Student Loans Company

Annual Report 2015-16

We enable our customers
to invest in their futures by delivering
secure, accurate and
efficient assessment, payment
and repayment services

SLC Mission Statement

Contents

01 Chairman's Statement

Christian Brodie, Chairman

The financial year ended 31 March 2016 was a challenging one for the Student Loans Company (SLC) and I am pleased to be presenting a report showing how well the Company has risen to the challenges it faced.

In the lead up to, and immediately following, the 2015 General Election, there was a period of some months during which the policy landscape was understandably unclear.
The July Budget confirmed the new Government's priorities and it was only then that we were able to fully understand our 2015-16 commission and start our planning in earnest for what was the company's largest ever change programme.
I am delighted to report that excellent progress has been made across the board, notwithstanding the size of the programme and the later than usual start.

As we enter the 2016-17 year, we have already delivered against almost all of the agreed policy initiatives with the final key delivery being the launch of the new loan product to support those studying on Postgraduate Masters courses. This work is progressing well towards a planned launch in summer 2016.

As the results in this report show, that achievement has not been at the expense of our service delivery where, once again, we are maintaining our record of continuous improvement.

We have also been renewing a substantial part of the leadership of the Company culminating in the appointment of five new Non-Executive Directors. All of this has been delivered and managed in a way that I am confident will help secure a solid foundation for the organisation's future.

Looking ahead, the Government's White Paper "Higher Education: Success as a knowledge economy" published in May 2016 has implications for SLC relating to changes in tuition fee arrangements under the Teaching Excellence Framework, the introduction of the Office for Students, an alternative student finance offering and other areas. We are already engaging with the Department for Business, Innovation and Skills (BIS) and stakeholders across the Higher Education sector to work through delivery arrangements.

01

Chairman's Statement

"I am confident that SLC has the capability to meet the challenges that lie ahead"

As before, we will face the challenge of supporting these and other changes while, at the same time, continuing to improve our core services. As I review the year that has gone I am confident that the SLC has the capability to meet the challenges that lie ahead.

Last year I was pleased to update on the wide ranging review of corporate governance and the many initiatives instigated as a result. I am delighted that this year has seen the emphasis on good governance continue, particularly in light of the unique challenges and position held by SLC

Efforts on the part of SLC, BIS and the Devolved Administrations have sought to recognise the importance of SLC's robust governance foundation not only from a Board perspective, but also through creation of an SLC Shareholders Group and SLC Whitehall Group. These groups have been set up with the specific remit of formulating and agreeing the strategic direction of the SLC among the four Administrations and achieving UK Government consensus on all SLC functions, respectively. I am confident that these forums, working with the SLC Board, and the increased aligning of priorities and service delivery that they will facilitate, will benefit our customers and support our ongoing focus on continuous improvement of our governance framework.

At SLC, our Non Executive Directors are a vital part of the governance and oversight mechanisms within the organisation. During the year under review I, along with colleagues from our sponsor department in BIS and representation of the UK's Devolved Administrations, conducted an exercise to identify a new group of Non Executive Directors to replace those who were retiring having served their full terms. This exercise concluded on 31 March when the appointments of Antonia Cox, Simon Devonshire, Natalie Elphicke, David Gravells and Sally Jones-Evans were confirmed. I welcome the new Non Executive Directors and would also like to place on record my thanks to Willie Gallagher who retired at the end of March 2016 and to Rob Kennedy who retired at the end of June 2016. I would also like to add particular thanks to Michael Yuille who though due to retire at the end of March 2016, agreed to stay on until the end of June 2016 to ensure continuity and a smooth handover of the Chairmanship of both the Audit Committee and the Remuneration and Nominations Committee to the new incoming Chairs, Natalie Elphicke and David Gravells respectively.

01 Chairman’s Statement

In July 2015, Mick Laverty submitted his resignation as Chief Executive of SLC. Mick made an important contribution to the organisation during his three years as Chief Executive and, on behalf of the Board, I would like to place on record our thanks to him. Mick stood down as Chief Executive on 30th October 2015. The Board was pleased to appoint David Wallace as Chief Executive in November 2015, on an interim basis, to provide continuity during the search and selection process for a new permanent Chief Executive.

I am delighted to announce that Steve Lamey joined as SLC’s new CEO in June and I look forward to drawing on his experience gained in a long career at HMRC and in the private sector. Steve is well placed to build on the excellent operational performance delivered in the last financial year by a high performing team led by David Wallace. On behalf of the Board I would like to place on record my sincere thanks for the excellent leadership provided by David during his time as Interim CEO.

I am also grateful for the support of all of my Non Executive and Executive colleagues and the assessors and their colleagues from the four UK Governments. I am looking forward to welcoming and working with a new CEO and the new Non Executive Directors and guiding SLC to further success as we work to keep pace with the growth in Higher and Further Education across the UK.

Christian Brodie
Chairman, Student Loans Company

02 Interim Chief Executive's Foreword

David Wallace,
Interim Chief Executive

A Year of Challenge – A Year of Change

At the request of the Board, I became Chief Executive on an interim basis, of the Student Loans Company on the 1st of November 2015 following the resignation of the previous CEO, Mick Laverty. As Deputy Chief Executive since 2011 I was happy to agree to this interim arrangement to help provide continuity and leadership during the period until a new permanent CEO was appointed.

At the same time I committed to redoubling our efforts on a number of specific business priorities in the corporate and business plan. I worked closely with Mick for three years and the results that we are reporting this year very much reflect our collective drive and commitment to SLC and the important work it does.

Our commission from Ministers each year makes it very clear that the first priority for the SLC is the safe secure and efficient delivery of our core assess, pay and repay functions that underpin student finance services across the UK.

At its simplest, this means ensuring the right people get the right money at the right time. Our focus on this delivery is reflected in the results in this report which show that we have successfully processed and paid more student finance applications within the required timescales than in any previous year.

Customer satisfaction has risen again and the number of complaints received continues to fall. At the same time we have also become more efficient, with unit costs falling. This represents the latest year, in what is now, an extended trend of continuous improvement and it is gratifying to see the focus on customer service and the hard work to deliver this being so evident in reported results.

There has also been a renewed emphasis on repayments with our participation in the development of the Government's Joint Repayment Strategy announced in February. This set out how the Department for Business, Innovation and Skills (BIS), the Student Loans Company, HM Revenue and Customs (HMRC) and the Devolved Administrations of Wales, Scotland and Northern Ireland will work together to improve our capability to pursue outstanding student loan debt; better forecast future repayment and loan rates to set better targets; reduce operational costs and improve customer service for borrowers. We are already actively moving forward with the initiatives identified through development of this Strategy.

02

Interim Chief Executive's Foreword

I am writing to congratulate you and your colleagues on the successful launch of the Student Loans Company's full time higher education services to students for academic year 2016/17" Letter to David Wallace, Interim CEO from Jo Johnson, Minister for Universities and Science.

With assurance and support from BIS, the Cabinet Office and the Treasury, the Transformation Programme that commenced in 2013 was closed during the FY2015-16. The total amount spent on the Programme between its inception in 2013 and March 2015 was £48.8m and the predicted lifecycle benefits of the Programme, as validated by PricewaterhouseCoopers (PwC) are valued at £94.2m. These benefits are derived from a number of process and system improvements and its pleasing to see such a strong return on investment.

It was clear that formally closing the Programme would allow for a tighter focus on specific priority areas of investment required by the SLC and also in enabling the delivery of new key policy priorities announced by the new Government.

During 2015-16 we were able to deliver some significant improvements to our existing technology platforms and systems and to our operational processes, ensuring that these remain fit for purpose and capable of handling the increasing number of customer interactions we are being asked to deal with each year.

These initiatives included upgrades to our core systems and to our networks along with a successful data centre consolidation and migration providing greater resilience and lower costs.

Not withstanding the above, issues were identified with regard to progress on two projects. At the time of publishing this Annual Report, all works on these projects has stopped. The impact on the year under review is a charge of £12.3m, made up of the impairment of previously capitalised expenditure and costs incurred in the current financial year.

Completing these tasks and recognising the issues was important to help ensure the medium / long-term sustainability of our services and ensuring these projects were delivered on time and within agreed budgets was challenging and required the whole organisation to work together to play their part in the successful outcome.

Security was also a focus for attention during 2015-16 and we were able to make significant improvements to the physical security of our buildings. The growing cyber threat was also recognised through specific technical improvements and education and awareness programmes for all staff. We continue to take the threat of cyber security seriously and ongoing enhancements to protection for our customers and our staff will remain a focus for us in the coming year.

The ability of our teams to deliver these changes at a time when the policy change requirement from BIS and the Devolved Administrations has never been higher, is a testament to their hard work and commitment through the year. This was evident through the successful, on time, launch of the application cycle for Academic Year 2016/17 and it was gratifying to receive an acknowledgement of this achievement from Jo Johnson, Minister for Universities and Science in March of this year.

02 Interim Chief Executive's Foreword

"I remain convinced that we have to continue our quest to make SLC a great place to work as part of the ongoing drive to build sustainability into the ongoing improvement of our service"

We are looking forward to delivering another significant change programme during 2016-17 as more Government policy imperatives are implemented. In particular, we have worked very hard to be in a position to support the introduction of loans for postgraduate students in the summer of 2016, delivering one of the key policy priorities of the Government. Likewise, the planned sale of a portion of the income contingent loan book and other important changes make up another challenging programme, once again larger than ever before. I am confident that our experience gained through successful delivery in recent years will stand us in good stead for the work ahead.

One of my particular priorities when assuming the interim CEO role was to step up efforts to improve our staff engagement levels. This had been identified as an issue in our Corporate Plan and there has been a particular focus on improving staff communications. The Executive Leadership Team, supported by Corporate Communications have personally supported a number of specific initiatives as part of broader enhancements to our communication and engagement work.

The results so far are extremely pleasing with a significant increase in positive responses to a survey designed to assess staff views. As much as I am happy with the results to date, I know there is much still to be done.

Alongside this work, a new People Strategy was approved by our Board in February and this will become central to how SLC operates.

Finally, our success in delivering improved services and significant changes in the past year requires the whole organisation to work together and I want to acknowledge and thank my Executive colleagues, our managers and staff for their work to make this happen. I am also grateful to the Chairman and the Board for their support during my time as interim CEO.

It has been a challenging but rewarding period as we have worked through some big changes while delivering another year's successful service. I am looking forward to working with Steve Lamey as SLC's new CEO and helping him ensure SLC builds on this success in the coming year.

David Wallace
Interim Chief Executive

03 About the Student Loans Company

The Student Loans Company is a non-profit making Government-owned organisation set up in 1989 to provide loans and grants to students at universities and colleges across the UK.

03 About the Student Loans Company

About us

The Student Loans Company (SLC) is a non-profit making Government-owned organisation set up in 1989 to provide loans and grants to students at universities and colleges across the UK. We play 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 ensuring timely and accurate payments of tuition fee loans to HE and FE providers.

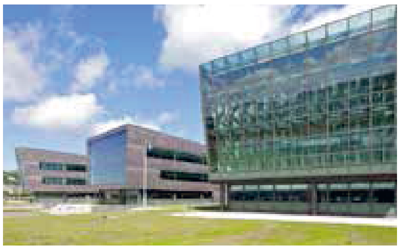
We do this by working with the Departments for Business, Innovation & Skills (BIS), Education and Lifelong Learning (DELL, Scotland), Education and Skills (DfES, Wales) and Employment and Learning (DEL, Northern Ireland), collectively the Administrations. We also work with the Student Awards Agency for Scotland (SAAS), Education and Library Boards in Northern Ireland, Higher Education and Further Education providers, HM Revenue & Customs (HMRC), HM Passport Office, Department of Work and Pensions (DWP) and other delivery partners.

SLC currently has over 2,600 full time equivalent employees located across four sites: Glasgow (city centre), Glasgow (Hillington), Darlington and Llandudno Junction.

Bothwell Street

Hillington

Darlington



Llandudno Junction

03 About the Student Loans Company

Primary Roles of SLC

The Student Loans Company administers Government funded loans and, for some Administrations, grants to HE and FE learners, on behalf of England, Wales, Northern Ireland and Scotland, in line with the policy aims of the relevant Administrations. We are required to:

- **Deliver appropriate information, advice and guidance to all customer groups at the right time and in the right form**
- **Deliver financial support to eligible students pursuing higher education in accordance with the student support regulations and relevant public policy objectives. In Scotland, this is done in partnership with the Student Awards Agency for Scotland (SAAS)**
- **Pay to Higher Education Institutions the public contribution towards tuition fees for England, Wales and Northern Ireland; and pay to Further Education institutions the public contribution for England**
- **Pay bursaries and scholarships on behalf of higher and further education providers**
- **Work in partnership with HMRC to ensure repayments are collected on time from all those due to repay under the Income Contingent Repayment Loan Scheme**
- **Manage the direct collection of voluntary additional repayments, repayments for those living overseas, and recovery of overpaid loans or grants**
- **Provide expert operational advice and high quality data and information to support Administrations' policy making and analysis**
- **Undertake specific tasks for individual Administrations, such as payment of Education Maintenance Allowances in Wales and Northern Ireland.**

03 About the Student Loans Company

Shared UK objectives

- Ensure payment of the right amount of support, to the right people at the right time
- In conjunction with HMRC, ensure repayment of the right amount of Income Contingent Repayment loan balances at the right time, minimising the cost to the taxpayer by reducing collection "frictions" which impact on the respective Resource Accounting and Budgeting charges for loans
- Provide a service designed to meet the needs of the customer, so that high levels of customer satisfaction are achieved for all customers at all stages of the customer journey
- Provide an efficient and effective service that delivers value for money for funding organisations and strikes a balance between cost and other success measures
- Use technology and improved business processes to streamline the student finance system, make service improvements and improve the customer experience
- Put in place measures to effectively prevent, detect and deter fraud
- Implement policy and operational change smoothly
- Sustain and improve current business processes and systems to ensure that they remain fit for the purpose of delivering student support until their replacement.

03

About the Student Loans Company

“Our Vision remains to be valued as a digital, customer-focused centre of excellence”

Our Vision, Mission and Values

Our Vision, Mission and Values are unchanged from last year and underpin the strategic direction for SLC, our core purpose and the values which shape our organisational culture and priorities.

Our Vision remains to be valued as a digital, customer-focused centre of excellence.

• Digital captures the transition we are making from being an organisation that relies heavily on manual processes to one that will, for most customers, be wholly automated and accessed via the internet or mobile devices.

• Customer-focused reflects our aspiration to provide a high quality service to our customers, whatever their needs and preferences, allowing them to transact their business with us — whether it’s accessing funding, making repayments or tracking their account — quickly, easily and conveniently. Customer feedback and requirements will shape the design of our systems and processes. It also marks our determination to get things right first time, so that we compare favourably with best-in-class customer service organisations.

• Centre of excellence looks to the future. We already have a wide range of in-house expertise in assessment, payment and repayment services.

As we replace our core systems, we will build the capacity to further develop this expertise, enhancing SLC’s growing reputation as a centre of excellence in these areas.

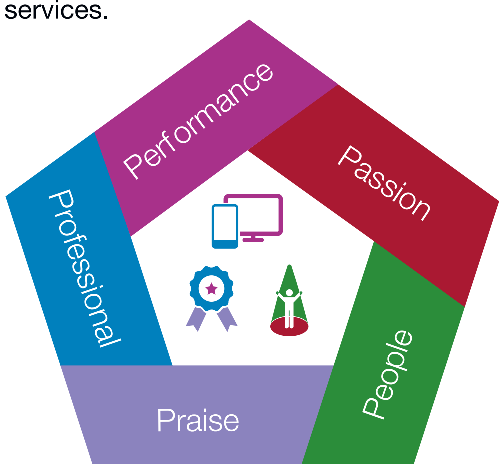
03 About the Student Loans Company

"to enable our customers to invest in their futures by delivering secure, accurate and efficient assessment, payment and repayment services"

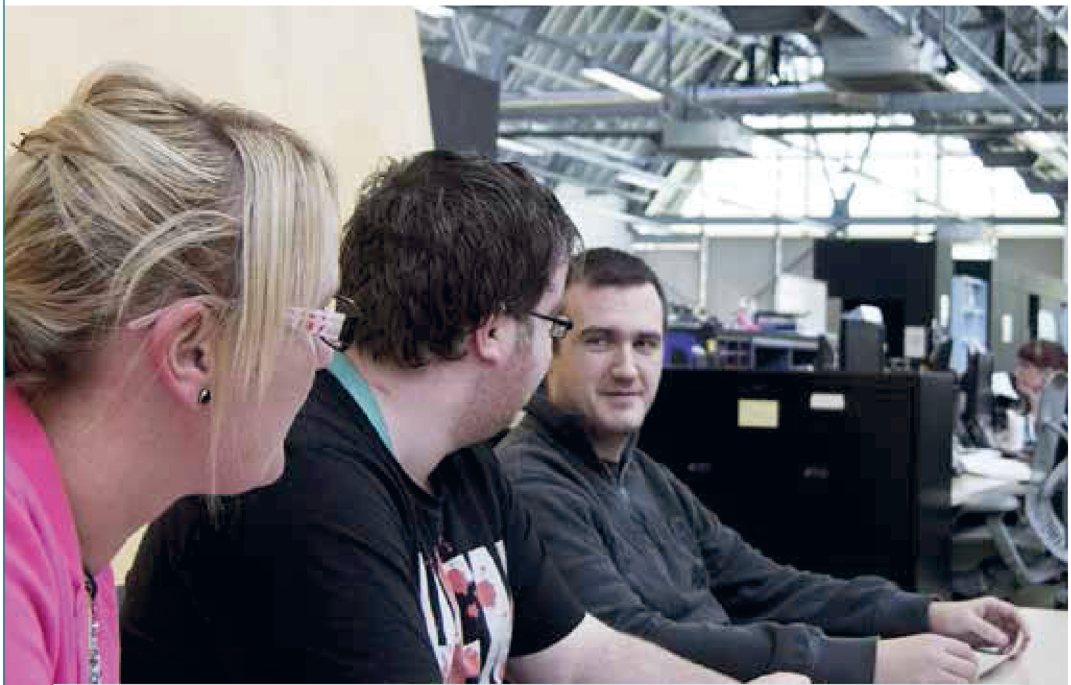
Our Mission remains to enable our customers to invest in their futures by delivering secure, accurate and efficient assessment, payment and repayment services. It sets out what we do, how we do it and why we do it. It describes our current remit – why we exist and what we are doing today, tomorrow and in the months ahead:

- What we do: we assess eligibility, we make payments and we provide repayment services for student finance. Everyone at SLC – whatever their role – is supporting these activities, even if they are not directly involved in providing them.
- How we do it: we focus on the need to do things right first time with minimum fuss, so that customers get what they need from us easily and effectively. Part of this is ensuring that we have the right balance between our back office support functions and our front office functions which directly deliver services to customers. This includes the need to deal with personal information carefully and sensitively.
- Why we do it: to provide finance to our customers to invest in their futures. We help them access funding to enhance their knowledge, improve their skills and increase their opportunities, consequently contributing to economic growth.

Our Values are set out in our 'Leading the Way' framework, shaping the attitude, approach and positive ways of working we seek to embed in our organisational culture. We invest in our people to enable them to deliver the best possible, customer-focused services.



