

- It had been another successful certification for just under 137,000 candidates and the second year of delivering a full suite of new National Courses.
- Following positive discussions with UCAS, it had been pleasing to see no potential or actual notification of results embargo breaches by HIEs.
- Further communications were needed around MySQA accounts, with reminders for registered candidates to activate their accounts and ensure their contact details were current.
- There had been a slight downward trend on 2016 in overall NQ entries.
- There had been a variety of presentation patterns across Centres and within Local Authorities; and local variations in candidate presentation for a different number of subjects at the end of S4.

- It had been encouraging to see generally positive reporting with little negative media coverage – in print, online, and in social media.
- It was suggested that SQA could develop some messages around the value of SQA qualifications, pulling out that they offer a range of positive and important purposes in recognising the achievements of learners.

There was discussion around the way in which grade boundaries were set in order to maintain standards year on year. The Executive received the endorsement of the Board and Qualifications Committee for another successful delivery of the national qualifications. Members also paid recognition to all SQA staff and appointees for their hard work and dedication that contributed to such a positive outcome.

The meeting adjourned for lunch and the Board then reconvened for formal business.

111/3 **DECLARATION OF ANY CONFLICTS OF INTEREST**

There were no conflicts of interest raised.

111/4 **PREVIOUS MEETING**

i **Minutes of meeting held on 21 June 2017**

The minutes were approved as an accurate record.

ii **Action Grid**

The contents of the action grid were noted.

111/5 **MATTERS ARISING**

There were no matters arising.

111/6 **CHAIRMAN'S REMARKS**

The Chairman opened his report with his attendance at the recent celebratory event with representatives from Who Cares? Scotland and several care experienced young people. Again, it had been a fantastic and inspiring event. He had also had the pleasure of attending the launch of SQA's Rainbow Week.

As part of SQA's work in Equality and Diversity, this had been an initiative to help promote LGBT equality and inclusion within the workplace.

The Chairman's other SQA commitments had included attendance at the Remuneration, International and Commercial, and Audit Committee meetings.

Scottish Government engagements had included a telephone call with the Deputy First Minister and a close out meeting with Fiona Robertson.

The Board noted the update.

111/7 CHIEF EXECUTIVE'S REPORT

The Chief Executive presented a full update on her activities since the last meeting of the Board and was particularly pleased to report on the new staff appointments.

The Chief Executive also presented consideration of the award of SQA's Honorary Fellowship, which recognised sustained outstanding work and commitment to education and training in Scotland. It was proposed to award the fellowship to Mr Grant Ritchie, Principal of Dundee and Angus College and this received the unanimous endorsement of the Board.

The Board noted the content of the Chief Executive's Report.

111/8 QUALIFICATIONS

i Revised National Qualifications (RNQ) Update

Dr Stewart presented an update on the RNQ Programme, and was pleased to report that the status of the overall programme was now green.

A challenging programme of work lay ahead, including completion of a number of formal publications for revised Course Support Notes, Coursework Assessment Tasks, and Specimen Question Papers.

In terms of work in progress, she reported that SQA officers were reviewing lessons learned from the revision of National 5 to put in place appropriate arrangements for the revisions to Highers. Some initial work was also taking place internally on potential models for National 4 and this work would feed into the considerations of the Assessment and National Qualifications Group. Operational procedures were also being reviewed to bring them in line with the new arrangements for National Courses going forward.

The Board noted the contents of the report and was pleased to note that the programme was on track.

ii Report from the NQ Certification Programme Group

Ms Blair, Director of Operations, presented a full update on the National Qualifications Certification Programme Group and was pleased to report, that overall the programme for certification 2017 was on track.

Having successfully completed certification 2017, work was already underway in relation to the candidate certification for 2018.

It was noted that the matters reported at amber had been resolved in the time since publication of the Board papers.

The Board noted the contents of the report, and was reassured that arrangements were in place to manage areas of risk.

iii Report from HN, Vocational and International (HNV/Int) Certification Programme Group

Ms Blair, Director of Operations, presented the report in detail, and the Board noted the contents of the report.

