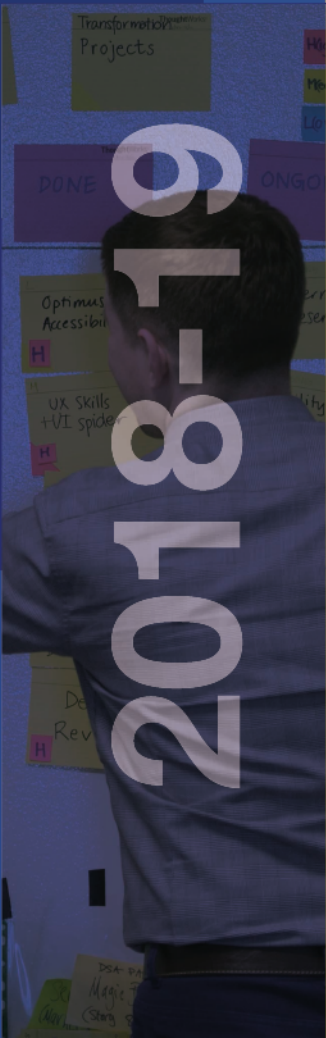


Corporate and Business Plan

FY2018-19 to FY2020-21



2018-19

2019-20

2020-21

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Chairman's Statement



It is a pleasure to present SLC's new Corporate Plan, and to introduce the company's exciting and ambitious strategy for the three year period 2018-19 to 2020-21. These pages also incorporate the more detailed Business Plan for the single financial year 2018-19.

In these plans our key focus remains on the users of our services. By providing our customers with seamless, digital access to application, payment and repayment services, we will at the same time enable more efficient processing that will reduce the cost to taxpayers.

During my time as Chairman, I have been impressed time after time by the quality, professionalism and innovation displayed by staff across all levels of the organisation, and it is therefore no surprise to me that SLC has yet again reported excellent performance results against the targets set by Government in the Annual Performance and Resource Agreement (APRA). Of particular note is the continued high level of customer satisfaction, and that all key assessment, payment and repayment targets were exceeded.

SLC has achieved these excellent results while the size of its customer base, the value of its loan book and the scale of services it provides grew substantially. This growth is set to continue throughout the three year period covered by this plan. While we are proud of our customer satisfaction scores, we know that modern digital technology could

transform the experience of students who want to finance their ambitions through higher education. It is therefore right that the company has been able to begin a modernisation programme - the SLC Strategy - which will improve customers' experience and at the same time enhance SLC's capacity and flexibility to implement future Government policy, including variations between UK administrations. Flexibility and a capacity to adapt could be vital attributes for SLC in the years ahead, with four major drivers of potential change and uncertainty all visible on the horizon. Alongside the UK's exit from the EU, I refer to three major reviews - the Department for Education (DfE) review of post-18 education, the Tailored Review of governance and the Office for National Statistics (ONS) review of student loan accounting standards.

DfE has begun a review of post-18 education and funding led by Philip Augar which is expected to report in 2019, and has sought SLC advice on the scale and complexity of emerging proposals. Changes to student funding policy can have significant implications for SLC, and I welcome this early engagement, which demonstrates DfE's belief that SLC can and does add value in policy development.

The United Kingdom Government Investments (UKGI) review of DfE's governance of SLC has provided a timely opportunity to reflect on the structure and operation of such a large and complex public sector organisation. Recommendations from this will feed into DfE's Tailored Review of SLC.

In December 2018, ONS is expected to report on how student loans should appear in Government accounts. Changes to the current accounting standards - specifically those which concern the treatment of student loans in relation to Government debt - could significantly affect the development of future policy.

SLC's foremost priority is the continued secure delivery of HE and FE finance services to students who are making major personal decisions about investing in their futures.

At the turn of the year, we welcomed two new Non-Executive Directors to the SLC Board: Professor Andrew Wathey, Vice Chancellor and Chief Executive of Northumbria University, and Mary Curnock Cook, until recently Chief Executive of The Universities and Colleges Admission Service (UCAS). Both bring valuable insight and experience that enriches discussion in Board meetings and strengthens SLC's ability to deliver our Government shareholders' higher and further education funding policies.

In September we also welcomed Paula Sussex as our new Chief Executive. She brings with her a wealth of experience to the role having originally trained as a barrister before working in the private sector. Her 25 year career was primarily in consultancy, but also in the service delivery of large scale IT, latterly working as a Senior Vice President with Logica, before being appointed CEO of the Charity Commission in 2014. I believe that she will provide invaluable leadership as we reshape the company for the future through the SLC Strategy.

Let me also thank Peter Lauener, our Interim Chief Executive since November 2017. Much has been achieved under Peter's leadership to improve governance and decision-making across the organisation. For example, SLC expanded the responsibilities of the Board Committees, appointed a Chief Financial Officer (CFO) to the Board, strengthened procurement practices and reviewed its employment procedures.

Christian Brodie

02

Chief Executive's Foreword



I am very pleased to have been appointed SLC's new CEO, tasked with delivering the ambitious and innovative strategy outlined in this plan. It is already clear that I have joined an organisation which has energetic, conscientious and creative staff, and a track record of delivering excellent results within the UK's rapidly evolving higher and further education landscape.

