Student Loans Company

2011-12

2012-13

2013-14

2014-15

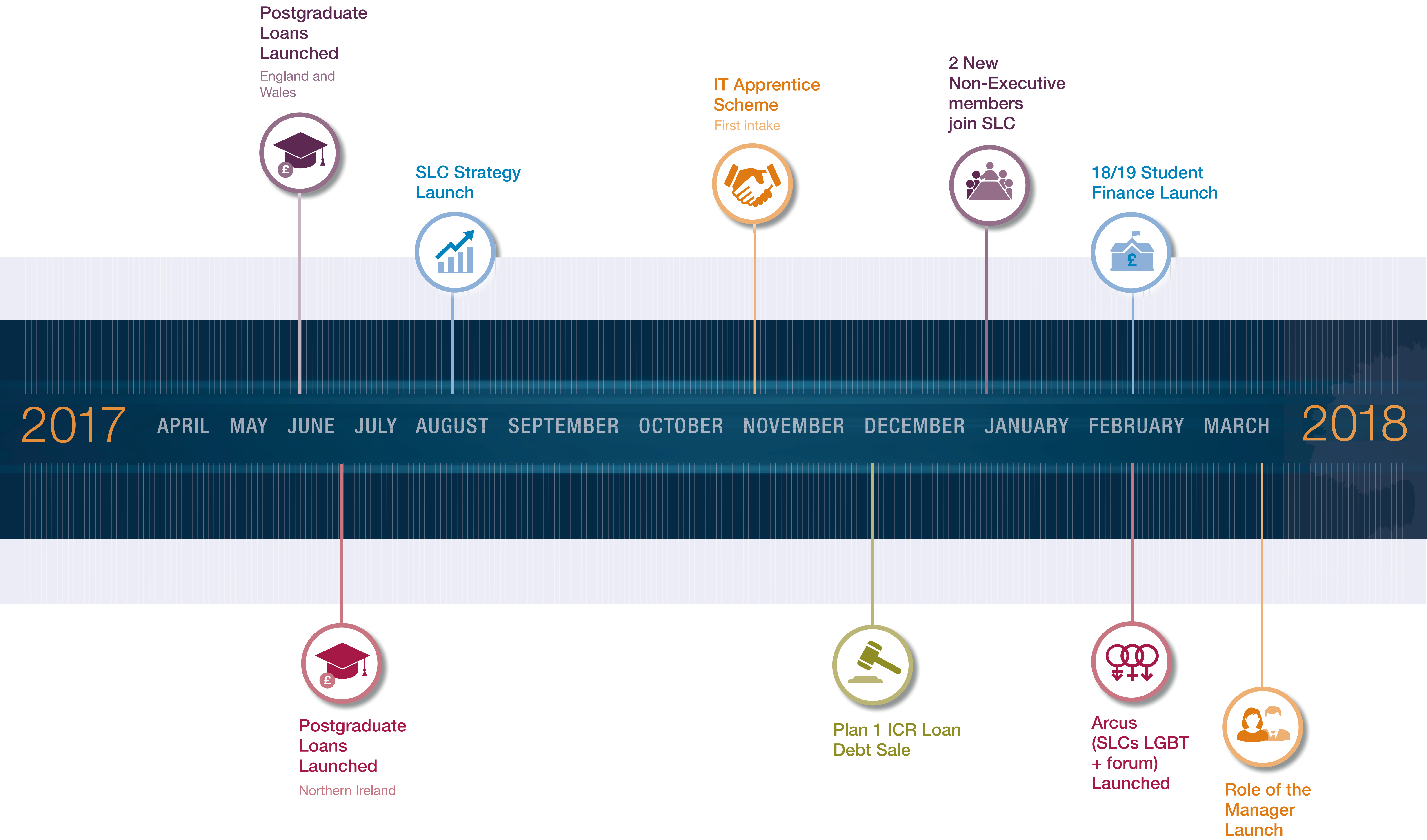
2015-16

2016-17

2017-18 Annual Report

Student Loans Company Limited

A stronger performance, year after year


2017
APRIL
MAY
JUNE
JULY
AUGUST
SEPTEMBER
OCTOBER
NOVEMBER
DECEMBER
JANUARY
FEBRUARY
MARCH
2018
Postgraduate Loans Launched
England and Wales
SLC Strategy Launch
IT Apprentice Scheme
First intake
2 New Non-Executive members join SLC
18/19 Student Finance Launch
Postgraduate Loans Launched
Northern Ireland
Plan 1 ICR Loan Debt Sale
Arcus (SLCs LGBT + forum) Launched
Role of the Manager Launch

Contents

01
Chairman's Statement

The last year was a challenging time for Student Loans Company (SLC) and I would like to record my thanks to our staff, shareholders and Non-Executive Directors for their support and professional commitment throughout.

During the year, SLC has been led by three Chief Executive Officers (CEO). Steve Lamey started the year as permanent CEO but was, as reported last year, suspended and then his contract terminated. I would like to record my thanks to David Wallace for providing continuity and leadership as Acting CEO over the five month period from July to November 2017 until Peter Lauener arrived from the Department for Education (DfE) to take the reins as the Interim CEO.

Much was achieved under David and Peter's leadership to improve governance and decision-making across SLC. For example, we expanded the responsibilities of the Board Committees, appointed an interim Chief Financial Officer (CFO) to the Board (now replaced with a permanent appointment), strengthened procurement practices and reviewed our employment processes. As noted in my announcement on 6 September, Paula Sussex has been appointed as the new CEO of the SLC. I would like to put on record my thanks to Peter for acting as Interim Chief Executive.

While managing these significant changes in leadership, we have been supporting a UKGI review of the DfE governance of SLC which has provided a timely opportunity to reflect on the structure and operation of such a large and complex public sector organisation. The review has taken note that SLC has one dominant and three minority shareholders who define the products we deliver on their behalf whilst we operate within the spirit of FCA regulation to support individuals to make significant investment decisions about their futures.

We have yet again improved the delivery of our core purpose through this period of uncertainty. We have also been able to start a series of modernising programmes as part of the SLC Strategy which will enhance our capacity and flexibility to implement future Government policy, particularly as it diverges between UK administrations, at the same time as improving the customer's journey. Our responsibility for the administration of the loan book and the support of the debt sale on behalf of DfE, that took place in December 2017, also required SLC to provide high quality data, evidence of security measures and a repayment strategy that maximises collections to the UK Government.

In January 2018 Damian Hinds was appointed Secretary of State for Education and Sam Gyimah was appointed as Minister for Higher Education. Shortly after, we were able to open our services for the academic year 2018/2019 as planned.

DfE has commissioned a Post-18 education and funding review which is expected to report in 2019. SLC will be ready to advise on the delivery implications of any proposals that emerge.

During the year we welcomed two new Non-Executive Directors to the Board: Mary Curnock Cook OBE, former Chief Executive of UCAS, and Professor Andrew Wathey CBE who has been Vice-Chancellor and Chief Executive of Northumbria University since 2008. Andrew was previously the independent Chair of the SLC Stakeholder Forum which provides advice, challenge and support with risks and issues affecting the delivery of SLC's student finance services.

As the financial year drew to a close, Sally Jones Evans stood down from the SLC Board; I thank her for her contribution during her time with us, particularly her insights on the SLC Strategy.

The Non-Executive Directors bring relevant senior management experience such that they contribute to the rich discussions in Board meetings. Their contribution strengthens SLC's ability to fulfil its role in delivering the Government's Higher and Further Education funding policy.

The SLC Stakeholder Forum is now chaired by Geoff Layer, Vice Chancellor of the University of Wolverhampton. This forum, along with specialist Working Groups, provides feedback on our services; suggests future improvements and changes to our student finance service and provides communication channels to our customers.

We recognise that any changes to student funding policy could have significant implications for SLC. Along with our new CEO, I will be working together with the UK Government and Devolved Administrations to improve our systems, operations and resilience as we seek to invest in our future to enable us to better serve students investing in theirs.

Christian Brodie
Chairman

02

Chief Executive Officer's Foreword

I was very pleased to have been asked to take over as Interim CEO following a difficult period for SLC and pending the appointment of a new permanent CEO. I have found a large and complex organisation whose performance is strong, with staff who are energetic, creative, diligent and delivering results of which any organisation would be proud.

During the Financial Year (FY) 17-18 we processed over 1.8 million applications, made over 7 million payments totalling £18.2 billion, handled nearly 6 million telephone calls, and managed over 8 million customers with repayment obligations totalling £117.8 billion dwarfing the same statistics from seven years ago as set out in the Strategic Report which follows.

This year has also seen SLC take the first steps to create a more flexible and efficient organisation that is better able to meet the needs of our shareholders and customers by setting out the investment case for the SLC Strategy. During the year, with support from our shareholders, we began work on particular aspects of the Strategy, for example e-Signatures on student applications and automatic account password resets. These have now both gone live and are already delivering significant reductions in correspondence handling and calls to our customer services.

The introduction of e-Signatures means that most of our customers can now tell us they have read, understood and accepted the terms and conditions of their loan and signed their application form online without having to send us a signed form in the post.

Within the Strategy, we have also started a drive towards excellence in all our operations through increased management training and the introduction of LEAN practices. This is as good a programme as I have seen in my long career and for which the senior team at SLC deserve great credit.

Also within the Strategy, the technology programme will provide a more modular-based, resilient and cost effective IT operations layer with faster and more secure policy deployment and enhanced data analytics.

There have been a number of significant staffing changes during the year. The Board created the role of Chief Financial Officer (CFO) in July 2017, bringing financial and commercial management under common leadership for the first time in a number of years, appointing an interim CFO who has overseen significant improvements in financial and commercial rigour. A permanent CFO has now started, bringing strong experience of public sector accountability and assurance.

I have also re-organised the responsibilities of a number of the Executive Directors to better reflect the needs of our shareholders and customers as well as appointing a new interim Chief Information Officer.

We have improved the engagement with all the governments we serve, most notably with the Welsh Government through the implementation of their Diamond Review reforms. We continue to work closely with DfE to deliver the best possible service to all our current and future learner and repayment customers.

I believe we are delivering a better experience for new and returning learners as well as those in repayment and while there remains much to be done, I am confident that the organisation is already in a stronger position to deliver than it was seven years ago, or at any time in its history.

Peter Lauener
Interim Chief Executive Officer

The Strategic Report

03

1.8 million
applications processed

1.6 million
online applications

8.1 million
customers

3,175
employees

117.8 billion
loan book value

03.1 About SLC

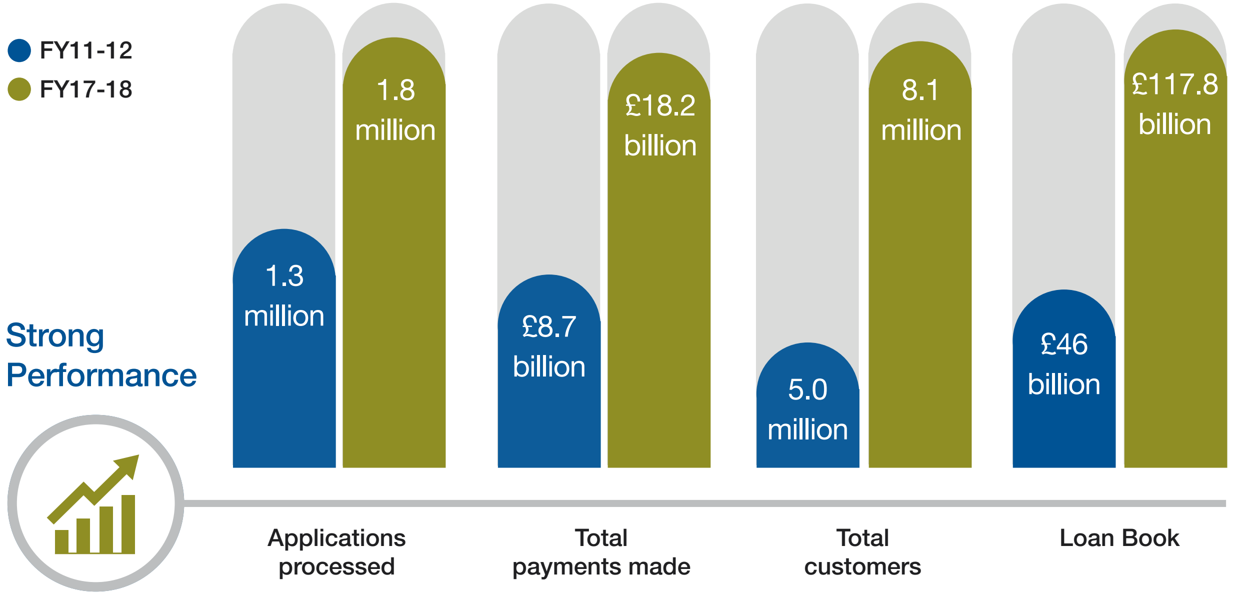
SLC is a non-profit making organisation with the four UK Government Administrations as shareholders. It plays a central role in supporting the Higher Education (HE) and Further Education (FE) sectors by making timely and accurate payments of maintenance grants and loans to learners and their tuition fee loans and grants to HE and FE providers.

SLC achieves this by working closely with the Department for Education (DfE) and the devolved administrations in Scotland, Northern Ireland and Wales. SLC also works with the Student Awards Agency for Scotland (SAAS), the Education Authority for Northern Ireland (EANI), HE and FE providers and other delivery partners.

SLC enables its customers to invest in their futures by delivering secure, accurate and efficient assessment, payment and repayment services. This year we processed over 1.8 million applications, made over 7 million payments totalling £18.2 billion, handled nearly 6 million telephone calls, and managed over 8 million customers with repayment obligations totalling £117.8 billion.

We are at a critical point in our 28-year history. Education is changing, our customers are changing, and the demands and expectations of our stakeholders are changing.

Our strategy to meet these changes is clear: SLC will develop an increasingly online service to improve our customers' experience and enable us to respond effectively to the requirements of ministers and policymakers at the DfE and the devolved administrations.



03.2 The Business Environment

SLC manages the full end-to-end "apply, assess, pay and repay" process for undergraduates in England and Wales and provides the payment and repayment parts of this service for Scotland and Northern Ireland.

SLC also manages a growing range of FE and Postgraduate products and services which are tailored to the differing requirements of individual Government Administrations, alongside various "targeted support" grants designed to enable people with disabilities, childcare or other needs to overcome barriers to participation in further and higher education.

In addition, SLC administers bursary payments on behalf of many UK HE providers.

SLC works in partnership with HMRC to facilitate repayments through PAYE and self-assessment systems while directly collecting from those borrowers outside the UK tax system or those nearing the end of their repayment term who are invited to pay by direct debit to avoid the risk of over-repayment.

03.3 Managing Complexity, Change and Growth

The Government regulations associated with student finance are detailed and complex. Different loan and grant products have a range of eligibility criteria; there are often complex entitlement rules determining the amount of financial support available; and different repayment terms, income thresholds or interest rates may be in force. Customers can be repaying more than one loan at the same time, and these may be on different terms. SLC is comparable in size and complexity to a small retail bank however unlike a bank SLC cannot pick and choose between market segments, and is obliged to provide a universal service.

Nevertheless, for several years SLC has continued to build systems of sufficient sophistication and complexity to enable it to deliver these services for Government. This has been despite the annual introduction of new Government policy, products and regulations which often require significant systems development in short timescales.

FY17-18 again saw SLC implement a major policy change programme on behalf of Government stakeholders - a programme which this year included significant work for the Welsh government arising from the Diamond Review of Higher Education funding in Wales.

As well as technical changes - to software, databases, apps and web content – new products often also require changed processes and procedures, additional staff training and production of information, advice and guidance materials for both applicants and providers.

Some of the key changes implemented this year are listed in the table on page 14.

03.3
Managing Complexity, Change and Growth

New or Changed for AY18/19	Domicile(s) Affected	Summary of Changes
Postgraduate Doctoral Loans	England, Wales & EU	Introduction of loans of up to £25,000 for eligible doctoral degree students; non-means tested and paid to the student as a contribution to costs.
Part Time Maintenance Loans	England & Wales	Introduction of a new means tested maintenance loan in England for part-time courses from August 2018. Introduction of a new means tested maintenance loan in Wales to replace the course grant; eligible part-time students can apply for combined loan and grant support. Entitlement for both products is based on income and intensity of study.
Care leavers	Wales	New category of students introduced: eligible for existing HE UG products. Considered to be independent for the purposes of the financial assessment.
Multi Academic Year Cohorts	England, Wales, NI & EU	System changes to identify returning students who withdraw from a course and begin a new one in the same AY: statutory repayment dates and interest rates to be applied separately to each loan.
Strengthening Blocks	England, Wales & NI	System change to block any further scheduled payments of living cost support when an HEP submits a not-in-attendance code in relation to tuition fee payments.
Stateless Persons	England, Wales & NI	New category of students eligible for existing FE, HE Under-Graduate and HE Post-Graduate products.
Dental Health and Dental Therapy	England, Wales, NI, EU & Scotland	These students currently receive NHS bursary support. From AY18/19 the NHS Bursary will cease for new students, instead new students studying in England, Wales, NI or Scotland will receive the standard package of support.
Welsh Full Time Tuition Fee Support	Wales & EU	Removal of tuition fee grant for new students starting courses from August 2018, replaced by a loan to cover the cost of the tuition fee.
Welsh Full Time Living Cost Support	Wales	Increased support package for new students from AY18/19 with changed income assessment rules for Welsh Government Learning Grant (WGLG) and maintenance.
Armed Forces Distance Learners	England, Wales & NI	This is an extension to AY17/18 policy: students who are distance learning due to being in the Armed Forces and posted outside of their home domicile can access the distance learning package of support.

As part of its Strategy, SLC launched its Operational Excellence Programme this year. The programme has been designed to develop the culture across SLC and to implement Lean core practices across the organisation.

The Operational Excellence programme is comprised of three distinct but complementary projects:

- **Lean - Creation of an SLC Lean framework which will deliver an enduring capability within SLC to drive the continuous improvement of processes;**
- **The Role of the Manager - The development and implementation of a new management and leadership framework will be delivered through this project. This will inculcate the desired behaviours, including those that are required to underpin Lean, and deliver a cultural shift at SLC; and**
- **Employee Engagement and Cultural Uplift. The ongoing monitoring of levels of employee engagement and a focus on improving staff morale.**

With the appointment of a Lean partner, four "pathfinder" projects commenced in January 2018 to embed Lean methods, tools and practices to the Pre-Assessment, Recruitment, Grants For Dependants team and Glasgow Core Processing teams.

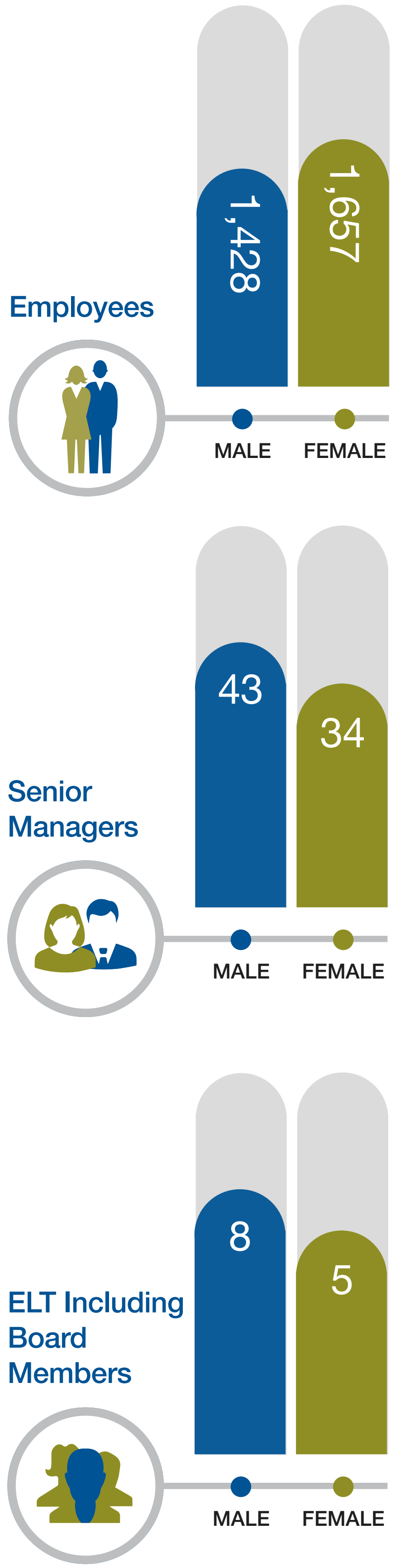
Phase 1 of the Role of the Manager programme was launched in March 2018 and is focused on 'Active Leadership' and up-skilling managers to behave in 'the SLC Way'.

03.4
Our People

A baseline employee engagement survey was conducted in October 2017. The engagement score from the survey was 66.8%. Results were cascaded at an organisational, directorate and team level. Action planning is underway and two pulse surveys will be conducted during 2018 to review progress.

A new apprenticeship scheme was introduced this year, to continue to support SLC in building an internal talent pipeline. SLC is developing a business case to Government designed to support the request for an improved and restructured reward package for its staff. Pay and Reward is a principal risk for SLC and discussed further on page 37.

03.4 Our People



Equality, Diversity and Inclusion (EDI)

SLC has an established commitment to equality, diversity and inclusion. In FY17-18 our equality objectives focused on business, customers and our people.

In June 2017 we named our 'SLC Way' Champions who have all been involved in identifying the culture and behaviours that would help make SLC a better place to work.

Arcus (SLC's LGBT Forum) launched in February 2018 with a strong campaign with other equality forums planned to ensure all employees have a voice within the work place. We also supported International Women's Day in March 2018.

Mental Health awareness was an important part of this year's programme. Mental health first aiders are now embedded across all our sites as a further support to employees and managers.

SLC has met its legal requirement by publishing its gender pay gap report and the Equality Diversity and Inclusion (EDI) annual report was also published in April 2018 including equality monitoring for our 3 main sites.

During FY17-18 SLC continued to partner with the National Centre for Diversity to ensure that initiatives and progress on EDI is embedded into the SLC Strategy.