111/9 CORPORATE AND FINANCE

i **SQA Framework Document**

The Board received a further iteration of the Framework Document, which now reflected previous comments and feedback from the Board. The version before the Board had been approved by the Sponsor Team at the Scottish Government and included a specific reference to the role of Board members and in addition, a section around SQA's communications planning.

A further minor amendment had been made to paragraph 35, where SQA's external auditors had suggested for accuracy that it would be sensible to change the reference from "draft" accounts to "unaudited" accounts".

The Board noted and approved the updated and final version of the SQA Framework Document.

Mr David Richardson, Senior Audit Manager, Audit Scotland, joined the meeting to observe the presentation of the Annual Report and Accounts

Reports and Accounts 2016-17

ii **Public Services Reform Act 2010 2016-17 Report**

The Public Services Reform Act (PSRA) requires public bodies to publish certain information as soon as practical following the end of each financial year. The Report before the Board had been presented to and considered by the Audit Committee at the end of July.

The Board noted the contents of the Report and that it would be published concurrently with the Annual Report and Accounts.

iii **Audit Scotland Annual Audit Report 2016-17**

The Board was presented with Audit Scotland's proposed annual audit report based on their audit covering 2016-17. In line with governance arrangements and in the presence of Audit Scotland, the report had been considered by the Audit Committee at the end of August, when some minor amendments had been suggested around the references to transparency and presentation of the pension liability.

Mr Richardson drew attention to the positivity of the key messages at the introduction of the report, and the Board was encouraged to learn that only a small number of recommendations for improvement had been identified.

On behalf of the Audit Committee, Mr McKay advised that members had drawn comfort from the findings of the external audit, which should provide the Board with an assurance of SQA's financial statements and governance matters.

The Board noted the contents of the report, which indicated that Audit Scotland expected to issue an unqualified and unmodified independent auditor's report following approval of the Annual Report and Accounts that day.

It was also noted that the Board would consider at a later date, the minor recommendation relating to continuing to improve Board transparency and public engagement.

iv **SQA Audit Committee Annual Report 2016-17**

Annually the Convenor of the Audit Committee reports to the Board on the discharge of the Committee's duties during the previous financial year. In previous years, this had been in the form of a letter but was now presented as an annual report, prepared in accordance with the Audit Committee Handbook guidance and compliant with Scottish Government requirements. The report was offered to the Board in support of both the Accountable Officer's letter of representation, and the Board's consideration of the Annual Accounts.

Mr McKay, as Convenor of the Audit Committee, advised that the Audit Committee at its last meeting had formally considered the report, which clearly validated the scrutiny and rigour of the auditing function, and detailed the various reports and assurances that had been considered by the Committee during 2016-17. Members had been satisfied with the professional integrity of SQA's staff deployed to undertake internal audits and had drawn similar validation of the external audit function.

The Board acknowledged the encouraging and positive assurances in relation to SQA's governance, risk management and control environment, and accepted the report's recommendation to approve the Annual Report and Accounts for the year ended 31 March 2017.

v **Letter of Representation**

As part of its annual audit, Audit Scotland sought written assurances from SQA's Accountable Officer on the Annual Report and Accounts.

The Chief Executive, as Accountable Officer, presented the letter that confirmed representations given to Audit Scotland in connection with its audit of the accounts for the year ended 31 March 2017 were sufficient and appropriate.

The Board understood that SQA took its financial management and regularity responsibilities extremely seriously and noted the contents of the letter to be issued to Audit Scotland alongside the signed Annual Report and Accounts.

vi **Annual Report and Accounts 2016-17**

The Board noted that that the report had been transferred into a separate bound set of papers.

Ms Cahill, Director of Corporate Services, introduced the final draft of the Annual Report, which presented a high level and factual account of SQA's progress and achievements against its strategic goals during 2016-17. Having seen various iterations of the Annual Report and previously added comment, the Board was satisfied with the version now presented.