04 Strategic Report



Our strategic priorities each year are described in our Annual Performance and Resourcing Agreement (APRA) and are focused on the safe and efficient delivery of student finance assessment, payment and repayment services (our Mission) and ongoing change programmes to support policy change in the four UK administrations.

Through these and other changes we aim to continue to increase digital delivery of services in a customer focused way, driving improved performance and building towards our Vision of being valued as a digital, customer-focused centre of excellence.

Notes to the Student Loans Company Strategic Report

• Principal risks and uncertainties are detailed in the Governance Statement shown on pages 47 to 61.

• 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 Business Innovation and Skills, where these go beyond the Companies Act 2006.

04

Strategic Report

04.1 Progressing towards our vision

"Our Vision is to be valued as a digital, customer-focused centre of excellence"

Building towards our vision

SLC with assurance from BIS, the Cabinet Office and the Treasury, began a Transformation Programme in 2013.

Working with our partners including BIS we continuously monitor our programmes and projects and subject these to review as necessary. After an internal review of the Transformation Programme in 2014, the Major Projects Authority (MPA) conducted a further review in early 2015, leading to a collaborative agreement between the MPA, BIS and SLC that the Programme should be brought to a close.

The MPA conducted a short exit review, completed in September 2015, and the Programme was formally closed.

It was agreed that formally closing the Programme would allow for a tighter focus on specific priority areas of investment required by the SLC.

In the two years of the Transformation Programme, significant progress was made in the improvement of underlying systems and in the efficiency of our customer service, all as described below. Audited reports produced as part of the closedown of the programme identify that £48.8m was spent on the programme delivering confirmed financial benefits of £94.2m.

Not withstanding the above, issues were identified with regard to progress on two projects. At the time of publishing this Annual Report, all works on these projects has stopped.

The impact on the year under review is a charge of £12.3m, made up of the impairment of previously capitalised expenditure and costs incurred in the current financial year.

A fundamental part of progressing towards our vision rests on our ability both technically and physically to maintain and enhance our current systems, at the same time as investing and deploying new systems to support new student finance products and continue to enhance our service offering to our customers.
In the financial year (FY) 2015-16 we updated our core ledger system, known as CLASS, by uplifting the database software to supported versions and enhancing the hardware, providing robust disaster recovery support. This provided stability to our core platform on which further enhancements can now be built.

To mitigate the risks identified around the SLC's disaster recovery capability we exited the Washington Street site in Glasgow and consolidated our data centre locations.

04

Strategic Report
04.1 Progressing towards our vision

We also carried out an extended audit of the existing IT estate, appraising its capacity and capability to support the SLC's current and likely future requirements. Considerable space and cost savings have been achieved as a result of removing some redundant IT equipment and by introducing new equipment with more processing capacity in smaller devices.

Through the Programme a number of improvements were made to our existing online services and new services were added. This resulted in SLC being the first Non-Departmental Public Body (NDPB) or Agency to have two live services accredited by the Government Digital Service. Reported improvements in customer satisfaction have arisen as a result of these improvements and the cost savings achieved are a key factor in the Programme benefits referred to earlier.

Our Security Programme has delivered a number of key enhancements designed to reduce the technical risks of loss or theft of customer or staff information. This has been combined with a comprehensive programme of staff awareness to ensure that there is an understanding of the risks in this area and the steps people can take to help mitigate these. We will continue to maintain a focus in this important area.

04.2 Delivering our mission

“Our Mission is to enable our customers to invest in their futures by delivering secure, accurate and efficient assessment, payment and repayment services”

Delivering our mission

Our Mission is to enable our customers to invest in their futures by delivering secure, accurate and efficient assessment, payment and repayment services.

Our performance is measured using a balanced scorecard constructed around key measures set out in the APRA. Further information on the balanced scorecard can be found on page 28.

The scorecard shows that FY2015-16 was another strong delivery year continuing the trend of improved year on year performance that has been evident throughout the past six years. Each year, our top priority remains the continued delivery of safe and secure student and learner finances, which is in line with the priorities set through the APRA by our sponsor department, BIS and the Devolved Administrations.

Each year, as well as our core ‘business as usual’ activities, we are required to deliver changes to enable policy changes introduced by BIS and the Devolved Administrations. This was particularly challenging for the FY2015-16. At the same time as delivering the work included in the Transformation Programme we were tasked with the implementation of policy changes for the academic year (AY) 2016/17 to the English HE and FE student support packages that were announced in the Summer Budget on 8th July 2015 with more detail following as part the Spending Review in Autumn 2015. Against a very tight deadline we were also able to put systems and processes in place to prepare for launch of the new Postgraduate Loans Product for Master’s qualifications in England for the AY 2016/17, as well as launching the AY2016/17 student finance service for full time higher education students on schedule in February 2016.

04

Strategic Report

04.2 Delivering our Mission

Process 1.8 million student finance applications per annum

Pay £7.1 billion in maintenance loans and grants and around £8.4 billion to learning providers in further and higher education

7.7m customers

Our services are now an integrated part of the HE and FE delivery landscape in the UK and as such we work closely with a range of organisations across these sectors. We work with 690 Higher Education Providers (HEPs), 580 Further Education Learning Providers and 450 Learning Centres and over 1,500 Information Advice and Guidance (IAG) delivery organisations to deliver a wide range of information, advice and guidance to all customer groups at the right time and in the right form. This year we expanded our IAG offering through these partnerships to include video and signed materials to ensure that we are not only meeting, but exceeding the requirements of the Equalities Act 2010.

Our partnership with HMRC continues to strengthen as we work together to ensure that repayments are collected on time from all those due to repay under the Income Contingent Repayment Loan Scheme. This will continue as we explore potential changes to the metrics and measures for repayments in the coming year.

The planned first sale of Pre-2012 Income Contingent Repayment Loans for England is expected in the 2016-17 financial year and much of the preparatory work is already in hand. A Government decision on whether to proceed with the first sale will be made in due course, subject to market conditions and value for money. We aim to provide appropriate support and information pre and post-sale, including keeping our customers informed of the changes.

Strategic Report

04.3 Managing our people

“We are building a workforce where people have the right skills and capabilities to deliver a digital, customer-focused centre of excellence”

Managing our people

In February 2016 our Board approved our People Strategy with the stated objective of making SLC an organisation that attracts, develops and retains talented people, treats them with respect, provides a great place to work, as part of a team, where people can use the skills they have and develop new ones for the future.

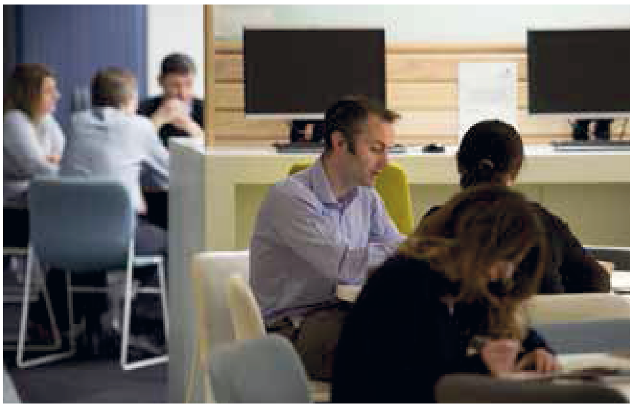
The People Strategy is built around a three year action plan focusing on five key areas:

- Organisation Design
- Resourcing and Sourcing
- Organisational Development & Capability
- Reward and Recognition
- Location

During the year over 500 people joined SLC to help us progress towards our Vision and deliver our Mission and over 350 individuals moved on to pursue their careers outside of the organisation. This is broadly in line with the turnover at other public sector bodies and we believe refreshing the employee resource through internal promotion and external recruitment enriches SLC and the service we deliver.

We are committed to investing in our people in order to deliver the best possible service for our customers.

We have invested in training and development of our staff with over 12,000 hours of operational training completed throughout this year. This covered new and enhanced policy, processes and systems, and involved development, through a variety of delivery methods including online, in-house and external provider training programmes. We have also completed leadership development programmes for around 35 of our senior managers and 17 management development events for the wider management population. Around 720 people attended external training events, an increase from around 520 in the previous year.



04

Strategic Report

04.3 Managing our People

A number of our professional employees undertook specific training and exercises through professional accreditation bodies including the Law Society of Scotland, the Institute of Chartered Accountants of Scotland, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Public Relations. This focus on Continuing Professional Development (CPD) ensures that our people can maintain and develop the skills necessary to carry out their duties and fulfil their potential.

There is still much to be done and efforts will continue in this important area under the auspices of the People Strategy.

SLC is proud to work with Investors in People to ensure our people practices meet their standards. We currently hold Silver Accreditation Status and will strive for Gold Accreditation, under their new framework, by the end of our next rolling review period, which is July 2018.

INVESTORS IN PEOPLE | Silver

For a variety of reasons we regularly face a requirement for specialised skills on a short term basis to help us move from our “as is” to the “to be” operating model.

While such assistance will always be required from time to time, one of the aims of our People Strategy is to upskill and inspire our employees to reduce our reliance on external resource in specialist areas.

Our business model for customer service, processing applications and repayments is the same as many other high volume organisations, requiring the ability to bring in temporary resource to work with as at our peak processing times. This year saw the successful onboarding of a new third party supplier Hinduja Global Solutions (HGS) to assist with the workload of the customer service centres, during peak periods. To ensure the highest standard of service is delivered to our customers, an extensive training and knowledge transfer exercise was undertaken involving SLC and HGS partners.

04

04.3 Managing our People

- Employees

1297 male · 1528 female

- Senior Managers

23 male · 18 female

- Directors (including Board members)

11 male · 5 female

Equality & Diversity

SLC is committed to making sure that equality, diversity and inclusion (EDI) is part and parcel of the way we provide services, employ our staff, develop policies, make decisions, consult and involve our partners and stakeholders in our work. EDI is at the heart of our business as a long term commitment within our People Strategy driven by the needs of our customers and employees.

Our refreshed Equality, Diversity and Inclusion Strategy was approved by the Board in March 2016. Along with the People Strategy, this is fundamental to how we will attract, recruit, and retain people with the skills and attitude required to progress towards our vision. The EDI Strategy will see the Company continue with developing our EDI message and activities across the business.The objectives and supporting actions described in the Strategy will create clear lines of accountability and responsibility for equality and diversity making sure that it is seen as an integral part of the management of the Company to ensure that our work reflects good equality and diversity in practice.

Both the People Strategy, and the EDI Strategy, include an action plan of activities and measurable results that we will use in the coming year to record our progress against those targets.

Communications and Engagement

A new Communications and Engagement Strategy was approved and launched in FY2015-16 and a corporate action plan developed. These addressed the disappointing results in our annual all staff survey “Your Voice” in the previous financial year and in a mid-year survey undertaken in the summer of 2015. The plan focuses on new engagement initiatives and improved communication channels. Progress against the plan is reported quarterly to all staff and published on the intranet. In March 2016 we asked all staff to take part in a pulse survey sentiment check to assess whether things were improving across the three key areas of weakness highlighted in the previous surveys: communication and engagement, Executive Leadership Team (ELT) visibility and recognition. The results showed that there had been significant improvement across all categories, especially communications/engagement and ELT visibility. The positive intent by the ELT to improve in these areas was recognised, especially in communications. Our People Strategy recognises the importance of engagement and while we were encouraged by these results, we see this as a ‘work in progress’ and expect this to be the subject of ongoing focus.

04

Strategic Report

04.4 Managing Public Money

Manage a loan book with a total gross value of £87 billion

Collect over £2.0 billion in repayments

Fraud prevention £15.7 million

Managing public money

We are required, as a public sector organisation, to deliver services within our agreed budgets and deliver value for money. We remain focused on working towards becoming a more efficient organisation and increasing the Repayments yield.

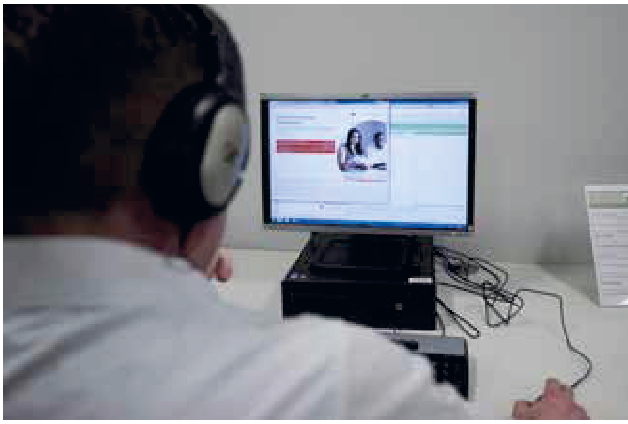
In the last year, SLC has again delivered very low error rates and improved fraud detection. At the same time, the costs of processing the applications has continued to fall in line with the trend established over the last few years. All of this was achieved while increasing customer satisfaction and reducing the number of customer complaints.

Collection of loan repayments, either via HMRC or through direct collection, and overpayments of loans and grants is a key priority for SLC. We placed renewed focus on this area, taking a harder line in collection of non-paying accounts including the use of external agencies. We also worked with BIS and HMRC to produce a joint Repayments Strategy which was formally launched by the Minister in February 2016.

We understand that fraud risk and associated threats are ever changing. A new structure implemented in Counter Fraud Services ensures that we can respond accordingly to minimise the impact and ultimately the opportunity for both fraud and error, by individuals and institutions. We have aligned a specialist investigation team and analytical capability to each area of the business, ensuring a focus on fraud prevention and detection across assess, pay and repay functions enabling SLC to take a targeted approach to identifying and preventing fraud. The team works with colleagues from across the business to ensure we respond to any potential threats which could result in losses. Those losses we seek to prevent include financial loss for our customers or the tax payer and the personal information we hold on behalf of our customers.

In FY2015-16, BIS made additional funding available to SLC following the review of our Repayment and Counter-Fraud strategies. This additional investment supported the detection and prevention of potentially fraudulent payments of £15.7m the equivalent of a Return on Investment of 19:1.

In FY2015-16, we secured in-year savings of over £6.2m. These savings arose from a range of ongoing operational efficiency initiatives.



04

Strategic Report

04.5 Performance

Sources of Funds and Process for Agreeing Funding

The SLC is funded primarily by Grant-in-Aid. In accordance with HM Treasury Consolidated Budgeting Guidance for the year ending 31 March 2016; this is all received directly from BIS as our sponsor department with responsibility for England. They receive the relevant apportionments from the other Devolved Administrations as listed below.

- Department for Education and Skills - Wales
- Student Awards Agency for Scotland
- Department for Employment and Learning - Northern Ireland

Grant-in-Aid funding is provided to cover expenditure for ongoing operational activities and the change programme including capital expenditure.

We apply for funding through an annual corporate financial planning cycle which forecasts funding requirements and culminating in an Annual Performance and Resource Agreement (APRA) letter confirming Grant-in-Aid available.

In the year ending 31 March 2016, income continued to be received from universities and colleges which have elected to have the Student Loans Company administer their bursaries and scholarship payments under our Higher Education Bursary and Scholarship Scheme.

Other funding is received from third parties in relation to contracts for administration of services to those parties and from recharging customers for certain debt recovery costs we incur.

04.5 Performance

Financial Management

During the year ending 31 March 2016, the Company delivered the majority of the objectives set out within the business plan and the targets set within the balanced scorecard, as set out on pages 28 to 34. Where this was not the case, there was continual discussion and collaboration with our shareholders during the year.

For the year ending 31 March 2016 our APRA allocation, which determines the total revenue and capital expenditure we can incur as measured by Government expenditure classifications, was £209.3m. This was revised mid-year to £183.1m. The financial year outturn was £180.4m, an underspend of £2.7m to the revised mid-year position.

	APRA £000	Revised budget mid-year £000	Outturn £000	Outturn variance to revised budget £000
Operating budget	128,672	120,942	119,137	1,805
Change programme	80,639	62,175	61,303	872
Total expenditure	209,311	183,117	180,440	2,677

04.5 Performance

Final Outturn	£000
Total expenditure per financial statements	139,408
Non Grant in aid income	(991)
Amortisation of deferred capital receipts	9,095
Capital additions - tangible	4,965
Capital additions - intangible	27,963
Total	**180,440**

Operating expenses showed an outturn of £119.1m against the £120.9m monitored budget, an underspend of £1.8m. This was mainly in relation to efficiencies in Customer Services as a result of improved processes and savings in professional services costs as we were less reliant on these services, although some initiatives have slipped into FY2016-17.

The change programme expenditure showed an underspend of £0.9m, with a £61.3m outturn against a monitored budget position of £62.2m. This was mainly due to delays within specific projects in achieving necessary approvals before work could commence, offset with the impairment charge resulting from a review of the carrying value of intangibile assets under construction. The impairment was against a distinct asset under development.

The decisions giving rise to these movements in both operational and change programme expenditure were taken in collaboration with our shareholders during the year.

The funding position is reported on a monthly basis to the Senior Management Team, Executive Leadership Team and the Board. Analysis of expenditure is provided monthly, split by operating, change programme and capital spend. In addition, detailed variance analysis is performed at directorate level and by expenditure type. Monthly re-forecasts are performed throughout the year.

The Student Loans Company continually strives to deliver quality products and services while exploring opportunities to lower unit costs where appropriate.

04

Strategic Report

04.5 Performance

Performance Measurement

The SLC measures performance through a Balanced Scorecard consisting of twenty-five measurements, grouped within the four main objectives of the company's Corporate and Business Plan for the FY2015-16. All of these measurements, along with their targets, were agreed by BIS and the Devolved Administrations, and set out in the APRA. Additional measurements and targets were agreed by the Board.The Balanced Scorecard is the Board's formal vehicle for monitoring progress against the Business Plan's performance targets, month by month. In addition, Ministers and BIS senior officials conduct formal quarterly reviews of SLC's performance against the Balanced Scorecard measures.

The final Balanced Scorecard report for the FY2015-16 again highlighted improved performance against our core assessment, payment and repayment services – for a sixth consecutive year. This has been achieved in the context of increased customer numbers. Additionally, 2015-16 was the first full year that we provided a full assess-to-pay service to both new and returning students in Wales.

Targets agreed with BIS and the Devolved Administrations – for speed and accuracy in assessing applications, for effectively answering telephone enquiries, for paying students and education providers on time, and for ensuring borrowers (both in the UK and abroad) repay their loans in accordance with their plan – were exceeded this year.

At the same time, our survey results show that customers' satisfaction with the overall quality of service that we provided them has again increased. This is true for all three main customer groups: applicants' satisfaction rose by 2.5% points this year, their parents' (or other sponsors) satisfaction is up by 5.7% points and the result for repayers also increased by 5.7% points.
The number of complaints we received has fallen by 10%, at the same time as the number of customers has risen: we dealt with 1.70 complaints per thousand customers this year, compared to 2.15 last year.

This has all been achieved against a background of major internal change, with substantial progress made on establishing a new Process Management Framework aimed at empowering senior managers to drive further continuous improvement throughout the organisation, and providing new ways of measuring our core processes specifically from our customers' perspective.

04 Strategic Report

04.5 Performance

There has also been significant upgrading of our IT systems and security this year. Key achievements include attaining Payment Card Industry certification, the migration of our data centre and improved disaster recovery capability.