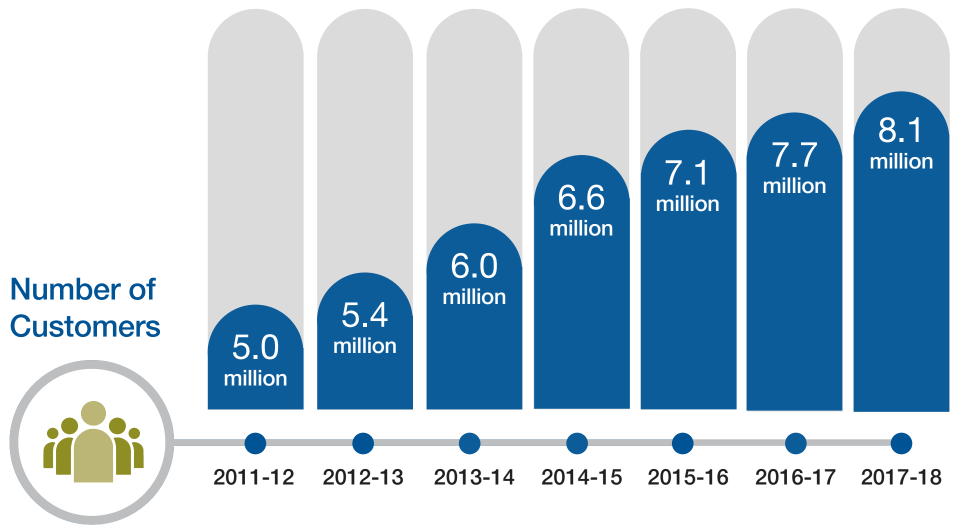
03.5 Performance Review

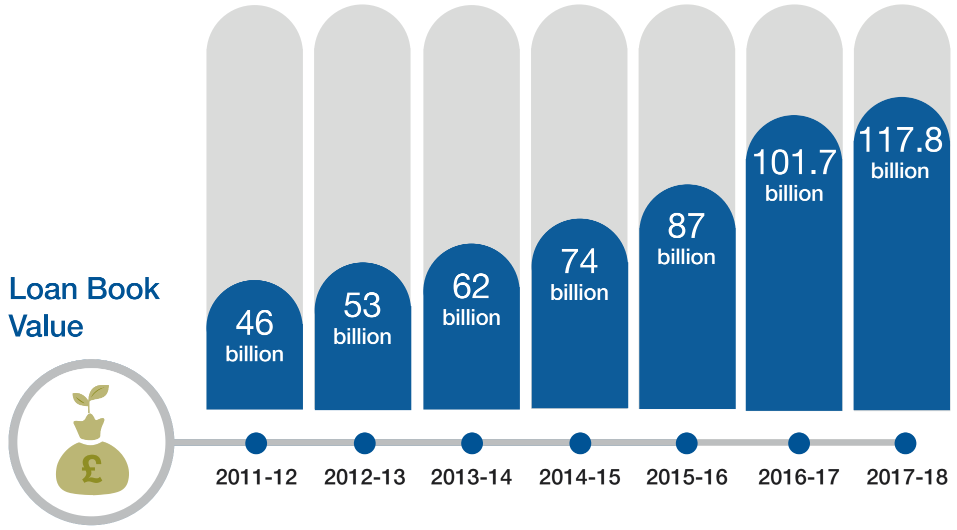
SLC has delivered significant performance improvements over the last seven years demonstrated by the results against the targets set by Government in the Annual Performance and Resource Agreement (APRA).

SLC reports against APRA targets using a modified RAG-scale, where thresholds are set against each measure for green (above target), green-amber (adequate), amber-red (of concern) or red (below target) performance.

This year, 36 of SLC's 43 APRA performance measures reported green; 5 reported green-amber, and 2 reported amber-red. No measure reported red.

SLC has achieved these results whilst accommodating over the seven year period a 62% increase in customers and a 158% increase in the value of the Student Finance Loan Book that SLC administers on behalf of the four devolved administrations. Over the same time period the operating costs net of depreciation have risen by 29% whilst capital expenditure has risen from £3.5m to £52.5m.





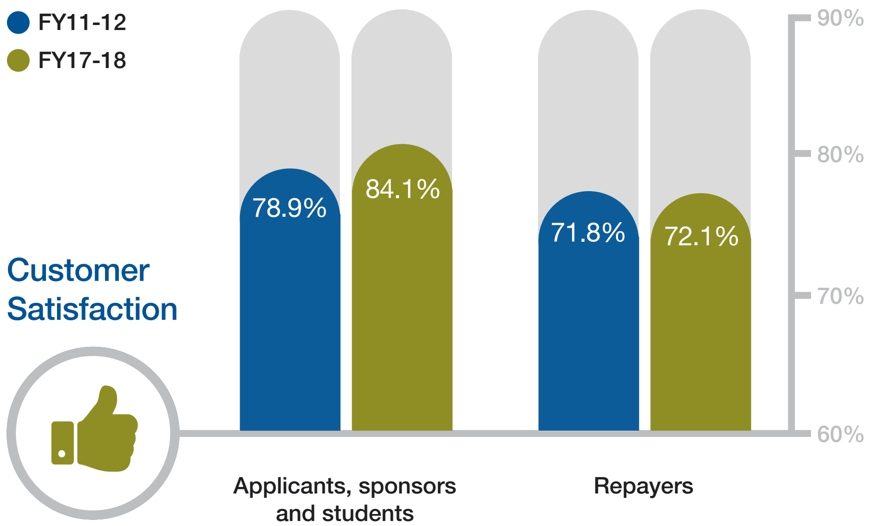
This is also against the backdrop of developing an increasingly complex set of products for Government such as Part Time Maintenance Loans and Advanced Learner Loans.

The full results against the year's APRA targets are shown in the following pages. Where equivalent data exists, there is also a comparison with seven years ago.

03.5 Performance Review

Customer Satisfaction

SLC independently surveys customer opinion on a variety of topics each month. Over the last seven years, an already strong level of satisfaction among customers applying for student finance has increased again - by over 5 percentage points. Over the same time-frame, repayers' satisfaction has held up during a period of significant changes to the student loans system including the introduction of Plan 2 loans and a move from grants to loans, where the levels of both borrowing and interest payable have increased.

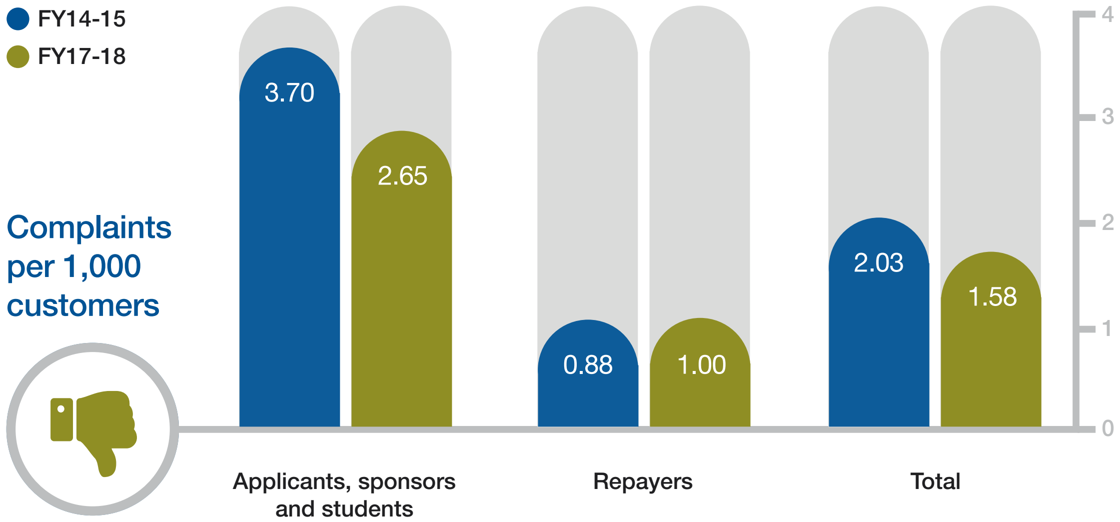


	Target	Result	
Apply to Pay Customer Satisfaction	≥85%	84.1%	GREEN-AMBER
Repayer Customer Satisfaction	≥72%	72.1%	GREEN

Number of Complaints per Thousand Customers

SLC received fewer than 2 complaints for every 1,000 customers in FY17-18. The figures shown below include all complaints, whether or not the company was at fault (SLC will regularly receive complaints that are an expression of dissent with Government policy, student finance regulations or interest rates).

03.5 Performance Review



Directly comparable data is only available since FY14-15 before which a narrower definition of complaints was in use.

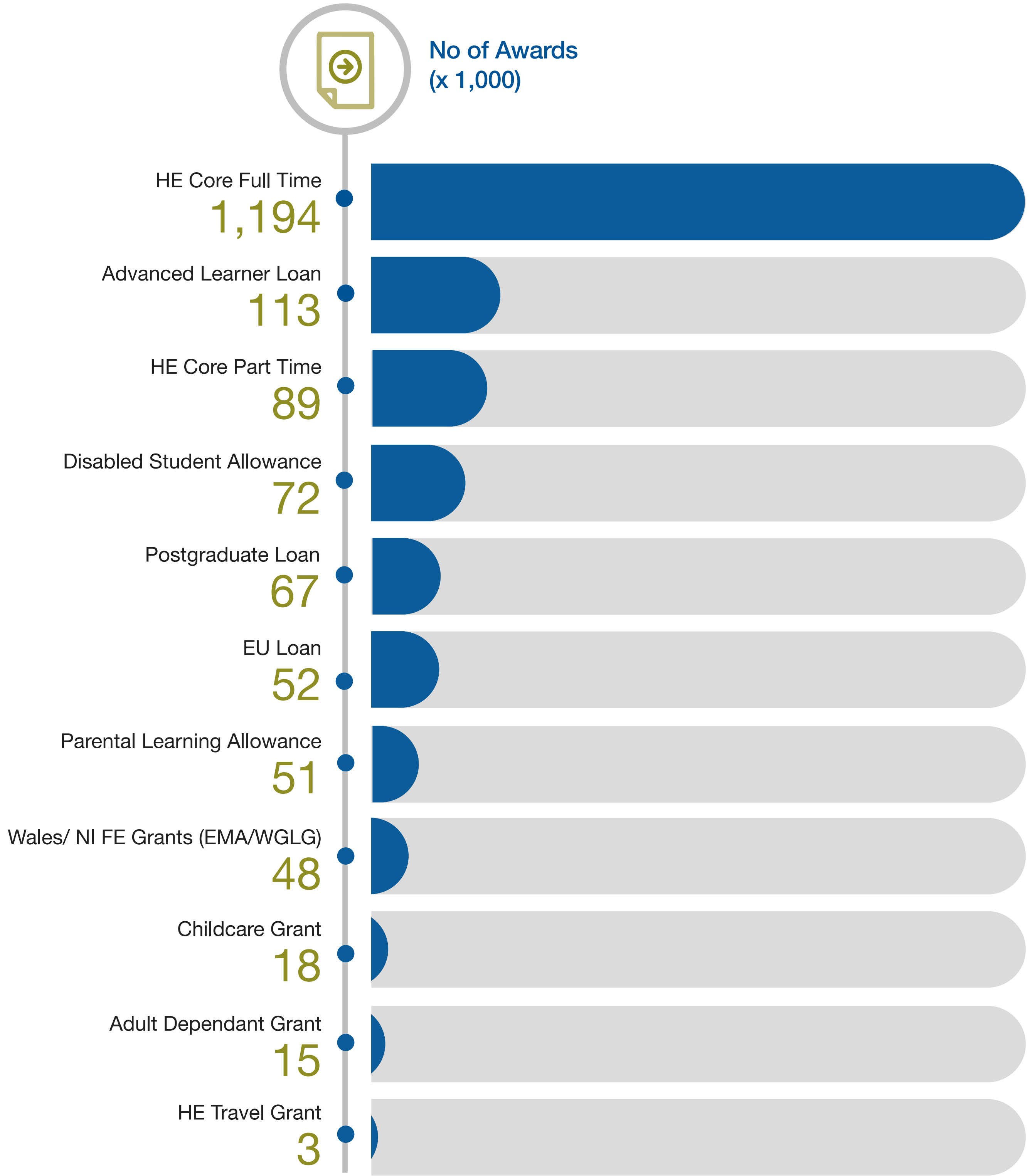
	Target	Result
Apply to Pay Customer Satisfaction	N/A	2.65
Repayer Customer Satisfaction	N/A	1.00

No targets were set for Complaints.

03.5 Performance Review

Assessment and Payment

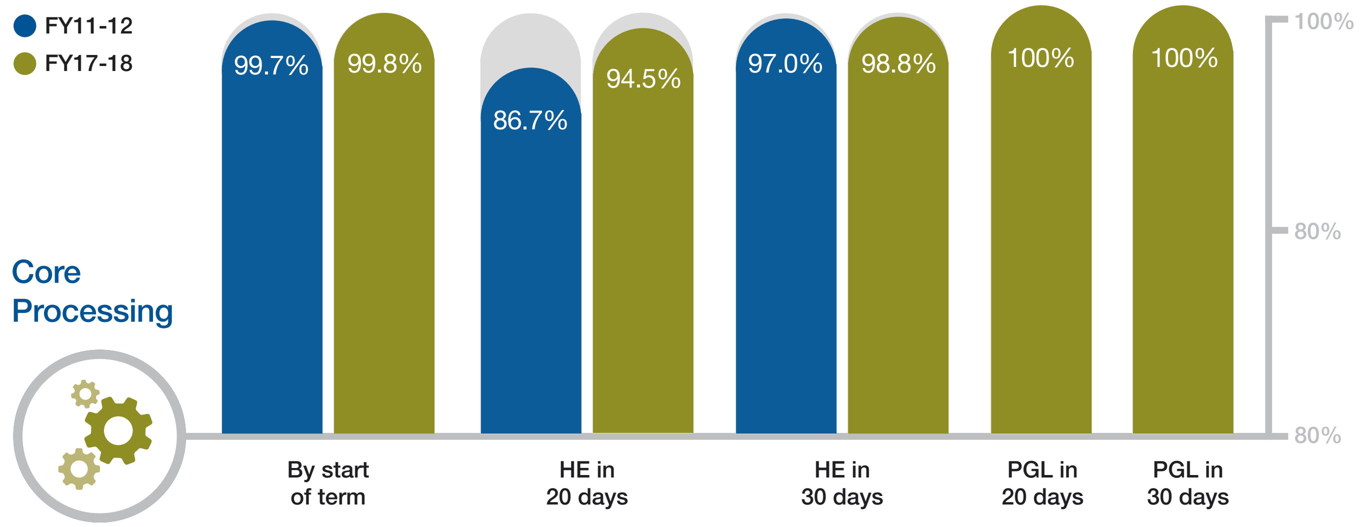
This year, SLC approved approximately 1.7 million student finance loans or grant awards. SLC met all targets for timely and accurate assessment and payment.



Timely Assessment – Core Processing

Assessment and processing of Maintenance and Tuition Fee Finance and Post Graduate Loans, also known as Higher Education (HE) services, are the core "Assess to Pay" services provided by SLC. Major improvements in performance have taken place in this area over the last seven years, with nearly 95% of HE undergraduate applications now taking fewer than 20 working days. For the relatively new postgraduate loan products SLC processed 100% within the same timeframe.

03.5 Performance Review



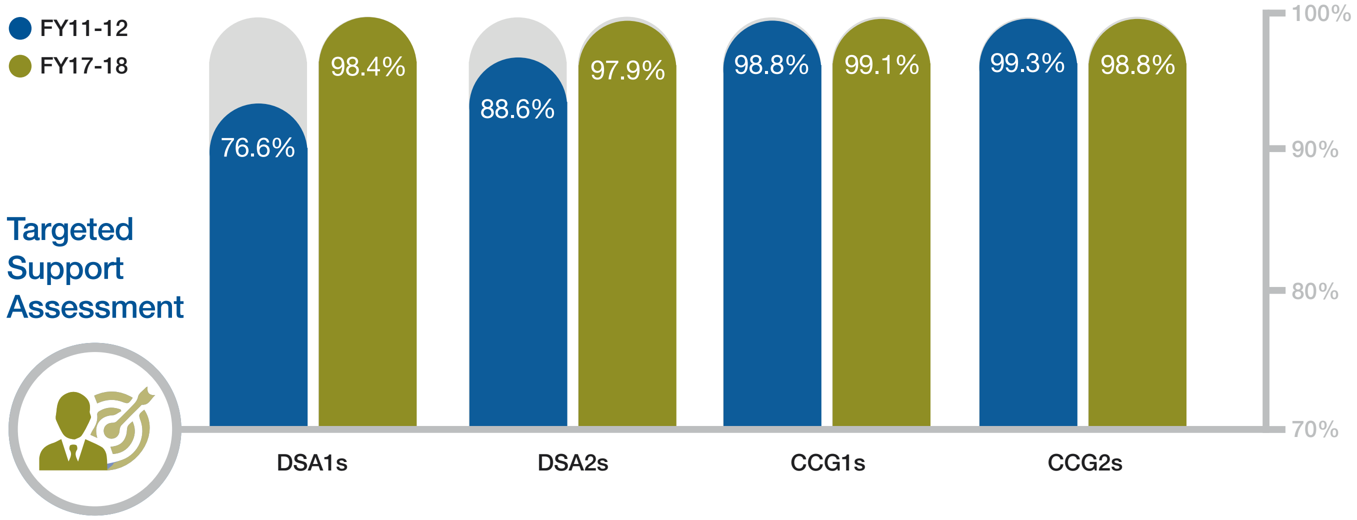
(Postgraduate Loans were not available in FY11-12)

	Target	Result	
HE applications assessed by start of term	≥99%	99.8%	GREEN
HE applications assessed within 20 working days (FT)	≥70%	94.5%	GREEN
HE applications assessed within 30 working days (FT & PT)	≥95%	98.8%	GREEN
PGL applications assessed within 20 working days	≥70%	100%	GREEN
PGL applications assessed within 30 working days	≥95%	100%	GREEN

03.5 Performance Review

Timely Assessment – Targeted Support

Assessment and processing of targeted support applications under the Disabled Students Allowance (DSA) and Childcare Grant (CCG) are provided by SLC. Over a seven-year period, SLC has achieved a substantially faster processing of DSA with over 98% of initial applications processed within 10 working days in FY17-18.



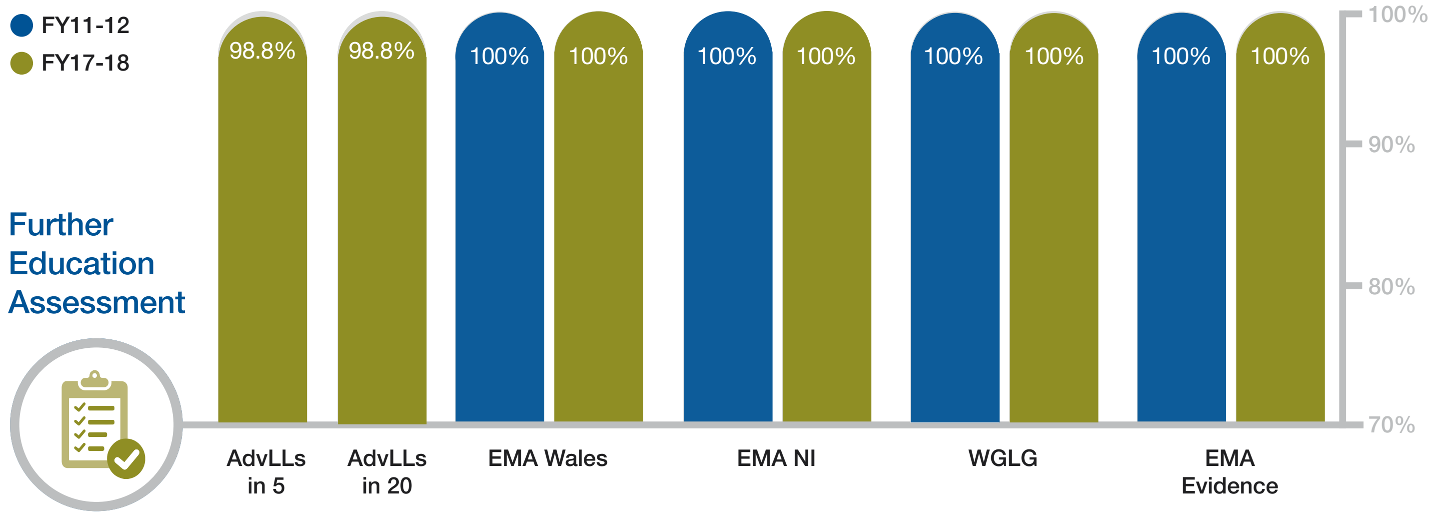
	Target	Result	
DSA applications (DSA1s) assessed within 10 working days	≥95%	98.4%	GREEN
DSA Needs Assessments (DSA2s) processed within 10 working days	≥95%	97.9%	GREEN
CCG1 applications (estimated costs) assessed within 20 working days	≥95%	99.1%	GREEN
CCG2 applications (finalised costs) assessed within 20 working days	≥95%	98.8%	GREEN

Timely Assessment – Further Education

Assessment and processing of Further Education (FE) Services through Advanced Learner Loans (Adv-LL), Educational Maintenance Allowances (EMA) and the Welsh Government Learning Grant (WGLG) are provided by SLC.

SLC has continued to process 100% of EMA and WGLG applications within the target timeframes set by the devolved Administrations in Wales and Northern Ireland. Advanced Learner Loans (for England) are a more recent product and SLC have also exceeded the timeliness targets for processing these applications.

03.5 Performance Review



(Advanced Learner Loans were not available in FY11-12)

	Target	Result	
"Straight-Through" Adv-LL apps assessed in 5 working days	≥95%	98.8%	GREEN
All other Adv-LL apps assessed within 20 working days	≥95%	98.8%	GREEN
EMA Wales applications assessed within 7 / 21 days *	100%	100%	GREEN
EMA NI applications assessed within 7 / 21 days *	100%	100%	GREEN
WGLG applications assessed within 7 /21 days *	100%	100%	GREEN
EMA/WGLG evidence returned within 15 days	100%	100%	GREEN

*EMA/WGLG targets change from 7 days to 21 days during the peak months of August through November

03.5 Performance Review

Timely Payments

SLC pays students and learning providers for the four UK Administrations (in Scotland and NI, only the payment is completed by SLC).

During FY17-18 SLC made payments totalling £18.2 billion and over 99% of these payments were made within the target timeframe.

	Target	Result	
HE (inc PGL) paid within 1 working day of due date	≥95%	>99% *	GREEN
HE (inc PGL) paid within 2 working days of due date	≥99%	>99% *	GREEN
HE Tuition Fees (FT & PT) paid on weekly deadline	99%	>99% *	GREEN
FE (Adv LLs, EMA etc) paid on weekly / fortnightly deadline	96%	>99% *	GREEN

* Exact percentages are not available, but results are now close to 100% due to the very small number of payments that are delayed by occasional systems or BACS issues, (partly through the use of same day payments as mitigation when issues are encountered).