Mrs Ellison, Director of Finance, continued with an overview of the accounts, highlighting those points of note. Mr McKay as Convenor of the Audit Committee indicated that the Committee had considered and undertaken an

extensive challenge of the accounts at its meeting on 31 July 2017 and could commend the accounts for approval.

The Board noted that in line with FReM requirements, the accounts had required prior year restatements to include the movement in actuarial gain/ (loss) in relation to SQA's share of the movement in the pension deficit. This movement in assumptions and actuarial loss had had a subsequent impact on net expenditure, reporting a negative equity position in SQA's Statement of Financial position. In discussion with Audit Scotland, it had been agreed prudent to report a going concern note to the accounts.

The Board approved the Annual Report and Accounts for submission to Ministers and Parliament.

Having considered and approved the Annual Accounts, the Chief Executive and Accountable Officer signed the Accounts in the presence of the members of the Board. These and the Letter of Representation were passed to Audit Scotland for the purposes of signing the audit certificate.

At this juncture, Mr Richardson left the meeting.

Financial Reporting

vii **Financial Performance Report**

Mrs Ellison, Director of Finance, presented the year to date position and forecast outturn for the period ending 30 June 2017.

During discussion, it was noted that work continued to scope the additional costs to support RNQ implementation, and could result in a request to Scottish Government for more programme grant. It was anticipated however, that the Grant in Aid requirement would be reduced by end of year.

In response to the Board, it was confirmed that phase 1 and some elements of phase 3, CBS costs were reflected in the budget.

The Board noted the financial position as presented.

viii **Cash Position**

Mrs Ellison Director of Finance, presented the cashflow, provided to the Board as an assurance on the current position.

The Board noted the position for the year based on the 2017-18 Q0 accruals forecast.

111/10 **BUSINESS DEVELOPMENT REPORT**

Mr McMorris, Director of Business Development, presented the business development activity in all key markets as at 30 June 2017 against the Q0 plan.

The Board noted the contents of the report.

111/11 SQA CHANGE PROGRAMME REPORT

Mr Downie, Director of Business Systems, presented the update on progress against the various workstreams of the SQA Change Programme.

The Board was pleased to note that programme budget was on track, with no full year variances identified as at end June 2017 and that all high level milestones had been achieved in the last quarter. Looking holistically at the programme, the RAG status was reporting seven programmes at green, one at amber and two at red. Moving forward, work was underway to group commonly linked projects and in parallel, to develop a programme-level Change Management plan.

The Board noted that the core risks identified were heavily weighted on staff resource. The Executive assured the Board that to help mitigate this, an exercise was underway to prioritise the projects alongside the introduction of a more informed capacity planning approach.

The Board noted the contents of the report.

111/12 CORPORATE BUSINESS SYSTEM PROGRESS REPORT AND APPROVAL FOR PHASE 3

Ms Clark, Head of Finance Systems, was welcomed to the meeting.

In her opening remarks, for the benefit of new Board members, Mrs Ellison provided the background and history to the Corporate Business System (CBS) project.

Before the Board, was a report including lessons learned from phase 1, an update on progress against phase 3, the proposed approach to its implementation, and a request to approve the preferred bid supplier for implementation of phase 3.

During presentation and discussion, the Board:

- Noted that there had been very positive working arrangements and detailed discussions with the proposed supplier and that the Executive had confidence on their ability to deliver phase 3.
- Considered the lessons learned activity on phase 1, and was assured by the Executive that the findings had been taken on board and that lessons learned were integrated into the delivery plan for phase 3.
- The Board noted the positive impact that had been gained by the successful introduction of the e-recruitment module (Phase 2). This had been implemented in time for the current session and had resulted in improvements for both staff and appointees.
- Noted that SQA Business Analysts were working with staff to document the detailed business processes required to implement phase 3. The Executive would also ensure clarity from the supplier on the outputs and the outcomes required by SQA.
- The contract for phase 3 would define clear lines of responsibility, coupled with a realistic project plan of defined deliverables milestones and an associated financial payment plan. The Programme Board would monitor implementation of the project closely and delivery would be reported to each meeting of the Board through the SQA Change Programme.
- Noted that a relationship would continue to exist with Unit4 (now rebadged as Unit4Business World) who held the license for the product.