We also delivered an extensive portfolio for our Government sponsors this year. Despite delays to receiving our formal commission, due to the UK General Election, we again successfully launched all application services for the new academic cycles on time, and are on track to launch FE services in May and Postgraduate Loans in June, as planned.

The challenges surrounding our plans to replace our core ledger system, CLASS, have been in part mitigated by the success of our project to secure our existing system on a more modern and supportable platform. Delays to our plans to fully replace our core ledger system has contributed a major portion of this year's underspend – budget variance being the solitary "red" in the end-of-year Scorecard report.

We exceeded our target of operational savings for every Directorate this year, recognising £6.2m in FY2015-16.

The final scorecard also shows a welcome improvement in Employee Engagement – albeit from a low base. The results of our "Pulse" survey in March 2016 showed that we are making good progress in improving communications and engagement. There is also a marked changed in the visibility and accessibility of the Executive Leadership Team with 55% answering 'ok' to this now, a shift from 29% previously.

Note that the GREEN, GREEN-AMBER, AMBER-RED and RED indicators in the tables that follow are assigned based on specific criteria as agreed in the measurement definitions.

These criteria are different for each measurement and there is no 'general rule' for the relationship between the green limit and the limits for the other statuses.

PROGRESSING TOWARDS OUR VISION

Objective 1: Progressing Towards Our Vision

Our vision is to be a valued as a digital, customer-focused centre of excellence.

	Title	RAG
1.1	Banking Platform	AMBER/ RED
1.2	Security Programme	GREEN/ AMBER
1.3	Benefits Realisation	GREEN
1.4	TOM and PMF	GREEN/ AMBER
1.5	Post Graduate Loans	GREEN/ AMBER
1.6	Digital Delivery	GREEN

- SLC's implementation of a replacement core ledger system continued this year during which time we launched a project to stabilise the existing system on a more modern and supportable interim technology platform. The project completed successfully in December 2015.
- The Security Programme achieved several key strategic milestones, including Payment Card Industry certification, and the implementation of a range of new infrastructure standards and tools.
- Benefits realised over the two years of the Transformation Programme were assured by PwC, the BIS Challenge Board and BIS Student Funding Partnership Group, amounting to an extrapolated £94.2m over the 10 year forecast benefits life-cycle.
- SLC made significant progress in establishing a new Target Operating Model and Process Management Framework which together aim to empower managers to drive continuous improvement, and provide new ways of measuring our core processes – "from the outside-in" – that is, from our customers' perspective.
- Some elements of the new Postgraduate Loans service for England are already live and we are on track to meet the main target launch date at the end of June 2016. Work has also begun on Postgraduate Doctoral Loans for England, as well as Postgraduate Loans products for Wales and Northern Ireland.
- Customer feedback has validated the improvements we are making to our digital application service. English and Welsh applicants scored our full time online application at 81.3% and 77.5% respectively (improved from last year by 4% points for England and by 6% points for Wales).

Objective 2: Delivering the Mission

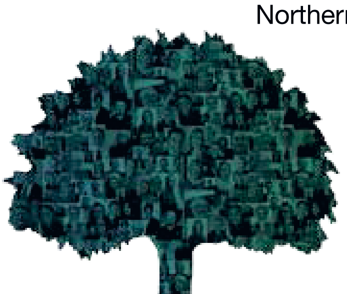
We enable our customers to invest in their futures by delivering secure, accurate and efficient assessment, payment and repayment services.

	Title	RAG
2.1	Customer Feedback and Complaints	GREEN
2.2	Assess to Pay Service	GREEN
2.3	Repayment Service	GREEN
2.4	Customer Contact Service	GREEN
2.5	ICT Network and Infrastructure	GREEN
2.6	Annual Change Programme	GREEN

- Surveys of SLC customers show that their satisfaction with the overall service that they received has again increased since last year. Assess-to-Pay satisfaction rose to 86.5%, repayers' satisfaction rose to 82.7%. The number of complaints we received has fallen by 10%, at the same time as the number of customers has risen: we dealt with 1.70 complaints per thousand customers this year, compared to 2.15 last year.
- SLC met or exceeded the targets set by the Devolved Administrations for the timely assessment of applications.

  For Higher Education, we received 1.4m applications for financial support during FY2015-16. We processed 99.9% of those that we received before the deadline date, before the student started term. We also exceeded all targets for processing Disabled Students' Allowance, Childcare Grants and further education.

  SLC met or exceeded all payment targets, disbursing £15.5bn, on time, to students and education providers across the UK during FY2015-16.
- SLC works closely with HMRC to ensure that loans are properly repaid when due, either through the tax system for UK residents, or through direct collection for borrowers living abroad. SLC met the Government targets for borrowers.
- SLC met all Government targets for answering customer telephone calls. SLC exceeded the "Percentage of Calls Answered" target of 90% for England, answering 94% of enquiries from applicants, and 96% of repayment enquiries. SLC also exceeded the 87% "Answered within 60 seconds" targets for Wales and Northern Ireland – answering 88% and 96% respectively within this timeframe.

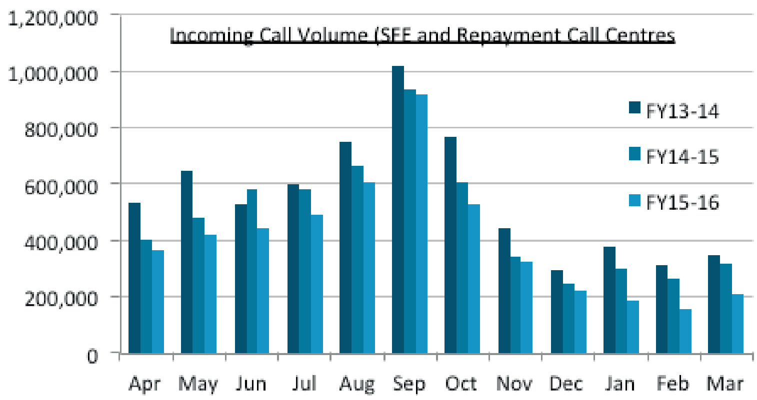


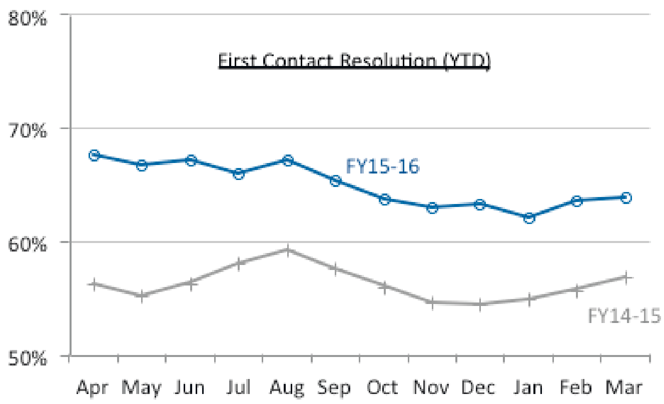
04.5 Performance

DELIVERING THE MISSION

Objective 2: Delivering the Mission

The number of calls that customers feel they need to make has continued to decline, and the percentage of enquiries that SLC resolved first time continues to increase.





- Delivering secure, accurate and efficient assessment, payment and repayment services (our Mission) has been achieved at the same time as significant upgrading of IT systems including the successful migration of our data centre and improvements to our disaster recovery capability.
- SLC delivered an extensive portfolio of change this year. Despite delays to receiving a formal commission (due to the UK General Election) SLC successfully launched loan and grant services for the new academic year on time.

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Strategic Report
04.5 Performance

Objective 3: Managing Our People

Building a workforce where people have the right skills and capabilities to deliver a digital, customer focused centre of excellence

	Title	RAG
3.1	Sourcing and Resourcing	GREEN/ AMBER
3.2	Skills and Capability	GREEN/ AMBER
3.3	Recognition and Reward	GREEN/ AMBER
3.4	Policies and Practices	GREEN
3.5	Employee Engagement	GREEN/ AMBER
3.6	Equality Diversity and Inclusion	GREEN

- Continued buoyancy within the job market for some professional disciplines has made it challenging for SLC to attract the talent that we require and considerable effort have been made to enhance SLC's brand and reputation through alternative routes to recruitment, additional engagement with agencies and technical communities.
- We successfully delivered the training programme for academic year 2015/16 with more employees engaged in learning activity compared to previous year. SLC has again retained silver Investors in People Accreditation.
- In conjunction with our trade union representatives SLC has initiated and agreed a review of all people related policies together with timescales for consultating on any subsequent changes.
- SLC conducted an all-staff 'pulse' survey in March 2016 to measure the impact of employee engagement activities throughout the year: the results showed significant improvement over last year.
- SLC's Board has approved our Equality Diversity and Inclusion Strategy, with objectives for the next four years. Annual monitoring headlines tell us that our workforce gender balance (54% female, 46% male) and our gender pay gap compare well with other public sector organisations.
- A revised Equality Impact Assessment toolkit has been implemented following consultation with PCS and key stakeholders.

MANAGING PUBLIC MONEY

Objective 4: Managing Public Money

Using our government sponsors' money wisely and ensuring value for money in all that we do.

	Title	RAG
4.1	Budget Variance and Forecasting	RED
4.2	In Year Savings	GREEN
4.3	Fraud and Error Reduction	GREEN
4.4	Commercial Capability	GREEN/ AMBER
4.5	Corporate Governance	GREEN
4.6	Loan Book Sales	GREEN
4.7	Company Pension	GREEN/ AMBER

- Delays in the project to fully replace our core ledger system has contributed the major portion of this year's underspend to budget.

  We forecast the requirement of £12.7bn for loan payments and £2.6bn for grant payments within set tolerances. (These figures exclude payments made on behalf of the Student Awards Agency for Scotland (SAAS), and payments for bursaries, as we do not provide the assessment service for these).
- We exceeded the in-year savings target, achieving savings of over £6.2m.
- Our Counter Fraud Services (CFS) department achieved a return on investment of 19:1 over FY2015/16 (exceeding their 17:1 target). CFS investigated 4,827 cases, leading to savings of £15.7m.
- The accuracy of assessments improved again this year. Compliance auditors calculated a net financial variance of 0.36% for the year (compared with 0.47% last year).
- Commercial strategy initiatives led to savings of £1.5m this year.
- During the year, we have made extensive preparations for future loan book sales.
- SLC has been exploring options for the future of the SLC Retirement and Death Benefit Scheme; detailed work is now taking place to assess the options available to the Company.

Strategic Report

04.5 Performance

Retirement and Death Benefit Scheme

In the year ending 31 March 2016, the Company in conjunction with BIS, our sponsoring Department, continued its remedial action to address the deficit of the scheme, currently £15.7m.

In the year ending 31 March 2015, the Company committed to making payments of £36m, underwritten by BIS, over a ten year period specifically to reduce the deficit in real terms. £7.2m has been paid the scheme in the two years to 31 March 2016.

The Department for Business, Innovation and Skills and the Company also made a commitment to increasing their 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 risk of further deterioration of the Scheme's position from having it open to future accruals.

The Company has commenced work on identifying available options on the future of the SLC Retirement and Death Benefit Scheme given the current deficit.

Tax Status

For the year ending 31 March 2016, the Company was registered for VAT and we were able to recover part of our input VAT; those services continuing to support the sold mortgage style loan activities being exempt from VAT.

The Student Loans Company 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.

Financial Statements

The financial statements for the year ending 31 March 2016 are presented on pages 72 to 108. These statements have been audited with the unqualified audit report presented on pages 70 to 71.

Going Concern

The Company has negative equity at the statement of financial position date of £21.6m (2015: £28.7m). This arises largely from its obligations in respect of the retirement benefit obligations falling due in future years in accordance with the accounting treatment required by IAS 19 revised Employee Benefits, and additionally from a provision in respect of dilapidations arising from the Company's leasehold commitments.

To the extent that they are not to be met from the Company's other sources of income, these liabilities may only be met by future grants or grant in aid from the Company's 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.

Grant in aid for the Company's business as usual operating expenditure for 2016-17, taking into account the amounts required to meet the Company'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.

The net liability position presented in the Statement of financial position is entirely a result of the recognition of pension liabilities and dilapidations provisions.

There is no impact on SLC's ability to provide its services to either its customers or key business partners and, therefore, no change.

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.

The Company's expenditure of £139.1m includes both the operational costs and the costs associated with the change programme. The increase in expenditure this year reflects the increase in depreciation, amortisation and impairment costs resulting from increased intangible assets recognised in the financial year coupled with the impairment of an intangible asset, as detailed in Note 11 to the financial statements.

04

Strategic Report

04.5 Performance

Funding of the operating expenses are provided from Grant in Aid income (£138.1m) and the income generated from servicing contracts for third parties (£1.0m). A small decrease in income from servicing contracts for third parties was experienced as the income on capital enhancements for the bursary scheme will be recognised in future years. The income for these capital enhancements are held as deferred capital reciepts in the Statement of financial position in line with policy as detailed in note 1 to the financial statements. Other income decreased this year after the completion of a one off ICT Project for which additional funding was received in FY2015-16.

Statement of Financial Position

This statement is presented on page 73.

The net liability of £21.6m on the balance sheet principally consists of £4.6m in relation to dilapidation provisions, £1.1m deferred lease incentive and £15.7m of pension liabilities. These liabilities may only be met by future grants or Grant-in-Aid from the Company's sponsoring departments.

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 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.

Statement of Cash Flow

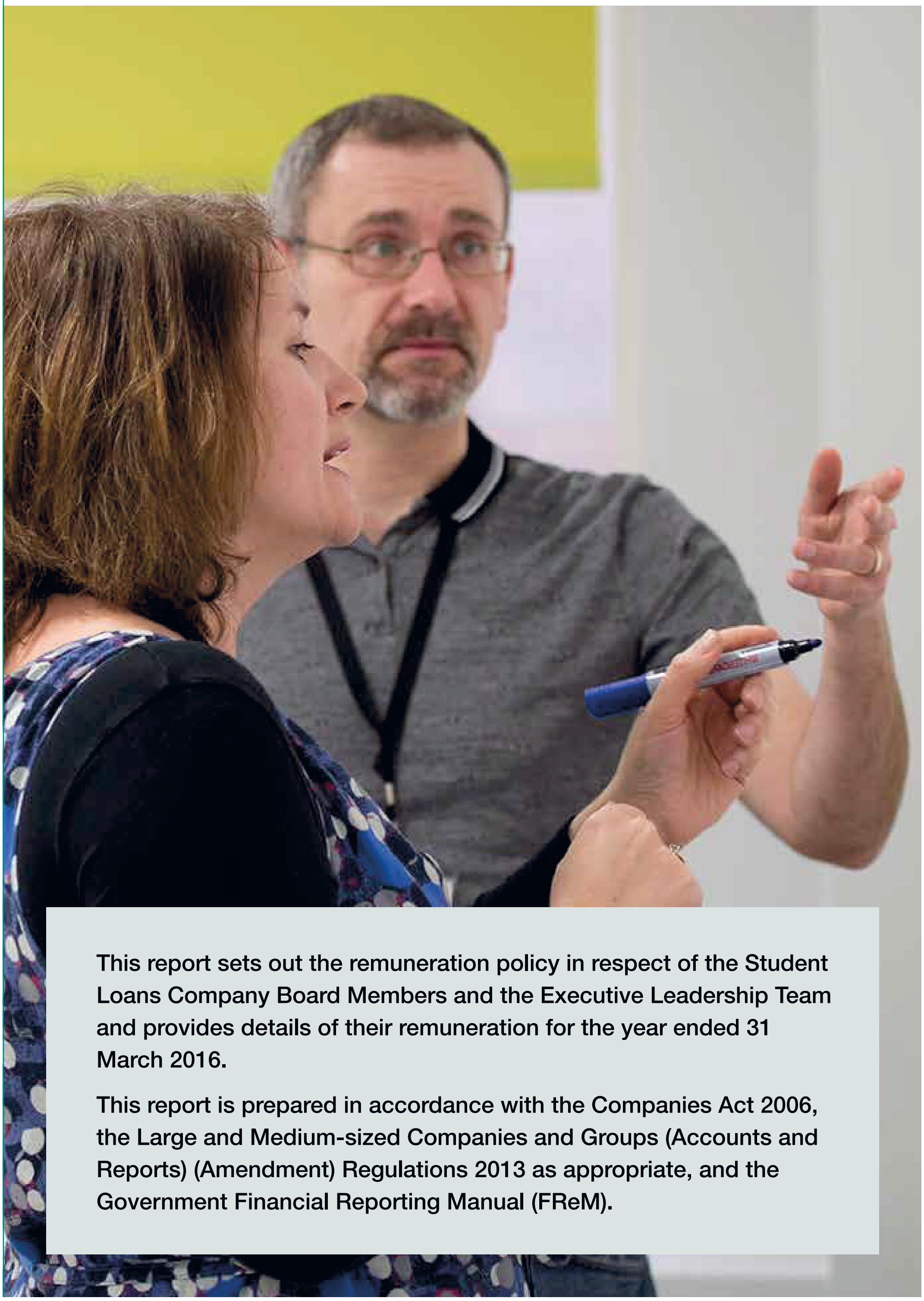
This statement, presented on page 75, presents the cash flows of the Student Loans Company. These cash flows relate to ongoing operating activities, including the change programme of the Company.

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 the Company's cash flow statement. These monetary transactions are conducted through bank accounts held "in trust" for the relevant funding authority and do not appear on the Company's Statement of financial position.

The Strategic report is prepared by order of the Board.

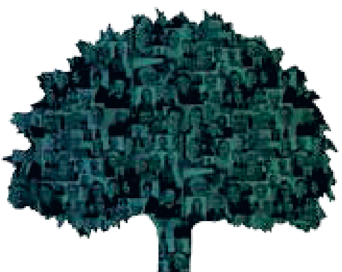
Steve Lamey,
Chief Executive
22 September 2016

05 Remuneration Report



This report sets out the remuneration policy in respect of the Student Loans Company Board Members and the Executive Leadership Team and provides details of their remuneration for the year ended 31 March 2016.

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).



05 Remuneration Report

Student Loans Company Board

Student Loans Company Board Members, with the exception of the Chief Executive and Company Secretary, are appointed for a fixed period of three years by the Secretary of State for Business, Innovation and Skills (BIS), the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning in Northern Ireland (together “the relevant Ministers”).

Board Members 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.

The Secretary of State for Business, Innovation and Skills in conjunction with the relevant Ministers, set the level of remuneration for the Chairman and Board members (excluding the Chief Executive and Company Secretary) and informs the Student Loans Company of any annual increase to be awarded.

Remuneration of Board Members is set for the three year term of appointment. Additional responsibilities, such as leading on priority areas within the Company, may attract further remuneration. The total remuneration payable is capped for all Members.

The Board delegates certain responsibilities to the Remuneration and Nominations Committee as described later and in the Directors Report on pages 63 to 68.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee determines, and agrees with the Board, the framework for the selection, appointment and remuneration of the Executive Leadership Team, including the Chief Executive, and such other senior managers as it is requested by the Board to consider. The Committee and Board work closely with BIS, 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 Senior Remuneration Oversight Committee at BIS.

05 Remuneration Report

In consultation with the Chairman, the Committee agrees the performance framework and the proposed annual performance related payment for the Chief Executive, which is subject to approval by the Secretary of State for Business, Innovation and Skills in conjunction with the relevant Ministers.