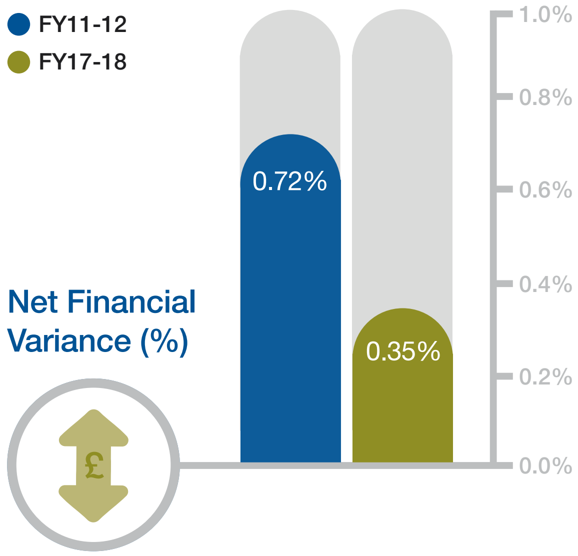
Directly comparable data is not available for FY11-12 because a range of different payment categories and targets were in use.

Assessment Accuracy

Each year SLC's internal auditors, on behalf of the National Audit Office (NAO), review student support payments made in the financial year to provide assurance to DfE on the accuracy of those payments. SLC internal audit undertake this task to support DfE's year end accounting process.

The work is relied upon by NAO when formulating their opinion on the regularity of payments made in year by DfE of which student loan payments form a significant portion.

This year, a net variance was identified in the value of application assessments of 0.35%, a significant improvement since AY11/12, when the variance was 0.72%, and well within the 0.5% target.



	Target	Result	
Net Financial Variance (based on Audit sample testing)	≤ 0.5%	0.35%	GREEN

This reduction is a result of continued improvement in our Operations area, whereby the specific types of error that are identified through sample testing are fed back. In some cases these have resulted in system rules engine enhancements, in other cases SLC has amended standard procedures for assessors.

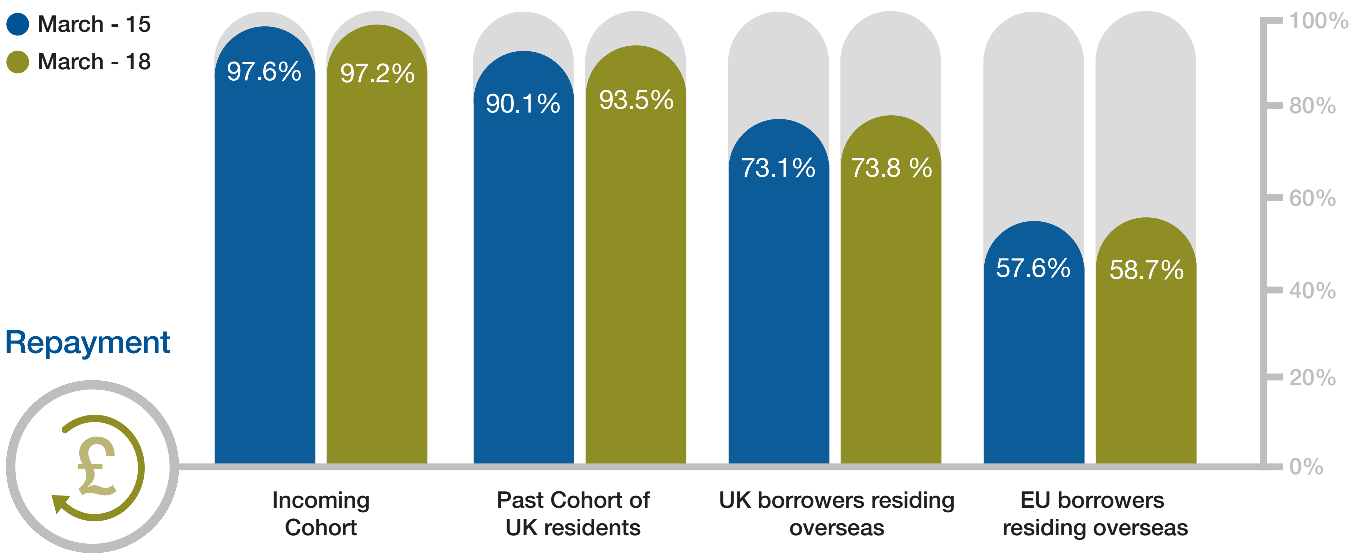
03.5 Performance Review

03.5 Performance Review

Repayments

SLC manage the direct collection of voluntary additional repayments, repayments for those living overseas and recovery of overpaid loans or grants.

There has been steady improvement in SLC's performance in ensuring that borrowers are in verified repayment channels:



Directly comparable data is only available since FY14-15, before which a different definition of repayment channel was in use.

	Target	Result	
Incoming cohort of borrowers matched to repayment channel	≥96%	97.2%	GREEN
Past cohorts of UK resident borrowers matched to repayment channel	≥90%	93.5%	GREEN
UK borrowers resident overseas, matched to repayment channel	≥73%	73.8%	GREEN
EU borrowers resident overseas matched to repayment channel	≥57%	58.7%	GREEN
Grant Overpayment (RGO) accounts making a repayment	≥27%	30.2%	GREEN

SLC continues to work closely with DfE and HMRC to progress the repayments strategy agreed in early 2016, based upon a Trace, Verify and Collect (TVC) model.

There has been improvement in SLC's trace and verify capability arising from in-house data mining and the use of third party data and services. SLC will continue to invest in this core analytical capability to develop its understanding of those who are in repayment, those who are not in repayment and crucially, those who should be in repayment but are not.

SLC began a number of pilot schemes this year: one attempted to trace and verify 30,000 customers who have not been in contact with SLC for 12 months. The objective is to measure the cost of tracing borrowers and verifying their repayment status; and further, to enable the refund of credit balances or to identify those who have left the UK and are at risk of evading repayment.

In September 2017, SLC engaged an Australian Debt Collection Agent to undertake an overseas in-country recovery pilot. Approximately 3,000 accounts with an outstanding loan balance of £45m and an outstanding arrears balance of £16m were issued for recovery. The pilot has since recovered £1.2m from 557 repaying customers. 83 of these customers have long term repayment arrangements in place which should yield an additional £0.3m over the coming months/years.

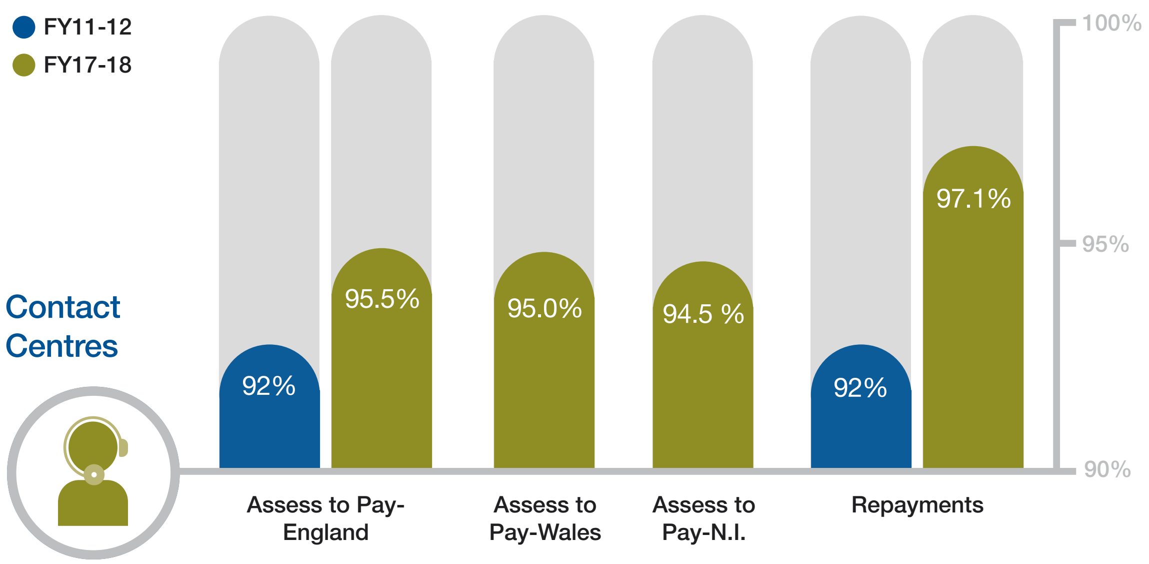
03.5 Performance Review

03.5 Performance Review

Contact Centres

The SLC Contact Centres support our customers at every stage of the Assess to Pay (A2P) and repay processes. SLC has targets on the number of calls answered for assess to pay and repay.

SLC met all targets for telephone answering in FY17-18 and has shown improvement of between 3% and 5% when compared to FY11-12.



(Full Assess to Pay services for Wales and Northern Ireland were not yet run by SLC in FY11-12)

	Target	Result	
Percentage of Calls Answered - A2P England (SFE)	≥90%	95.5%	GREEN
Percentage of Calls Answered - A2P Wales (SFW)	≥90%	95.0%	GREEN
Percentage of Calls Answered within 60 seconds - A2P NI (SFNI)	≥90%	94.5%	GREEN
Percentage of Calls Answered - Repayments	≥90%	97.1%	GREEN
FE for NI and Wales: calls answered within 180 seconds:			
Welsh Government Learning Grant	≥90%	97.2%	GREEN
Education Maintenance Allowance, Wales	≥90%	97.2%	GREEN
Education Maintenance Allowance, Northern Ireland	≥90%	97.4%	GREEN

Call handling is supported via outsourced partners supporting over 3 million calls each year.

03.5 Performance Review

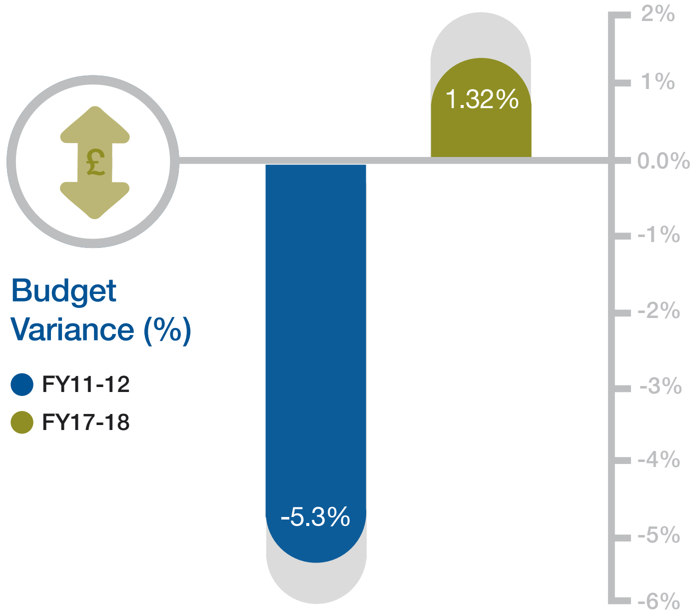
Change Programmes

SLC implements new Student Finance policy through a programme of change projects. SLC is measured on whether these change programmes are on track to meet agreed milestones, subject to formal change controls. All three Change Programmes were reporting “green-amber” at year-end.

	Target	Result
HE Programme	GREEN	GREEN-AMBER
FE Programme	GREEN	GREEN-AMBER
Repayments Programme	GREEN	GREEN-AMBER

Budget Variance

This year, SLC achieved a 1.32% underspend against the approved budget excluding Annually Managed Expenditure (AME). This compares favourably with a 5.33% overspend seven years ago. This is discussed further in the Financial Review on page 32.



	Target	Budget	Outturn	Result	
Budget Variance (Final Outturn vs. Agreed Budget at Mid Year Review)	≥ 0%	£227m	£224m	+1.32%	GREEN

03.5 Performance Review

Counter-Fraud

SLC actively monitors and investigates potential fraud in its application, payment and repayment services. Fraud prevention is measured using the return on investment (RoI); the ratio of the value of fraud prevented by the SLC Counter Fraud Services Team against the cost of that team. SLC achieved a RoI of 11 to 1 in FY17-18.

	Target	Result	
RoI	14:1	11:1	AMBER-RED

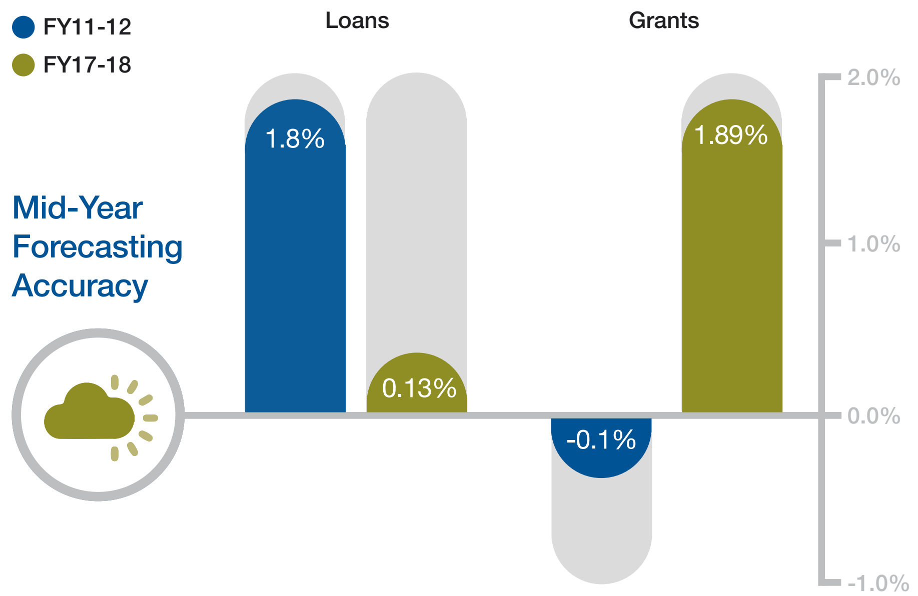
Note that ongoing fraud investigations may continue beyond the end of the financial year. Further payments may be stopped, or currently blocked ones may yet be released. The RoI figures quoted in this report are as at the end of March 2018, and may be revised for future reports.

The target was not achieved in FY17-18 due to the success of fraud prevention in prior years. These successes have resulted in changes to the application processes meaning fraudulent activity is being prevented at source as opposed to being detected and blocked by SLC's Counter Fraud Services team.

In FY17-18, the Counter Fraud Services team supported DfE on the investigation into alternative education providers which arose from the BBC Panorama programme. Additionally the team expanded their activities towards countering repayment evasion. This activity typically results in a lower RoI than application fraud.

Forecasting Accuracy

SLC forecast the payments for loans and grants throughout the course of the financial year. While SLC can forecast the value of loan payments with increasing accuracy, the opposite is the case for the value of grant payments. In FY17-18 SLC paid out £1,676,886,815 in grants, which was 1.49% above our forecast. The target for this forecast was +_0.75%. and hence the metric reported amber-red.



		Target	Result	
At year-end, the amount paid out in loans is to out-turn within ±2.25% of the mid-year forecast and within ±1% of the 10-month forecast	Mid Year Forecast	±2.25%	+0.13%	GREEN
	10 Month Forecast	±1%	-0.15%	GREEN
The amount paid out in grants is to out-turn within ±1.75% of the mid-year forecast and within ±0.75% of the 10-month forecast	Mid Year Forecast	±1.75%	+1.89%	GREEN-AMBER
	10 Month Forecast	±0.75%	-1.49%	AMBER-RED

03.6 Financial Review

Funding

SLC is funded primarily by Grant-in-Aid. In accordance with HM Treasury Consolidated Budgeting Guidance (CBG) for the year ended 31 March 2018, this was all received directly from the Department for Education (DfE) as our sponsor department with responsibility for England. They receive the relevant apportionments from the other Devolved Administrations for whom we perform work as listed below:

- the Welsh Government
- the Scottish Government
- Department for the Economy - Northern Ireland

Grant-in-Aid from DfE funds SLC's Operating Expenditure (OpEx) or Change Programme expenditure (i.e. new policy products or internal change projects) activities (together referred to as the "Business" lens). The same funding is also analysed by the "Parliamentary" lens of Administration, Programme and Capital as defined in CBG.

We apply for funding through an annual corporate financial planning cycle set out in the SLC Framework Document. This results in an APRA letter from DfE confirming the budget available analysed by both the Business and Parliamentary lenses.

In the year ended 31 March 2018, other income continued to be received from universities and colleges which have chosen to have SLC administer their bursaries and scholarship payments under the Higher Education Bursary and Scholarship Scheme. Further income is received from third parties in relation to contracts for the provision of services to those parties and from recharging customers for certain debt recovery costs.

Year-end outturn

For the year ended 31 March 2018 the outturn was £223.9m, an underspend of £4.1m against the APRA budget.

£m		BAU	Change Programme	Total
APRA	DEL Cash	125.1	75.0	200.1
	DEL Non-Cash	26.9	-	26.9
	AME	1.0	-	1.0
	Total	**153.0**	**75.0**	**228.0**
Outturn	DEL Cash	125.8	72.8	198.6
	DEL Non-Cash	25.2	-	25.2
	AME	0.1	-	0.1
	Total	**151.1**	**72.8**	**223.9**
Variance	DEL Cash	0.7	(2.2)	(1.5)
	DEL Non-Cash	(1.7)	-	(1.7)
	AME	(0.9)	-	(0.9)
	Total	**(1.9)**	**(2.2)**	**(4.1)**

DEL = Departmental Expenditure Limit
AME = Annually Managed Expenditure
Non-Cash = Depreciation

03.6 Financial Review

OpEx was underspent by £1.9m. This was mainly due to the increases in AME non-cash provisions included in the APRA not being needed by the financial year end, and lower DEL Non-Cash depreciation charges resulting from lower capitalisation of project delivery expenditure due to longer project discovery and inception phases.

Expenditure on the Change Programme was under budget by £2.2m. This was mainly due to delays in finalising the scope and deliverables for specific projects during their discovery and inception phases before delivery work could commence. These delays had no impact on policy product delivery deadlines as SLC works to a project delivery timetable centred on the AY rather than the FY.

The budget versus forecast outturn is reported on a monthly basis to the Executive Leadership Team the Board and the Shareholders, through both the Business and Parliamentary lenses. In addition, detailed financial management reports are provided to all parts of SLC, including project boards.

Further analysis of the outturn position through the Parliamentary lens can be found in Note 9 to the Financial Statements.

A reconciliation between the Statement of Comprehensive Income on page 72 to the above reported outturn is shown below:

Reconciliation to Financial Statements	£m
Total expenditure per financial statements	146.9
Non Grant in Aid income	(0.6)
Amortisation of deferred capital receipts (excluding bursaries)	25.7
Capital additions – tangible	3.9
Capital additions – intangible	48.0
Total Outturn	**223.9**

03.6
Financial Review

Trends in year-end outturn

Since FY11-12, OpEx and Change Programme expenditure have increased. OpEx expenditure has grown by 62% (with the DEL Cash element increasing by 42%) whilst the Change Programme Expenditure has grown eightfold. The table below details each financial year results (restated where necessary).

£m		FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18
OpEx	DEL Cash	88.6	97.2	108.9	122.6	111.9	121.7	125.8
	DEL Non-Cash	3.5	3.9	3.8	6.1	9.1	17.2	25.2
	AME	1.0	(1.1)	2.8	(6.1)	0.7	(4.0)	0.1
	Total	**93.1**	**100.0**	**115.5**	**122.6**	**121.7**	**134.9**	**151.1**
Change Programme	DEL Cash	8.8	24.6	34.9	40.1	51.9	59.2	72.8
	DEL Non-Cash	-	-	-	-	-	-	-
	AME	-	-	-	-	6.8	-	-
	Total	**8.8**	**24.6**	**34.9**	**40.1**	**58.7**	**59.2**	**72.8**
Total	DEL Cash	97.4	121.8	143.8	162.7	163.8	180.9	198.6
	DEL Non-Cash	3.5	3.9	3.8	6.1	9.1	17.2	25.2
	AME	1.0	(1.1)	2.8	(6.1)	7.5	(4.0)	0.1
	Total	**101.9**	**124.6**	**150.4**	**162.7**	**180.4**	**194.1**	**223.9**

The increase in Change Programme expenditure includes the additional products and services SLC has delivered such as Part Time Tuition Fee Loans (England) introduced in AY12/13 with a variant for Wales in AY14/15, Advanced Learning Loan (England) introduced in AY13/14, Postgraduate Masters Degree Loan (England) introduced in AY16/17 and 'grants to loans' policy change in England in AY16/17. In addition, in AY12/13 a completely new repayment plan type (Plan 2) with variable interest based on income was introduced. This delivery stretched over a number of years before repayments were fully collected through the tax system.

Development of these new products and services were funded from the Change Programme, thereafter their ongoing running costs are recognised within OpEx.

Financial Statements

The Financial Statements for the year ended 31 March 2018 are presented on pages 72 to 75.

These Financial Statements have been audited with the audit report presented on pages 69 to 71.

03.6
Financial Review

Going Concern

SLC had negative equity at the year-end of £28.2m (2017: £47.0m) as shown by the Statement of Financial Position. This arose from the retirement benefit obligations that fall due in future years under the treatment required by IAS 19 revised (Employee Benefits), and also from a dilapidations provision arising from the Company's leasehold commitments. To the extent that they are not to be met from SLC's other sources of income, these liabilities may only be met by future grants or Grant-in-Aid from the sponsoring departments. This is because, under the normal conventions applying to the Parliamentary control over income and expenditure, such grants may not be issued in advance of need. There is no adverse impact on SLC's ability to provide its services to either its customers or key business partners resulting from this negative equity.

Grant-in-Aid for SLC's OpEx expenditure for FY18-19, taking into account the amounts required to meet SLC's liabilities falling due in that year, has already been included in the Departments' Estimates for that year, which have been approved by Parliament. There is no reason to believe that the Departments' future sponsorship and future Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these Financial Statements.

Statement of Comprehensive Income

This statement is presented on page 72.

Grant-in-Aid is accrued to maintain the operating result for the year as "£nil" with any balancing entry falling into the "Balances with Central Government Bodies" within debtors or creditors depending on the nature of the timing difference, with the exception of any impacts relating to future dilapidation provisions. This is because, under the normal conventions applying to the Parliamentary control over income and expenditure, such grants may not be issued in advance of need.

SLC incurred operating expenditure of £146.9m (2017: £128.9m) as detailed in Note 9 to the Financial Statements. The rise in expenditure this year reflects the increased requirements to deliver new student finance products and other projects. These additional costs include staff costs, IT costs and other administration expenditure.

The funding for operating expenditure is provided by Grant-in-Aid income (£147.4m) and the income generated from servicing contracts for third parties (£0.5m). A small decrease in income from servicing contracts for third parties occurred as the income was delayed due to the delay in the launch of the bursary scheme until April 2018.

03.6 Financial Review

Statement of Financial Position

This statement is presented on page 73.

The net liability of £28.2m on the Statement of Financial Position principally consists of £4.5m in relation to dilapidation provisions, £0.8m deferred lease incentive and £23.2m of pension liabilities. These liabilities may only be met by future grants or Grant-in-Aid from the Company's sponsoring departments as such grants may not be issued in advance of need.