Last year, SLC processed 1.8 million applications, made over 7 million payments totalling £18.2 billion, handled nearly 6 million telephone calls, and managed over 8 million customers and a loan book totalling £117.8 billion, dwarfing the same statistics from as little as five years ago. This rapid growth is set to continue over the next three years.

This is an exciting time to be a part of SLC. I join the company as it embarks on an ambitious programme that will ultimately recalibrate the organisation into one that provides a modern, seamless, digital public service to millions of satisfied customers. The company has already begun this journey; SLC's roadmap leads to a leaner, more flexible and highly skilled workplace, using resilient, secure and intuitive digital services that will fundamentally transform the customers' experience.

Some benefits from early strategy workstreams are already being felt by customers, for example, earlier this year SLC introduced e-Signatures on student applications. This has already delivered a significant reduction in correspondence and telephone calls – a virtuous circle whereby customers benefit (from a simpler, faster application experience), Government and taxpayers benefit (from a more cost-effective service), and SLC staff are released from routine and repetitive tasks and able to focus on more engaging and skilful work – which in turn will benefit customers with a better quality of service. As the new CEO, I am committed to driving this strategy forward.

I am very grateful to Peter Lauener, who has skilfully guided the company through the early phases of the strategy, and has achieved a great deal in his short time as Interim CEO, and I am committed to working with my Executive colleagues to maintain the momentum behind the strategy.



There will be challenges in the year ahead, with the number of customers set to further increase, alongside their growing expectation for an efficient modern digital service, and the need for SLC to adapt quickly and flexibly to the diverging requirements of the four Government shareholders.

I am clear that we will remain committed to our vision to deliver outstanding digital products and services to our customers and stakeholders and to respond efficiently to the requirements of Ministers and policymakers at the Department for Education and the Devolved Administrations.

Paula Sussex

The Business Environment

The SLC is a UK public sector organisation established to provide financial services, in terms of loans and grants, to over 1 million new and returning students annually, in colleges and universities across England, Northern Ireland, Scotland and Wales.

SLC is a non-profit making organisation. The four UK Government Administrations are its shareholders.

SLC operates from five offices: there are two in Glasgow and one in nearby Hillington; two further in Darlington and Llandudno Junction.

3.1 Products and Services

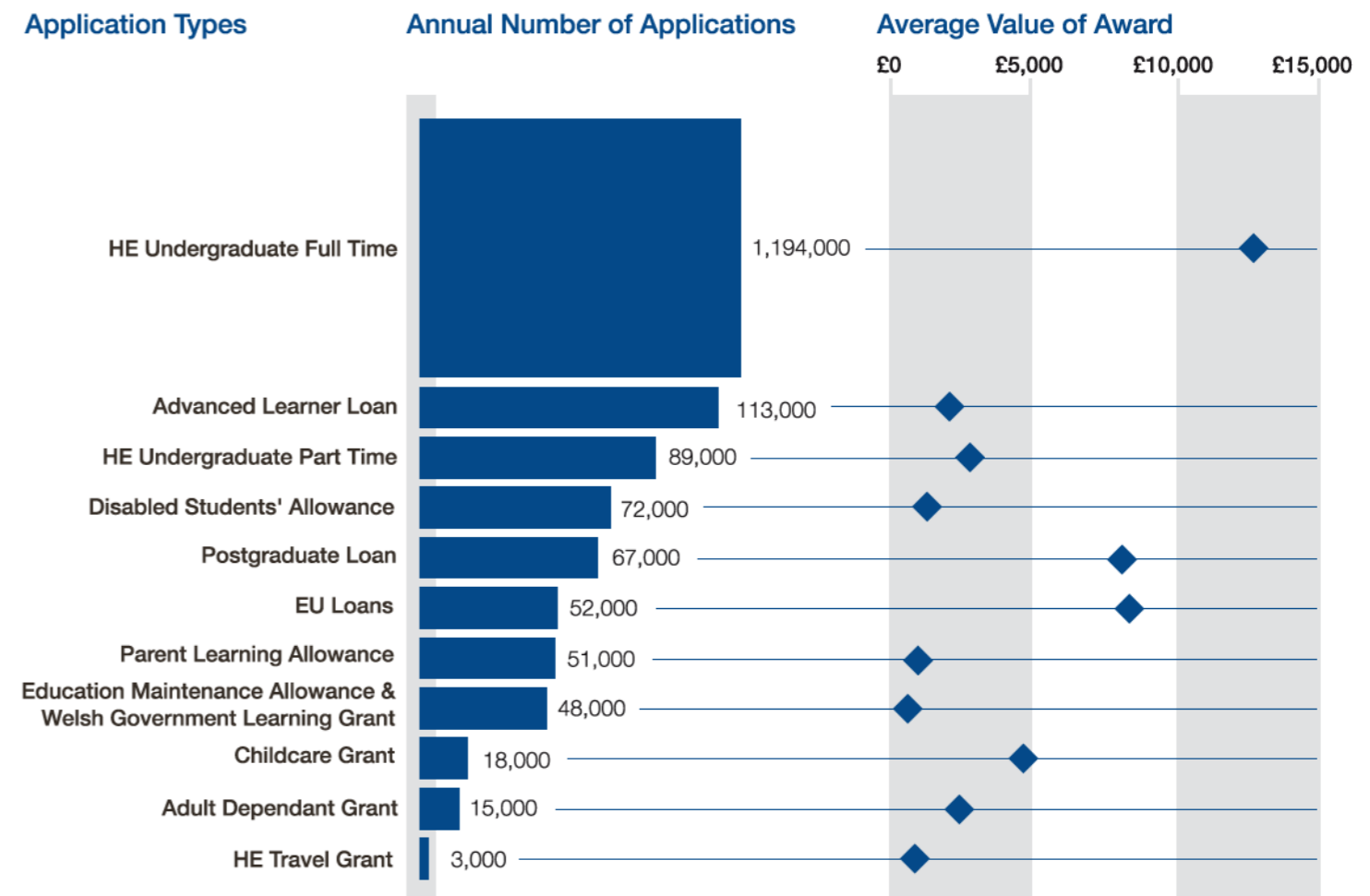
For England and Wales, SLC manages the full, end-to-end “apply, assess, pay and repay” processes for undergraduates; it provides the payment and repayment parts of the service for Scotland and Northern Ireland. Additionally, Northern Ireland’s Education Authority use SLC-developed systems for assessing their students’ applications.

