

BOARD OF MANAGEMENT – 26 JANUARY 2011

For approval

Minutes of the sixty-seventh meeting of the Board of Management held at 10.00am on Wednesday 26 January 2011 in the Boardroom, Ironmills Road, Dalkeith.

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
- * Ms K Dinwoodie (item 67/9 only)

Observers

None

67/1 WELCOME AND APOLOGIES

The Chairman welcomed members to the meeting. Apologies were received from Mr Gallagher, Prof Simmons and Mr McVicar.

67/2 DECLARATION OF ANY CONFLICTS OF INTEREST

There were no conflicts of interest declared.

67/3 PREVIOUS MEETING**i Minutes of meeting held on 8 December 2010**

The minutes were approved as an accurate record.

ii Action Grid

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

67/4 MATTERS ARISING

66/3 i The Chief Executive advised that the recruitment approach to the Director of Finance post had been approved by the Scottish Government. Work was progressing and it was agreed that Mr Edgar and Mr O'Hare should be involved in the latter stages of the recruitment process.

66/3 ii 64/2

The Chairman agreed that Angela Constance, Minister for Skills and Lifelong Learning, should be invited to a future meeting of the Board and suggested that this should be deferred until after the approval of the Scottish Government budget.

66/7 It was clarified that all schools would be sampled as part of the new Scottish Survey of Literacy and Numeracy. Scottish Government officials had been in dialogue with ADES around the implementation and delivery of this.

67/5 **CHAIRMAN'S REMARKS**

The Chairman opened his remarks with a congratulatory note to Ms Margaret Nicol, who had recently been awarded an OBE for her services to education in Fife. Also Mr Dennis Gunning, a former SQA Director, had been recognised with a CBE for his work in higher education and lifelong learning.

Future engagements included a meeting that the Chairman and the Chief Executive had scheduled with Mr M Russell, MSP on 27 January. The focus of the meeting would be to discuss the current budget challenges being faced by SQA, the potential implications of these for the SQA, and to highlight the options that SQA must consider.

67/6 **CHIEF EXECUTIVE'S REPORT**

Dr Brown referred to the contents of her report and highlighted specific areas of interest and progress. The Board noted the update.

67/7 **PORTFOLIO MANAGEMENT**

The Chief Executive presented an update on progress with the implementation of a programme structure to manage, prioritise and monitor the delivery of SQA projects across the business.

SQA was in the midst of major business developments associated with the development of new qualifications both for CFE and to enable SQA to expand its customer base outwith Scotland and into the Rest of UK and International markets. SQA was also concentrating on the development of its IT systems to improve its operations and to facilitate engagement with its customers.

A series of programmes had been identified through the work to develop the Strategy Roadmap, and these would now be co-ordinated through the new portfolio reporting structure. Additionally, this provided a mechanism to support and enable decision making around project deliverables, and to track delivery. Each programme area had an assigned Director and reported regularly to the Portfolio Board, which comprised all members of the Executive Management Team and the Chief Executive.

In discussion, the following points were raised and noted:

- The project framework provided a means by which to ensure that a regular review of decisions and an evaluation of cross business implications were undertaken - for the short, medium and long term.
- In terms of SQA's anticipated budget position, there was a risk on SQA's ability to deliver planned developments. It was agreed to add a reference on the potential impact of budget reductions in the paper, and that progress to milestones would be reviewed on an ongoing basis as to its deliverability based on the final budget available to SQA.

The clear focus and structured approach was welcomed and supported by the Board.

67/8 Cfe UPDATE

Dr Stewart opened the discussion with an update on the publication of Rationale and Course summaries. This key milestone for publication on SQA website was achieved on schedule. She advised however, that the Curriculum Area Review Groups (CARGs) and Qualifications Design Teams (QDTs) had been unable to reach agreement on the assessment strategies for National 5 Science qualifications. A holding statement around these course assessments had been issued, and going forward, further work would be undertaken by the QDT in engagement with HE, in order to identify an appropriate assessment methodology. The Board was assured that this delay had not impacted elsewhere.

Communications activity continued apace and was on track to deliver against key milestones. Activity for the coming months would support implementation of Curriculum for Excellence.

A significant amount of policy related work had progressed, with a number of papers being presented to the Qualifications Committee for approval that day.

The Board noted the update.

67/9 FINANCE & CORPORATE GOVERNANCE

i Financial Report to 30 November 2010

Ms Dinwoodie was welcomed to the meeting. She advised that the Q3 re-forecasting exercise had recently been completed and tabled the current Q3 position with an overall favourable position of £800k on an accruals basis.

The Board noted the financial position as presented.

ii Approval of electronic marking system contract

Mr Gibson presented the rationale for the introduction of an e-marking solution. Outlining the benefits that would be realised by SQA, he detailed the procurement process that had been followed, and how the decision had been reached to recommend RM Education as the preferred supplier. In the course of discussion it was confirmed that:

- SQA would retain legal ownership of data, along with the right to access and transfer that data.
- Proper scrutiny of the financial viability of the business was integral to the tender evaluation exercise, and a full assessment had been undertaken.
- Contingency arrangements were in place to manage any possible risk.
- The infrastructure would provide a platform to support the addition of extra services in the future.
- The benefits would be realised in 2014.
- Running costs would be funded through grant funding.