Grant funding received in relation to capital spend is treated as deferred income within trade and other payables and released to the Statement of Comprehensive Income to match the depreciation and amortisation charged each year on the assets purchased. However, as noted above, under the normal conventions applying to the Parliamentary control, grants may not be issued in advance of need, as a result, any element of dilapidations provisions which is capitalised is not offset by deferred income.

Retirement and Death Benefits Scheme

In the year ended 31 March 2018, SLC in conjunction with DfE, continued its remedial action to address the deficit of the scheme, currently £23.2m.

SLC has committed to making payments of £36m, underwritten by DfE, over a ten year period specifically to reduce the deficit. SLC also made the commitment to increase contributions to cover the cost of the build-up of further benefits to 27.1% of members' Pensionable Salaries, effective from 6 November 2014. These higher contributions are intended to mitigate the deficit. SLC, in conjunction with DfE, is seeking alternative pension arrangements with the Principal Civil Service Pension Scheme.

Statement of Cashflow

This statement is presented on page 75.

The cash flows included in this Statement relate to the OpEx and Change activities of SLC. The cash flows relating to the payment of funding to students as loans, grants or allowances and the repayments received from those customers who have entered repayment are not included in SLC's Financial Statements. These transactions are conducted through bank accounts held "in trust" for the relevant funding authority and are reported within the Financial Statements of the relevant sponsoring department.

Tax Status

For the year ended 31 March 2018, SLC was registered for VAT and we were able to recover part of our input VAT because those services continuing to support the sold mortgage-style loans are exempt from VAT. SLC is a not-for-profit organisation, but we pay corporation tax in respect of interest earned and on the profits arising from the administration contracts for services to third parties and the bursary administration services provided to universities and colleges.

03.7 Principal Risks

The key risks faced by the Company at the end of FY17-18 are detailed below.

• Pay and Reward

If SLC is to successfully deliver against its strategic objectives then it must invest in the future workforce of the organisation, ensuring that it is adequately skilled, rewarded and incentivised to meet performance goals. Pay and reward is a continued concern for SLC, specifically its future ability to pay the National Living Wage while operating within public sector pay controls and its ability to attract talent while retaining staff with valuable corporate knowledge.

Mitigations are focused on reforming the existing pay and reward structure.

• Information Security

Information is an increasingly important asset at SLC. If systems are not sufficiently protected, confidentiality of the asset may be compromised. Without preventative action, a cyber attack may lead to data loss and/or business disruption. It is equally important to ensure the integrity of this data (i.e. quality and accuracy) and that personal data is handled and stored appropriately. The introduction of EU General Data Protection Regulation (EUGDPR) in May 2018 has significantly increased the associated sanctions and penalties in addition to raising the expectations of customers and therefore, potentially increasing the administrative burden.

SLC has invested heavily in its cyber security defence capability and has implemented controls on core systems to prevent, detect and respond to threats or attackers. It has conducted various activities to raise awareness including drop in workshops across sites and a security master class, delivered to all managers. Acknowledging the need to implement improvements to data governance, the Information Security Assurance Team remit has been widened and recruitment is underway to enable the provision of oversight and support. The EUGDPR Programme has led a company-wide effort to increase awareness and readiness for the launch date of EUGDPR.

• Student Finance Policy

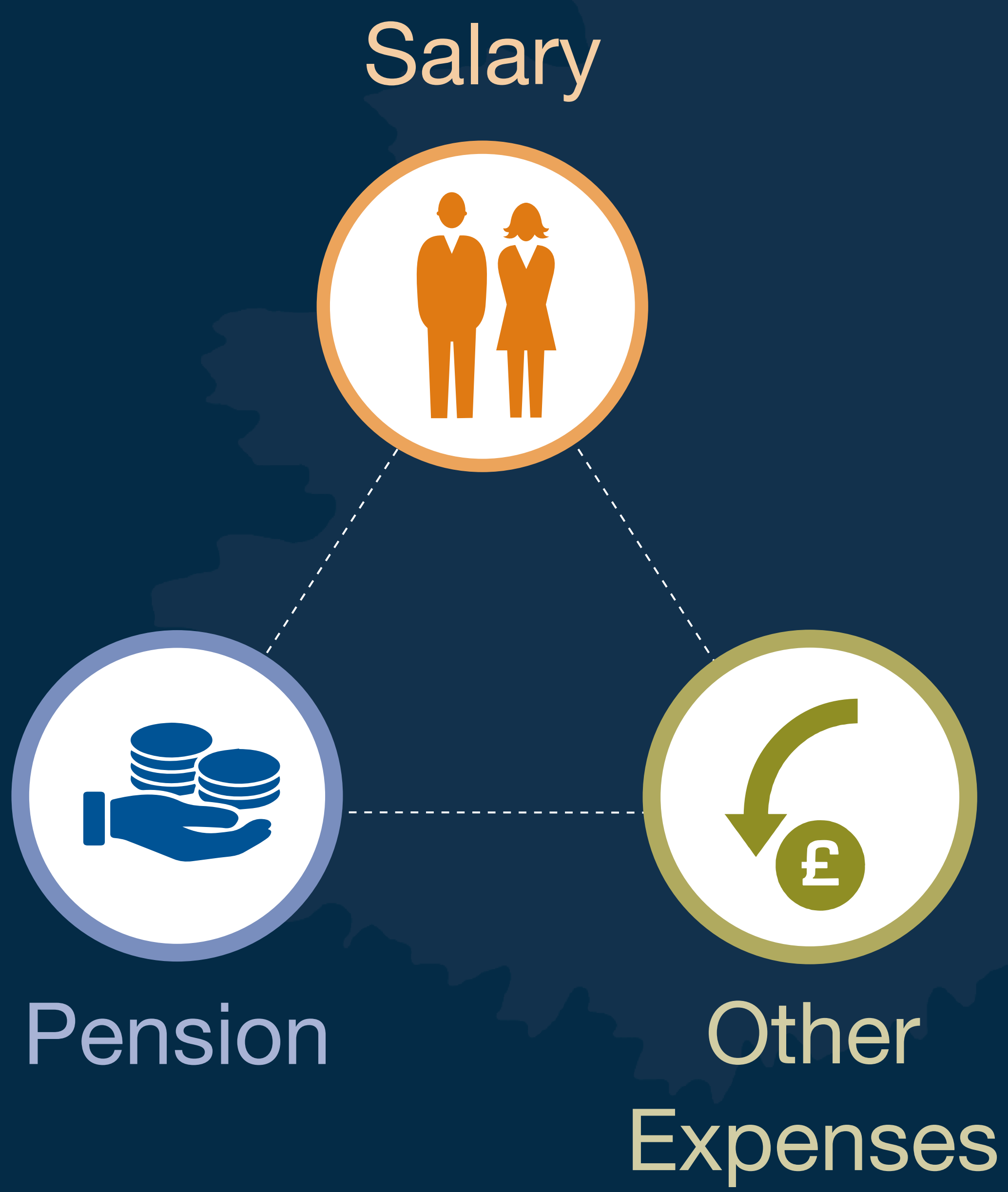
Late regulations, political uncertainty and downstream effects of the policy commissioning process leads to delays in the necessary approvals to commence programmes of change which ultimately compress the development and service delivery timetable. Increasingly complex policy demands compound this problem and place additional pressure on an already highly leveraged operational workforce.

Although progress has been made, there is still an opportunity for SLC to be engaged earlier in policy development. The impact of conflicting Government priorities has meant delays to Policy simplification initiatives.

Remuneration and Staff report

04

The Remuneration and Staff Report sets out the remuneration of Directors and members of the Executive Leadership Team (ELT) who are not Directors, together with details of the Remuneration policy for the year ended 31 March 2018.



The ELT is responsible for the day-to-day management and leadership of SLC's activities and operations. This report is prepared in accordance with the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 as appropriate and the Government Financial Reporting Manual (FReM).

Remuneration, People and Organisational Design Committee

The Board delegates certain responsibilities to the Remuneration, People and Organisational Design Committee. The Committee determines and agrees with the Board the framework for the selection, appointment and remuneration of the ELT including the CEO. The Committee and Board work closely with DfE, relevant Ministers and, as appropriate, other government departments in the appointment of such roles.

All policies are set within the context of applicable Government guidelines and, where appropriate, the advice of the relevant parties at DfE. In consultation with the Chair of the Board, the Committee agrees the performance framework and the proposed annual performance related payment for the CEO, which is subject to approval by the Secretary of State for Education in conjunction with relevant Ministers. The Committee determines the total individual remuneration package for other members of the ELT in consultation with the Chair and the CEO.

The members of the Remuneration People and Organisational Design Committee who served during the year to 31 March 2018 were:

	From	To
D Gravells (Chairman)	April 17	March 18
S Jones-Evans	April 17	March 18
A Cox	Nov 17	March 18
M Curnock Cook	Dec 17	March 18

The Chair of the Board, C Brodie, has a standing invitation to the Committee but would normally only attend where any specific business required the particular attendance of the Chair.

Management Changes

On 1 April 2017, D Wallace relinquished his role as Executive Director for Finance, Strategy and Corporate Services and took up a new permanent position as Chief Customer Officer. He retained his role as Deputy CEO. On the same date J Evans took on the new position as Interim Executive Director for Corporate Services on an interim basis until 25 July 2017.

On 11 July 2017, S Lamey was suspended from his duties as CEO and D Wallace was appointed as Acting CEO. On 7 November 2017, S Lamey's contract as CEO was terminated and D Wallace continued as Acting CEO until P Lauener joined as Interim CEO on 27 November 2017.

On 26 July 2017, the Board created a new Executive Director role as Chief Financial Officer (CFO) and the position of interim Executive Director for Corporate Services was abolished. On the same day M Blackburn was appointed to fill the new CFO position on an interim basis.

On 4 December 2017, A Tucker took up the position of Interim Chief Information Officer after C O'Conner left SLC.

On 19 March 2018, B McNaught took on the position of Executive Director for Repayments, Counter Fraud and HR after P Mason left SLC on 9 March 2018. On the same date the Change and Programmes Directorate, previously led by B McNaught, was transferred to D Wallace as Chief Customer Officer.

Remuneration Policy

SLC aims to ensure within the context of current Government guidelines that the remuneration packages offered to the ELT:

- enable SLC to attract, retain and motivate high calibre executives;
- remunerate individuals fairly for individual responsibility and contribution, while providing an element of performance related pay reflecting the overall performance of SLC, subject to public sector pay guidance/ restrictions; and
- take account of salary policy within the rest of SLC and the relationship that should exist between the remuneration of the ELT and that of other employees.

Annual salary reviews take into account the pay remit requirements of HM Treasury. All salaries, including the CEO's, are reviewed annually. Salary levels are established after taking into account external market levels and internal comparisons as well as individual responsibilities.

All ELT members who are permanent employees are on standard SLC contracts of employment and have notice periods of six months. The Acting CEO was and remains a permanent employee. Members of the ELT who are not permanent employees (apart from the current Interim CEO) are on standard contracts via the Crown Commercial Service's Contingent Labour One framework. The current Interim CEO is on SLC's payroll. If a member of the ELT's employment with SLC is terminated on the grounds of redundancy, or in the interests of the efficiency of the organisation, service based compensation is applied.

Remuneration of the Non-Executive Directors (including the Chair) is set for their three-year term of appointment by the Secretary of State for Education, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for the Economy in Northern Ireland or their delegated representative(s). Additional responsibilities, such as leading on priority areas within SLC, may attract further remuneration.

Other Benefits and Expenses

SLC meets taxable travel costs for Board Directors and other members of the ELT.

Performance Related Payments

Each member of the ELT has personal performance objectives, including specific measures that are required to be met and which have a significant impact on the performance of the organisation. These targets and the CEO's appraisal of their performance against them are subject to review by the Remuneration, People and Organisational Design Committee.

Subject to Remuneration, People and Organisation Design Committee approval, members of the ELT who are permanent staff (other than the previous permanent CEO) are eligible to participate in SLC's Performance Related Payment Scheme. To comply with HM Treasury guidance, this allows for an award to be made to the top 25% performers within SLC.

Separate performance related award arrangements existed for the previous permanent CEO. The terms of his appointment provided for an annual performance related payment of up to a maximum of £20,000 per annum.

Separate performance related award arrangements exist for the current Interim CEO. The terms of his appointment provided for an annual performance related payment of up to a maximum of £17,500 per annum.

A review of the performance of the CEO is undertaken by the Chair and, based on delivery against agreed objectives, an award may be proposed for consideration by the Remuneration, People and Organisational Design Committee.

Performance related payments are not awarded to Non-Executive Directors or to interim staff other than the interim CEO.

Pension

ELT members who are permanent staff (excluding the previous permanent CEO and the current Interim CEO) have the option of joining the Student Loans Retirement and Death Benefits Scheme. As ordinary members, they contribute 6% of pensionable salary and SLC currently contributes 27.1% of employees' pensionable salary, in line with the 2013 actuarial valuation and recovery plan agreed with the Trustees of the Scheme. This is a final salary scheme that provides benefits at the earliest scheme retirement age of 65. These benefits consist of an annual pension based on a final pensionable salary and pensionable service, and a tax-free lump sum payable on retirement, which is equivalent to three times the annual pension.

SLC could have contributed a maximum of £20,000 annually to a nominated pension scheme on behalf of the previous permanent CEO in line with his contract of employment.

Under the terms of employment of the current interim CEO, SLC can contribute a maximum of £16,000 annually to a nominated pension scheme.

Fees and Remuneration

The following information is subject to audit.

Fees paid to the Chair and other Non-Executive Directors who served in the year to 31 March 2018 were:

Chairman and Non-Executive Directors	Remuneration £000		Other Expenses £000		Total £000	
	2018	2017	2018	2017	2018	2017
C Brodie (Chair)	50	50	4	4	54	54
A Cox	17	17	3	2	20	19
S Devonshire	17	17	2	2	19	19
N Elphicke	17	17	3	2	20	19
D Gravells	17	17	5	4	22	21
S Jones-Evans (left 31 March 2018)	17	17	2	2	19	19
M Curnock Cook (from 11 Dec 2017)	5	-	1	-	6	-
A Wathey (from 1 Jan 2018)	4	-	1	-	5	-

Other expenses represent travel-related costs, including reimbursed expenses, to attend Board and other meetings as required by their appointment.

SLC made no payments to past Non-Executive Directors in the year to 31 March 2018.

Remuneration of the ELT who served during the year to 31 March 2018 were:

Executive Leadership Team		Salary £000		Other benefits and expenses £000		Performance related pay £000		Pension contribution £000		Total £000	
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
P Lauener	Interim CEO (from 27/11/17)	42	-	7	-	-	-	5	-	54	-
S Lamey	CEO (from 01/06/16 to 07/11/17)	130	171	5	11	-	8	13	17	148	207
D Wallace	Interim CEO (from 01/11/15 to 31/05/16)	-	27	-	-	-	4	-	5	-	36
	Deputy CEO and Executive Director of Finance, Strategy and Corporate Services (from 01/06/16 to 31/03/17)	-	114	-	-	-	3	-	30	-	147
	Deputy CEO and Chief Customer Officer (from 01/04/17 to 10/7/17 and from 27/11/17)	89	-	-	-	2	-	23	-	114	-
	Acting CEO (from 11/07/17 to 26/11/17)	56	-	-	-	8	-	13	-	77	-
	Total	**145**	**141**	**-**	**-**	**10**	**7**	**36**	**35**	**191**	**183**
D Ross	Interim Executive Director of Finance, Strategy and Corporate Services (to 30/05/16)	-	22	-	1	-	1	-	5	-	29
	Executive Director of Customer Services and Operations (from 01/06/16)	126	103	12	5	3	2	32	26	173	136
	Total	**126**	**125**	**12**	**6**	**3**	**3**	**32**	**31**	**173**	**165**
P Mason	Executive Director of Repayments and Counter Fraud (to 09/03/18)	119	124	-	-	-	3	31	32	150	159
B McNaught	Executive Director of Change and Programme Management (from 01/10/16 to 18/03/18)	121	63	-	-	3	2	31	16	155	81
	Executive Director of Repayments, Counter Fraud and HR (from 19/03/18)	5	-	-	-	-	-	1	-	6	-
	Total	**126**	**63**	**-**	**-**	**3**	**2**	**32**	**16**	**161**	**81**
J Evans	Interim Executive Director of Corporate Services (from 01/04/17 to 25/07/17)	41	-		-	-	-	8	-	49	-
M Blackburn	Interim Chief Financial Officer (from 26/07/17)	228	-		-	-	-	-	-	228	-
A Tucker	Interim Chief Information Officer (from 04/12/17)	107	-		-	-	-		-	107	-
C O'Connor	Interim Chief Information Officer (from 16/02/17 to 30/11/17)	242	45	-	-	-	-	-	-	242	45

Under the terms of M Blackburn's temporary appointment under the Crown Commercial Service Contingent Labour One framework contract, Capita Business Services received £227,574 (2017: £nil) (of which they retained £10,985 (2017: £nil)) for the period to 31 March 2018.

Under the terms of A Tucker's temporary appointment under the Crown Commercial Service Contingent Labour One framework contract, Capita Business Services received £106,872 (2017: £nil) (of which they retained £5,037 (2017: £nil)) for the period to 31 March 2018.

Under the terms of C O'Connor's temporary appointment under the Crown Commercial Service Contingent Labour One framework contract, Capita Business Services received £242,457 (2017: £45,372) (of which they retained £11,608 (2017: £2,172)) for the period to 31 March 2018.

SLC made payments for loss of office to one current member and one former member of the Executive Leadership Team in the year to 31 March 2018.

- P Mason, the Executive Director of Repayments and Counter Fraud, received a Special Severance Payment of £31,000.
- J Steed, the former Chief Digital Officer and member of the ELT, received a Severance Payment of £34,000.

There were no payments for loss of office made in the year to 31 March 2017.

Retirement benefits of the ELT who were members of the SLC Retirement and Death Benefits Scheme, who served during the year to 31 March 2018 were:

Executive Leadership Team	Accrued pension and related lump sum at 31 March 2018 £000	Increase during the year to 31 March 2018 in accrued pension and related lump sum net of inflation.	CETV		
			At 31 March 2018 £000	At 31 March 2017 £000	Increase net of inflation £000
D Wallace	10 – 15 plus lump sum of 30 - 35	0 – 2.5 plus lump sum of 2.5 – 5	330	283	39
D Ross	25 – 30 plus lump sum of 75 – 80	0 – 2.5 plus lump sum of 2.5 – 5	866	830	11
P Mason	0 - 5 plus lump sum of 10 - 15	0 - 2.5 plus lump sum of 2.5 - 5	124	85	36
B McNaught	0 - 5 plus lump sum of 5 - 10	0 - 2.5 plus lump sum of 2.5 - 5	77	39	37

Notes

(i) Cash Equivalent Transfer Values (CETV) values have been calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996, depending upon length of membership of the SLC Scheme.

(ii) Inflation over the year was 3%.

(iii) Any Additional Voluntary Contributions paid by members of the ELT and the resulting benefits are not shown.

(iv) “Increase net of inflation” does not include a deduction for member contributions.

(v) As per his contract of employment, P Lauener was not a member of the SLC Retirement and Death Benefits Scheme. Instead SLC contributed to a nominated pension scheme.

(vi) As per his contract of employment, S Lamey was not a member of the SLC Retirement and Death Benefits Scheme. Instead SLC contributed to a nominated pension scheme.

Median Remuneration

The total annualised remuneration of SLC’s interim CEO, as the highest paid member of the ELT who is on SLC’s payroll, was £184,598 (2017: £228,073), based on the information in the table and footnotes on page 43. This was 9.5 times (2017: 11.9 times) the median remuneration of the workforce, which was £19,531 (2017: £19,139).

	2018	2017
CEO’s total remuneration	£184,598	£228,073
Median total remuneration	£19,531	£19,139
Ratio	9.5	11.9

Total remuneration does not include employer pension contributions and the cash equivalent transfer value of pensions.

The reduction in the median ratio is a result of the appointment of the new Interim CEO in November 2017.

SLC was subject to continuing pay restrictions and distributed a consolidated pay uplift of 1% to all staff members during the year to 31 March 2017 and awarded a consolidated pay uplift of £250 to staff excluding the ELT and Senior Managers during the year to 31 March 2018.

In 2018, the highest paid member of the ELT was the current Interim Chief Information Officer (CIO) contracted through Capita Business Services in December 2017. In 2017, the previous Interim CIO was the highest paid member of the ELT, contracted through Capital Business Services in February 2017, leaving SLC in November 2017. This is a temporary arrangement. It is not expected that, when recruited, the permanent CIO will be the highest paid member of the ELT.

The total annualised remuneration of the Interim CIO payable by Capita Business Services would be £312,480 (2017: £302,400) equivalent to 16.0 times (2017: 15.8 times) the median remuneration of the workforce.

	2018	2017
Highest paid ELT members remuneration	£312,480	£302,400
Median total remuneration	£19,531	£19,139
Ratio	16.0	15.8

No employees received remuneration in excess of the highest paid member of the ELT in 2018.

The median calculation includes only employees who were in a contract of employment with SLC on 31 March each year, excluding Non-Executive Directors as their fees are not set by SLC, and also excludes the highest paid member of the ELT. The calculation includes agency and other temporary employees covering staff vacancies at 31 March each year.

Staff Report

The average number of full time equivalent employees of SLC (including members of the Executive Leadership Team) during the year was as follows:

	2018	2017
Full time equivalent employees	**2,859**	2,787

All staff were employed by SLC for the purposes of administration and operation of the student finance support scheme. Staff costs for SLC comprise the following:

	Permanently employed staff £000	Others £000	2017-18 Total £000	2016-17 Total £000
Wages and salaries	69,941	1,527	71,468	67,878
Social security costs	6,296	-	6,296	5,813
Pension costs	9,951	-	9,951	5,554
Direct Staff Costs	86,188	1,527	87,715	79,245
Indirect staff costs	683	-	683	298
Total Staff Costs	86,871	1,527	88,398	79,543

Permanently employed staff includes all staff with an employment contract with SLC. These employment contracts may be permanent employment or fixed term employment. Others represent agency and contractor staff that support short term requirements such as covering unexpected absences, short term peaks in workload, short term projects or a permanent vacancy until the vacancy can be filled.

SLC additionally has a large number of service contracts who supply resource to support the delivery of our technology programmes.

Payment of severance is excluded from the above. Severance payments made are explained on page 47.

The Strategic Report provides further details on managing our people, including Equality and Diversity at SLC.

Consultancy

Expenditure on consultancy in the year ended 31 March 2018 amounted to £Nil. (2017: £18,000)

Sickness Absence

Sickness absence is monitored on a rolling twelve month, full time equivalent basis and is a monitored scorecard measure. Sickness absence for the year ended 31 March 2018 amounted to 4.28% (2017: 5.55%).