The Committee determines the total individual remuneration package for other members of the Executive Leadership Team in consultation with the Chairman and the Chief Executive.

The members of the Remuneration and Nominations Committee who served during the year to 31 March 2016 were:

	From	To
Professor Dame Glynis Breakwell, Chair from April 15 to May 15	April 2015	May 2015
Willie Gallagher Chair from June 15 to March 16	April 2015	Mar 2016
Richard Banks	April 2015	Sep 2015
Christian Brodie	Oct 2015	Mar 2016

Michael Yuille joined the committee as Chair on 1 April 2016.

05 Remuneration Report

David Wallace
Chief Executive

Derek Ross
Executive Director of Finance, Strategy and Corporate Services

Mark Cassidy
Executive Director of Customer Services and Operations

Paul Mason
Executive Director of Repayments, Counter Fraud and Commercial

Jacqueline Steed
Chief Digital Officer

Executive Leadership Team

The Executive Leadership Team is responsible for the day-to-day management of the Student Loans Company's activities and operations.

Mick Laverty submitted his resignation as Chief Executive in July 2015 standing down on 30 October 2015. Following Mick's departure, an interim reorganisation of the Executive Leadership Team was made and David Wallace was appointed as Chief Executive from 1 November 2015, on an interim basis. The Chief Executive is a member of both the Board and the Executive Leadership Team.

Each member of the Executive Leadership Team has personal performance objectives, including specific measures that are required to be met and which will have a significant impact on the performance of the organisation. These targets and the Chief Executive's appraisal of their performance against them are subject to review by the Remuneration and Nominations Committee.

All Executive Leadership Team members are on standard Student Loans Company contracts of employment and have notice periods of six months. If a member of the Executive Leadership Team's employment with the Student Loans Company is terminated on the grounds of redundancy, or in the interests of the efficiency of the organisation, service based compensation is applied.

The Company Secretary, Gary Womersley, attends and supports both the Executive Leadership Team and the Board, and is a member of the Senior Management Team.

05 Remuneration Report

Executive Leadership Team Remuneration Policy

The Student Loans Company aims to ensure within the context of current Government guidelines that the remuneration packages offered to the Executive Leadership Team:

- enable the Student Loans Company 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 the Student Loans Company, subject to public sector pay guidance/ restrictions
- take account of salary policy within the rest of the Student Loans Company and the relationship that should exist between the remuneration of the Executive Leadership Team and that of other employees.

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

Executive Leadership Team members (including the Chief Executive) have the option of joining the Student Loans Retirement and Death Benefits Scheme. As ordinary members, they contribute 6% of pensionable salary and the Student Loans Company currently contributes 27.1% of employees' pensionable salary, in line with the pension deficit reduction scheme as agreed with the Trustees of the Scheme. This is a final salary scheme that provides benefits at the 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.

Subject to Remuneration and Nominations Committee approval, members of the Executive Leadership Team (other than the Chief Executive) are eligible to participate in the Company Performance Related Payment Scheme. To comply with HM Treasury guidance, this allows for an award to be made to the top 25% performers within the Company. Separate performance related award arrangements exist for the CEO.

The terms of appointment of SLC's Chief Executive provide for an annual performance related payment of up to a maximum of £25,000. A review of performance of the CEO is undertaken by the Chairman of the Board and based on delivery against agreed objectives, an award is proposed for consideration by the Remuneration and Nominations Committee.

05 Remuneration Report

Fees and Remuneration

Fees paid to the Chairman and other non-executive Board Members who served in the year to 31 March 2016 were:

Chairman and Board Members	Remuneration £000		Other expenses £000		Total £000	
	2016	2015	2016	2015	2016	2015
C Brodie (Chairman)	50	50	5	8	55	58
G Breakwell	9	9	1	2	10	11
W Gallagher	9	9	2	2	11	11
R Kennedy	9	9	-	1	9	10
M Yuille	9	9	-	3	9	12
R Banks (from 30 March 15 to 30 September 15)	5	-	2	-	7	-

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

On 31 March 2016, Antonia Cox, Simon Devonshire, Natalie Elphicke, David Gravells and Sally Jones-Evans were appointed as non-executive members of the Board.

Remuneration of the Executive Leadership Team who served during the year to 31 March 2016 were:

		Salary £000		Other benefits and expenses £000		Performance related pay £000		Pension contribution £000		Total £000	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
M Laverty (i)	(to 03/01/16)	28	-	-	-	-	-	7		35	-
	Chief Executive (to 31/10/15)	93	160	24	41	-	-	24	33	141	234
	Total	121	160	24	41	-	-	31	33	176	234
D Wallace (ii)	Chief Executive (from 01/11/15)*	68	-	-	-	10	-	15	-	93	-
	Deputy Chief Executive and Executive Director of Finance, Strategy and Corporate Services (to 31/10/15)	79	135	-	-	-	3	20	27	99	165
	Total	147	135	-	-	10	3	35	27	192	165
D Ross	Executive Director of Finance, Strategy and Corporate Services (from 01/11/15)*	57	-	2	-	1	-	13	-	73	-
	Executive Director of Customer Services and Operations (to 31/10/15)	70	120	3	5	2	-	18	24	93	149
	Total	127	120	5	5	3	-	31	24	166	149
P Mason	Executive Director of Repayments, Counter Fraud and Commercial (from 05/01/15)	121	29	-	-	3	-	31	3	155	32
J Steed	Chief Digital Officer (from 02/09/14)	136	78	1	-	3	-	35	16	175	94
M Cassidy	Executive Director of Customer Services and Operations (from 01/11/15)*	51	-	2	-	1	-	8	-	62	-

Excluding the Chief Executive, the Executive Leadership Team members were eligible for consideration for a performance related payment. The terms of the Company performance related payment scheme allows for an award to be made to the top 25% based on performance. In 2015, the Deputy Chief Executive was awarded a payment within this scheme.

*Appointed on an interim basis.

(i) Mr Laverty received £10,935 (2015: £19,008) in respect of a travel allowance. Taxable expenses in respect of Mr Laverty's travel amounted to £13,458 (2015: £22,387).

In 2015, Mr Laverty was awarded a performance payment of £17,500 for the year to 31 March 2015, however Mr Laverty waived this payment.

Mr Laverty remained as a member of the Executive Leadership Team prior to leaving employment with SLC on 3 January 2016.

(ii)The terms of Mr Wallace's appointment as Interim Chief Executive provide for a performance related payment of up to £25,000 each year. In 2016, Mr Wallace was awarded a performance related payment of £10,417 representing the maximum possible award pro-rated for the period under review.

05 Remuneration Report

Retirement benefits of the Executive Leadership Team who served during the year to 31 March 2016 were:

Executive Leadership Team	Accrued pension and related lump sum at 31 March 2016	Increase during the year to 31 March 2016 in accrued pension and related lump sum net of inflation.	Cash equivalent transfer value		
			At 31 March 2016	At 31 March 2015	Increase net of inflation
	£000	£000	£000	£000	£000
M Laverty	5 – 10 plus lump sum of 15 – 20	0 – 2.5 plus lump sum of 5 – 7.5	140	84	56
D Wallace	5 – 10 plus lump sum of 20 – 25	0 – 2.5 plus lump sum of 5 – 7.5	183	112	71
D Ross	20 – 25 plus lump sum of 70 – 75	0 – 2.5 plus lump sum of 2.5 – 5	644	493	151
P Mason	0 - 5 plus lump sum of 0 - 5	n/a	32	n/a	n/a
J Steed	0 - 5 plus lump sum of 5 - 10	0 - 2.5 plus lump sum of 2.5 - 5	59	15	44
M Cassidy	5 - 10 plus lump sum of 15 - 20	0 - 2.5 plus lump sum of 2.5 - 5	134	83	51

Notes

1. Transfer values have been calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996.
2. Inflation over the year was 0%.
3. Any Additional Voluntary Contributions paid by Directors and the resulting benefits are not shown.
4. "Increase net of inflation" does not include a deduction for member contributions.
5. Accrued pension benefits and transfer value calculations for M Laverty are based on pensionable service at his leave date of 3 January 2016.
6. During the scheme year to 31 March 2015, P Mason served as a director for the Student Loans Company but did not accrue pension benefits within the scheme.
7. The accrued pension benefits and cash equivalent transfer value for M Cassidy allow for total pensionable service from the date he joined the scheme (30 October 2008). M Cassidy held a temporary executive role since 1 November 2015. The increase in accrued pension and increase in related lump sum since that date are both less than £2,500.

05 Remuneration Report

Median Remuneration

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The total annualised remuneration of the Student Loans Company's highest paid director who is a member of the Executive Leadership Team and who was still an employee of the Company at 31 March 2016 was £186,865 (2015: £201,396), based on the information in the table and footnotes on page 45. This was 9.9 times (2015: 10.8) the median remuneration of the workforce, which was £18,901 (2015: £18,620).

	2016	2015
Highest paid director's total remuneration	186,865	201,396
Median total remuneration	18,901	18,620
Ratio	9.9	10.8

Total remuneration includes salary, non-consolidated performance related pay and benefits-in-kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

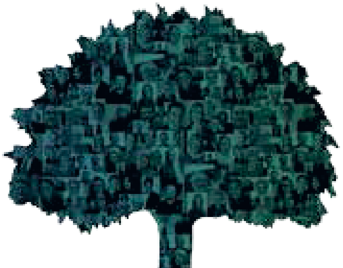
The highest paid director's total remuneration is the full-time equivalent annualised remuneration of the highest paid director who is a member of the Executive Leadership Team.

The reduction in the highest paid director's total remuneration was due to the change in CEO during the year to 31 March 2016.

The median calculation includes only employees who were in a contract of employment with the Student Loans Company on 31 March each year, excluding non-executive Board Members as their fee arrangements are not with the Student Loans Company. The calculation includes agency and other temporary employees covering staff vacancies at 31 March.

All employees that have been included within the median calculation have had their total remuneration adjusted to show the annualised full-time equivalent, based on their contracted hours at 31 March and where applicable their start date during the year.

The Company was subject to further pay restrictions and distributed a consolidated pay uplift of 1% to all staff members during the year to 31 March 2016.



06 Governance Statement

Governance Statement

06 Governance Statement

The Student Loans Company is an NDPB and a company limited by shares under the Companies Acts (wholly in public ownership). The Company is wholly owned by the Secretary of State for Business, Innovation and Skills; the Minister for Employment and Learning, Northern Ireland; the Minister for Education and Skills, Welsh Government; and the Scottish Ministers. Since 1996, the Company has also been an executive NDPB. As an NDPB the Company is required to adhere to public sector standards, as outlined in Managing Public Money in all its operations and activities.
It is also required to comply with the requirements of the Companies Acts and to further meet the requirements of good governance through adherence to Cabinet Office guidance on corporate governance within the public sector.

The role of the four Government Shareholders is to:

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

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 sub-committees of the Board to represent shareholders, and make comments as appropriate. Internal control and risk update reports are provided to the Audit Committee and the Board on a regular basis, and as such are considered by the Assessors.

In accordance with guidance, the Company 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.

06.1 The Accounting Officer's Responsibilities

The Accounting Officer has responsibility for maintaining a sound system of internal control that supports the achievement of the Company's policies, aims and objectives, whilst safeguarding the public funds and resources for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to him by the Department for Business, Innovation and Skills, 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 the Company's corporate governance and risk management arrangements.

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Governance Statement

06.2 The Company's Governance Framework

The Board, Board Sub-Committees and Assessors

*second term of appointment

** Appointed as an interim Non Executive Director for 6 months

***Appointed on 31st March 2016

****left his position on the 3rd January 2016

*****left his position on the 18th December 2015

+ left his position on 31 March 2016

Board Members	From	To
Christian Brodie, Non Executive Chairman	March 2014	Jan 2017
Willie Gallagher, Non Executive Director	April 2010	March 2016*+
Rob Kennedy, Non Executive Director	June 2010	June 2016*
Michael Yuille, Non Executive Director	April 2010	June 2016*
Richard Banks, Non Executive Director (Interim)	March 2015	Sept 2015**
Professor Dame Glynis Breakwell, Non Executive Director	March 2011	Feb 2017*
Natalie Elphicke, Non Executive Director	March 2016	March 2019***
Antonia Cox, Non Executive Director	March 2016	March 2019***
Sally Jones-Evans, Non Executive Director	March 2016	March 2019***
David Gravells, Non Executive Director	March 2016	March 2019***
Simon Devonshire, Non Executive Director	March 2016	March 2019***
Mick Laverty, Chief Executive	Dec 2012	Oct 2015****
David Wallace, Chief Executive	Nov 2015	Current
John Brown, Company Secretary	June 2014	Dec 2015*****
Gary Womersley, Company Secretary	Jan 2016	Current
Executive Leadership Team at 31st March 2016		
Derek Ross, Executive Director of Finance, Strategy & Corporate Services		
Paul Mason, Executive Director of Repayments, Counter Fraud & Commercial		
Jacqueline Steed, Chief Digital Officer		
Mark Cassidy, Executive Director of Customer Services and Operations		
Assessors		
Ruth Elliot, represents the Secretary of State for Business, Innovation and Skills		
Neil Surman, represents the Welsh Government		
Stephen White, represents the Scottish Government		
Sian Kerr, represents the Department for Employment and Learning of Northern Ireland		
Independent External Member of the Audit Committee		
Ian Lee	Sept 2011	Aug 2017*

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Governance Statement

06.2 The Company's Governance Framework

Non Executive Board Members are appointed by the Secretary of State for Business Innovation and Skills. The Independent External Member of the Audit Committee is appointed by the Company.

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 we are not aware of any business or other relationships which could interfere with the exercise of their independent judgment.

Information on the remuneration of the Non Executive Board Members and Executive Leadership Team is contained in the Company's Remuneration Report for FY2015-16. In addition, biographical information on the Non Executive Board Members and Executive Leadership Team can be obtained at http://www.slc.co.uk.

The 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 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 the SLC's responsibilities towards its employees are satisfactorily discharged

06.2 The Company's Governance Framework

- Appointing, with the Responsible Minister's approval, a Chief Executive and, in consultation with BIS and the Devolved Administration, setting his or her performance objectives and performance measures which are aligned with the SLC Corporate Plan, performance targets and Annual Business Plans and the specific responsibilities of the Chief Executive ensuring that remuneration terms are linked to these objectives and give due weight to the proper management and use of public resources
- Appointing an Executive Leadership Team to conduct the day to day business of the SLC, ensuring an appropriate balance of skills and experience
- Setting up a Remuneration Committee which will approve the objectives, performance measures and remuneration terms for the Executive Leadership Team, ensuring these are aligned with the agreed Corporate Plan, performance targets and Annual Business Plans.

The Assessors have the right to attend all Board meetings and Sub-Committee meetings on behalf of the shareholders. The Executive Leadership Team are in attendance at Board meetings, and Sub-Committee meetings by invitation.

A Board Effectiveness Review was completed during FY2015-16 as part of the Corporate Governance Programme. The review has resulted in the introduction of initiatives to improve the Board's overall effectiveness. These included reviewing the skills and experience mix required by the Board, establishing succession plans, and a recruitment timetable for new Board members, embedding training and development plans for Non Executive Directors, and undertaking a pilot focusing some Board meetings on a single strategic issue. These initiatives have been progressed, and the recruitment of five new Non Executive Directors has been completed, with the expectation that they will not only replace the existing Board members who are due to leave the Company, but also add to the Board's expertise and experience.

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Governance Statement

06.2 The Company's Governance Framework

Audit Committee

The Audit Committee supports the Board on matters relating to internal control and governance and associated assurance matters. The current members of the Audit Committee are Michael Yuille (Chair), Rob Kennedy, and Ian Lee, who is an Independent external member of the Committee.

Remuneration & Nominations Committee

The Remuneration & Nominations Committee supports the Board on all aspects related to the appointment and the remuneration of Executive Directors, including the Chief Executive. During the FY2015-16 members were Professor Dame Glynis Breakwell, Willie Gallagher (Chair), Richard Banks, (Interim appointment ended September 2015), and Christian Brodie. Further details can be found in the Remuneration Report on page 38.

Internal Governance Framework

Responsibility for controlling and monitoring the Company's operational and financial management resides with the Executive Leadership Team, which has primary responsibility for setting the Company's strategic and business priorities and objectives, in line with the strategies set out by its stakeholders, as well as overseeing the Company's capacity and capability to deliver in terms of available resource.

The Executive Leadership Team also lead in promoting Company standards of values and behaviour.

The Executive Leadership Team is supported by a number of internal sub-groups and committees dealing with specific areas of the Company's business. Decisions taken by the sub-groups on reserved matters are subject to approval at the Board or Executive Leadership Team level, as appropriate.

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Governance Statement

06.3 Overview of the performance of the Company, Board, and Board Sub-Committees

Attendance at the Board and Board Sub-Committees

	Number of meetings attended		
	Main Board	Audit Committee	Remuneration Committee
Board Members			
Christian Brodie, Non Executive Chair*	11	5	3
Willie Gallagher, Non Executive Director**	11	1	3
Rob Kennedy, Non Executive Director	9	2	-
Professor Dame Glynis Breakwell, Non Executive Director**	8	1	1
Michael Yuille, Non Executive Director	11	5	-
Richard Banks, Non Executive Director**	5	1	1
Natalie Elphicke, Non Executive Director+	-	-	-
Antonia Cox, Non Executive Director+	-	-	-
Sally Jones-Evans, Non Executive Director+	-	-	-
David Gravells, Non Executive Director+	-	-	
Simon Devonshire, Non Executive Director+	-	-	-
Mick Laverty, Chief Executive*	6	3	3
David Wallace, Chief Executive*	5	2	1
John Brown, Company Secretary*	7	3	3
Gary Womersley, Company Secretary*	4	2	-
Independent External Member of the Audit Committee			
Ian Lee	-	5	-

Number of meetings held during the year:

Main Board – 11

Audit Committee - 5

Remuneration & Nominations Committee – 3

*Attend the Audit Committee, and Remuneration & Nominations Committee, by invitation, and as non – members.

**Attended the September Audit Committee Risk Focus Session by invitation.

+Appointed on 31 March 2016.

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Governance Statement

06.3 Overview of the performance of the Company, Board, and Board Sub-Committees

The Board

Matters considered by the Board during FY2015-16 included:

- Oversight of the Company's vision and mission
- Oversight of the Company's Transformation Programme reset, and closedown, including financial benefits achieved
- Oversight of operational services and consideration of its delivery capacity and capability
- Oversight and review of arrangements for embedding and enhancing corporate governance
- Regular review of the Company's operational and financial performance, and its key corporate risks via the monthly Chief Executive's report and the supporting balanced scorecard report
- Consideration of the proposals for the ICR Debt Sale
- Ongoing delivery of the Company's change programme on behalf of the Government Administrations
- Consideration of the Company's people management performance and plans, including organisational design, and people insight survey
- Consideration of the Annual Report and Accounts for FY2014-15
- Consideration of the business plan and budget for both FY2015-16, and FY2016-17
- Consideration of summary reports from the chairs of the Remuneration and Nominations and Audit Committees, including approval in principle of the transfer of the Company's Audit Service to the Government Internal Audit Agency (GIAA)
- Oversight of the Company's Counter Fraud arrangements
- Approving a Joint (Department and Company) Repayments Strategy
- Approval of the Company's Commercial Strategy
- Approval of the Company's Corporate Communication Strategy
- Approval of the Company's People Strategy
- Review of the work of the Regulatory Partnership Group in connection with the Government's HE reforms
- Consideration of the progress on the Company's Information Security and Corporate Governance Programmes, including revisions to the Company's Framework Document
- Corporate Governance matters, including consideration of the Board Effectiveness review, recruitment arrangements for new Non Executive Directors, and revisions to the Company's Framework Document
- Approval of major contracts and business cases
- Review of the Company's pension scheme arrangements.