Based on the assurance that there was appropriate budget in place, the Board approved the award of the contract to RM Education Plc, and for the tender evaluation report and e-marking business case to be submitted to the Scottish Government for their subsequent approval.

67/10 BUSINESS DEVELOPMENT REPORT

Trading Subsidiary

Mr McDonald opened his report with an update on progress with the trading subsidiary. He was pleased to advise that the Memorandum and Articles of Association had been approved, and that a Memorandum of Understanding between the Scottish Government and SQA had been formally signed. It was noted that the trading subsidiary was for international business only and would not apply to UK operations. This would be revisited in time.

A meeting with internal representatives from various areas of the business had been arranged and would be supported with input from MacRoberts solicitors and SQA's internal auditors, PwC. Initial work would focus on developing a project plan to address the logistical tasks and issues required for setting up the trading subsidiary.

Business Development Report

Mr McDonald went on to present the report for the period to end November 2010.

The Board noted the position update on UK and international based commercial activity.

67/11 REPORT FROM CERTIFICATION PLANNING GROUP

The Board noted the update on certification planning and was pleased to note that activity was progressing on schedule.

67/12 COMMITTEE REPORTS

i Annual Report from the Accreditation Committee

The annual report on audit and accreditation activity for 2009-10 was noted by the Board.

ii International and Commercial Committee – 6 December 2010

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

iii Accreditation Committee – 18 January 2011

In the absence of Prof Simmons, the Chief Executive provided an overview of the business that had been covered. A significant amount of time had been attributed to discussion on the implications of the reduction in grant-in-aid funding. Members had been disappointed in the reduction and had understood the importance of revisiting the operational plan 2011-12 in light of these cuts. There had been questions around the risk in relation to the potential increase in the non-regulated market, and members had been reassured that this had been reflected in the Corporate Risk Register. A meeting had been scheduled with Scottish Government officials to discuss the budget implications on SQA's ability to fulfil its statutory duty, and an update would be provided to members at the next meeting of the Committee.

67/13 SQA BUDGET

Mr McDonald provided a presentation on the work being progressed by SQA to address the funding gap in SQA's budget for 2011-12. In order to absorb the cut in grant-in-aid, SQA had assessed the affordability of SQA's current portfolio and developed options on how to support discussions around the future portfolio. This was not without its challenges, given the unique nature of the Scottish Qualifications system, its extensive portfolio, and the need to reflect the changes being introduced under CfE. A high level review of SQA's pricing structure had also been undertaken, in an attempt to understand the potential for cost recovery for running the qualifications system.

The Board engaged in discussion around the financial and operational viability of the options facing SQA, and expressed their concern at the significant risks associated with solutions being presented. Points of note were:

- Lack of clarity from the Scottish Government on their plans to reduce SQA's deficit funding to zero and for SQA to become self funding.
- Further modelling had taken place to explore options to address the immediate potential for an operating loss as well as to identify longer term impacts.
- A further challenge facing SQA was the impact on income due to lower candidate numbers expected from demographic changes in Scotland. Further reductions in income were also expected with the predicted by-passing because of Curriculum for Excellence.
- Any decisions on portfolio reduction rested with the Scottish Government, and would also involve proposal consultation with partners and stakeholders.
- It was crucial for conversations to begin with stakeholders, but this was dependent on the Scottish Government opening discussions with partners on the future of the funding mechanisms for qualifications in Scotland.
- The time delay associated with the introduction of a reduced portfolio would mean that any cost reductions / savings may not be realised until the 2014-15 budget. Qualifications could not be removed immediately as candidates were presently studying for these, and any pruning of the portfolio must not disadvantage them.
- The detrimental effects to the longer term financial viability of SQA. The position in which SQA found itself, strengthened the importance for SQA to maintain its competitive position at such a critical time. With insufficient funds, SQA could well be unable to support existing activity outwith Scotland or develop into new markets.
- There was an option to recoup costs from candidates and centres through prices increases. These however would be significant, and any increase in the fee structure would only have a limited impact on the 2011-12 budget and would likely damage stakeholder relationships.
- It was suggested that officers should consider transitional funding arrangements in place to smooth any budgetary transition and provide SQA with a safety net.

The Board was presented with a proposal for SQA to offer a Voluntary Release Scheme to all staff. The Scottish Government had approved funding of the scheme at an approximate cost of £500k, and it was estimated that savings in the region of £500k would be generated year on year. A reactive media line had been developed. This Board approved the proposal to introduce the scheme with immediate effect.

In conclusion, the Board was acutely aware of the urgency of the matter in hand and encouraged collaborative working with the Scottish Government to find resolution. Members were of a shared view that the SQA Board must not enter into 2011-12 business operations without an agreed or viable budget in place.

Cognisant of the importance of timeous action, it was agreed that the Board would be updated on the outcome of the meeting with the Cabinet Secretary on 27 January, and following that, take on view on next steps.

67/14 ANY OTHER BUSINESS

There were no matters raised for consideration.

PAPERS FOR NOTING

1 Shawfair Relocation Highlight Report

The current position was noted.

67/15 DATE OF NEXT MEETING

The next meeting of the Board of Management would be held on Wednesday 30 March in Esk/Forth, the Optima Building, Glasgow.