Severance

SLC agreed and paid 16 (2017: 10) severance payments in the year. The relevant details are disclosed in the table below.

Total number of severance payments		
	2018	2017
Cost band	**No.**	No.
< £10,000	**1**	1
£10,001 - £25,000	**5**	4
£25,001 - £50,000	**6**	2
£50,001 - £100,000	**3**	3
£100,001 - £150,000	**1**	-
Total number of severance payments	**16**	10
	£000	£000
Total cost on a cash basis	**615**	349

Note 1 to the financial statements details the SLC's policy on termination benefits under the heading Employee Benefits.

Trade Union Facility Time

SLC has a long standing relationship with its recognised trade union PCS. SLC and PCS hold monthly meetings which provides an opportunity to discuss and resolve employment and business related matters.

In the year to 31 March 2018, SLC employed 23 PCS representatives (21 FTE) across the four SLC sites; Glasgow City Centre, Glasgow Hillington, Darlington and Llandudno. SLC employees who act as PCS representatives spend up to a maximum 60% of their working week on Union responsibilities. Of the 23 PCS representatives within SLC, 15 spent up to 50% of their time on union duties and 8 spent in excess of 50% of their time on union duties.

Prior to November 2017, two employees worked full time as PCS representatives. In November both secured operational positions and now spend a maximum of 60% of their time on union duties.

The annual cost of union facility time amounts to £112,000 which is 0.13% of the total pay bill. In the year ended 31 March 2018, SLC paid all hours worked on trade union activities for the 23 PCS representatives.

Governance Statement

05

As an NDPB, SLC is required to adhere to public sector standards, as outlined in HM Treasury's Managing Public Money and Cabinet Office guidance, in all its operations and activities and to further meet the requirements of good governance. It is also required to comply with the requirements of the Companies Act.

The role of the four Government Shareholders is to:

- Determine policy for student support, establish and maintain the legislative framework;
- Set SLC's prime functions, its prime strategic focus, business objectives and specific operational targets;
- Provide a resource budget and Grant-in-Aid to enable SLC to operate effectively and efficiently; and
- Report to Parliament, including the Scottish Parliament and Ministers, and to Government on the general role and overall operation of SLC.

The Government Administrations contribute to governance of the Company through the Assessors, who attend Board meetings on behalf of the Government Shareholders. The Assessors may also attend meetings of committees of the Board to represent shareholders and make comments as appropriate. Internal control and risk update reports are provided to the Audit and Risk Committee (ARC) and the Board on a regular basis, and as such are considered by the Assessors.

SLC has complied with 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance), which underpins provision C2 of the UK Corporate Governance Code, where possible. It has also complied with the guidance contained within Managing Public Money, issued by HM Treasury.

05.1 The Accounting Officer's Responsibilities

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of SLC's policies, aims and objectives. I must achieve this whilst safeguarding the public funds and resources for which I am personally responsible, in accordance with the responsibilities assigned to me by the Department, as described within the Framework Document, and in accordance with relevant Treasury guidance, in particular the Financial Reporting Manual (FReM) and Managing Public Money.

This Governance Statement manifests how these duties have been carried out during the course of the year, and in particular provides information on SLC's corporate governance and risk management arrangements.

The Board, Board Committees and Assessors

Board Members	From	To
Christian Brodie, Non-Executive Chairman	February 2014	January 2020*
Antonia Cox, Non-Executive Director	March 2016	March 2019
Mary Curnock Cook, Non-Executive Director	December 2017	December 2020
Simon Devonshire, Non-Executive Director	March 2016	March 2019
Natalie Elphicke, Non-Executive Director	March 2016	March 2019
David Gravells, Non-Executive Director	March 2016	March 2019
Sally Jones-Evans, Non-Executive Director	March 2016	March 2018
Andrew Wathey, Non-Executive Director	January 2018	January 2021
Steve Lamey, CEO (suspended 11 July 2017, left 7 November 2017)	June 2016	July 2017
David Wallace, Acting CEO	July 2017	November 2017
Mike Blackburn, Interim Chief Financial Officer	July 2017	Current**
Peter Lauener, Interim CEO	November 2017	Current
Gary Womersley, Company Secretary	December 2015	Current
Executive Leadership Team		
David Wallace, Deputy CEO and Chief Customer Officer from 1 April 2017 to 10 July 2017, and from 27 November 2017		
Peter Lauener, Interim CEO (from 27 November 2017)		
Mike Blackburn, Interim Chief Financial Officer (from 26 July 2017)		
Paul Mason, Executive Director of Repayments, Counter Fraud and Commercial (left 9th March 2018)		
Chris O'Connor, Interim Chief Information Officer (from 16 February 2017 until 30 November 2017)		
Adrian Tucker, Interim Chief Information Officer (from 4 December 2017)		
Bernice McNaught, Executive Director of Change and Programme Management until 18th March 2018; thereafter Executive Director of Repayments and Counter Fraud		
Derek Ross, Executive Director of Customer Services and Operations		
Assessors		
Matt Toombs, Department for Education (DfE) (left February 18)		
Sinead O'Sullivan, Department for Education (DfE) (from February 2018)		
Chris Jones, Welsh Government		
Stephen White, Scottish Government (left September 2017)		
Gareth Allen, Scottish Government (from September 2017)		
Sian Kerr, Department for the Economy, Northern Ireland (left March 2018)		
Jonny O'Callaghan, Department for the Economy, Northern Ireland (from March 2018)		
Independent External Member of the Audit and Risk Committee		
Ian Lee	September 2011	August 2018+

* second term appointment
** appointment ended July 2018
+ extension to second term appointment

05.2 SLC's Governance Framework

Non-Executive Directors are appointed by the Secretary of State for Education, while the Independent External Member of the ARC is appointed directly by SLC. They are appointed from a variety of backgrounds on the basis of their knowledge and experience gained in both the public and private sectors in industry, commerce and academic fields. They are all independent of management and are required to register any outside interests in accordance with our Register of Interests policy. In conducting the business of SLC, due care is taken to avoid any conflict that may arise in relation to these interests. Through this process we are confident that any interests, including those which are declared as IAS24 related parties have not impacted on their independent judgement. A Register of Interests is available on request.

Information on the remuneration of the Non-Executive Directors and Executive Leadership Team is contained in SLC's Remuneration and Staff Report. Biographical information on the Non-Executive Directors and Executive Leadership Team can be obtained at **www.slc.co.uk.**

Board

The Board is specifically responsible for:

- Establishing and taking forward the strategic aims and objectives of the SLC consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State;
- Ensuring that the Departments are kept informed of any changes which are likely to affect the strategic direction of the SLC or on the attainability of its targets, and determining the steps needed to deal with such changes;
- Ensuring that it receives and evaluates regular and timely information about the SLC's performance against its aims, objectives, performance targets and plans, ensuring appropriate action is in hand to address any areas of underperformance;
- Ensuring that effective arrangements are in place to ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates in accordance with the relevant provisions of the Companies Acts and company law more generally, within the limits of any delegated statutory authority as set out in the Register of Approved Activities, as amended from time to time, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by the Departments and ensures it receives adequate information regarding the stewardship of funds disbursed by the SLC on behalf of the Departments;
- Ensuring that the Board receives and reviews regular financial information concerning the management of the SLC; is informed in a timely manner about any concerns about the activities of the SLC; and provides positive assurance to the Departments that appropriate action has been taken on such concerns;
- Ensuring that SLC's responsibilities towards its employees, as set out in section 19 of the Framework Document, are satisfactorily discharged;
- Appointing, with the Responsible Minister's approval, a Chief Executive Officer (CEO) and, in consultation with the Departments, setting his or her performance objectives and performance measures which are aligned with performance targets and annual Business Plans and the specific responsibilities of the CEO as set out in this document, ensuring that remuneration terms are linked to these objectives and give due weight to the proper management and use of public resources;
- Setting up a Remuneration, People, and Organisational Design Committee (RPOD) which will approve the objectives, performance measures and remuneration terms for the Executive Leadership Team, ensuring these are aligned with performance targets and Business Plans.

The Assessors have the right to attend all Board meetings and Committee meetings on behalf of the shareholders. While a Board Effectiveness Review did not take place in FY17-18, reviews of Board and Committee effectiveness were included in the Board meeting in July 2018 and a separate specific meeting of Directors is scheduled for September 2018.

Audit and Risk Committee (ARC)

The ARC supports the Board on matters relating to internal control and governance and associated assurance matters, in accordance with Public Sector Internal Audit Standards. During the FY17-18, membership comprised of Non-Executive Directors Natalie Elphicke (Chair), supported by Sally Jones-Evans, (left March 2018) and Andrew Wathey, (joined January 2018). Ian Lee continues as the Independent External Member of the Committee until his extended contract ends on 31 August 2018, and his replacement will be in place from 1 September 2018.

Remuneration, People, and Organisational Design Committee

The RPOD Committee supports the Board on the appointment and remuneration of members of the Executive Leadership Team, including the CEO. During the FY17-18, membership comprised Antonia Cox, Sally Jones-Evans (left March 2018), Mary Curnock Cook and David Gravells (Chair), who are Non-Executive Directors, while SLC Chair attends by invitation.

Internal Governance Framework

Responsibility for controlling and monitoring SLC's operational and financial management resides with the Executive Leadership Team, which has primary responsibility for setting SLC's strategic and business priorities and objectives, in line with strategies set out by its stakeholders, as well as overseeing SLC's capacity and capability to deliver in terms of available resource. The Executive Leadership Team is supported by sub-groups, while decisions on reserved matters are subject to approval at Board or Executive Leadership Team level as appropriate.

05.2 SLC's Governance Framework

05.3 Overview of the performance of SLC, the Board and the Board Committees

Attendance at the Board and Board Committees during FY17-18

	Number of meetings attended / out of possible attendances			
	Board	Audit and Risk Committee	Remuneration, People, and Organisational Design Committee	Special Committee of the Board***
Board Members				
Christian Brodie, Non-Executive Chair*	11/11	1/5	6/12	1/1
Antonia Cox, Non-Executive Director	11/11	-	11/12	-
Mary Curnock Cook, Non-Executive Director	4/4	-	6/6	-
Simon Devonshire, Non-Executive Director	11/11	-	-	1/1
Natalie Elphicke, Non-Executive Director	11/11	5/5	-	-
David Gravells, Non-Executive Director	11/11	-	12/12	-
Sally Jones-Evans, Non-Executive Director	9/11	5/5	10/12	-
Andrew Wathey, Non-Executive Director	2/2	1/1	-	-
Steve Lamey, CEO	3/3	2/2	2/2	-
David Wallace, Acting CEO	4/4	1/1	4/4	1/1
Mike Blackburn, Interim CFO	7/7	3/3	5/6	1/1
Peter Lauener, Interim CEO	5/5	1/2	6/6	1/1
Gary Womersley, Company Secretary**	11/11	5/5	12/12	1/1
Independent External Member of the Audit and Risk Committee				
Ian Lee	-	5/5	-	-

Number of meetings held during the year:

Board –11

Audit and Risk Committee - 5

Remuneration, People, and Organisational Design Committee – 12

Special Committee of the Board – 1***

*The Chair has a standing invite to both Audit and Risk Committee, and Remuneration, People, and Organisational Design Committee and attends when required.

**The Company Secretary attends the Audit and Risk Committee, and Remuneration, People, and Organisational Design Committee by invitation and as a non-member.

***This Committee was convened for the sole purpose of approving the FY16-17 Annual Report and Accounts.

Board

Matters considered by the Board during FY17-18 included:

- Senior appointments at both Executive and Non-Executive Director level, and Executive Leadership Team redesign;
- Progress of SLC's SLC2020 Strategy, including supporting Investment and Business Cases, and Consultancy Reviews;
- Oversight of operational services, including application numbers, delivery capacity and capability, and Customer satisfaction;
- Oversight of SLC's change programme on behalf of the Government Administrations;
- Regular review of SLC's operational and financial performance, and its key corporate risks via the monthly CEO, then CFO's report;
- Consideration of the business plan, budget, and the Annual Performance and Resourcing Agreement (APRA) for FY18-19, and monitoring of the same for the FY17-18;
- Review of SLC's ICT and Security arrangements
- Review of SLC's pension scheme arrangements;
- Consideration of the Annual Report and Accounts for the FY16-17;
- Consideration of summary reports from the Chairs of the Committee RPOD, and ARC;
- Oversight of SLC's Counter-Fraud arrangements;
- Consideration of the provisions for, and outcome of, the ICR Debt Sale;
- Consideration of the provisions of the Diamond Review on funding arrangements for Welsh students;
- Corporate Governance and regulatory matters including qualification of the FY16-17 Annual Report and Accounts, (via Special Committee), and consequent external reviews, as well as the impact of late regulations;
- Updates on SLC's Repayment Strategy;
- Updates on SLC's People Strategy and Culture including issues relating to reward and retention;
- Updates on SLC's Communication Strategy;
- Updates on the Estates Strategy and future accommodation requirements;
- Updates on, and approvals, of major contracts, commercial issues arising, and business cases.

Eleven Board meetings were held between April 2017 and March 2018. The Board minutes can be found at http://www.slc.co.uk.

Audit and Risk Committee (ARC)

Matters considered by the ARC during FY17-18 included:

- The audit of the Annual Report and Accounts for FY16-17, incorporating SLC's accounting policies, which was recommended by the ARC for approval by the Board;
- Review of the Internal Audit Annual Report, including the Internal Audit Opinion FY16-17;
- Review of SLC's Governance Statement;
- Approval of the external audit strategy and interim reports and fees for FY17-18;
- Approval of the internal audit strategy and audit plan for FY18-19;
- Review of quarterly internal audit progress and performance reports, highlighting areas of weakness and good practice;
- Review of updates on significant legal matters;
- Review of Corporate Risk Management arrangements and key risks and issues;
- Consideration of revisions to the ARC's Terms of Reference;
- Consideration of progress over, and terms of, the proposal to transfer SLC's Audit Service to the Government Internal Audit Agency (GIAA);
- Review of the arrangements and timetable for agreeing Company budgets and performance targets and financial delegations arrangements;
- Review of the annual audits of the accuracy of student support payments for Student Support Payments in England and in Wales; and,
- Reviewing the Departmental Security Healthcheck.

Five ARC meetings were held between April 2017 and March 2018.

05.3 Overview of the performance of SLC, the Board and the Board Committees

Remuneration, People, and Organisational Design Committee

Matters considered by the RPOD during FY17-18 included:

- The Performance and Objectives for the CEO and Interim CEO;
- The Executive Leadership Team Performance and Year End Reviews;
- The Executive Leadership Team Terms of Appointment;
- The SLC Annual Pay Remit, Pay Business Case and Reward Strategy;
- Senior Team Severance and Settlement Matters;
- Executive Recruitment Matters and Contractual Arrangements (CFO/CEO);
- Committee Governance;
- Pension Scheme Liabilities;
- Equality, Diversity & Inclusion;
- Gender Pay Gap Reporting;
- The Remuneration Report input to the Annual Report & Accounts FY 17-18;
- Consideration of revisions to the RPOD's Terms of Reference.

Further information on the remuneration policy for Board Members and for the Executive Leadership Team is contained in the Remuneration and Staff Report.

Twelve RPOD meetings were held between April 2017 and March 2018.

05.4 SLC's Risk Management Arrangements

Risk Profile

SLC manages a large portfolio of risks, representing the internal and external challenges to the business. A structure of risk identification, assessment and escalation has been embedded into the culture of SLC. Risks are scored against a 'cautious' risk appetite, as agreed by the Board, and predominantly SLC operates on a low risk tolerance approach, with the SLC risk scoring matrix weighted to give particular significance to risks with a high impact. All risks that are identified are categorised against the business objectives set out in SLC's Business Plan, which can be found at www.slc.co.uk.

Risk Management Process

The system for providing assurance is built on managing flows of information to and from risk owners, the Corporate Risk Team, the Executive Leadership Team, the ARC, and the Board.

A number of regular forums are in place within directorates which allow the escalation of risks to the Corporate Register or the re-scoring of an existing risk.

A separate process is in place to manage and escalate risks within the programme environment, ensuring a structured approach to decision making and a clear route of escalation through project, programme and portfolio levels to the Corporate Risk Register. Senior Management have full sight of all risks or issues within their own area of responsibility, and formal and informal mechanisms exist to discuss emerging or ongoing concerns with their Executive Director.

Risk Management arrangements are currently being reviewed against best practice as the function continues to evolve and seek improvement opportunities. During FY 17-18 significant progress was made as follows:

- Transition from Audit Committee to ARC, providing Board level sponsorship of Risk Management activity from 'top down';
- Increased profile of Risk Management activity at Board and ARC, including representation by Company Secretary / Chief Risk Officer at Board and ARC, representation by Corporate Risk Manager at ARC and clarity of distinct role of ARC delegated from Board;
- Delivery of new reporting suites specific to Board and ARC. This includes alignment to three performance categories (Delivery, Excellence, Resilience), which were selected following a review of the SLC Strategy and map directly to SLC's Business Plan objectives;
- A move by the Corporate Risk function to independently assess previous reporting practices and risk descriptions, for example the removal of the organisation's use of caveats and qualifying statements (which diminished the efficacy of the risk description) and a greater focus on independently validated mitigation;
- Steps have been taken to further embed the role of the Corporate Risk function as a 2nd line assurance function. This recognises the independence of the team and their capacity to raise and escalate risks that have not been identified directly by the business.

Risk Reporting

Reports detailing escalated risks and issues are submitted to the Executive Leadership Team monthly for review prior to onward submission to the Board. A high level dashboard is submitted quarterly to the ARC.

Key risks arising in FY17-18

The key risks under consideration at the end of FY17-18 are discussed in the Strategic Report on page 37 of this report.

05.4 SLC's Risk Management Arrangements

05.5 SLC's corporate governance and internal control arrangements

Internal Control System

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors (who review all material risks and business areas), my Executive Leadership Team, Company Secretary, and comments made by the External Auditors in their management letter and other reports. These sources of assurance are supplemented where required by checkpoint reports on major programmes and on regulatory compliance initiatives. During FY17-18, UK Government Investments (UKGI) undertook a welcome review of the governance model in place between SLC and our Sponsor Department, DfE. The recommendations will be implemented by DfE in FY18-19, and will assist in embedding best practice.

The introduction of EU GDPR has precipitated a step change in requirements for ensuring good governance, quality, and integrity are in place over personal and customer data. Significant resource has been invested to ensure readiness for the regulation implementation date.

I am provided with additional assurances from each of my Executive Leadership Team over the controls they have put in place over the activities where they have delegated responsibility, as well as by SLC's Senior Management, who certify compliance with key controls twice a year.

SLC's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise risks to the achievement of Company policies, aims and objectives, to evaluate the likelihood of those risks occurring, their impact and the need to manage them effectively. The system of internal control has been in place in SLC throughout the year ended 31 March 2018, and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

I am advised on my review of the effectiveness of the system of internal control by the Board, the ARC, the Executive Leadership Team, the Head of Internal Audit, and Company Secretary. Where appropriate, plans to address weaknesses and improvements in the system of internal control are put in place, and these are tracked to completion. The paragraphs below update on control issues and mitigations arising in FY17-18, and preceding years.

Issues that have arisen during FY17-18

During the current financial year the following issues have arisen:

- **CEO Termination**

To address issues arising following the suspension in July 2017 and then termination of the CEO's contract in November 2017, the following actions have been implemented. To ensure compliance with HM Treasury's Managing Public Money requirements, SLC created in July 2017 the post of Chief Financial Officer (CFO) at Board level, who is a full member of my Executive Leadership Team, reporting to me as CEO. The CFO brings together the financial and procurement management of SLC under a single Board member for the first time in a number of years.

We have strengthened controls over approval and content of settlement agreements with redundant staff, as well as the preparation and maintenance of the audit trail of the use of the G-Cloud framework contract. This removes weaknesses in internal control and governance identified last year. A number of other improvements to governance have also already been implemented by SLC and more are planned for FY18-19. A new CEO has since been appointed.

- **External Reviews**

Both the National Audit Office (NAO), and UKGI have undertaken reviews of SLC's governance, prompted by investigations into the events around the hiring, supervision and termination of the previous CEO. We are working with our sponsor body, the Department for Education (DfE) to examine how the current governance arrangements are working, and how best to implement improvements in both the short and longer term. In the interim, we have made significant steps towards improving our governance framework, including revising our scheme of delegation, improved financial controls and refreshed governance of board committees, while we have organised an independent review of Board effectiveness.

- **Financial and Business Change**

The SLC has recognised that there has been a longstanding need for modernisation and improvements to financial and business systems. Projects to implement replacement systems with enhanced security and superior controls/functionality commenced in FY17-18 as part of the Strategy. Concurrently, we are enhancing and remediating our key operational business systems, alongside delivering our Stakeholders' policy ask, which we recognise leads to pressure on change delivery capacity.

We expect that these improvements will deliver better value, and streamlined processes to support SLC achieving our vision as part of the SLC Strategy, while our change in approach to staff reward should secure the skilled resources required.

05.5 SLC's corporate governance and internal control arrangements

05.5 SLC's corporate governance and internal control arrangements

• Attraction & Retention of Staff

Throughout the financial year, we have encountered difficulties in attracting and retaining staff both at entry level and across the business, which has the potential to hinder our ability to deliver the high quality services that our customers and stakeholders expect. We recognise that high turnover dilutes corporate memory and expertise, and may ultimately impact control and governance processes.

In mitigation, we are developing a reward business case in stages to seek approval for the implementation of a pay and grading structure that will better support the delivery of the SLC Strategy. Approval of each stage of this business case by DfE and HM Treasury will be required to ensure SLC can meet legislative and operational requirements in the short, medium and long term.

• External Auditor's Opinion

I noted in my governance statement in our 2016-17 Financial Statements that in the spring of 2017 we had identified weaknesses in financial management and control of procurement and of staff severances which we had drawn to the attention of our auditors and which had resulted in the qualification of our Financial Statements for last year.

I am confident that these matters are now rigorously and appropriately managed; but there were two cases early in the 2017-18 financial year, where staff redundancies had occurred before arrangements had been strengthened and where the severance agreements had failed to include wording on confidentiality in line with Cabinet Office requirements. These severances were not controversial, they were not of senior staff and the amounts paid were fully in line with contractual entitlements, amounting to £100k for the two redundancies.

In my view as Accounting Officer, they were not material either to the operation of the Company or as defined in Managing Public Money. I was therefore disappointed that KPMG regarded these as a qualification matter in the 2017-18 Financial Statements.

• Audit Opinion on the Internal Control System, Risk Management, and Governance

During FY17-18, a number of significant control weaknesses and issues were noted across the business, and escalated to the Executive Leadership Team for action. Underlying themes include ageing software and business systems, uncompetitive reward packages impacting available skills, lack of management information to support management of business processes, and lack of investment in 2nd line compliance support and quality assurance.