Eleven Board meetings were held between April 2015 and March 2016.

The Board minutes can be found at http://www.slc.co.uk.

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Governance Statement

06.3 Overview of the performance of the Company, Board, and Board Sub-Committees

Audit Committee

Matters considered by the Audit Committee during FY2015-16 included:

- The audit of the Annual Report and Accounts for FY2014-15, incorporating the Company's accounting policies, which was recommended by the Audit Committee for approval by the Board
- Approval of the external audit strategy for FY2015-16
- Approval of the internal audit strategy and audit plan for FY2015-16, and FY2016-17
- Review of quarterly internal audit progress and performance reports, highlighting areas of weakness and good practice
- Review of control environment status reports, and the annual audit opinion for FY2015-16
- Review of the Company's Governance Statement
- Consideration of revisions to the Audit Committee's Terms of Reference
- Consideration of the proposal to transfer the Company's Audit Service to the Government Internal Audit Agency (GIAA)
- Review of the annual audit of the accuracy of student support payments for the Student Support England
- Consideration of the tender submissions for the ICT element of Internal Audit provision
- Reviewing Corporate Risk Management arrangements, and key risks and issues, including a focus session of horizon scanning
- Regular updates on significant legal matters
- Reviewing the arrangements for Information Security, including review of the quarterly SIRO report, and progress towards compliance with the 10 Steps to Cyber Security.

Five Audit Committee meetings were held between April 2015 and March 2016.

Remuneration & Nominations Committee

Matters considered by the Remuneration and Nominations Committee during FY2015-16 included:

- Setting and assessing the Chief Executive's pay, objective setting and performance review
- The Executive Leadership Team's pay, bonus and reward terms
- Consideration of the performance and performance reviews of the Executive Leadership Team
- Consideration of the Company performance related pay assessment
- The SLC 2015/16, and 2016/17 Pay Remit
- Consideration of the severance arrangements of senior staff
- A self-assessment of the Remuneration Committee effectiveness
- Consideration of the Company's pension scheme arrangements
- Input to the Company's Annual Report production, focusing on the Remuneration Report.

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

Three Remuneration and Nominations Committees were held between April 2015 and March 2016.

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Governance Statement

06.4 The Company's Risk Management arrangements

Risk Profile

The Company 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 the Company. Risks are scored against a 'cautious' risk appetite, as agreed by the Board, and predominantly the Company operates on a low risk tolerance approach, with the SLC risk scoring matrix weighted to give particular significance to risks with a high impact. However, there may be times, particularly within periods of intense business change, where a more 'open' risk and return based approach may be adopted (as defined by HM Treasury). All risks that are identified are categorised against the business objectives set out in the Company's Business Plan, which can be found at http://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, and Audit Committee 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. Risk owners are at all times made aware of risks under their ownership and this extends to members of the Executive Leadership Team, who have full sight of any high level (red RAG status) corporate risks or issues within their area of responsibility.

Risk Reporting

Reports detailing high level risks and issues with underlying risk themes are submitted to the Executive Leadership Team fortnightly. A report is submitted to the Board each month; every second month an expanded pack is provided in order to enable greater discussion on risks, themes and mitigations strategies.

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Governance Statement

06.4 The Company’s Risk Management arrangements

Key risks / themes arising in FY2015-16

The key risk themes under consideration at the end of FY2015-16 have been detailed below, accompanied by the mitigations planned to reduce them.

1. Information Security

Safeguarding the confidentiality, integrity and availability of customer data remains a high priority, and we continue to enhance our approach through the deployment of key tools and initiatives. A data obfuscation strategy has been developed in order to address vulnerabilities associated with the historical use of bulk live data sets within non-production environments.

2. Portfolio Demand

The delayed release of funding of key programmes of work has reduced contingency within the portfolio, and may limit SLC’s ability to respond to new demands or changes.
An integrated ICT delivery forum has been set up to review ICT change and delivery priorities and make decisions that maintain pace across the portfolio, whilst balancing competing resource demands. In addition to ongoing review and prioritisation, the utilisation of third party resource may be considered, in order to deliver against resource shortages.

3. Availability of Skilled Resource

Continued buoyancy within the job market for some professional disciplines is making it difficult for SLC to attract the talent required to deliver against its priorities. Further limitations such as the reward package and the finite resource pool are causing a skills gap and dependency on short term workers. In partnership with BIS, SLC have revised salaries for some key roles and have been working to enhance the Company’s brand and reputation in the market place.
A redesign is currently underway within Human Resources, which will increase its permanent headcount. Policies and procedures are also being revised to improve efficiency and effectiveness.

4. ICT Disaster Recovery

We continue to progress the DR designs and Service Continuity plans, and deliver improvements to our facilities. A programme of activity is underway to migrate all services to two new data centres, with production and development services hosted at one site, while a robust disaster recovery capability is constructed at site two.

06

Governance Statement

06.5 The Company’s corporate governance and internal control arrangements

Internal Control System

The Accounting Officer has responsibility for reviewing the effectiveness of the system of internal control. The Accounting Officer’s review of the effectiveness of the system of internal control is informed by the work of the internal auditors (who review of all material risks and business areas), the Executive Leadership Team, the 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 undertaken by the Major Projects Authority, and by assurance reports undertaken by our appointed Quality Assurance partners. Additional assurances are provided from each of the Executive Leadership Team over the controls they have put in place over the activities where they have delegated responsibility, as well as by the Company’s Senior Management Team who certify compliance with key controls biannually.

The Company’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 the Company throughout the year ended 31 March 2016, and up to the date of approval of the annual report and financial statements, and accords with Treasury guidance.

The Accounting Officer is advised on the effectiveness of the system of internal control by the Board, the Audit Committee, the Executive Leadership Team, the Company Secretary and its sub-boards. 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 which follow contain specific assurances requested by the Department for Business, Innovation and Skills, and updates on control issues and mitigations arising in preceding years, followed by information on control issues arising within FY2015-16.

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Governance Statement

06.5 The Company's corporate governance and internal control arrangements

Assurances Requested by the Department of Business, Innovation and Skills

1. Compliance with Departmental Guidance to Prevent Tax Avoidance

At the 31st March 2016, the Company was compliant with the requirements of the Alexander tax review.

2. Progress Update on Managing the Risk of Financial Loss - Self Assessment Review

The Company takes the risk of financial loss very seriously. Good progress has been made in improving controls where necessary, and we continue to embed financial integrity, and prevention of financial loss within all Company activities.

3. Compliance with Austerity Measures

The Company complies with the austerity measures and carefully scrutinises all expenditure on a monthly basis.

4. Compliance with McPherson QA Guidance on Financial Modelling

A policy is in place to ensure the accuracy and integrity of financial models within the Company, and has been adhered to throughout FY2015-16.

Updates on issues of concern arising in previous years which remain ongoing

1. Disaster Recovery (DR) Capability

We continue to progress the Company DR designs and Service Continuity plans, while undertaking a range of remedial works to improve the resilience of our facilities. We have invested in new bespoke data centres, which will be operational by March 2017, while significant project milestones have been achieved. These include successfully replatforming core systems to upgraded hardware, as well as implementation of full DR capability for all systems supporting the Debt Sale project by the financial year end, in line with plans.

2. Procurement Issues

Procurement processes are being enhanced by better forward planning activities, and strengthening the team. Comprehensive training programmes have been delivered to budget holders on governance and controls over expenditure approvals, embedding compliance throughout the business. These changes will ensure adherence to both the Transparency Agenda, and EU requirements, while achieving savings targets.

06.5 The Company's corporate governance and internal control arrangements

Issues that have arisen during FY2015-16

During the current financial year the following issues have arisen:

1. Student Support Application – Suspected Fraudulent Activity

During FY2015-16, the Company identified potentially fraudulent attempts by individuals to obtain significant sums of student support for childcare grant. The Department for Business, Innovation and Skills, our sponsor, is considering policy options to reduce opportunities for obtaining funds via deception, while the Company is exploring options to strengthen deterrence via prosecution, and focusing preventative checks on a risk basis.

2. Students allocated to incorrect plan type

During FY2015-16, error reporting identified a small number of customers who had entered their course start dates incorrectly, and consequently been allocated to the wrong repayment plan type for their year of study. While the full financial impact remains to be quantified, as error scenarios are bespoke to each customer, we do not expect this to be material. We are currently discussing appropriate remediation with our stakeholders, while root causes are being addressed through improving data input validation controls, to enhance data integrity.

3. Maintenance Grants and Loans paid after withdrawal

Confirmation that students are attending their course of study is a key driver for payment of student support. Higher Education Providers (HEPs), are responsible for the provision of timely and accurate data to SLC on student attendance, while SLC are responsible for managing the performance of HEPs in accordance with the agreed Service Level Agreements. During FY2015-16, a planned audit demonstrated that timeliness and accuracy of data submissions from HEPs require improvement in order to minimise financial loss. In order to drive governance and information management improvements, SLC is working with HEPs to agree and implement service standards incorporating common approaches to student retention by mid 2016. In addition, Universities UK, Association of Colleges, and Guild HE have all agreed to commit their member institutions to work with SLC to ensure withdrawal notifications are issued promptly, while the Company has strengthened performance monitoring and relationship management processes to identify and address issues as soon as they arise.

06.5 The Company's corporate governance and internal control arrangements

4. Post-Tigere claims/applications

Following the Supreme Court decision in the case of *The Queen on the Application of Beaurish Tigere -v- Secretary of State for Business, Innovation and Skills*, BIS implemented an interim eligibility policy in September 2015. SLC has been involved with BIS in handling cases of students who do not meet the current eligibility criteria set out in the Student Support Regulations, but who are being considered for eligibility under the interim policy.

Amounts paid by the Company to those students approved by BIS under the interim policy were not material within the current financial year. Amendments to the Student Support Regulations were laid on 16 May 2016 and introduce a new long residency eligibility category. Once in force, the amending Regulations will be applicable to student finance applications for academic year 2016/17.

5. Audit Opinion on the Company's Internal Control Systems

The Head of Audit's opinion is that the internal control framework overall is adequate, albeit some weaknesses remain within the areas of Information Security, Disaster Recovery arrangements, Procurement, and Data Integrity. Management are firmly committed to addressing the issues noted, and a number of mitigating controls have been put in place to reduce the residual risk to a level that the Executive Leadership Team deem within risk appetite. Remedial actions are detailed earlier in this statement.

6. Summary

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

Steve Lamey,
Chief Executive and Accounting Officer

07 Directors' Report and Financial Statements

Directors' Report and Financial Statements

07

Directors’ Report and Financial Statements

07.1 Directors’ Report

The Directors submit their annual report including financial statements of the SLC for the year ended 31 March 2016. 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 Business, Innovation and Skills 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 the Company are provided within the Strategic Report at page 16.

Dividends

The Company has no accumulated reserves and accordingly the Directors do not recommend the payment of a dividend (2015: £Nil)

Directors and their interests

Christian Brodie
Non Executive Chairman

David Wallace
Chief Executive*
(from 1 November 2015)

Mick Laverty
Chief Executive
(to 31 October 2015)

Professor Dame Glynis Breakwell
Non Executive Director

Willie Gallagher
Non Executive Director
(to 31 March 2016)

Rob Kennedy
Non Executive Director

Michael Yuille
Non Executive Director

Richard Banks
Non Executive Director
(to 30 September 2015)

Antonia Cox
Non Executive Director
(from 31 March 2016)

Simon Devonshire
Non Executive Director
(from 31 March 2016)

David Gravells
Non Executive Director
(from 31 March 2016)

Sally Jones-Evans
Non Executive Director
(from 31 March 2016)

Natalie Elphicke
Non Executive Director
(from 31 March 2016)

*Appointed on an interim basis.

For further information please seethe Governance Statement on pages 47 to 61.

07 Directors’ Report and Financial Statements

07.1 Directors’ Report

All Non Executive Directors are considered to be independent.

No Director had any interest in the shares of the SLC throughout either the year ended 31 March 2016 or 31 March 2015. The Student Loans Company is wholly owned by the Secretary of State for Business, Innovation and Skills, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning in Northern Ireland.

The Chief Executive is also the Accounting Officer for the SLC.

The Secretary of State for Business, Innovation and Skills was a shadow director of the Student Loans Company under section 251 of the Companies Act 2006 throughout the year.

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

The Company has in place a Partnership Forum with its recognised trade union PCS and these meetings offer the opportunity to discuss and resolve employment matters.

The Company is an Equal Opportunities Employer and was awarded the Double Tick, Disability standard (demonstrating our commitments to disabled individuals) and the Bronze Award for Healthy Working Lives.

More information on employees is contained in the Strategic Report on pages 16 to 37.

Retirement Benefits Scheme

Reference is made in Note 18 to the financial statements to the operation and performance of the Student Loans Company Retirements and Death Benefit Scheme. The Remuneration Report contains specific disclosures relating to the Executive Leadership Team.

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 2016 amounted to 5.54% (2015: 5.05%).

Healthy Working Lives

POSITIVE ABOUT DISABLED PEOPLE

07

Directors’ Report and Financial Statements

07.1 Directors’ Report

Information Losses

In the year ended 31 March 2016 the Company reported no information losses to the Information Commissioner’s Office.

The Company recorded the loss of three items of equipment. All devices were encrypted and none carried personal information.

Corporate Governance

As an Executive NDPB, the Company’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 Memorandum, with maintaining a sound system of internal control that supports the achievement of the Company’s policies, aims and objectives; and regularly reviewing the effectiveness of that system. He is also responsible for the Governance Statement.

The Company complies with ‘Internal Control: Guidance for Directors on the Combined Code’ (the Turnbull guidance), where possible. It also complies with the guidance contained within Managing Public Money, issued by HM Treasury. The Accounting Officer’s Governance Statement for the year ended 31 March 2016 is provided on pages 47 to 61.

Student Loans Company Board

The Student Loans Company Board (the Board) is responsible for ensuring that effective corporate governance arrangements are in place that set out how the Company 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.

07 Directors’ Report and Financial Statements

07.1 Directors’ Report

Remuneration

The remuneration for the Chairman and Non Executive Board members is determined by the Secretary of State for Business, Innovation and Skills, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning in Northern Ireland. The remuneration of the Chief Executive is determined by the Board, subject to approval by the Secretary of State for Business, Innovation and Skills, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning in Northern Ireland.

The Non Executive Board Members are appointed by the Secretary of State for Business, Innovation and Skills, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning in Northern Ireland, for a fixed term appointment of three years, which can be renewed once, and extended in exceptional circumstances.

Remuneration and Nominations 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 Remuneration and Nominations 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. Remuneration and Nomination Committee meetings will normally be attended by the Chief Executive and the Head of Human Resources

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

07

Directors’ Report and Financial Statements

07.1 Directors’ Report

Audit 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 Committee, who is appointed to the Committee but not the Board.

The Audit Committee is responsible for:

- the strategic processes for control and governance and the Statement on Internal Control, including the supporting assurance framework
- the accounting polices, the accounts and the annual report of the Company, including the process for review of the accounts prior to submission to the Board for approval, levels of error identified and reviewing the Board’s letter of representation to the External Auditor
- the planned activity and results of both internal and external audit
- the adequacy of management responses to issues identified by audit activity, including external audit’s management letter
- assurances relating to the Student Loans Company’s corporate governance requirements (e.g. compliance with the Framework Document and Managing Public Money)
- proposals for procuring internal and external audit services (if appropriate) or for the purchase of non-audit services from firms who provide audit services
- the External Auditor’s remuneration, in conjunction with the Finance Director
- fraud management policies and practices and whistle-blowing processes
- fraud monitoring and investigation activities within the Company, by way of an Annual Fraud Overview report that is prepared by management
- assurances relating to the adequacy of the Company’s risk management arrangements
- input to the Remuneration and Nominations Committee to assist its deliberations on senior staff performance as it relates to effective internal control, governance and assurance.

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 committee can be found in the Governance statement on page 47.

07 Directors’ Report and Financial Statements

07.1 Directors’ Report

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 the Student Loans Company’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 the Student Loans Company’s External Auditor is aware of that information.

External Auditor

All non-audit work undertaken by the External Auditor is approved by the Audit Committee. Details of all fees earned by the External Auditor are provided in note 4a of the annual accounts.

A resolution regarding the reappointment of Auditor to the Company was approved at the May 2016 Main Board meeting.

By order of the Board

Steve Lamey,
Chief Executive and Accounting Officer

22 September 2016

07

Directors' Report and Financial Statements

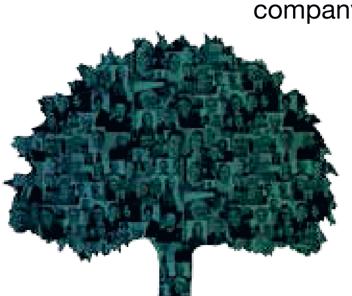
07.2 Statement of Directors' Responsibilities in Respect of the Directors' Report and their Financial Statements

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 with the Department of Business, Innovation and Skills, they are required to follow the principles of HM Treasury's Financial Reporting Manual 2015-16. 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 2015-16 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 Directors' Remuneration Report in order to comply with the requirements of the Government Financial Reporting Manual 2015-16 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.

Directors' Report and Financial Statements

07.3 Independent auditor's report to the members of Student Loans Company Limited

We have audited the financial statements of Student Loans Company Limited for the year ended 31 March 2016 set out on pages 72 to 108. 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 2015-16 and has provided the additional disclosures required by the Government Financial Reporting Manual 2015-16 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 2015-16 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.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 69, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate.**

07

07.3 Independent auditor’s report to the members of Student Loans Company Limited

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity prescribed by the terms of our engagement

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.

Opinion on other matters prescribed by the Companies Act 2006 and 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; and
- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Hugh Harvie (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountant

191 West George Street

Glasgow G2 2LJ

22 September 2016

07.4 Statement of comprehensive income

	Note	2016 £000	2015 £000
Revenue	*3*	**139,081**	134,400
Expenditure:			
Staff costs	*5*	**(74,422)**	(73,521)
Restructuring costs	*5*	**160**	(1,832)
Depreciation, amortisation and impairments		**(15,922)**	(6,147)
Other administrative expenses		**(47,922)**	(52,337)
Operating profit		**975**	563
Finance income	*6*	**28**	27
Finance costs	*7*	**(1,323)**	(908)
Net financing expense		**(1,295)**	(881)
Loss on ordinary activities before taxation		**(320)**	(318)
Tax on result of ordinary activities	*8*	**(6)**	(5)
Loss on ordinary activities after taxation		**(326)**	(323)
Other comprehensive income:			
Actuarial gain/(loss) on defined benefit pension scheme	*18*	**8,421**	(13,136)
Total comprehensive income for the period		**8,095**	(13,459)

In both years, the Company made no acquisitions and had no discontinued operations.
The notes on pages 76 to 108 form an integral part of these financial statements.