The Board expressed concern around the added pressure this project could place on SQA's already stretched workforce. The Executive advised that collectively, it attached considerable importance and priority to this project, and had committed to allocate dedicated resource to support implementation.

This project was an essential activity to ensure that SQA was able to continue to deliver safe and secure certification over the longer term. As already reported, to mitigate the core risk of insufficient staff resources, an exercise was underway to prioritise projects alongside the introduction of a more informed approach to capacity planning.

It was also noted that - not to mention the wider business benefits expected after delivery - implementation would serve to release staff resource across the piece.

In line with the Scheme of Delegation, the Board was invited to consider and approve the recommendation for the award of the contract to SQA's preferred implementation partner at a cost of £1,579,273.

The Board found comfort in the assurances provided, and was content that the Executive had taken and would continue to take into consideration all of the issues experienced in CBS Phase 1 and Phase 2. With an understanding of the governance arrangements in place and on the condition that due diligence had been followed as part of the bid evaluation process, the Board approved the award of the contract to Agilisys.

The Board looked forward to receiving updates on the progress of this project.

Ms Clark left the meeting.

111/13 CORPORATE RISK REGISTER

Ms Cahill, Director of Corporate Services, presented the status of the Corporate Risk Register (CRR), highlighting the de-escalation of two risks, as approved at the recent meeting of the Audit Committee.

The Board noted the contents of the Corporate Risk Register including the addition of a new risk.

111/14 COMMITTEE REPORTS

i **Audit Committee – 22 May 2017**

Mr McKay had updated members on the business of the Audit Committee at the last meeting of the Board.

The Board noted the enclosed minutes.

ii **Advisory Council – 5 June 2017**

Mr Stewart had updated members on the business of the Advisory Council at the last meeting of the Board.

The Board noted the enclosed minutes.

iii **Remuneration Committee – 21 June 2017**

In the absence of Ms Wilkinson, the Chairman updated the Board on the business covered at the last meeting of the Remuneration Committee, which had included a review of performance objectives for members of the Executive and the Chief Executive.

The Committee had also received an update on the Staff Pay Remit 2017/18.

The Board noted the update.

iv **Accreditation Committee – 27 June 2017**

In the absence of Ms Wilkinson, the Chief Executive referred to the enclosed minutes. She drew attention to the current process for Standards and Framework Commissioning, which was now being undertaken by SDS on behalf of the three nations, Scotland, Northern Ireland and Wales. SQA Accreditation was charged with ensuring the quality of these products. It was important that SQA Accreditation maintained strong engagement with SDS to ensure that all deliverables expected of the function could be met.

The Committee also asked that the matter of the Grant in Aid for the Accreditation function be raised to the Board given that this remained a matter of concern.

The Committee discussed changes in the construction qualifications with the move of the Skills Test into the SVQ.

The Board noted the update.

v **Audit Committee – 31 July 2017**

Mr McKay presented an update on the business of the last meeting. As already covered in the Board meeting, the Committee had considered all matters relating to the Annual Report and Accounts. Other considerations had included updates on internal and external audit activities.

The Board noted the update.

vi **International and Commercial Committee – 31 July 2017**

In the absence of Mr O'Hare, Mr McMorris provided an update on the business covered, and that the Committee had received a presentation on the Assessment Futures strand of the change programme. The Board noted that this would also be presented to a future meeting of the Board.

The Board noted the update.

vii **Qualifications Committee – 17 August 2017**

The Qualifications Committee had met that morning to review and consider the outcomes of the fieldwork report, which would feed into the ongoing thinking of how the system goes forward.

The Board noted the update.

111/15 ANY OTHER BUSINESS

The Chairman closed with a note of thanks to the Board and members of the Executive for their support and commitment during his tenure.

111/16 DATE OF NEXT MEETING

The next meeting of the Board would take place on 4 October 2017 in Lowden.