With the full support of the Accounting Officer and ARC, significant efforts and resources have been applied in mitigation. We may take comfort that the position has now improved, particularly regarding the business and IT systems control frameworks. In summary, the Annual Audit Opinion for FY 17-18 is that the system of risk management, control, and governance is adequate, albeit we note that some issues will take time to fully resolve. In particular, implementation of the replacement ERP system, and upgrade of core business systems infrastructure, alongside staff reward.

The ARC will continue to monitor implementation and embedding of these improvements, and any additional related control recommendations made by external auditors in respect of the above matters during FY18-19.

In Summary, where internal control issues have been identified, appropriate steps have been taken, or mitigations appropriate to the risks have been identified, and recommendations have been presented to remedy the situation.

Peter Lauener
Accounting Officer and Interim Chief Executive Officer

05.5 SLC's corporate governance and internal control arrangements

Directors' Report and Financial Statements

06

£148,011,000
revenue

£119,197,000
total non-current assets

06.1
Directors' Report

The Directors submit their Annual Report including Financial Statements for SLC for the year ended 31 March 2018. The Financial Statements have been prepared in accordance with the Companies Act 2006 and, as appropriate, the Government Financial Reporting Manual (FReM), and other guidance issued by HM Treasury and the Secretary of State for Education where the disclosure requirements of these go beyond the Companies Act 2006. The Financial Statements have been prepared and approved by the Directors in accordance with the International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) and International Financial Reporting Interpretations Committee Interpretations.

Principal activities

The principal activities of SLC are provided within the Strategic Report at page 12.

Dividends

SLC has no accumulated reserves and accordingly the Directors do not recommend the payment of a dividend (2017: £Nil).

Directors and their interests

Christian Brodie
Non-Executive Chairman

Peter Lauener
Interim CEO
(from 27 November 2017)

David Wallace
Acting CEO
(from 11 July 2017 to 26 November 2017)

Steve Lamey
CEO
(to 7 November 2017)

Antonia Cox
Non-Executive Director

Simon Devonshire
Non-Executive Director

David Gravells
Non-Executive Director

Sally Jones-Evans
Non-Executive Director
(to 31 March 2018)

Natalie Elphicke
Non-Executive Director

Mary Curnock Cook
Non-Executive Director
(from 11 December 2017)

Professor Andrew Wathey
Non-Executive Director
(from 01 January 2018)

For further information please see the Governance Statement on pages 48 to 61.

All Non-Executive Directors are considered to be independent. Details of any related parties are disclosed in Note 22 of the Financial Statements.

No Director had any interest in the shares of SLC throughout either the years ended 31 March 2018 or 31 March 2017.

SLC is wholly owned by the Secretary of State for Education, the Welsh Ministers, the Scottish Ministers and the Minister for the Economy in Northern Ireland. All are entered as Registrable Relevant Legal Entities in SLC's Register of People with Significant Control.

The CEO is also the Accounting Officer for SLC.

Non Current Assets

Full details of the movement in non-current assets are given in Notes 10 and 11 to the Financial Statements.

Employees

It is SLC's aim to keep employees informed about its affairs and in particular about those matters that affect them directly. SLC has a number of regular digital communications such as our weekly all staff newsletter and the quarterly e-magazine, and regularly holds sessions where staff can put their questions direct to the Executive Leadership Team. SLC frequently issues all-staff emails and maintains an Intranet site.

SLC has a long standing relationship with its recognised trade union PCS. SLC and PCS hold regular meetings which provide the opportunity to discuss and resolve employment and business related matters.

SLC is an Equal Opportunities Employer and was awarded the Disability Confident Level 2 award (demonstrating our commitments to disabled individuals) and the conditional Investors in Diversity award. More information on employees is contained in the Strategic Report on pages 10 to 37.

Retirement Benefits Scheme

Reference is made in Note 18 to the Financial Statements to the operation and performance of Student Loans Company Limited Retirement and Death Benefits Scheme. The Remuneration and Staff Report contains specific disclosures relating to the Executive Leadership Team.

Information Losses

In the year ended 31 March 2018 SLC reported no issues to the Information Commissioner's Office.

SLC recorded the loss of seven items of equipment. All devices were encrypted and carried no personal information.

Corporate Governance

As an Executive NDPB, SLC's control framework is set out in the SLC Framework Document. The Framework Document refers to the appropriate HM Government guidance on corporate governance, including Managing Public Money. As defined within Managing Public Money, the Accounting Officer is charged, in the Accounting Officer Delegation Letter, with maintaining a sound system of internal control that supports the achievement of SLC's policies, aims and objectives and regularly reviewing the effectiveness of that system. He is also responsible for the Governance Statement.

SLC is bound by the 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance). It is also bound by the guidance contained within Managing Public Money, issued by HM Treasury. The Accounting Officer's Governance Statement for the year ended 31 March 2018 is provided on pages 48 to 61.

SLC Board

The SLC Board (the Board) is responsible for ensuring that effective corporate governance arrangements are in place that set out how SLC is directed and controlled and the assurance on risk management and internal control is provided.

The Board is required to demonstrate high standards of corporate governance at all times and to ensure that best practice is followed consistent with the UK Corporate Governance Code and appropriate adaptations of Corporate Governance in the Central Government Departments Code of Good Practice.

The responsibilities of the Board are set out in the Governance Statement.

06.1 Directors' Report

Remuneration

The remuneration for the Chairman and Non-Executive Directors is determined by the Cabinet Secretary for Education, the Welsh Ministers, the Scottish Ministers and the Minister for Economy in Northern Ireland.

The remuneration of the CEO is determined by the Board, subject to approval by the Secretary of State for Education, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Economy in Northern Ireland. The Non-Executive Directors are appointed by the Secretary of State for Education, on behalf of the Welsh Ministers, the Scottish Ministers and the Minister for Economy in Northern Ireland, for a fixed term appointment of three years, which can be renewed once, and extended in exceptional circumstances.

Remuneration People and Organisational Design Committee

Members of the Committee are appointed by the Board for an initial three year term of office after which they may be appointed for one further term of office.

Assessors have the right to attend all Committee meetings on behalf of the shareholders. The Board determines the membership and terms of reference.

The Chair of the Committee will report back to the Board after each meeting as required and the minutes of Committee meetings will be provided to the Board members for information.

Committee meetings will normally be attended by the CEO and the Executive Director responsible for Human Resources

For further information, please see the Remuneration and Staff Report on pages 38 to 47 and the Governance Statement on pages 48 to 61.

Audit and Risk Committee

The membership of the Committee consists of at least three individuals who are independent of management and free of any business or other relationships (including cross directorships or day-to-day involvement in the management of the business) which could interfere with the exercise of their independent judgement.
The Board has appointed an Independent External Member of the Audit and Risk Committee, who is appointed to the Committee but not the Board.

Throughout the period, both external and internal audit had the right of independent access to the Chairman and members of the Committee.

Further details regarding the Audit and Risk Committee and their responsibilities can be found in the Governance Statement on page 53.

Statement of disclosure of information to the External Auditor

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which SLC's External Auditor is unaware; and each Director has taken all steps that he/she ought to have taken as a Director to make himself-herself aware of any relevant audit information and to establish that SLC's External Auditor is aware of that information.

External Auditor

All non-audit work undertaken by the External Auditor is approved by the Audit and Risk Committee. Details of all fees earned by the External Auditor are provided in Note 4a of the Financial Statements.

SLC are working with its Shareholders on the appointment of an External Auditor for the year ending 31 March 2019.

By order of the Board

Peter Lauener,
Interim Chief Executive Officer
and Accounting Officer

06.2 Statement of Directors' Responsibilities in Respect of the Directors' Report and their Financial Statements

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under the Framework Agreement they are required to follow the principles of HM Treasury's Financial Reporting Manual 2017-18. Consequently they have elected under the Companies Act to prepare the Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and to provide the additional disclosures required by the Financial Reporting Manual 2017-18 where these go beyond the requirements of the Companies Act 2006.

Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the Financial Position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors have decided to prepare a Remuneration and Staff Report in order to comply with the requirements of the Government Financial Reporting Manual 2017-18 in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, to the extent that they are relevant. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

06.3 Independent Auditor's Report to the Members of Student Loans Company

Opinion

We have audited the financial statements of Student Loans Company Limited ("the company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflow, and related notes, including the accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. Where appropriate, the company also discloses that it has followed the principles of HM Treasury's Financial Reporting Manual 2017-18 and has provided the additional disclosures required by the Government Financial Reporting Manual 2017-18 where these go beyond the requirements of the Companies Act 2006.

In addition to our audit of the financial statements the directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the directors have decided to prepare (in addition to that required to be prepared) in order to comply with the requirements of the Government Financial Reporting Manual 2017-18 to include the information requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006, to the extent that they are relevant.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Qualified opinion on regularity prescribed by the terms of our engagement

Except for the matters described in the basis for qualified opinion on regularity paragraph below, in our opinion in all material respects the expenditure and income have been applied to the purpose intended by Parliament and the financial transactions conform to the authorities which govern them.

06.3 Independent Auditor's Report to the Members of Student Loans Company (continued)

Basis for qualified opinion on regularity

The company is required to obtain Cabinet Office approval for confidentiality clauses which deviate from standard wording, included in proposed settlement agreements with employees whose employment is being terminated. In respect of two settlement agreements entered into Between April and May 2017, prior to standard wording being adopted by the Company, the Company did not request or obtain this approval.

Opinion on other matters under the terms of our engagement

In our opinion the part of the Directors' Remuneration report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to the extent that they are relevant.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the other information, which comprises the strategic report, the directors' report and the Chairman's Statement and Chief Executive Officer's Foreword ("Other information"). Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 68, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities.**

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and in respect of the separate opinions in relation to financial regularity and the Directors' Remuneration Report, on terms that have been agreed. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and, in respect of the separate opinions in relation to financial regularity and the Directors' Remuneration Report, those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Hugh Harvie
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
319 St Vincent Street
G2 5AS

11 September 2018

06.3 Independent Auditor's Report to the Members of Student Loans Company (continued)

06.4 Statement of Comprehensive Income
for the year ended 31 March 2018

	Note	2018	2017
		£000	£000
Revenue	3	148,011	128,725
Expenditure:			
Staff costs	5	(88,398)	(79,543)
Restructuring costs	5	(385)	(317)
Depreciation, amortisation and impairments		(25,413)	(17,246)
Deferred capital receipts	16	25,964	17,183
Other administrative expenses		(57,131)	(48,142)
Operating profit		2,648	660
Finance income	6	5	12
Finance costs	7	(1,562)	(836)
Net financing expense		(1,557)	(824)
Profit/(loss) on ordinary activities before taxation		1,091	(164)
Tax on result of ordinary activities	8	1	(2)
Profit/(loss) on ordinary activities after taxation		1,092	(166)
Other comprehensive income:			
Actuarial gain/(loss) on defined benefit pension scheme	18	18,066	(29,280)
Total comprehensive income/(cost) for the period		19,158	(29,446)

In both years, SLC made no acquisitions and had no discontinued operations.
The notes on pages 76 to 103 form an integral part of these Financial Statements.

06.5 Statement of Financial Position
as at 31 March 2018

	Note	2018		2017	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	10	16,490		17,193	
Intangible assets	11	102,707		75,524	
Total non-current assets			119,197		92,717
Current assets					
Trade and other receivables	13	13,081		9,423	
Cash and cash equivalents	14	12,450		16,634	
Corporation tax		1		-	
Total current assets			25,532		26,057
Total assets			144,729		118,774
Current liabilities					
Trade and other payables	15	(67,641)		(52,295)	
Provisions	17	(201)		(556)	
Corporation tax		-		(2)	
Total current liabilities			(67,842)		(52,853)
Non-current assets plus net current assets			76,887		65,921
Non-current liabilities					
Trade and other payables	15	(77,410)		(67,143)	
Provisions	17	(4,490)		(4,883)	
Retirement benefit obligation	18	(23,227)		(40,907)	
Total non-current liabilities			(105,127)		(112,933)
Net liabilities			(28,240)		(47,012)
Capital and reserves					
Called up share capital	20		-		-
General reserve			(28,240)		(47,012)
Total equity			(28,240)		(47,012)

The notes on pages 76 to 103 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 28 June 2018 and were signed on its behalf by:

Peter Lauener
Accounting Officer and Interim Chief Executive Officer
Registered Company number: 2401034

06.6 Statement of Changes in Equity
for the year ended 31 March 2018

	Note	General Reserve
		£000
Balance at 1 April 2017		(47,012)
Net profit		1,092
Total pension cost recognised in Statement of Comprehensive Income	18	(11,436)
Employer contribution in respect of retirement benefit	18	11,050
Actuarial gain in retirement benefit obligations	18	18,066
Balance at 31 March 2018		**(28,240)**

06.7 Statement of Cashflow
for the year ended 31 March 2018

	Note	2018		2017	
		£000	£000	£000	£000
Cashflow from operating activities					
Profit/ (Loss) on ordinary activities after tax		1,092		(166)	
Adjustments for:					
Depreciation	10	4,577		5,733	
Amortisation	11	20,836		11,513	
Amortisation of deferred capital receipts					
- Property, plant and equipment	16	(5,128)		(5,670)	
- Intangible assets	16	(20,836)		(11,513)	
Loss on disposal of fixed assets		11		49	
Taxation	8	(1)		2	
Finance costs	7	1,562		836	
Finance income	6	(5)		(12)	
		2,108		772	
(Increase) in trade and other receivables		(5,221)		(3,049)	
(Decrease)/increase in trade and other payables		(933)		2,392	
(Decrease)/increase in provisions		(748)		189	
Cash (used in)/generated from operating activities		(4,794)		304	
Corporation tax paid		(2)		(6)	
Net cash (used in)/generated from operating activities			(4,796)		298
Cashflow from investing activities					
Finance income	6	5		12	
Acquisition of property, plant and equipment	10	(3,885)		(7,469)	
Acquisition of intangible assets	11	(48,019)		(41,341)	
Proceeds from sales of property, plant and equipment		-		16	
Net cash used in investing activities			(51,899)		(48,782)
Cash flow from financing activities					
Capital funding received from funding bodies	16	52,511		48,745	
Net cash generated from financing activities			52,511		48,745
Net (decrease)/increase in cash and cash equivalents	14		(4,184)		261
Cash and cash equivalents at 1 April	14		16,634		16,373
Cash and cash equivalents at 31 March	14		12,450		16,634

06.8 Notes to the Financial Statements

1. Accounting policies

SLC is a company incorporated and domiciled in the UK. SLC is owned by the Secretary of State for Education, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for the Economy in Northern Ireland.

The Financial Statements have been prepared in accordance with the Companies Act 2006 and, as appropriate, the Government Financial Reporting Manual ('FReM') and other guidance issued by HM Treasury and the Secretary of State for Education where the disclosure requirements of these go beyond the Companies Act 2006. The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and International Financial Reporting Interpretations Committee interpretations.

Although the UK's exit from the EU could have an impact on SLC's reporting under IFRS in the future, reporting requirements remain unchanged from the previous year.

The most significant standards and interpretations which have been issued, with an effective date after the date of these financial statements are as follows:

- IFRS 9 Financial Instruments – simplifies the classification, recognition and measurement requirements for financial assets, financial liabilities and some contracts to buy or sell non-financial items. This will be effective for SLC in 2018-19, if adopted.
- IFRS 16 Leases – specifies how SLC will recognise, measure, present and disclose leases using a single lessee accounting model requiring the lessee to recognise assets and liabilities for all leases. This will be effective for SLC in 2018-19, if adopted.

The Directors do not expect that the adoption of these standards will have a material impact on the Financial Statements of SLC in future periods.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

The Financial Statements were authorised for issue by the Directors on 28 June 2018.

Measurement convention

The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value.

- Financial instruments classified as fair value through profit or loss or as available for sale.
- Assets under development are valued at current cost, which is calculated by using the expenditure incurred to date, and are subject to impairment review.
- Tangible and intangible assets, other than assets under development, are stated at depreciated historic cost, as a proxy for fair value given that this accurately represents the value in use of the tangible and intangible assets.

Going concern

The terms of the framework document between SLC and the Secretary of State for Education, the Employability, Skills and Lifelong Learning Directorate of the Scottish Government, the Department for the Economy in Northern Ireland and the Department for Education and Skills in the Welsh Assembly requires SLC to conduct its affairs so as to remain solvent within the total resources made available to it by the funding bodies. These Financial Statements have been prepared on this basis.

Where necessary, SLC will operate a negative equity position at the Statement of Financial Position date to the extent that SLC's dilapidations and retirement benefit obligations are not to be met from SLC's other sources of income. These liabilities may only be met by future grants or Grant-in-Aid from SLC's sponsoring departments as, under the normal conventions applying to the Parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-Aid is issued on the basis of operating expenditure for the coming year. Grant-in-Aid for SLC's business as usual operating expenditure for 2018-19 has already been included in the sponsoring Departments' estimates for that year, which have been approved by Parliament. There is no reason to believe that the Departments' future sponsorship and future Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these Financial Statements.

Unsold loans

In respect of unsold loans (i.e. those administered on behalf of the funding bodies) and the application of IAS 39, neither the loans nor the related obligation to repay the funding bodies is included in the Financial Statements of SLC as:

(a) in accordance with the terms of SLC's Framework Document any interest earned on funds made available for making loans to students and on money repaid to SLC by borrowers under the scheme shall be returned to the funding bodies; and

(b) under section 16.5 of the Framework Document, there is an agreement between SLC and the funding bodies that SLC is liable to transmit to these bodies only those repayments which are actually made to SLC. As a consequence, SLC is not liable for repayments due which ultimately may not be recovered.

06.8 Notes to the Financial Statements

Use of estimates and judgement
The preparation of the Financial Statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenditure. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

SLC made no critical judgements in applying accounting policies in these Financial Statements. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Provisions
  The dilapidations provision is based on external valuations provided by SLC's property consultants. The latest formal valuations were provided in March 2018 for premises in Darlington and Glasgow City Centre and December 2016 for Glasgow Hillington. Key assumptions are based, in addition to management judgement, on the likely obligation at the lease expiry date and lease stipulations on the property condition upon that expiry date.

- Retirement benefit obligations
  SLC's retirement benefit obligations are based on external valuations provided annually by SLC's actuaries. Key assumptions are based on current market conditions and the discount rate applied, representing the interest rate used to determine estimated future cash outflows anticipated to settle SLC's pension obligations.

- Intangible assets
  Development costs that meet IFRSs intangible asset recognition criteria and where the assets are intended to be used internally or otherwise, are capitalised as an intangible asset. Capitalisation will only occur when management identify the technological and economical feasibility of the project. SLC will test intangible assets for impairment after initial recognition and whenever there is an indication of impairment. Assets under development are tested annually. Impairments experienced reflect key assumptions made by management on the value in use of the intangible asset being developed.

Income

- Revenue recognition
  Revenue is recognised when the amount of revenue can be reliably measured and where probable future economic benefit will flow to the entity.

  Grant-in-Aid is required by SLC in order to carry out a function which its owners have asked it to perform. Grant-in-Aid drawn down from the Department for Education is recorded as revenue in the Statement of Comprehensive Income.

- Finance income
  Finance income comprises of interest income on funds invested and is recognised as it accrues in the Statement of Comprehensive Income.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax, where applicable, is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date. Deferred tax assets are recognised to the extent that it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Value Added Tax (VAT) is accounted for in the Financial Statements, in that amounts are shown net of VAT with the following exceptions:

- irrecoverable VAT on revenue is charged to the Statement of Comprehensive Income and included under the relevant expenditure heading; and
- irrecoverable VAT on the purchase of an asset is included in additions.

The net amount due to HM Revenue and Customs in respect of VAT is included within trade and other payables within the Statement of Financial Position.

Property, plant and equipment

Recognition

Property, plant and equipment are capitalised where: it is held for use in delivering services or for administrative purposes; it is probable that future benefits will flow to, or service potential be provided to SLC; it is expected to be used for more than one financial year; and the cost of the item can be measured reliably.

Measurement

Items of property, plant and equipment are initially measured at cost, representing the costs directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use.

All assets are measured subsequently at fair value.

Revaluation and impairment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the date of each Statement of Financial Position.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised within other administrative expenses in the Statement of Comprehensive Income.

Depreciation

Depreciation is provided on all property, plant and equipment and calculated so as to write off the cost of each asset less estimated residual value, evenly over its expected useful life, as follows:

Short leasehold improvements
Over the unexpired period of the lease
Computer and other electronic equipment
3 to 5 years, or the lease period where applicable
Furniture, fixtures and fittings
Over 8 years, or the lease period where applicable
Motor vehicles
3 to 5 years

This is a change in the useful life for motor vehicles, from 3 years to 3 to 5 years. This change results in the Financial Statements providing more relevant information about the effects of transactions. There is no impact on prior year statements.

06.8 Notes to the Financial Statements

Intangible Assets

Recognition

Intangible assets are recognised where the costs can be measured reliably and there is a clear future benefit or service potential attributable from the asset that will flow to SLC.

Expenditure on discovery and inception phases of capital projects is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated in accordance with IAS 38:

- the project is technically feasible to the point of completion and will result in an intangible asset for use in the provision of services to SLC or to our customers;
- SLC intends to complete the asset and use it;
- SLC has the ability to use the asset;
- the intangible asset will generate probable future economic or service delivery benefits;
- adequate financial, technical and other resources are available to SLC to complete the development and use the asset; and
- SLC can reliably measure the expense attributable to the asset during development.

Websites that deliver services are assumed to be website developments that provide a means of delivering specific services to customers in the payment and repayment of products within the portfolio.

Measurement

All intangible assets recognised have finite useful lives and are measured at cost less accumulated amortisation. Cost for internally generated intangible assets is defined as the direct labour and other costs directly attributable to the development of the intangible asset.

Amortisation

Amortisation is calculated over the life of the asset. Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the useful life of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The expected useful lives for the current and comparative periods are as follows:

Internally generated software
3 to 5 years
Websites that deliver services
5 years
Software licences
Over the period of the licence

Amortisation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Deferred capital receipts

Grant-in-Aid received from the funding bodies for the purpose of acquisition of property, plant and equipment and intangible assets, excluding the element relating to any capitalised dilapidation provision, is credited to the deferred capital receipts account and is released to the Statement of Comprehensive Income by amounts equal to the associated depreciation and amortisation charge.

Financial instruments

a) Financial assets

Classification

Financial instruments fall into loans and receivables at fair value through the Statement of Comprehensive Income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition.

As at the date of the Statement of Financial Position, SLC has financial assets included in current assets, comprising of 'balances with central government bodies', 'trade receivables', 'prepayments and accrued income' and 'cash and cash equivalents.

Recognition and measurement

Financial assets are recognised when SLC becomes party to the contractual provisions of the financial instrument. These assets are recognised at fair value less any attributable costs. Financial assets are de-recognised when the rights to receive the cash flows from the assets have expired or have been transferred and SLC has transferred substantially all risks and rewards of ownership.