07.5 Statement of financial position

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Non-current assets					
Property, plant and equipment	*10*	**15,418**		15,857	
Intangible assets	*11*	**45,800**		28,355	
Total non-current assets			**61,218**		44,212
Current assets					
Trade and other receivables	*13*	**7,210**		6,591	
Cash and cash equivalents	*14*	**16,373**		24,879	
Total current assets			**23,583**		31,470
Total assets			**84,801**		75,682
Current liabilities					
Trade and other payables	*15*	**(42,922)**		(38,331)	
Provisions	*17*	**(608)**		(1,203)	
Corporation tax		**(6)**		(5)	
Total current liabilities			**(43,536)**		(39,539)
Non-current assets plus net current assets			**41,265**		36,143
Non-current liabilities					
Trade and other payables	*15*	**(42,562)**		(37,516)	
Provisions	*17*	**(4,642)**		(4,240)	
Retirement benefit obligation	*18*	**(15,678)**		(23,100)	
Total non-current liabilities			**(62,882)**		(64,856)
Net liabilities			**(21,617)**		(28,713)
Capital and reserves					
Called up share capital	*20*		**-**		-
General reserve			**(21,617)**		(28,713)
Total equity			**(21,617)**		(28,713)

The notes on pages 76 to 108 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 22 September 2016 and were signed on its behalf by:

Steve Lamey,
Chief Executive and Accounting Officer

Registered company number: 2401034

07.6 Statement of changes in equity

	Note	General Reserve £000
Balance at 1 April 2015		(28,713)
Net loss		(326)
Total pension cost recognised in statement of comprehensive income	*18*	(7,619)
Employer contribution in respect of retirement benefit	*18*	6,620
Actuarial gain in retirement benefit obligations	*18*	8,421
Balance at 31 March 2016		(21,617)

07.7 Statement of cash flow

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Cash flow from operating activities					
Loss on ordinary activities after tax		**(326)**		(323)	
Adjustments for:					
Depreciation	*10*	**5,404**		4,442	
Amortisation	*11*	**3,753**		1,705	
Impairments – Intangible assets	*11*	**6,765**		-	
Amortisation of deferred capital receipts					
- Property, plant and equipment	*16*	**(5,342)**		(4,396)	
- Intangible assets	*16*	**(3,753)**		(1,705)	
- Intangible assets – impairments	*16*	**(6,765)**		-	
Gain on disposal		**-**		(10)	
Taxation	*8*	**6**		5	
Finance costs	*7*	**1,323**		908	
Finance income	*6*	**(28)**		(27)	
		1,037		599	
(Increase)/Decrease in trade and other receivables		**(1,942)**		3,415	
(Decrease)/Increase in trade and other payables		**(7,431)**		12,899	
(Decrease)/Increase in provisions		**(193)**		592	
Cash (used in)/generated from operating activities		**(8,529)**		17,505	
Corporation tax paid		**(5)**		(4)	
Corporation tax received		**-**		3	
Net cash (used in)/generated from operating activities			**(8,534)**		17,504
Cash flow from investing activities					
Finance income	*6*	**28**		27	
Acquisition of property, plant and equipment	*10*	**(4,965)**		(4,836)	
Acquisition of intangible assets	*11*	**(27,963)**		(19,458)	
Proceeds from sales of property, plant and equipment		**-**		26	
Net cash used in investing activities			**(32,900)**		(24,241)
Cash flow from financing activities					
Capital funding received from funding bodies		**32,928**		23,294	
Net cash generated from financing activities			**32,928**		23,294
Net (Decrease)/Increase in cash and cash equivalents	*14*		**(8,506)**		16,557
Cash and cash equivalents at 1 April	*14*		**24,879**		8,322
Cash and cash equivalents at 31 March	*14*		**16,373**		24,879

07.8 Notes to the financial statements

1. Accounting policies

Student Loans Company Limited is a company incorporated and domiciled in the UK. The Company is owned by the Secretary of State for Business, Innovation and Skills, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning 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 Business, Innovation and Skills 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.

The most significant standards and interpretations which have been issued, although not yet endorsed by the EU, 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 the Company in 2018/19, if adopted by the EU.
- IFRS 15 Revenue from Contracts with Customers – specifies how and when revenue is recognised, using principles based five-step model. This will be effective for the Company in 2017 if adopted by the EU and is likely to have no impact on the timing of recognition of the Company’s revenue.

The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Company 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 22 September 2016.

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 costs. This is calculated by using the expenditure incurred to date. These 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.

07.8 Notes to the financial statements

Going concern

The terms of the framework document between the Secretary of State for Business, Innovation and Skills, the Employability, Skills and Lifelong Learning Directorate of the Scottish Government, the Department of Employment and Learning in Northern Ireland, the Department for Education and Skills in the Welsh Assembly and the Company requires the Company 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, the Company will operate a negative equity position at the statement of financial position date to the extent that the Company’s dilapidations and retirement benefit obligations are not to be met from the Company’s other sources of income.

These liabilities may only be met by future grants or grant in aid from the Company’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 the Company’s business as usual operating expenditure for 2016-17 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 the Company since:

(a) in accordance with the terms of the Company’s Framework Document any interest earned on funds made available for making loans to students and on money repaid to the Company 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 the Company and the funding bodies that the Company is liable to transmit to these bodies only those repayments which are actually made to the Company. As a consequence, the Company is not liable for repayments due which ultimately may not be recovered.

07.8 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. The company 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 the Company’s property consultants. The latest formal valuations were provided in September 2013 for the premises in Darlington, March 2012 for the premises in Glasgow and April 2007 for the premises in Hillington. Key assumptions are based on the lease expiry date and lease stipulations on the property condition upon that expiry date.

At present the premises at Hillington are being refurbished with completion expected in September 2016. It is expected that the provision will change as a result of this and a full revaluation will be instructed following the completion of these works.

Retirement benefit obligations

The Company’s retirement benefit obligations are based on external valuations provided annually by the Company’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 the Company’s pension obligations.

Intangible assets

Development costs that meet IFRSs intangible asset recognition criteria and the asset are intended to be used internal or otherwise, are capitalised as an intangible asset. Capitalisation will only occur when management identify the technological and economical feasibility of the project. The Company 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 in year reflect key assumptions made by management on the value in use of the intangible asset being developed.

07.8 Notes to the financial statements

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.
- Finance income
  Finance income comprises 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 except:

- irrecoverable VAT 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.

07.8 Notes to the financial statements

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 economic benefits will flow to, or service potential be provided to, the Company; 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	Over 3 years

Intangible assets

Recognition

Intangible assets are recognised where the costs can be measured reliably and there is a clear future economic benefit attributable from the asset that will flow through to the Company.

Expenditure on research 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 the Company or to our customers;
- the Company intends to complete the asset and use it;
- the Company 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 the Company to complete the development and use the asset; and
- the Company can measure reliably 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

Funding 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 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, the Company has financial assets included in current assets, comprising of 'trade receivables', 'prepayments and accrued income' and 'cash and cash equivalents'.

Recognition and measurement

Financial assets are recognised when the Company becomes party to the contractual provisions of the financial instrument. These assets are recognised at fair value less any attributable costs. Financial assets are derecognised when the rights to receive the cash flows from the assets have expired or have been transferred and the Company 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 and outstanding balances with central government bodies, at fair value through 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, the Company 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 the Company 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

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 the Company 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

The Company 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.

The Company’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 the Company’s obligations.

The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, 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 the Company in the period they occur through the Statement of comprehensive income.

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

The defined benefit scheme exposes the Company to actuarial risks such as longevity risks, interest rate risk and market (investment) risk.

The Board of Trustees regularly reviews the Scheme’s investment strategy in order to manage the investment risks within the Scheme. In consultation with the Company, 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 2013 and a recovery plan was put in place to remove the Scheme’s shortfall against the Trustees’ funding objective.

Defined contribution scheme

The Company 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. The Company has no further liability once contributions are paid to the pension scheme.

Other obligations

Termination benefits are payable when employment is terminated before the normal retirement date, date implied in contractual terms and conditions, or when an employee accepts voluntary redundancy for these benefits.
The Company 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 the Company 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.

Leases - 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.

07.8 Notes to the financial statements

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 Board of Directors.

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

Analysis of the revenue and expenditure by segment are deemed according to the activity based model utilised by the Company. This model allocates revenue and expenditure to products provided by the Company to the Department for Business, Innovation and Skills (England), the Department for Education and Skills in the Welsh Assembly, the Student Awards Agency for Scotland and the Department of Employment and Learning in Northern Ireland.

2. Segmental reporting

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

2016	Operating Activities £000	Change Programme £000	Other £000	**Total £000**
Segmental revenue				
Grant in aid*	113,119	24,901	70	**138,090**
Administration fees received from third parties	177	-	799	**976**
Other income	15	-	-	**15**
Total revenue	113,311	24,901	869	**139,081**
Segmental expenditure				
England HE	(97,451)	(23,934)	(714)	**(122,099)**
England FE	(2,704)	(327)	-	**(3,031)**
Northern Ireland	(2,117)	(162)	(23)	**(2,302)**
Scotland	(2,600)	-	(8)	**(2,608)**
Wales	(7,655)	(348)	(63)	**(8,066)**
Total expenditure	(112,527)	(24,771)	(808)	**(138,106)**
Operating profit				**975**

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, on the basis that any allocation would be purely artificial and would not add value.

*All Grant in aid funding has been received from England, the main funding body, who subsequently reclaim the costs from Northern Ireland, Scotland and Wales.

2. Segmental reporting (continued)

2015	Operating Activities £000	Change Programme £000	Other £000	**Total £000**
Segmental revenue				
Grant in aid*	110,877	22,041	59	**132,977**
Administration fees received from third parties	253	-	1,065	**1,318**
Other income	105	-	-	**105**
Total revenue	111,235	22,041	1,124	**134,400**
Segmental expenditure				
England HE	(96,275)	(12,688)	(995)	**(109,958)**
England FE	(3,028)	(1,240)	-	**(4,268)**
Northern Ireland	(2,144)	(1,443)	(35)	**(3,622)**
Scotland	(2,441)	(1,002)	(7)	**(3,450)**
Wales	(7,181)	(5,288)	(70)	**(12,539)**
Total expenditure	(111,069)	(21,661)	(1,107)	**(133,837)**
Operating profit				**563**

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, on the basis that any allocation would be purely artificial and would not add value.

* All Grant in aid funding has been received from England, the main funding body, who subsequently reclaim the costs from Northern Ireland, Scotland and Wales.

07.8 Notes to the financial statements

3. Revenue

	2016 £000	2015 £000
Grant in aid	**138,090**	132,977
Administration fees receivable from third parties	**976**	1,318
Other income	**15**	105
	139,081	134,400

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

The company supports Higher Education Institutes (HEIs) in England, Northern Ireland, Scotland and Wales, in providing mandatory and discretionary bursaries and scholarships to students by providing an administration service. HEIs may choose to subscribe into either a full service which includes payment of the bursary or scholarship to the student or subscribe to the core service for information only purposes.

Financial objective

The main aim set by the funding bodies is to at least 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 the Company’s Statement of financial position and released in line with Company policy as detailed in Note 1.

	2016 £000	2015 £000
Revenue	**892**	1,147
Expenditure	**(892)**	(1,147)
Surplus before tax	**-**	-
Capital expenditure	**215**	-
Deferred capital receipts	**(215)**	-
	-	-

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):

	2016 £000	2015 £000
Dilapidations provision	**402**	398
Depreciation, amortisation and impairments – owned assets	**15,922**	6,147
(Gain)/Loss on disposal of fixed assets	**-**	(10)
Amortisation and impairment of deferred capital receipts	**(15,860)**	(6,085)
Directors' remuneration	**319**	340
Auditors remuneration:		
- Audit of these financial statements	**39**	39
Amounts received by auditors and their associates:		
- Valuation and actuarial services	**19**	61
- Other services relating to taxation	**3**	3
- Other assurance services	**4**	59
Operating lease rentals:		
- Land and buildings	**3,381**	3,411
- Computer and other equipment	**4**	854

Depreciation, amortisation and impairments includes an amount of £6.8m, which is included within total charges of £12.3m, related to two projects within the Transformation Programme which were stopped during the year. The impact of these costs has been offset by a release of deferred capital grant of £6.8m and revenue of £5.5m.

Additional services to support the review of the defined benefit obligation of the Company in 2015, were carried out by the Company's Auditors.

Other assurance services provided by the Auditors in 2015 included support to the Repayment division of the Company.

The reduction in Computer and other equipment operating lease rentals is a result of outsourcing printing and mailing during 2015.

(b) Directors' remuneration:

	2016 £000	2015 £000
Fees	**91**	89
Executive emoluments (including benefits in kind)	**185**	201
Pension contributions	**33**	33
Taxable expenses	**10**	17
	319	340

The remuneration of each individual director is analysed in the remuneration report.

5. Staff numbers and costs

The average number of full time equivalent employees of the Company (including directors) during the year was as follows:

	2016	2015
Full time equivalent employees	**2,649**	2,554

All staff were employed by the Company for the purposes of administration and operation of student support schemes.

The aggregate payroll costs were as follows:

	2016 £000	2015 £000
Wages and salaries	**60,736**	58,551
Social security costs	**4,116**	3,787
Pension service costs	**6,270**	4,682
	71,122	67,020
Other staff costs	**3,300**	6,501
	74,422	73,521

	2016 £000	2015 £000
Restructuring costs	**(160)**	1,832
	(160)	1,832

Pension service costs includes employer's contributions of £137,000 (2015: £125,000) to a defined contribution plan to meet the companies auto-enrolment responsibilities.

Other staff costs represent the additional cost to the company for 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.

Severance

The Company agreed and paid 21 (2015: 31) severance payments in the year. The relevant details are disclosed in the table below.

	Total number of severance payments	
	2016	2015
Cost band	**No**	No
< £10,000	**-**	1
£10,001 - £25,000	**6**	5
£25,001 - £50,000	**14**	15
£50,001 - £100,000	**1**	6
£100,001 - £150,000	**-**	3
£150,001 - £200,000	**-**	-
£200,001 - £250,000	**-**	1
Total number of severance payments	**21**	31
	£000	£000
Total cost on a cash basis	**666**	1,587

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

Severance costs have been approved and paid in accordance with guidance stipulated by the Department for Business, Innovation and Skills and HM Treasury.

6. Financial income

	2016 £000	2015 £000
Bank interest	**28**	27
	28	27

7. Finance costs

	2016 £000	2015 £000
Pension interest charge	**666**	603
Pension administration expenses	**657**	305
	1,323	908

8. Tax on result of ordinary activities

	2016 £000	2015 £000
Current taxation charge for the period at the small companies rate of 20% *(2015: 20%)*	**6**	5
	6	5

Tax is chargeable at 20% of the taxable profits arising on administration fees receivable from third parties, after charging the costs associated with the administration of that business, plus bank interest and corporation tax repayment interest.

The tax assessed for the period varies from the standard rate of corporation tax in the UK (20% in 2015 and 2016). The differences are explained below:

	2016 £000	2015 £000
(Loss) on ordinary activities before taxation	**(320)**	(318)
(Loss) on ordinary activities at small companies UK corporation tax rate	**(64)**	(64)
Effects of:		
Adjustment re prior year assessments	**-**	-
Amounts not subject to corporation tax	**70**	69
Current taxation charge for the period	**6**	5

9. Analysis of net expenditure by programme and administration budget

	Programme £000	**Administration £000**	**2016 Total £000**	Programme £000	Administration £000	2015 Total £000
Income:						
Grant in aid	97,543	40,547	**138,090**	79,917	53,060	132,977
Administration fees received from third parties	712	264	**976**	1,047	271	1,318
Finance income	20	8	**28**	22	5	27
Other income	10	5	**15**	83	22	105
Total income	98,285	40,824	**139,109**	81,069	53,358	134,427
Expenditure:						
Staff costs	(46,159)	(28,263)	**(74,422)**	(40,357)	(33,164)	(73,521)
Running costs	(42,061)	(11,009)	**(53,070)**	(36,801)	(18,800)	(55,601)
Operating lease rentals – land & buildings	(1,867)	(1,514)	**(3,381)**	(2,044)	(1,367)	(3,411)
Operating lease rentals – computer & other equipment	(1)	(3)	**(4)**	(850)	(4)	(854)
Interest charges	(1,323)	-	**(1,323)**	(908)	-	(908)
Non-cash items:						
Depreciation & amortisation – owned assets	(4,087)	(5,070)	**(9,157)**	(3,820)	(2,327)	(6,147)
Profit/(loss) on disposal or property, plant and equipment	-	-	**-**	10		10
Amortisation of deferred capital receipts	4,060	5,035	**9,095**	3,781	2,304	6,085
Dilapidations provision	(402)	-	**(402)**	(398)	-	(398)
Impairments	(6,765)	-	**(6,765)**			
Total expenditure	(98,605)	(40,824)	**(139,429)**	(81,387)	(53,358)	(134,745)
Net expenditure after interest	(320)	-	**(320)**	(318)	-	(318)

Programme income and expenditure refers to front line, customer facing activities undertaken by the Student Loans Company. 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 2015	11,060	34,856	3,928	23	**-**	**49,867**
Additions	50	4,230	58	-	627	**4,965**
Disposals	(20)	(19)	(50)	-	**-**	**(89)**
At 31 March 2016	**11,090**	**39,067**	**3,936**	**23**	**627**	**54,743**
Depreciation						
At 1 April 2015	6,660	24,842	2,500	8	-	**34,010**
Charge for year	895	4,003	498	8	-	**5,404**
On disposals	(20)	(19)	(50)	-	-	**(89)**
At 31 March 2016	**7,535**	**28,826**	**2,948**	**16**	**-**	**39,325**
Net book value						
At 31 March 2015	4,400	10,014	1,428	15	-	15,857
At 31 March 2016	**3,555**	**10,241**	**988**	**7**	**627**	**15,418**

Included in computer and other electronic equipment are items held under finance leases with a net book value of £nil (2015: £nil), net of accumulated depreciation of £8,880,000 (2015: £8,880,000).

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

11. Intangible assets

	Intangible assets under development £000	Internally generated software £000	Websites £000	Software licences £000	Total £000
Cost					
At 1 April 2015	19,073	3,698	3,671	6,189	**32,631**
Additions	15,768	8,430	-	3,765	**27,963**
Transfers	(2,145)	2,145	-	-	**-**
Impairments	(6,765)	-	-	-	**(6,765)**
At 31 March 2016	**25,931**	**14,273**	**3,671**	**9,954**	**53,829**
Amortisation					
At 1 April 2015	-	316	2,145	1,815	**4,276**
Charge for year	-	2,028	381	1,344	**3,753**
At 31 March 2016	**-**	**2,344**	**2,526**	**3,159**	**8,029**
Net book value					
As at 1 April 2015	19,073	3,382	1,526	4,374	28,355
As at 31 March 2016	**25,931**	**11,929**	**1,145**	**6,795**	**45,800**

Intangible asset impairments are recognised in Depreciation, amortisation and impairments within the Statement of comprehensive income.