Financial assets are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. Objective evidence of impairment of our trade and other receivables includes significant financial difficulty of the counterparty or delinquency in payment.

For certain types of receivable an assessment for impairment is also performed on a collective basis where objective evidence of impairment includes past experience of payment collection and the impact of legal challenges on enforceability.

Trade and other receivables represent other trade receivables and the outstanding balances with central government bodies.

Cash and cash equivalents represents cash in hand, and deposits held with banks, excluding deposits held in trust for the payments and repayments of student funding.

b) Financial liabilities

Classification

Financial liabilities fall into other financial liabilities at fair value through the Statement of Comprehensive Income. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

As at the date of the Statement of Financial Position, SLC has financial liabilities included as current liabilities comprising of 'trade payables' in the Statement of Financial Position.

Recognition and measurement

Financial liabilities are recognised when SLC becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Other financial liabilities are recognised at fair value through the Statement of Comprehensive Income.

Provisions

Provisions are recognised when:

- there is a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

The provision's value is discounted when the time value of money is considered material. Changes in the discount rate applied will be recognised in the year in which the change occurred.

Comparative figures are not adjusted as this constitutes a change in accounting estimate.

06.8 Notes to the Financial Statements

Employee benefits

Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised, for the amount expected to be paid under a short term cash performance related award, if SLC has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The cost of annual leave earned but not taken by employees at the date of the Statement of Financial Position is recognised in the Financial Statements to the extent that employees are permitted to carry forward leave to the following year.

Pension arrangements

SLC contributes to a defined benefit plan which targets a pension paid throughout life plus an additional cash sum at retirement and also a defined contribution scheme which meets its statutory obligations under the Pension Reform to enrol all staff in a pension scheme.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. SLC's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the Statement of Financial Position date on 'AA' credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of SLC's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to SLC, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements. Actuarial gains and losses that arise are recognised by SLC in the period they occur through the Statement of Comprehensive Income.

The Scheme is legally separated from SLC and is governed by a Board of Trustees who have control over its operation, funding and investment strategy. The Board of Trustees is chaired by an Independent Trustee and is comprised of nominees of SLC and elected Scheme members.

The Scheme exposes SLC to actuarial risks such as longevity risks, interest rate risk and market (investment) risk.

The Board of Trustees regularly review the Scheme's investment strategy in order to manage the investment risks within the Scheme. In consultation with SLC, a revised investment strategy is being implemented in order to reduce the investment risk and the volatility of the Scheme's funding position while still targeting paying off the Scheme's funding shortfall within the agreed recovery period. The Scheme invests in a broad range of asset classes with a target allocation under the new strategy of 60% in matching assets and 40% in growth assets.

UK legislation requires the Board of Trustees to carry out valuations at least every three years and to target full funding against a basis that prudently reflects the Scheme's risk exposure. The most recent valuation was carried out as at 5 November 2016 and a recovery plan was put in place to remove the Scheme's shortfall against the Trustees' funding objective.

Defined contribution scheme

SLC additionally contributes to a defined contribution scheme to meets its statutory obligations under the Pension Reform to enrol all staff in a pension scheme. Contributions are recognised in the Statement of Comprehensive Income as they are incurred. SLC has no further liability once contributions are paid to the pension scheme.

Other obligations

Termination benefits are payable when employment is ceased either before the normal retirement date, the termination date in contractual terms and conditions, or when an employee accepts voluntary redundancy for these benefits. SLC recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Leases

Finance

Leases of property, plant and equipment where SLC has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the present value of the minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are depreciated over the shorter of the asset's useful life and the lease term. Each lease payment is allocated between the principal capital component and finance charges. The finance charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Interest on finance leases is charged to the Statement of Comprehensive Income in the period to which the lease payment relates.

Operating

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Rental payments under operating leases are charged to the Statement of Comprehensive Income in the period to which they relate.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting as provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (CEO).

The CEO review performance based on three segments: operating activities, change programme and other. The operating activities represents day to day operating activities undertaken by SLC. The change programme represents additional activities undertaken by SLC in the financial year to enhance the day to day activities. On completion, these activities will become part of the operating activities in subsequent years. Other consists of additional services that SLC provides to Higher Education Institutes and other stakeholders.

Analysis of the revenue and expenditure by segment is undertaken via the activity based costing model utilised by SLC. This model allocates revenue and expenditure to products and services provided by SLC to the Department for Education, the Department for Education and Skills in the Welsh Assembly, the Student Awards Agency for Scotland and the Department for the Economy in Northern Ireland.

06.8 Notes to the Financial Statements

2. Segmental reporting

Segmental information can be analysed as follows for the reporting periods under review:

2018	Operating Activities	Change Programme	Other	Total
	£000	£000	£000	£000
Segmental revenue				
Grant-in-Aid*	125,716	21,650	53	147,419
Administration fees received from third parties	133	-	416	549
Other income	43	-	-	43
Total revenue	125,892	21,650	469	148,011
Segmental expenditure				
England Higher Education	(103,190)	(18,365)	(420)	(121,975)
England Further Education	(4,525)	(167)	-	(4,692)
Northern Ireland	(3,371)	(635)	(14)	(4,020)
Scotland	(2,800)	(137)	(8)	(2,945)
Wales	(9,709)	(1,983)	(39)	(11,731)
Total expenditure	(123,595)	(21,287)	(481)	(145,363)
Operating profit				2,648

Segmental information after operating profit before interest and tax has not been provided on the basis that these costs are determined at corporate level and are not separately reportable to management.

An analysis of segmental assets has not been provided as this is not a measure which is reported to management.

* All Grant-in-Aid funding is received from England, who subsequently reclaim the costs from Northern Ireland, Scotland and Wales.

2. Segmental reporting (continued)

2017	Operating Activities	Change Programme	Other	Total
	£000	£000	£000	£000
Segmental revenue				
Grant-in-Aid*	117,059	10,955	53	128,067
Administration fees received from third parties	174	-	459	633
Other income	25	-	-	25
Total revenue	117,258	10,955	512	128,725
Segmental expenditure				
England Higher Education	(100,605)	(9,522)	(418)	(110,545)
England Further Education	(3,161)	(114)	-	(3,275)
Northern Ireland	(2,389)	(439)	(14)	(2,842)
Scotland	(2,722)	(126)	(4)	(2,852)
Wales	(7,778)	(740)	(33)	(8,551)
Total expenditure	(116,655)	(10,941)	(469)	(128,065)
Operating profit				660

Segmental information after operating profit before interest and tax has not been provided on the basis that these costs are determined at corporate level and are not separately reportable to management.

An analysis of segmental assets has not been provided as this is not a measure which is reported to management.

* All Grant-in-Aid funding is received from England, who subsequently reclaim the costs from Northern Ireland, Scotland and Wales.

06.8 Notes to the Financial Statements

3. Revenue

	2018	2017
	£000	£000
Grant-in-Aid	147,419	128,067
Administration fees receivable from third parties	549	633
Other income	43	25
	148,011	128,725

In accordance with the FReM, non-departmental public bodies are required to provide additional analysis on the services for which a fee is charged. Details of the bursary and scholarship schemes that the Company operates are detailed below:

Bursary and scholarship schemes

SLC supports Higher Education Providers (HEPs) in England, Northern Ireland, Scotland and Wales, in providing mandatory and discretionary bursaries, scholarships and fee waivers to students, by providing an administration service. HEPs may choose to subscribe to either, a full service which includes payment of the bursary, scholarship or fee waiver entitlement to the student or to the core service which is an information only service.

Financial objective

The main aim set by the funding bodies is to break even on both the core and full services offered as part of the bursary schemes. Any net surplus will be reinvested to ensure continued systems enhancement to improve efficiencies in the end to end process. Any net deficit will be fully funded in the next financial year.

Enhancements that provide future economic benefit for the scheme will be capitalised in line with Company policy as set out in Note 1. Funding received for the purpose of the acquisition of tangible and intangible assets will be held as deferred capital receipts on SLC's Statement of Financial Position and released in line with Company policy as detailed in Note 1.

Included within the Statement of Comprehensive Income	2018	2017
	£000	£000
Revenue	457	522
Expenditure	(457)	(522)
Surplus before tax	-	-

Included within the Statement of Financial Position	2018	2017
	£000	£000
Capital expenditure	482	560
Deferred capital receipts	(482)	(560)
	-	-

The inclusion of the analysis of income and expenditure relating to services for which a fee is charged is provided to ensure compliance with the FReM, and not to comply with IAS 8.

4. Net expenditure before interest and tax

(a) This is stated after charging or (crediting):

	2018	2017
	£000	£000
Dilapidations provision	225	241
Depreciation, amortisation and impairments – owned assets	25,413	17,246
Loss on disposal of fixed assets	11	49
Amortisation and impairment of deferred capital receipts	(25,964)	(17,183)
Directors' remuneration	425	391
Auditors remuneration:		
- Audit of these financial statements	39	44
Amounts received by auditors and their associates:		
- Valuation and actuarial services	27	101
- Other services relating to taxation	3	3
- Other assurance services	22	5
Operating lease rentals:		
- Land and buildings	3,726	3,331
- Computer and other equipment	-	3
- Motor vehicles	3	3

- Other assurance services provided in FY17-18 related to additional audit work in respect of the FY16-17 Financial Statements.
- Additional valuation services provided by the Auditors in 2018, included support to SLC on the proposed transfer of the SLC Retirement & Death Benefits Scheme to the Principal Civil Service Pension Scheme.

(b) Directors' remuneration:

	2018	2017
	£000	£000
Fees	144	154
Executive emoluments (including benefits in kind)	228	198
Pension contributions	32	22
Taxable expenses	21	17
	425	391

The remuneration of each individual director is analysed in the Remuneration and Staff Report.

06.8 Notes to the Financial Statements

5. Staff costs

The aggregate payroll costs were as follows:

	2018	2017
	£000	£000
Wages and salaries	69,941	64,931
Social security costs	6,296	5,813
Pension service costs	9,951	5,554
	86,188	76,298
Other staff costs	2,210	3,245
	88,398	79,543

	2018	2017
	£000	£000
Restructuring costs	385	317
	385	317

Pension service costs includes employer's contributions of £181,000 (2017: £162,000) to a defined contribution plan to meet the companies auto-enrolment responsibilities.

Other staff costs represent the additional cost to SLC for agency workers, contractors and other indirect staff costs.

Restructuring costs represent the severance payments made in year and the movement in the provision for severance as set out in note 17.

6. Finance income

	2018	2017
	£000	£000
Bank interest	5	12
	5	12

7. Finance costs

	2018	2017
	£000	£000
Pension interest charge	910	375
Pension administration expenses	652	461
	1,562	836

8. Tax on result of ordinary activities

	2018	2017
	£000	£000
Current taxation charge for the period at the small companies rate of 19% (2017: 20%)	(1)	2
	(1)	2

Tax is chargeable at 19% of the taxable profits arising on administration fees receivable from third parties, after charging the costs associated with the administration of the associated service, plus bank interest.

The tax assessed for the period varies from the standard rate of corporation tax in the UK (19% in 2018 and 20% in 2017). The differences are explained below:

	2018	2017
	£000	£000
Profit/(Loss) on ordinary activities before taxation	1,091	(164)
Profit/(Loss) on ordinary activities at small companies UK corporation tax rate	207	(33)
Effects of:		
Amounts not subject to corporation tax	(206)	35
Reversal of prior year liability	(2)	-
Current taxation charge for the period	(1)	2

06.8 Notes to the Financial Statements

9. Analysis of net income/expenditure by programme and administration budget

	2018			2017		
	Programme	Administration	Total	Programme	Administration	Total
	£000	£000	£000	£000	£000	£000
Income:						
Grant-in-Aid	113,348	34,071	147,419	89,167	38,900	128,067
Administration fees received from third parties	412	137	549	462	171	633
Finance income	4	1	5	8	4	12
Other income	32	11	43	18	7	25
Total income	113,796	34,220	148,016	89,655	39,082	128,737
Expenditure:						
Staff costs	(54,685)	(33,713)	(88,398)	(44,092)	(35,451)	(79,543)
Running costs	(54,727)	1,173	(53,554)	(42,736)	(2,099)	(44,835)
Operating lease rentals – land & buildings	(1,904)	(1,822)	(3,726)	(1,819)	(1,512)	(3,331)
Operating lease rentals – computer & other equipment	-	-	-	-	(3)	(3)
Interest charges	(1,562)	-	(1,562)	(836)	-	(836)
Non-cash items:						
Depreciation & amortisation – owned assets	(18,867)	(6,546)	(25,413)	(12,589)	(4,657)	(17,246)
Loss on disposal of property, plant and equipment	(11)	-	(11)	(49)	-	(49)
Amortisation of deferred capital receipts	19,276	6,688	25,964	12,543	4,640	17,183
Dilapidations provision	(225)	-	(225)	(241)	-	(241)
Total expenditure	(112,705)	(34,220)	(146,925)	(89,819)	(39,082)	(128,901)
Net income / (expenditure)	1,091	-	1,091	(164)	-	(164)

Programme and administration budgets are set as budgetary control totals by HM Treasury. The Programme income and expenditure refers to front line, customer facing activities undertaken by SLC. Administration income and expenditure refers to the back office support facilities to these customer facing activities.

10. Property, plant and equipment

	Short leasehold improvements	Computer and other electronic equipment	Furniture, fixtures and fittings	Motor vehicles	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2016	11,090	39,067	3,936	23	627	54,743
Additions	4,986	2,178	258	36	11	7,469
Disposals	(1,760)	(387)	(130)	(23)	-	(2,300)
Transfers	715	-	-	-	(611)	104
At 31 March 2017 and 1 April 2017	15,031	40,858	4,064	36	27	60,016
Additions	452	1,079	803	43	2,126	4,503
Adjustment	(618)	-	-	-	-	(618)
Disposals	-	(621)	-	-	-	(621)
Transfers	20	-	-	-	(20)	-
At 31 March 2018	14,885	41,316	4,867	79	2,133	63,280
Depreciation						
At 1 April 2016	7,535	28,826	2,948	16	-	39,325
Charge for the year	1,136	4,259	331	7	-	5,733
On disposals	(1,701)	(387)	(126)	(21)	-	(2,235)
At 31 March 2017 and 1 April 2017	6,970	32,698	3,153	2	-	42,823
Charge for year	1,155	3,702	267	15	-	5,139
Adjustment	(562)	–	–	–	-	(562)
On disposals	-	(610)	-	-	-	(610)
At 31 March 2018	7,563	35,790	3,420	17	-	46,790
Net book value						
At 1 April 2017	8,061	8,160	911	34	27	17,193
At 31 March 2018	7,322	5,526	1,447	62	2,133	16,490

Included in computer and other electronic equipment are items held under finance leases with a net book value of £nil (2017: £nil), net of accumulated depreciation of £8,726,000 (2017: £8,820,000).

In March 2018, SLC instructed property consultants to assess the dilapidations liability on the premises in Darlington. The assessment of the future cost of dilapidations was lower than the provision held. £618,000 of the provision had previously been capitalised. This capitalisation, including accumulated depreciation of £562,000 has been unwound within Short leasehold improvements in the year to 31 March 2018.

In the opinion of the directors there is no material difference between the net book values disclosed above and their fair value.

06.8 Notes to the Financial Statements

11. Intangible assets

	Intangible assets under development	Internally generated software	Websites	Software licences	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2016	25,931	14,273	3,671	9,954	53,829
Additions	25,497	14,249	-	1,595	41,341
Transfers	(25,447)	25,343	-	-	(104)
At 31 March 2017	25,981	53,865	3,671	11,549	95,066
Additions	30,730	16,833	-	456	48,019
Transfers	(23,381)	23,381	-	-	-
Disposals	-	-	-	(313)	(313)
At 31 March 2018	33,330	94,079	3,671	11,692	142,772
Amortisation					
At 1 April 2016	-	2,344	2,526	3,159	8,029
Charge for year	-	8,744	381	2,388	11,513
At 31 March 2017	-	11,088	2,907	5,547	19,542
Charge for year	-	17,994	383	2,459	20,836
On disposals	-	-	-	(313)	(313)
At 31 March 2018	-	29,082	3,290	7,693	40,065
Net book value					
As at 31 March 2017	25,981	42,777	764	6,002	75,524
As at 31 March 2018	33,330	64,997	381	3,999	102,707

Amortisation for intangible assets is recognised as a charge in the Statement of Comprehensive Income.

Assets under development represent the ongoing development of SLC's internal systems.

12. Financial instruments

As the cash requirements of SLC are met through Grant-in-Aid, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with SLC's expected purchase and usage requirements and SLC is therefore exposed to little liquidity or market risk. Credit risk exists for trade and other receivables, which are detailed in note 13.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposure to customers.

For banks and other institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Credit risk is the risk of financial loss to SLC if a customer fails to meet their contractual obligations.

Other trade receivables comprise the sums due from third party portfolio administration and higher education institutions for the bursary administration service. 94% of other trade receivables are not older than 3 months and do not represent any credit risk.

SLC's maximum exposure to credit risk as at 31 March 2018 is £1,685,203 (2017: £1,737,537).

Liquidity risk

Liquidity risk is the risk that SLC will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by ensuring that enough funds are available to meet liabilities as they fall due. SLC's main source of income is Grant-in-Aid as specified above.

Analysis of when trade and other payables fall due is provided in note 15.

Market and currency risk

SLC does not borrow or invest funds. Financial assets and liabilities are generated by day to day activities and are not held to manage the risks facing SLC in undertaking its activities.

The financial statements are presented in 'Pound Sterling' (£), which is SLC's functional and presentation currency. SLC does not ordinarily enter into foreign currency transactions.

	2018	2018	2017	2017
	Book Value	Fair Value	Book Value	Fair Value
	£000	£000	£000	£000
Trade receivables	13,081	13,081	9,423	9,423
Cash and cash equivalents	12,450	12,450	16,634	16,634
Trade payables due within 1 year	67,641	67,641	52,295	52,295
Trade payables due after 1 year	77,410	77,410	67,143	67,143

The carrying value approximates to the fair value due to the short maturity of the instruments.

06.8 Notes to the Financial Statements

13. Trade and other receivables

	2018	2017
	£000	£000
Balances with central government bodies	4,445	1,968
Other trade receivables	936	1,525
Prepayments and accrued income	7,700	5,930
	13,081	9,423

14. Cash and cash equivalents

	2018	2017
	£000	£000
Balance at 1 April	16,634	16,373
Net (decrease)/increase in cash and cash equivalents	(4,184)	261
Balance at 31 March	12,450	16,634
The balances at 31 March were held at:		
Government banking scheme accounts	12,442	16,629
Cash vouchers	8	5
	12,450	16,634

At 31 March 2018 £101,729,000 (2017: £46,745,000) was held in trust on behalf of third parties.

The increase in the balances held relates to the timing of cashflows to cover student payments that were paid in early April 2018.

15. Trade and other payables

	2018	2017
	£000	£000
Amounts falling due within one year:		
Trade payables	1,200	4,646
VAT	4,167	2,894
Other taxation and social security	1,804	1,492
Accruals and deferred income	18,030	16,965
Deferred capital receipts	42,440	26,298
	67,641	52,295
Amounts falling due after more than one year:		
Accruals and deferred income	653	791
Deferred capital receipts	76,757	66,352
	77,410	67,143

16. Deferred capital receipts

	2018		2017	
	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
	£000	£000	£000	£000
At 1 April	75,524	17,126	45,800	15,288
Receivable for the year	48,019	4,503	41,237	7,573
Credited to Statement of Comprehensive Income:				
- Amortisation and depreciation	(20,836)	(5,128)	(11,513)	(5,670)
- Disposals	-	(11)	-	(65)
At 31 March	102,707	16,490	75,524	17,126

06.8 Notes to the Financial Statements

17. Provisions

	Severance	Legal Claims	Dilapidations	Total
	£000	£000	£000	£000
At 1 April 2017	326	230	4,883	5,439
Arising in year	41	160	654	855
Amounts utilised	(296)	-	-	(296)
Amounts reversed unutilised to the Statement of Comprehensive Income	(30)	(230)	(429)	(689)
Amounts reversed unutilised to the Statement of Financial Position	-	-	(618)	(618)
At 31 March 2018	41	160	4,490	4,691
Amounts falling due within one year	41	160	-	201
Amounts falling due after one year	-	-	4,490	4,490
	41	160	4,490	4,691

The provision for severance at 31 March 2018 represents the estimated severance costs arising in the year ended 31 March 2019.

The provision for legal claims represents the estimated settlement cost to SLC for ongoing legal actions against SLC. The provision has been made on the basis of the best estimate, based on the value of the claims made and the circumstances surrounding the claims. The claims are still ongoing and anticipated that they will be settled by 31 March 2019.

The provision for dilapidations represents the estimated settlement cost to SLC of the dilapidations clauses included in its property leases. These costs are expected to be incurred on the termination of the property leases as follows: £90,000 in August 2019, £751,000 in April 2023, £3,392,000 in December 2023 and £257,000 in August 2025. The provision has been made on the basis of the best estimate using independent professional assessments.

18. Retirement benefit obligation

SLC operates the Student Loans Company Limited Retirement & Death Benefits Scheme for all permanent staff which is a defined benefit scheme that provides benefits based on final pensionable salary. The assets of the scheme are held separately from those of SLC, being invested by the Trustees of the scheme.

SLC contributes 27.1% to the pension scheme, after agreement with the Trustees in January 2015, to address the current and future deficit of the scheme.

	2018	2017
	£000	£000
Change in benefit obligation		
Benefit obligation at beginning of year	148,374	100,732
Service cost	9,874	5,474
Interest cost	3,829	3,693
Plan participants' contributions	1,623	1,437
Actuarial (gain)/loss	(14,730)	39,112
Insurance premiums for risk benefits	(247)	(238)
Benefits paid	(2,187)	(1,836)
Benefit obligation at end of year	146,536	148,374
Change in plan assets		
Fair value of plan assets at beginning of year	107,467	85,054
Interest Income	2,919	3,318
Employer contributions	11,050	10,361
Plan participants' contributions	1,623	1,437
Actuarial gain	3,336	9,832
Insurance premiums for risk benefits	(247)	(238)
Benefits paid	(2,187)	(1,836)
Administrative expenses	(652)	(461)
Fair value of plan assets at end of year	123,309	107,467
Amounts recognised in the Statement of Financial Position		
Present value of funded obligations	146,536	148,374
Fair value of plan assets	123,309	107,467
Deficit for funded plans	23,227	40,907
Net liability	23,227	40,907
Amounts in the Statement of Financial Position		
Liabilities	23,227	40,907
Assets	-	-
Net liability	23,227	40,907

06.8 Notes to the Financial Statements

18. Retirement benefit obligation (continued)

	2018		2017	
	£000	£000	£000	£000
Components of pension expense				
Current service cost recognised within staff costs		9,874		5,474
Interest cost	3,829		3,693	
Interest (income) on plan assets	(2,919)		(3,318)	
Total net interest cost		910		375
Administrative expenses		652		461
Defined benefit cost included in Statement of Comprehensive Income		11,436		6,310
Remeasurements (recognised in other comprehensive income)				
Effect of changes in demographic assumptions	(5,390)		(5,035)	
Effect of changes in financial assumptions	(9,340)		46,333	
Effect of experience adjustments	-		(2,186)	
Return on plan assets (excl interest income)	(3,336)		(9,832)	
Actuarial (gain)/loss immediately recognised		(18,066)		29,280
Total recognised in the Statement of Comprehensive Income		(6,630)		35,590

Defined benefit obligation	2018	2017
	£000	£000
Actives	92,194	90,639
Vested deferrals	40,420	44,002
Retirees	13,922	13,733
Total	146,536	148,374

Plan assets	2018	2017
	£000	£000
Amounts included in the fair value of assets for:		
Equity instruments	23,689	37,945
Debt instruments	71,934	43,970
Cash and cash equivalents	4,461	1,277
Property	10,205	9,315
Diversified growth fund	13,020	14,960
Total	123,309	107,467

The fair value of plan assets with a quoted market price is as quoted above for fair value assets. There are no amounts invested in SLC's own financial instruments.

Weighted average assumptions used to determine benefit obligations at:	2018	2017
Discount rate	2.70%	2.60%
Rate of compensation increase	3.00%	3.10%
Rate of increase of pensions in payment	2.80%	3.00%
Rate of price inflation (RPI)	3.00%	3.10%
Rate of price inflation (CPI)	2.00%	2.10%
Deferred pension increase rate	2.00%	2.10%

Weighted average life expectancy for mortality tables used to determine benefit obligations at:	2018	2017
Male member age 65 (current life expectancy)	20.6	20.8
Female member age 65 (current life expectancy)	23.1	23.5
Male member age 45 (life expectancy at age 65)	21.7	22.3
Female member age 45 (life expectancy at age 65)	24.6	25.4

Weighted average assumptions used to determine pension expense for year ended:	2018	2017
Discount rate	2.60%	3.70%
Rate of compensation increase	3.10%	2.90%
Rate of increase of pensions in payment	3.00%	2.90%
Rate of price inflation (RPI)	3.10%	2.90%
Rate of price inflation (CPI)	2.10%	1.90%
Deferred pension increase rate	2.10%	1.90%

Sensitivity analysis:

Statement of Financial Position

The funded status of the Scheme and the amounts recognised as a Company liability at 31 March 2018 are compared to the corresponding amounts with a 0.25% p.a. reduction in the discount rate, a 0.25% p.a. increase to the inflation rate (RPI) and a reduced 1 year of assumed life expectancy as shown in the following table. Each change is shown independently with all other assumptions held constant.

	31 March 2018			
	Preliminary	Discount	Inflation	Life Expectancy
Discount rate	2.70%	2.45%	2.70%	2.70%
Inflation (RPI)	3.00%	3.00%	3.25%	3.00%
Inflation (CPI)	2.00%	2.00%	2.25%	2.00%
	£000	£000	£000	£000
Benefit obligation	146,536	157,635	154,558	152,065
Fair value of plan assets	123,309	123,309	123,309	123,309
Net liability recognised	23,227	34,326	31,249	28,756

06.8 Notes to the Financial Statements

18. Retirement benefit obligation

Statement of Comprehensive Income

The preliminary estimate of the pension expense for the financial year to 31 March 2019 is, compared to the corresponding amounts with a 0.25% p.a. reduction in the discount rate, a 0.25% p.a. increase to the inflation rate (RPI) and a reduced 1 year of assumed life expectancy, shown in the following table. Each change is shown independently with all other assumptions held constant.

	31 March 2019			
	Preliminary	Discount	Inflation	Life Expectancy
	£000	£000	£000	£000
Current service cost	8,826	9,678	9,580	9,188
Interest cost	3,926	3,834	4,143	4,075
Interest (income) on scheme assets	(3,470)	(3,149)	(3,470)	(3,470)
Administration expenses	610	610	610	610
Total	9,892	10,973	10,863	10,403

History of defined benefit obligations, assets and experience gains and losses

	Financial year ending in				
	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Defined benefit obligation	146,536	148,374	100,732	103,477	76,282
Fair value of plan assets	(123,309)	(107,467)	(85,054)	(80,377)	(59,685)
Deficit	23,227	40,907	15,678	23,100	16,597

Contributions

SLC expects to contribute £11,780,000 to its pension plan in the financial year ending 31 March 2019.

19. Financial Commitments

SLC has commitments under non-cancellable operating leases as set out below:

	Land and building		Other	
	2018	2017	2018	2017
	£000	£000	£000	£000
Operating leases amounts falling due:				
Within one year	3,858	3,731	-	3
In the second to fifth years inclusive	13,753	5,763	-	-
In over five years	1,945	1,447	-	-
	19,556	10,941	-	3

The operating leases in respect of the land and buildings are guaranteed by the Secretary of State for Education.

SLC may renew operating leases for land and buildings, specifically for the premises in Glasgow City Centre, Glasgow Hillington and Darlington. Leases have been entered into where the term end date is December 2023 for Glasgow City Centre, August 2025 for Glasgow Hillington and April 2023 for Darlington.

Contingent rent payable in the year ended 31 March 2018 totalled £nil (2017: £nil). No contingent rent is payable on any future financial commitments as at 31 March 2018.

There are no restrictions imposed by any of the above financial commitments.

At 31 March 2018 SLC had placed contracts for the purchase of fixed assets totalling £1,513,628 (2017: £460,396) and intangible assets totalling £1,270,014 (2017: £378,717).

20. Called up share capital

	2018	2017
Authorised		
200 ordinary shares of 50p each	100	100
Allotted, called up and fully paid		
20 ordinary shares of 50p each	10	10

06.8 Notes to the Financial Statements

21. Controlling parties

SLC is owned by the Secretary of State for Education, the Welsh Ministers, the Scottish Ministers and the Minister for the Economy in Northern Ireland.

22. Related party transactions

SLC is a Non-Departmental Public Body ('NDPB') which is funded by the bodies detailed in note 1. Those funding bodies are therefore regarded as related parties.

During the year, SLC had various material transactions with the above departments. The Grant-In-Aid funding received is detailed in note 2.

Dependants of directors, executive management and staff, who are students, are eligible to participate in the student loans scheme on exactly the same terms and conditions as are available to other students.

During the year, the Non-Executive and Executive members of the Board held positions with higher education institutions which SLC transacts with for student funding or bodies which are closely associated with higher education.

- The Chairman, Mr Christian Brodie, holds the positions of Chair of Council and Pro Chancellor at the University of Sussex and the Chair of the Universities and Colleges Admissions Service (UCAS) Council. He is a Board Member of the University, College Employers' Association and he is a member of both the Financial Sustainability Strategy Group of the Higher Education Funding Council for England (HEFCE) and the Governor Advisory Forum of the Leadership Foundation for Higher Education.
- The Interim Chief Executive Officer, Mr Peter Lauener, is a Non-Executive Director of the Newcastle College Group.
- Ms Natalie Elphicke is an independent member of the Audit and Risk Committee at DfE and her husband is a member of the UK Parliament, and sits on the Treasury Select Committee.
- Ms Sally Jones-Evans held the position of Member of the Financial and Professional Services Advisory Panel to the Welsh Government.
- Mr Simon Devonshire, OBE, was the Entrepreneur in Residence with the Department for Business, Energy and Industrial Strategy.
- Ms Mary Curnock Cook holds the positions of Chair of Governors of Kensington and Chelsea College and a Council Member of the Open University.
- Prof. Andrew Wathey, CBE, is Vice Chancellor and Chief Executive Officer of Northumbria University and a Council Member of the All-Party University Group.

In addition to the above related party disclosure, a register of interest for Non-Executive and Executive Directors is held by SLC and is available upon request.

23. Statement of loans administered by SLC

Funding for the purpose of making loans to students is received by SLC from the Department for Education, the Welsh Government, the Scottish Government and the Department for the Economy in Northern Ireland.

As at 31 March 2018 the total balance of the loan portfolio administered by SLC on behalf of the funding bodies was £117,795,036,000 (2017: £101,231,823,000), which excludes all non-repayable student support.

Independent Assessors' Report

07

Introduction

There are currently eight Independent Assessors (IAs) appointed by the UK and Welsh Governments to consider appeals and complaints by student finance customers. This is our annual report to those Governments for the financial year 2017-18 and covers cases on which we have reported in the twelve months to 31 March 2018. It sets out the background to our work and the role we play, describes our caseload during the year, and draws out some themes from it. The report then refers to the role of ombudsmen in considering Student Loans Company (SLC) cases and concludes with some recommendations.

Background

Four IAs were appointed in May 2009 for a three year term, which remains the SLC standard. All four were reappointed in 2012. Two temporary IAs were appointed in December 2014 to help with an increased caseload and served until June 2015. Six further IAs were appointed in May 2015 and worked alongside two of the original IAs who were reappointed for a third term. The six most recently appointed IA's were reappointed in 2018 for a further 3 year term and the original 2 IA's reappointed for a further 1 year term.

Our appointments are statutory and are made under s23(6) of the Teaching and Higher Education Act 1998. Complaints about the older mortgage style loans, which have now been transferred to the private sector, may be referred to us if they do not fall within the remit of the Financial Ombudsman Service. In AY14/15, our remit was extended to include appeals from Student Finance Wales and this report includes our work on those cases. Student finance customers have access to an IA if they remain dissatisfied after two formal stages of appeal or complaint within the SLC.

Our recommendations are binding on the SLC unless it is directed otherwise by a Secretary of State or Welsh Minister. During the course of the FY16-17 responsibility for the SLC and for our appointments within the UK Government passed from the former Department for Business, Innovation and Skills (BIS) to the Department for Education (DfE).

Each report is the responsibility of an individual IA but we operate a routine system of peer review to provide comments on emerging findings and encourage a broad consistency of approach.

In particular cases the SLC may supply a summary of the appeal to the relevant Department when it is referred to us. This provides officials with an opportunity to submit written comments if they consider that there are particular legal issues or policy guidance they would wish to bring to our attention. We have not been given written comments in this way in any case in AY17/18. We did however receive one set of written submissions from the DfE after the publication of a report with a request to review the report. This is a practice we would discourage since it would be contrary to all notions of natural justice were we to consider such representations without re-opening the process and inviting further representations from the appellant/complainant. Were we to adopt such a procedure then it would inevitably lead to the potential for yet further argument by a disappointed party. In our view there must be finality to the process and the appropriate time to make representations by any party is before work commences on the report.

In the event that officials disagree with our recommendations to the SLC, they advise Ministers accordingly, who then decide whether or not those recommendations should be implemented. We routinely explain the provisional status of our recommendations to every appellant and complainant. In FY17-18 recommendations by IAs were rejected in this way by the DfE on 9 occasions and by the Welsh Ministers on 2 occasions.

In our reports we make recommendations to address the specific circumstances of the case and also with respect to any more general issues arising from our analysis. We meet regularly with SLC and departmental staff to review the complaints and appeals caseload and how our reports have been handled, and are briefed on relevant administrative developments and policy proposals. Our remit does not extend to the policy underlying the SLC's decisions and in deciding appeals we are bound to accept the provisions of the regulations as they stand. However, our reports may sometimes lead to reconsideration of the wording of the regulations or accompanying guidance, if, for example, a particular case highlights some ambiguity.

We have continued to receive excellent support throughout the year from the SLC Independent Assessors Liaison Officer, and we would like to express our thanks for her invaluable input and for help from her SLC colleagues.

Caseload

The SLC has separate channels for handling appeals and complaints. An appeal is a formal request for a review of a decision, as to entitlement to support or regarding the level of funding awarded. It will usually involve a contention that the regulations have not been applied correctly. A complaint is any expression of dissatisfaction with the service which the organisation has provided.

The appointment of six new IAs in 2015, bringing the total number to eight, substantially increased capacity and output. It also had a significant effect on the timescales for completion of cases. In 2015, when the situation was at its worst, there were delays of eight months, from request for escalation at stage three, to the file being sent to an IA. That delay was reduced to two months but it has increased again during the previous year and indeed this year. As at the end of March 2018 there were 23 Appeals and 53 Complaints awaiting allocation to an IA with a waiting time of 3 and 4 months respectively.

Appeals

During the year we have reviewed 110 appeals although 1 was withdrawn shortly after allocation to an IA. A comparison with the preceding years may be seen in the tables below:

Year	SLC Decision Upheld	Appeal Upheld	Total
FY 17-18	81	28	110 (1 withdrawn)
FY 16-17	89	19	108
FY 15-16	47	15	62
FY 14-15	48	6	54
FY 13-14	38	9	47
FY 12-13	58	6	65 (including 1 referred back to the SLC)
FY 11-12	39	10	49
FY 10-11	34	25	59

Within the FY17-18 figures, 4 appeals were Welsh cases, none of which were upheld.

The number of appeals dealt with has remained at the same level as the previous year. The table below sets out the broad categories of appeal with comparable figures for previous years where available:

Subject matter	12-13	13-14	14-15	15-16	16-17	17-18
Unfitted	19	13	7	15	39	43
Previous study/ ELQ	11	10	9	10	14	9
Residency	8	10	13	17	26	24
Overpayment/Repayment	8	1	1	1	1	1
Funding entitlement	5	6	12	7	7	9
Migrant Worker	4	2	3	2	6	5
Postgraduate loan	n/a	n/a	n/a	n/a	6	9
Other	10	5	9	10	9	10
Total	65	47	54	62	108	110

Within the FY17-18 figures in so far as Welsh cases were concerned there was one case in each of the Migrant Worker, Residency and Funding entitlement categories.

In considering an appeal IAs will sometimes also address service issues which have arisen in the handling of a case. In FY17-18 recommendations were made in seventeen cases for the offer of an ex gratia payment. The total amount recommended for payment in these cases was £5,275.

There are a number of issues which have arisen in appeals which we have considered this year which we would like to highlight:

a. **The Three Year Residency Requirement –** We commented last year on how this requirement had resulted in a significant numbers of appeals. We have once again seen the same issue arising and as such repeat our observations.

b. **Residency/ELQ/Previous Study –** a recurring theme, albeit on a small scale, involves those cases where the SLC have asked for say further information in relation to an applicant's residency, but a little deeper investigation would have revealed that because of previous study or an Equivalent Level Qualification they would not be eligible or eligible only for limited funding. We recognize that SLC will need to have robust systems in place for dealing with the huge number of applications it receives each year, but perhaps consideration might be given to identifying those potential cases where this eventuality might arise and dealing with them in a more bespoke manner in order to avoid any inevitable delay and frustration.

c. **Postgraduate Loans –** we have seen a continuation of inaccurate advice being given to some students in relation to the new postgraduate loans introduced in England for the AY16/17.

d. **Students Unfitted for Support -** we have seen a continuing rise in the number of cases where students have been found to be unfitted for support following investigation of suspected fraud. We would repeat the observations we made last year that to make a finding that a student is unfitted for support and going forward, is a heavy sanction and in our view ought to be applied in only the most obvious of cases. In the main such a sanction has been quite properly justified but we have seen cases where it has appeared to us that there ought to have been deeper consideration as to the specific circumstances of the case. There was, albeit in only a small number of cases, a too heavy reliance upon the view of a child care provider without more detailed investigation with the member of staff concerned.

e. **Evidence Disclosure –** we have had some concern over the disclosure, or perhaps non-disclosure of documentation in a small number of cases. We have seen the Counter Fraud Service (CFS) rely on such evidence, for example from childcare establishments, public authorities, and medical practices, which is then not disclosed to the student other than by a reference to it in a telephone interview. Failure to disclose such evidence is likely to breach the basic principles of natural justice since the student will not have the opportunity to make an informed response. We have seen that CFS have on occasion advised the student to make a SAR request for such information but in our view that is not an appropriate response when the issue has arisen in the course of an appeal or complaint. Having made a decision in reliance upon evidence it is incumbent on the SLC to disclose that very evidence in our view, without placing a further procedural hurdle in the way.

Complaints

This year we have reported on 191 complaints, including 10 from Wales. The number of complaints reported on by IAs in FY17-18 has risen by almost 10% from the previous 2 years. (As noted above, there is currently a backlog of cases awaiting allocation to IAs and the SLC prioritise appeals over complaints in the allocation process.) The table below shows the comparative numbers of complaints reported on each year:

FY 17-18	191
FY 16-17	174
FY 15-16	172
FY 14-15	103
FY 13-14	119
FY 12-13	92
FY 11-12	51
FY 10-11	14

Many complaints have a range of issues within them. A report in such cases will therefore review a number of issues and may contain findings adverse to the SLC on only some of the issues raised. For this reason it is difficult to describe complaints as being upheld, either in full or in part. The table below shows the complaints by categories used by SLC when the complaint is first registered:

Subject matter	13-14	14-15	15-16	16-17	17-18
Processing	55	31	97	74	100
Grant overpayment	20	26	3	5	5
Advice given	19	9	37	23	29
ICR	15	23	18	47	36
Other	10	14	17	25	21
Total	119	103	172	174	191

Within the FY17-18 figures 9 of the complaints in the 'processing' category and one in the 'advice given' category were Welsh cases.

In FY17-18 recommendations were made in 146 cases for the offer of an ex gratia payment. The total amount recommended for payment in these cases was £34,025.58.

As IAs we are very conscious that we only see an unrepresentative sample of some of the worst cases. Many millions of customers will have received a satisfactory service from the SLC. The great majority of the small proportion of customers who are moved to make a complaint are satisfied with the response they receive at the first or second stage of the internal system. This obviously limits our ability to draw any general conclusions about customer experience. We would also wish to acknowledge that, even within the sometimes deficient cases which we see, there are often encouraging examples of good practice – from patient call handlers doing their best to help sometimes difficult customers, to clear and open explanations from customer relations officers seeking to find a satisfactory remedy.

A number of the issues from complaints to which we want to refer this year have been raised in earlier annual reports, although we have identified others:

a. **System Improvements –** We have seen a number of cases wherein the SLC have reassured complainants that they are actively looking at system improvements so as to allow for electronic communication. Whilst recognising that changing or adapting existing electronic systems is not an easy task, we would support such a move at the earliest possible opportunity. Allowing for electronic communication is likely to reduce and hopefully eliminate the existing frustrations.

b. **Documentation –** We have noted there has at times been a reluctance on the part of the SLC to provide copy documents to customers. In our view if such documents are being relied upon in making a determination upon a student's application, or upon their credibility or honesty, such documents must be disclosed, since failing to do so breaches every aspect of fairness. However where such documents are irrelevant to the issue under appeal or complaint we agree that the SLC should be cautious in their approach to such disclosure requests.

c. **Process Adherence –** We have noted that on occasion there has been a tendency for the SLC to stick blindly to a process which doesn't necessarily follow the Regulations or isn't always applicable to every situation. As an example we recently saw an overseas student whose last 3 months payslips were used to find their annual income on the basis that the 3 month average multiplied by 12 formula would suffice, but in their particular case they did not work a full 12 months since their contract was for 9 months only.

d. **Call Handling -** We have once again seen good examples of call handlers exercising considerable professionalism, patience and tolerance, often in the face of extreme rudeness and hostility. Unfortunately, there have been occasions where once again we have seen a call handler straying into an area in which they are having to make educated guesses and going on to lead a student into believing that funding would in fact be available for them, when it later transpires that it is not. Whilst generally a warning is given that a student should not rely on the advice being given and that they should await a formal written notification following assessment, we feel that perhaps this might need to be emphasised going forward.

e. **Restarting of Salary Deductions –** we would repeat the comments made last year although we recognize that there has been improvement in this area.

f. **Delayed Escalation Of Complaints -** this issue has once again arisen and has led some customers to make further complaint. Ancillary to this is SLC's practice to sometimes not escalate a complaint when they receive a request to do so, but rather issue a further response at stage 1 or 2. On occasions this is clearly spelled out but on others it is not, and the student receives simply a further written explanation. Whilst we recognise the need and logic to avoid escalation where and when appropriate, especially when new issues are raised by the student, we feel greater clarity ought to be given as to the approach SLC will take, before in fact they take it.

We also feel it is worth noting again that the practice of routinely asking a complainant to restate their concerns continues. In our view this more often than not simply inflames an already deteriorating situation, and given that the IA will invite further comments from the complainant when first contacting them, we see it as an unnecessary step.

g. **Discretion -** the issue of whether the SLC do or do not have discretion in certain circumstances continues to raise its head. In short terms the SLC will quite often suggest that no such discretion exists on a particular point, when in fact that is simply not correct. We have noted previously that there has existed a discretion to the Secretary of State although it may not have been delegated to the SLC. In such cases that should be clearly stated. We also noted, in relation to a Student Finance Wales (SFW) student's claim for DSA, SFW had stated it had exercised its discretion when taking over responsibility from the Local Education Authority (LEA) to allow the LEA's previous policy of not recovering the public transport costs from a travel grant to continue over a transitional period. To our minds the authority for such discretion was not immediately apparent.

Parliamentary and Health Service Ombudsman (PHSO) and Public Services Ombudsman for Wales (PSOW)

The PHSO provides an opportunity for customers who are dissatisfied with the outcome of the three stages of the complaints or appeals process to seek a review through referral by their MP. It is worth noting that, contrary to some customers' expectations, the Financial Ombudsman Service (FOS) does not have jurisdiction in relation to the SLC's caseload save with respect to a narrow area of complaints between 1/4/2007 and 30/3/2015 in relation to Mortgage Style loans.

The PHSO has requested information from SLC in 13 cases in FY17-18, confirming full investigation of 11 cases. During the same period they have also reported, after investigation, on 8 cases, some of which began earlier. In these reports the complaints were not upheld in 5 cases, and partly upheld in 3. Where a complaint was upheld in full or in part the PHSO required SLC to take further steps in the form of providing additional explanation or offering a higher ex gratia or consolatory award than the IA had recommended. We have routinely been kept informed of the reports of the PHSO by the SLC in the past year.

The PSOW has requested information from the SLC in 10 cases in FY17-18 and have investigated none.

Recommendations

On the basis of our experience this year, our recommendations are as follows:

a) further consideration be given to improving electronic communication for appellants and complainants

b) that any evidence upon which a decision is based is disclosed to an appellant/ complainant upon request and without advising that a SAR request must be made

c) consideration be given to tailoring the assessment process in an attempt to avoid unnecessary delays when eligibility might be determined more swiftly otherwise

June Brown
Emma Davy
Deborah Gibson
Joanna Grice
Michaela Jones
Naseem Malik
Jonathan Willis
Peter Wrench

Independent Assessors
9th April 2018

SLC

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