Amortisation for intangible assets is recognised as a charge in the Statement of comprehensive income.

Assets under development represent the ongoing development of the Company's internal customer ledger and associated systems.

The impairment of intangible assets under development relates to a distinct element of the change programme. The impairment charge wrote off the prior year capitalised cost in relation to this intangible asset in full. A further £5,527,000 was charged to other administrative expenses within the Statement of comprehensive income relating to costs incurred in the financial year.

07.8 Notes to the financial statements

12. Financial instruments

As the cash requirements of the Company are met through grant in aid provided by the Department for Business, Innovation and Skills, 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 the Company’s expected purchase and usage requirements and the Company 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 the Company 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. 99% of other trade receivables are not older than 3 months and do not represent any credit risk.

The Company’s maximum exposure to credit risk as at 31 March 2016 is £1,662,000 (2015: £2,104,000).

Liquidity risk

Liquidity risk is the risk that the Company 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. The Company’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

The Company 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 the Company in undertaking its activities.

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

	2016 Book Value £000	2016 Fair Value £000	2015 Book Value £000	2015 Fair Value £000
Trade receivables	7,210	7,210	6,591	6,591
Cash and cash equivalents	16,373	16,373	24,879	24,879
Trade payables due within 1 year	42,922	42,922	38,331	38,331
Trade payables due after 1 year	42,562	42,562	37,516	37,516

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

13. Trade and other receivables

	2016 £000	2015 £000
Balances with central government bodies	**682**	-
Other trade receivables	**1,481**	1,978
Prepayments and accrued income	**5,047**	4,613
	7,210	6,591

14. Cash and cash equivalents

	2016 £000	2015 £000
Balance at 1 April	**24,879**	8,322
Net (decrease)/increase in cash and cash equivalents	**(8,506)**	16,557
Balance at 31 March	**16,373**	24,879

	2016	2015
The balances at 31 March were held at:		
Commercial bank accounts	**(2,557)**	(187)
Government banking scheme accounts	**18,925**	25,064
Cash vouchers	**5**	2
	16,373	24,879

At 31 March 2016 £679,245,000 (2015: £223,896,000) was held in trust on behalf of third parties. The increase in the balances held relate to the timing of cashflows to cover student payments in early April 2016.

15. Trade and other payables

	2016 £000	2015 £000
Amounts falling due within one year:		
Trade payables	**3,412**	1,354
Balances with central government bodies	**-**	7,759
VAT	**2,014**	5,780
Other taxation and social security	**1,286**	1,386
Accruals and deferred income	**16,756**	14,482
Deferred capital receipts	**19,454**	7,570
	42,922	38,331
Amounts falling due after more than one year:		
Accruals and deferred income	**928**	1,066
Deferred capital receipts	**41,634**	36,450
	42,562	37,516

16. Deferred capital receipts

	2016		2015	
	Intangible assets £000	**Property, plant and equipment £000**	Intangible assets £000	Property, plant and equipment £000
At 1 April	**28,355**	**15,665**	11,602	15,225
Receivable for the year	**27,963**	**4,965**	18,458	4,836
Credited to statement of comprehensive income	**(3,753)**	**(5,342)**	(1,705)	(4,396)
Impairments	**(6,765)**	**-**	-	-
At 31 March	**45,800**	**15,288**	28,355	15,665

17. Provisions

	Severance £000	Legal Claims £000	Dilapidations £000	Total £000
At 1 April 2015	1,184	19	4,240	**5,443**
Arising in year	358	250	402	**1,010**
Amounts reversed unutilised	(478)	(19)	-	**(497)**
Amounts utilised	(706)	-	-	**(706)**
At 31 March 2016	358	250	4,642	**5,250**
Amounts falling due within one year	358	250	-	**608**
Amounts falling due after more than one year	-	-	4,642	**4,642**
	358	250	4,642	**5,250**

The provision for severance in the year to 31 March 2016 represents the estimated severance costs from organisational redesign arising in the year to 31 March 2017.

The provision for legal claims represents the estimated settlement cost to the Company for ongoing legal actions against the Company. 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, although it is anticipated that they will be settled by 31 March 2017.

The provision for dilapidations represents the estimated settlement cost to the Company of the dilapidations clauses included in its property leases. These costs are expected to be incurred on the expected termination of the property leases (these may not be the lease expiry) as follows: £2,558,000 in December 2023, £432,000 in August 2019 and £1,652,000 in April 2018. The provision has been made on the basis of the best estimate using independent professional assessments.

18. Retirement benefit obligation

The Company 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 the Company, being invested by the Trustees of the scheme.

The Company contributes 27.1% to the pension scheme after agreement with the Trustees in 2015 to address the current deficit of the scheme.

	2016 £000	2015 £000
Change in benefit obligation		
Benefit obligation at beginning of year	**103,477**	76,282
Service cost	**6,296**	4,676
Interest cost	**3,500**	3,490
Plan participants' contributions	**1,387**	1,396
Actuarial (gain)/loss	**(12,551)**	18,714
Insurance premiums for risk benefits	**(291)**	(257)
Benefits paid	**(1,086)**	(824)
Benefit obligation at end of year	**100,732**	103,477
Change in plan assets		
Fair value of plan assets at beginning of year	**80,377**	59,685
Interest Income	**2,834**	2,887
Employer contributions	**6,620**	12,217
Plan participants’ contributions	**1,387**	1,396
Actuarial (loss)/gain	**(4,130)**	5,578
Insurance premiums for risk benefits	**(291)**	(257)
Benefits paid	**(1,086)**	(824)
Administrative expenses	**(657)**	(305)
Fair value of plan assets at end of year	**85,054**	80,377
Amounts recognised in the Statement of financial position		
Present value of funded obligations	**100,732**	103,477
Fair value of plan assets	**85,054**	80,377
Deficit for funded plans	**15,678**	23,100
Net liability	**15,678**	23,100
Amounts in the Statement of financial position		
Liabilities	**15,678**	23,100
Assets	**-**	-
Net liability	**15,678**	23,100

	2016		2015	
	£000	£000	£000	£000
Components of pension expense				
Current service cost recognised within staff costs		**6,296**		4,676
Interest cost	**3,500**		3,490	
Interest (income) on plan assets	**(2,834)**		(2,887)	
Total net interest cost		**666**		603
Administrative expenses		**657**		305
Defined benefit cost included in Statement of comprehensive income		**7,619**		5,584
Remeasurements (recognised in other comprehensive income)				
Effect of changes in demographic assumptions	**-**		(1,425)	
Effect of changes in financial assumptions	**(13,237)**		24,434	
Effect of experience adjustments	**686**		(4,295)	
Return on plan assets (excl interest income)	**4,130**		(5,578)	
Actuarial (gain)/loss immediately recognised		**(8,421)**		13,136
Total recognised in the Statement of comprehensive income		**(802)**		18,720

Defined benefit obligation

Defined benefit obligation by participant status	**£000**	£000
Actives	**70,737**	70,490
Vested deferrals	**22,839**	25,402
Retirees	**7,156**	7,585
Total	**100,732**	103,477

Plan assets

Amounts included in the fair value of asset for:	**£000**	£000
Equity instruments	**30,696**	29,544
Debt instruments	**31,004**	29,480
Cash and cash equivalents	**1,286**	856
Property	**8,701**	7,391
Diversified growth fund	**13,367**	13,106
Total	**85,054**	80,377

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 the Company's own financial instruments.

Weighted average assumptions used to determine benefit obligations at:

	2016	2015
Discount rate	**3.70%**	3.40%
Rate of compensation increase	**2.90%**	3.00%
Rate of increase of pensions in payment	**2.90%**	3.00%
Rate of price inflation (RPI)	**2.90%**	3.00%
Rate of price inflation (CPI)	**1.90%**	2.00%

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	2016	2015
Male member age 65 (current life expectancy)	**22.1**	**22.1**
Female member age 65 (current life expectancy)	**23.9**	**23.8**
Male member age 45 (life expectancy at age 65)	**23.2**	**23.1**
Female member age 45 (life expectancy at age 65)	**25.9**	**25.8**

Weighted average assumptions used to determine pension expense for year ended:

	2016	2015
Discount rate	**3.40%**	4.60%
Rate of compensation increase	**3.00%**	3.60%
Rate of increase of pensions in payment	**3.00%**	3.30%
Rate of price inflation (RPI)	**3.00%**	3.40%
Rate of price inflation (CPI)	**2.00%**	2.60%

Sensitivity analysis:

Statement of financial position

The funded status of the Scheme and the amounts recognised as a Company liability at 31 March 2016 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 an additional 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 2016			
	Preliminary	**Discount**	**Inflation**	**Life Expectancy**
Discount rate	3.70%	3.45%	3.70%	3.70%
Inflation (RPI)	2.90%	2.90%	3.15%	2.90%
Inflation (CPI)	1.90%	1.90%	2.15%	1.90%
	£000	**£000**	**£000**	**£000**
Benefit obligation	100,732	109,165	107,759	103,631
Fair value of plan assets	85,054	85,054	85,054	85,054
Net liability recognised	15,678	24,111	22,705	18,577

Statement of comprehensive income

The preliminary estimate of the pension expense for the financial year to 31 March 2017 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 an additional 1 year of assumed life expectancy is shown in the following table. Each change is shown independently with all other assumptions held constant.

	31 March 2017			
	Preliminary	**Discount**	**Inflation**	**Life Expectancy**
	£000	**£000**	**£000**	**£000**
Current service cost	5,250	5,843	5,863	5,422
Interest cost	3,706	3,747	3,966	3,814
Interest (income) on scheme assets	(3,332)	(3,107)	(3,332)	(3,332)
Administration expenses	367	367	367	367
Total	5,991	6,850	6,864	6,271

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

	Financial year ending in				
	2016	2015	2014	2013	2012
	£000	£000	£000	£000	£000
Defined benefit obligation	**100,732**	103,477	76,282	65,608	44,761
Fair value of plan assets	**(85,054)**	(80,377)	(59,685)	(51,202)	(40,656)
Deficit	**15,678**	23,100	16,597	14,406	4,105

Contributions

The Company expects to contribute £10,266,000 to its pension plan in the financial year ending 31 March 2017.

19. Financial Commitments

The Company had commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Operating leases amounts falling due:				
Within one year	**3,450**	3,664	**27**	37
In the second to fifth years inclusive	**5,170**	8,274	**3**	21
	8,620	11,938	**30**	58

The operating leases in respect of the land and buildings are guaranteed by the Secretary of State for Business, Innovation and Skills.

The Company may renew operating leases for land and buildings, specifically for the premises in Glasgow and Darlington. Leases have been entered into where the term end date is December 2023 for Glasgow and April 2023 for Darlington, with break options in December 2018 and April 2018 respectively.

Contingent rent payable in the year ended 31 March 2016 totalled £nil (2015: £nil). No contingent rent is payable on any future financial commitments as at 31 March 2016.

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

At 31 March 2016 the Company had placed contracts for the purchase of fixed assets totalling £4,530,118 (2015: £264,055) and intangible assets totalling £13,090,659 (2015: £15,147,466).

20. Called up share capital

	2016 £	2015 £
Authorised		
200 ordinary shares of 50p each	**100**	100
Allotted, called up and fully paid		
20 ordinary shares of 50p each	**10**	10

21. Controlling parties

The Company is owned by the Secretary of State for Business, Innovation and Skills, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning in Northern Ireland.

22. Related party transactions

The Student Loans Company Limited 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, the Company 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 the Company transacts with for student funding.

- The Chairman, Mr C Brodie, held the positions of Chair of Council at the University of Sussex, Chair of the South East Local Enterprise Partnership, Co Chair of the BIS Partnership Organisations Chair Forum and Board Member Brighton & Sussex Medical School.
- Professor Dame G Breakwell held the positions of Vice Chancellor at the University of Bath, Director at the Leadership Foundation for Higher Education, Director & Chair of Universities UK and is a Member of the Economic & Social Research Council.
- Mr W Gallagher is a member of the Court of Edinburgh Napier University.
- Mr D Wallace held the positions of Governor of Court and Chair of Finance and Governance Committee at Glasgow Caledonian University.

23. Statement of loans administered by the company

Funding for the purpose of making loans to students is received by the Company from the Department for Business, Innovation and Skills (England), the Department for Education and Skills in the Welsh Assembly, the Student Awards Agency for Scotland and the Department for Employment and Learning in Northern Ireland.

As at 31 March 2016 the total balance of the loan portfolio administered by the Company on behalf of the funding bodies was £86,721,598,000 (2015: £73,847,704,000), which excludes all non-repayable student support.

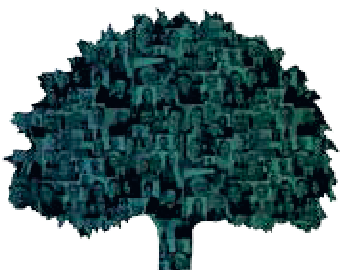
24. Non-adjusting event after the Reporting Period

On 14 July 2016, following a machinery of Government change it was announced that the Student Loans Company's sponsoring department, the Department for Business, Innovation and Skills, is having its responsibilities changed and is now called the Department for Business, Energy and Industrial Strategy. Following from the change in responsibilities the sponsor department for the Student Loans Company will be the Department for Education.

08 Independent Assessors' Annual Reports

The Independent Assessors are appointed by the Minister for Universities and Science (England, Scotland and Northern Ireland) and the Minister for Education and Skills (Wales), to deal with Higher Education Student Finance appeals and complaints.

The Independent Assessors provide the final, and independent stage, of SLC's complaints and appeals procedure.
Eight assessors were in appointment during FY2015-16, with six continuing this appointment into FY2016-17.



08

Independent Assessors' Annual Reports

08.1 England, Scotland and Northern Ireland

Introduction

On 6 May 2009, the Minister of State for Higher Education and Intellectual Property appointed four Independent Assessors for Higher Education Student Finance Appeals and Complaints for a three year term. In 2012 all four accepted appointment for a further three years from the Minister for Universities and Science. Two of the four original assessors finished their final term at the end of April 2015. Two temporary assessors were appointed to assist with a significant caseload from December 2014 and they finished their term on 30th June 2015. Six new Independent Assessors were appointed in May 2015 by the Minister for Universities Science and Cities and they will serve with two of the original assessors over the coming three year period.

Our appointments are statutory and are made under s23 (6) of the Teaching and Higher Education Act 1998. Complaints about loans transferred to the private sector may be referred to us if they do not fall within the remit of the Financial Ombudsman Service, as may complaints about loans made under the older mortgage style loan scheme. In 2014-15, our remit was extended to include complaints and appeals from Student Finance Wales and that work is the subject of a separate report to Welsh Ministers.

Our decisions are binding on the Student Loans Company (SLC) unless it is directed otherwise by a Secretary of State; generally, but not restricted to, the Secretary of State for Business, Innovation and Skills. A protocol exists in respect of appeals by which the SLC supplies a summary of the appeal to the Department for Business, Innovation and Skills (BIS) when it is referred to us. This provides BIS 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 only received comments on one case this year under this arrangement. BIS will also sometimes provide advice on its position on specific issues.

In the event that BIS disagrees with our subsequent recommendations to the SLC, it advises the Secretary of State accordingly, who then decides whether or not those recommendations should be implemented. We routinely explain the provisional status of our recommendations to every appellant and complainant. In FY2015-16, of the cases considered by BIS in some detail, none of our recommendations have been overturned; though a few cases remain under consideration.

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Independent Assessors' Annual Reports

08.1 England, Scotland and Northern Ireland

In our terms of reference we are required to bring independent decision making to bear on appeals and complaints cases referred to us by the SLC, and to uphold the principles of public life (the Nolan principles) in our work. As part of our accountability we are required to produce an annual report to Ministers and to the SLC Board summarising our activities during the year, and including recommendations on areas for improvement arising from our casework. This report covers the financial year FY2015-16, and therefore relates to cases reported on by us up to 31 March 2016. Some of those cases will have been referred to this stage of the process in FY2014-15.

In our reports we make recommendations to address the specific circumstances of the case and also with respect to more general issues arising from our analysis. We meet regularly with SLC and BIS staff to consider the state of complaints and appeals, how our reports have been handled and are briefed on relevant administrative developments in the SLC and policy proposals from BIS. 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.

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 without which our work would have been considerably more challenging. Her workload has increased with ours and SLC have recognised this with the appointment of additional staff to assist.

Independent Assessors' Annual Reports

08.1 England, Scotland and Northern Ireland

Caseload

The SLC defines an appeal as:

'a formal request to Student Finance (England) asking us to review our decision either on whether you are entitled to financial help or on the amount of funding we have awarded to you.'

A complaint is defined as:

'an expression of dissatisfaction, however made to an organisation, related to its products or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected.'

Appeals

During the year we have reviewed 62 appeals. A comparison with the preceding years may be seen in the tables below:

Appeals	SLC Decision Upheld	Appeal Upheld	Total
2015/16	47	15	62
2014/15	48	6	54
2013-14	38	9	47
2012-13	58	6	65 (including 1 referred back to the SLC)
2011-12	39	10	49
2010-11	34	25	59

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Independent Assessors' Annual Reports

08.1 England, Scotland and Northern Ireland

The number of appeals dealt with has risen in FY2015-16. This is partly due to completing reviews of cases which had been referred in FY2014-15. The table below sets out the broad categories of appeal with comparable figures for previous years where available:

Subject matter	2012-13	2013-14	2014-15	2015-16
Unfitted	19	13	7	15
Previous study/ ELQ	11	10	9	10
Residency	8	10	13	17
Overpayment/Repayment	8	1	1	1
Funding entitlement	5	6	12	7
Migrant Worker	4	2	3	2
Other	10	5	9	10
Total	65	47	54	62

It is apparent that the three categories giving rise to the most appeals remain the same. This year, of the 15 cases where we have disagreed with the decision of the SLC, the majority have related to either the category of Unfitted or Residency. Last year we noted a significant decrease in the number of escalated appeals in relation to Unfitted cases. Most of these cases relate to students applying for child care grants (CCG) who have submitted unreliable documentation to support their claim. We have made a number of recommendations to the SLC over the past years in respect of its handling of these cases. SLC has strengthened the unit responsible for investigating this area and introduced a Consequences Model for deciding on the appropriate sanction when a decision is reached that the student is unfitted to receive support.

This has resulted in less severe outcomes for students where a lesser degree of culpability is identified.

Whilst there have been significant improvements in the way such cases are investigated, the evidence obtained in some cases still falls below the quality which would be expected in a criminal investigation. The limitations of a deskbound investigation, where it is not possible to carry out a formal face to face interview with the student or other witnesses, are apparent in such cases where there are allegations of fraud. Given the sums involved and the fact that some of these cases are also the subject of investigation by other agencies such as the Police or Department for Work and Pensions (DWP) there needs to be close liaison with such agencies which could perhaps harness resources not available at present to the SLC.

08 Independent Assessors' Annual Reports

08.1 England, Scotland and Northern Ireland

Residency appeals have risen this year. A High Court decision concerning the impact of the delay in granting Leave to Remain on young people who had lived in the UK for most of their lives has resulted in some appeals by students trying to bring themselves under that umbrella. Following that decision SLC had already tried to identify those applicants who were likely to succeed on the basis of that judgement before the appeal was escalated to stage three and so the appeals which remained and came to us were found generally to have been decided correctly and so were not upheld.

A number of cases each year concern UK nationals who have gone to live abroad with their parents whilst still minors and then wish to return to the UK to study at University.
The application of the three year residency requirement in the UK before the commencement of the academic course comes as a surprise to those who may have spent most of their life in the UK and yet be denied access to support due to decisions made by their parents. Some of these cases have resulted in our making a recommendation to overturn the SLC finding of ineligibility because the Independent Assessor has taken the view that the student either has dual residency or that their absence was due to the parents being temporarily absent from the UK. These cases are always fact sensitive and although there is guidance from BIS we have expressed concern recently that there is not always clarity in applying the guidance and there is a danger of blurring the evidential requirements for demonstrating ordinary residence and for absence because of temporary employment.

We have also been concerned by cases where the SLC has decided, sometimes well after a course has started and initial payments have been made, that a student does not meet the three year residency requirement; even though accurate information was provided in the initial application. If a student is not eligible for funding at the start of a particular course he or she will remain ineligible throughout, so it is vital that the SLC gets the initial decision on eligibility right, before substantial and unsustainable financial commitments are made.

We have commented before on the difficulties which arise in relation to previous study which some students find quite difficult to understand.
In general the regulations have been applied correctly at the appeal stage though the issue may give rise to complaints if correct advice has not been given or the previous study is not identified correctly at the assessment stage.

08 Independent Assessors’ Annual Reports

08.1 England, Scotland and Northern Ireland

Complaints

This year we have reported on 172 complaints. The table below shows the comparative numbers of complaints reported on each year:

Complaints	
2015-16	172
2014-15	103
2013-14	119
2012-13	92
2011-12	51
2010-11	14

The number of complaints reported on by Assessors shows a significant increase. This was partly due to dealing with a backlog in complaints cases which developed because unfortunately during FY2014-15 there was a lack of availability of Independent Assessors which continued to be a feature of the service through most of 2015. Some of the reports issued in FY2015-16 deal with complaints referred in the previous year. In an attempt to deal with this backlog effectively two additional temporary Independent Assessors were appointed to work exclusively on complaints and their input helped to prevent the backlog getting worse; but delays in reporting on complaints cases continued to be a concern.

The appointment of six more Independent Assessors, bringing the total number to eight, has 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 Independent Assessor. The timescale now has been reduced to two months but it is to be hoped this can be improved upon further in the coming months. SLC will need to continue to monitor the throughput of cases to Independent Assessors to ensure that published timescales are being met and to take action to ensure that the resources available are adequate to meet the workload going forward.

08

Independent Assessors’ Annual Reports

08.1 England, Scotland and Northern Ireland

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	2013-14	2014-15	2015-16
Core processing	55	31	97
Grant overpayment	20	26	3
Call centre support staff	19	9	37
ICR	15	23	18
Other	10	14	17
Total	119	103	172

There has been a change in the way cases are categorised this year which may account for the significant decrease in numbers for complaints categorised as Grant Overpayment and significant increase in numbers for Core Processing and Call Centre staff. The former category now includes incorrect advice as well as other contact issues. Complaints about Grants for Dependants (GfD) and Disabled Student Allowance (DSA) are included in the core processing category. There have been changes in the processing of GfD which also reduce the likelihood of overpayments.

As we have commented previously the categories are necessarily broad in compass and the majority of complaints which reach us contain more than one issue. We appreciate that the number of complaints registered must be considered in the context of the large number of accounts being managed and the huge volumes of telephone and online contacts being handled. The proportion of complaints which are not resolved before they reach the third stage is a small proportion of that total. However there has been an increase in the number of complaints escalated to the third stage of the complaints process whereas the total number of complaints received by SLC has decreased by 10%. Our reports will always examine whether the responses at the earlier stages were adequate and so if there are clear reasons for customers remaining dissatisfied attention will be drawn to how this can be avoided in future. It remains the case that if a complaint is not resolved at the first opportunity it has the tendency to escalate and complaints about the complaints process can follow.

08

Independent Assessors' Annual Reports

08.1 England, Scotland and Northern Ireland

We note the emphasis on Right First Time which is being adopted by SLC and continue to urge that the approach must be to acknowledge mistakes as soon as possible with a tailored response which reveals a genuine understanding of the cause of complaint and a willingness to resolve it and to take active steps to correct the errors identified and to inform the customer what steps are being taken. Last year, we commented on the practice of allowing additional stages into the process which can be described as "repeat Stage 1" and "repeat Stage 2" procedures.

The considerable backlog of cases being completed by Independent Assessors in 2014-15 provided further incentive to try to avoid the need for stage three. However although we entirely accept that the SLC can and indeed should do everything it can in order to resolve complaints at the earliest possible stage, we do not believe that repeating the stages of the published procedure benefits customers and can cause further grievances. Furthermore asking customers to spell out again the reason why they seek escalation of their complaint causes a delay in that step being progressed, additional frustration and a belief on the part of the customer that the route to escalation is being obstructed. SLC should avoid either appearing to or actually hindering progress of a complaint through its stages.

Complaints around incorrect telephone advice continue to cause concern. The consequences of such errors are often more significant and detrimental than those resulting from other mistakes; in particular when it results in a mistaken belief that funding will be available.

The recorded messages warning callers not to rely on verbal advice have been made clearer but nevertheless are no guarantee that such advice will not be acted upon; particularly if it is provided with confidence. Call centre staff have limited expertise and it is essential that they are aware of their limitations and are willing to inform callers that they do not know the answer and that only a written enquiry or online application can receive a reliable answer. The SLC Knowledgebase information database is now frequently used by advisors, which is encouraging; however our concern is that sometimes, even where an article has been consulted, the wrong advice has been proffered.

Our review of such cases has been made more difficult in the past year by the lack of availability of recordings of customer calls to SLC. We understand the deletion of recordings after a short period was necessitated by a review of data security as such calls may contain sensitive financial information. We hope that the new security arrangements will facilitate the retention of call recordings for an appropriate period to enable retrieval for training and review purposes.

We have seen a number of cases this year where deductions from salary of loan repayments have been restarted without the customer being aware in advance. This has occurred sometimes to recover a refund which has been paid in error after the loan has been paid in full.

These cases have given rise to complaints about the lack of forewarning; usually caused because SLC may no longer hold an up to date address for customers who believe they have paid the loan in full. SLC justify this procedure as the customer usually contacts SLC once deductions recommence. However this can result in hardship as the sums involved are often significant. We have questioned whether sufficient steps have been taken to trace a current address for such customers. Reliance seems to be placed on the addresses provided to SLC when the account was live with little regard being had to the time which may have elapsed since the account was active. After sometimes a period of years of no need for contact with SLC, customers have no reason to keep SLC informed of change of address. We questioned whether the regulations permit recovery of a mistaken refund to be made through the Income Contingent Repayment (ICR) as it can be argued that is not an overpayment within the meaning of the regulations. We understand that SLC have accepted our recommendations to change this process.

Some of those cases came about through retrospective audits of accounts. Other audits have identified cases where incorrect assessments have been made some time earlier and result in reassessments which can have very severe consequences for the student. Whenever such exercises are being planned, SLC in discussion with BIS need to foresee what the possible adverse consequences maybe and consider how they maybe ameliorated. Too often customers have received very bad news out of the blue when they are committed to a course of action from which there is no easy retreat. We have awarded ex gratia payments in many cases. The sums offered may be a repeat of an offer already made by SLC but if an offer has been rejected previously without obvious justification, we do not always recommend the offer be repeated. Awards may be significant where substantial detriment has been suffered. We note that such significant sums have rarely been offered by SLC in the cases which reach us.
This maybe because a substantial offer has been accepted at an earlier stage; in which case we would not become aware of the case. SLC invariably refers in correspondence to having no discretion in matters of recovery of overpayments even where the situation has resulted from a mistake on the part of SLC whereas the guidance from BIS states that SLC is obliged by regulations to recover overpayments unless it is considered not appropriate to do so. Therefore the exercise of discretion must surely also arise as to whether to recover at all because that requires SLC to decide whether or not it is appropriate to do so; which is clearly an exercise of discretion. Denying the existence of any circumstances when recovery is not appropriate could be taken as fettering discretion. It may be that there is a lack of clarity as to whether the discretion lies with BIS or SLC and whether SLC has delegated authority to decide that it is not appropriate to recover an overpayment. If so SLC should seek clearer guidance to inform decisions in this area.

08

Independent Assessors’ Annual Reports

08.1 England, Scotland and Northern Ireland

Parliamentary and Health Service Ombudsman (PHSO)

The PHSO provides an opportunity for customers who are dissatisfied with the outcome of the three stages of the complaints process to seek a review through referral by their MP.
The PHSO has requested information from SLC in 47 cases and has investigated and reported on 14 cases. Of these the complaints were not upheld in 9 cases, partly upheld in 4 and upheld in 1. Where the complaint was upheld in full or in part the PHSO required SLC to take further steps in the form of apologising or offering a higher ex gratia or consolatory award than the Independent Assessor had recommended. We have not routinely been kept informed of the reports of the PHSO in the past but have requested that SLC always feedback to the Independent Assessors the outcome of PHSO investigations; both where our recommendations have been upheld and more importantly where they have not so that we can take onboard the views of the PHSO in our future considerations. We hope that a system of feeding back these reports will be embedded in the year ahead.

Recommendations

In summary, our recommendations this year are as follows:

We recommend that SLC continue to focus on getting it Right First Time by acknowledging mistakes as soon as possible but SLC should also ensure that progress of complaints through the published procedure is not hindered or obstructed by repeating responses at stages one and two or by requiring complainants to use particular forms of words when requesting escalation.

We recommend that SLC review the degree of cooperation with other agencies in cases investigated by Counter Fraud Services to discover whether there are possibilities for further sharing of resources.

We recommend that SLC consider publishing information about how any discretion arising from the various regulations is exercised by SLC on the basis of the authority delegated by BIS and seek to obtain clearer guidance on this issue.

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

Independent Assessors, April 2016

08

Independent Assessors' Annual Reports
08.2 Wales

Ariennir gan
Lywodraeth Cymru
Funded by
Welsh Government

student finance wales
cyllid myfyrwyr cymru

Introduction

On 6 May 2009, four Independent Assessors were appointed to deal with Higher Education Student Finance Appeals and Complaints from customers of the Student Loans Company in England. In October 2013 the Minister for Education and Skills in the Welsh Government offered appointment to the same four Independent Assessors to deal with complaints and appeals in Wales for a term to run in conjunction with the period of appointment in England. Two of the four original assessors finished their final term at the end of April 2015. Six more Independent Assessors were appointed in May 2015 and they will serve with two of the original assessors over the three year period ending in 2018.

Our appointments are statutory and are made under s23 of the Teaching and Higher Education Act 1998. Our recommendations are binding on the Student Loans Company (SLC) unless it is directed by a Welsh Minister to do otherwise. A protocol exists in respect of appeals by which that the SLC supplies a summary of the appeal to the Welsh Government when it is referred to us.

Independent Assessors' Annual Reports

08.2 Wales

This provides Government 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 received comments on any cases this year under this arrangement. We routinely explain the provisional status of our recommendations to every appellant and complainant. In 2015/16 none of our recommendations have been overturned.

In our terms of reference we are required to bring independent decision making to bear on appeals and complaints cases referred to us by the SLC, and to uphold the principles of public life (the Nolan principles) in our work. As part of our accountability we are required to produce an annual report to Welsh Ministers and to the SLC Board summarising our activities during the year, and including recommendations on areas for improvement arising from our casework. This report covers the financial year 2015/16, and therefore relates to cases reported on by us up to 31 March 2016. We have provided a report to the UK Minister for Universities, Science and Cities covering our work on complaints and appeals in England and many of the issues commented upon there are equally relevant to cases which have arisen or might arise in Wales and so we consider that, although our recommendations may not concern issues which have specifically arisen in the cases we have considered from Wales this year, they are still equally relevant.

In our reports we make recommendations to address the specific circumstances of the case and also with respect to more general issues arising from our analysis.
We meet regularly with SLC and Welsh Government staff in joint meetings with officials from the Department for Business Innovation and Skills (BIS) to consider the state of complaints and appeals, how our reports have been handled and are briefed on relevant administrative developments in the SLC and any policy proposals from the respective governments.
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.
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 without which our work would have been considerably more challenging. Her workload has increased with ours and SLC have recognised this with the appointment of additional staff to assist.

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Caseload

The SLC defines an appeal as: ‘a formal request to Student Finance (Wales) asking us to review our decision either on whether you are entitled to financial help or on the amount of funding we have awarded to you.’

A complaint is defined as:

‘an expression of dissatisfaction, however made to an organisation, related to its products or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected.’

Appeals

During the year we have reviewed one appeal. This appeal concerned allegations of fraud in an application for child care grant (CCG). This is an issue which has arisen in a number of cases in England and our recommendations have been concerned with improving the quality of investigation and evidence gathering as well as the correct approach to be taken on imposing sanctions where it is shown that a student has provided inaccurate information either deliberately, negligently or inadvertently. Student Finance Wales (SFW) also shares the services of the SLC Counter Fraud Service (CFS) and so there should be no difference in the approach to cases which arise from Wales. However the fact that the transfer of responsibility from Local Authorities to SFW took place more recently than in England means that there may be some inconsistencies in the information available to CFS affecting the quality of evidence.

This should become less problematic with the passage of time. With regard to fraud cases in particular it is imperative that there is close working between SFE, SFW and CFS to ensure that there is consistency and sharing of information.

We have made a number of recommendations to the SLC over the past years in respect of its handling of these cases. SLC has strengthened the unit responsible for investigating this area and introduced a Consequences Model for deciding on the appropriate sanction when a decision is reached that the student is unfitted to receive support. This has resulted in less severe outcomes for students where a lesser degree of culpability is identified. Whilst there have been significant improvements in the way such cases are investigated over the past few years, the evidence obtained in some cases still falls below the quality which would be expected in a criminal investigation.

The limitations of a deskbound investigation, where it is not possible to carry out a formal face to face interview with the student or other witnesses, are apparent in such cases where there are allegations of fraud. Given the sums involved and the fact that some of these cases are also the subject of investigation by other agencies such as the Police or Department for Work and Pensions (DWP) there needs to be close liaison with such agencies, which could perhaps harness resources not available at present to SLC.

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Complaints

The table opposite shows the categories of complaint cases in the year. These are the same categories as used by SFE. As this is our first report specifically dealing with Welsh cases, and the numbers involved are so small it is not possible to draw any meaningful conclusions from an analysis of this breakdown at this stage.

Subject matter	2015-16
Core processing	6
Call centre support staff	1
Other	2
Total	**9**

There has been a change in the way cases are categorised by SLC this year. The category of Call Centre Staff now includes incorrect advice as well as other contact issues. Complaints about Grants for Dependants (GfD) and Disabled Student Allowance (DSA) are included in the Core Processing category.

The categories are necessarily broad in compass and many of the complaints which reach us contain more than one issue. We appreciate that the number of complaints which are not resolved before they reach the third stage is a small proportion of the total. It remains the case that if a complaint is not resolved at the first opportunity it has the tendency to escalate and complaints about the complaints process can follow. We note the emphasis on Right First Time which is being adopted by SLC and continue to urge that the approach must be to acknowledge mistakes as soon as possible with a tailored response which reveals a genuine understanding of the cause of complaint and a willingness to resolve it and to take active steps to correct the errors identified and to inform the customer what steps are being taken.

Last year, in our reports we commented on the practice of allowing additional stages into the process which can be described as "repeat Stage 1" and "repeat Stage 2" procedures. The considerable backlog of cases in 2014/15 being concluded by Independent Assessors provided further incentive to try to avoid the need for stage three. However although we entirely accept that the SLC can and indeed should do everything it can in order to resolve complaints at the earliest possible stage, we do not believe that repeating stages of the published procedure benefits customers and can cause further grievances.

The appointment of six more Independent Assessors, bringing the total number to eight, has had a significant effect on the timescales for completing cases and reporting our findings. 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 Independent Assessor. The timescale now has been reduced to two months but it is to be hoped this can be improved upon further in the coming months. SLC will need to continue to monitor the throughput of cases to Independent Assessors to ensure that published timescales are being met and to take action to ensure that the resources available are adequate to meet the workload going forward.

Complaints around incorrect telephone advice continue to cause concern. The consequences of such errors are often more significant and detrimental than those resulting from other mistakes; in particular when it results in a mistaken belief that funding will be available. The recorded messages warning callers not to rely on verbal advice have been made clearer but nevertheless are no guarantee that such advice will not be acted upon; particularly if it is provided with confidence.

Call Centre staff have limited expertise and it is essential that they are aware of their limitations and are willing to inform callers that they do not know the answer and that only a written enquiry or online application can receive a reliable answer. The SLC Knowledgebase information database is now frequently used by advisors, which is encouraging; however our concern is that sometimes even where an article has been consulted the wrong advice has been proffered.

Our review of such cases has been made more difficult in the past year by the lack of availability of recordings of customer calls to SLC. We understand the deletion of recordings after a short period was necessitated by a review of data security as such calls may contain sensitive financial information. We hope that the new security arrangements will facilitate the retention of call recordings for an appropriate period to enable retrieval for training and review purposes.

We have awarded ex gratia payments in a number of cases. The sums offered may be a repeat of an offer already made by SLC but if an offer has been rejected previously without obvious justification, we do not always recommend the offer be repeated. Awards may be significant where substantial detriment has been suffered. We note that such significant sums have rarely been offered by SLC in the cases which reach us.

This maybe because a substantial offer has been accepted at an earlier stage; in which case we would not become aware of the case. SLC invariably refers in correspondence to having no discretion in matters of recovery of overpayments even where the situation has resulted from a mistake on the part of SLC, whereas the guidance from BIS states that SLC is obliged by regulations to recover overpayments unless, it is considered not appropriate to do so. Therefore the exercise of discretion must surely also arise as to whether to recover at all because that requires a decision about whether or not it is appropriate to do so; which is clearly a question of discretion. Denying the existence of any circumstances when recovery is not appropriate could be taken as fettering discretion. It may be that there is a lack of clarity as to whether the discretion lies with BIS or SLC and whether SLC has delegated authority to decide that it is not appropriate to recover an overpayment. If so SLC could seek clearer guidance to inform decisions in this area.

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Welsh Ombudsman

The Welsh Ombudsman provides an opportunity for customers who are dissatisfied with the outcome of the three stages of the complaints process to seek a review through referral by their MP. The Ombudsman has requested information from SLC in four cases but has not investigated any, in the year under review.

Recommendations

In summary, our recommendations to SLC this year are as follows:

We recommend that SLC continue to focus on getting it Right First Time by acknowledging mistakes as soon as possible, but SLC should also ensure that progress of complaints through the published procedure is not hindered or obstructed by repeating responses at stages one and two or by requiring complainants to use particular forms of words when requesting escalation.

We recommend that SLC review the degree of cooperation with other agencies in cases investigated by Counter Fraud Services to discover whether there are possibilities for further sharing of resources.

We recommend that SLC consider publishing information about how any discretion arising from the various regulations is exercised by SLC on the basis of the authority delegated by BIS and seek to obtain clearer guidance on this issue.

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Independent Assessors, April 2016

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