SLC also manages a growing range of Further Education and Postgraduate products and services which are tailored to the differing requirements of individual Government

Administrations, alongside various “targeted support” grants designed to enable people with disabilities, childcare or other needs to overcome barriers to participation in higher and further education.

Additionally SLC administers bursary payments on behalf of many UK education providers.

SLC services a growing loan book, totalling over £117 billion, and works in partnership with HMRC to bring in repayments through PAYE and self-assessment, and directly collects from those borrowers outside the UK tax system (or those nearing the end of their repayment term).



3.2 SLC's Mission

SLC enables its customers to invest in their futures by delivering secure, accurate and efficient application, assessment, payment and repayment services.

While the plans in the following pages set out an ambitious strategy for SLC to reshape the organisation and upgrade its digital services, it is worth emphasising that the company's overriding priority is always to deliver its core mission. The Minister of State for Universities, Science, Research and Innovation made it clear in his letter to SLC's Chairman that the shareholders' foremost priority remains the continued secure delivery of those elements of the HE and FE student finance system for which SLC is responsible.

This includes servicing the rapidly growing loan book, informing students and sponsors about student finance, facilitating student finance applications, assessing those applications, paying grants and loans and collecting repayments.

SLC's one year Business Plan for FY2018-19

reflects this focus on delivering the mission, and lays out five key business objectives to support this priority. [see Section 5, page 24]

At the same time, it is clear that SLC needs to change in order to continue to be able to deliver these core services over future years: the SLC Strategy – as outlined within the three year Corporate Plan in the section that follows – shows how the organisation intends to do this.

04

The Three-Year Corporate Plan FY2018-19 to FY2020-21

4.1 Introduction - Managing Complexity, Change and Growth

The four UK Governments' regulations associated with student finance are detailed and in many areas complex. Different loan and grant products have a range of eligibility criteria as to who can apply for them; there are often complex entitlement rules as to the amount of financial support available; and different repayment terms, income thresholds or interest rates may be in force. Customers can be repaying more than one loan at the same time, and these may be on different terms. SLC has comparable size and complexity to a small retail bank; however, unlike a bank

SLC cannot pick and choose between market segments, and is responsible for a universal service for all customer groups.

For several years SLC has built new systems to manage the frequent introduction of new products and regulations in line with each year's academic cycle. This usually requires significant development work to challenging deadlines, against a backdrop of year-on-year increases in the numbers of both applicants and repayers.

4.2 The Need for Change

SLC handles huge volumes of incoming mail and telephone calls (for example, we received around 6 million phone calls last year). It is no longer enough to plan to meet this extraordinary operational challenge each year, when modern technology can now provide infinitely more efficient ways of processing applications, repayments and queries. Better use of technology will not only reduce cost but can also deliver a near seamless customer experience.

There has been historic underdevelopment and underinvestment of many legacy systems, often because the organisation has needed to prioritise the delivery of each year's new policy priorities ahead of upgrading core systems. Consequently systems have often evolved in a tactical piecemeal manner, with multiple interdependencies that increasingly complicate the process of developing new products and services.

At the same time the sheer pace of recent technological change means that the Company now needs to put major effort into upgrading its digital services, in order to bring them up to the standard that today's customers expect as a matter of course.

In the past, SLC has been successful in recruiting and retaining staff of sufficient experience and skill to be able to keep pace with the growing demands of the UK's student finance system. But this is increasingly difficult: rates of pay for SLC staff have fallen behind the employment markets that we operate in, leading to the costs of 20% turnover per year and the loss of experienced staff with valuable corporate knowledge. This has been clearly demonstrated as a major factor in surveys of employee engagement and organisational health, and has emerged as one of SLC's most significant corporate risks.

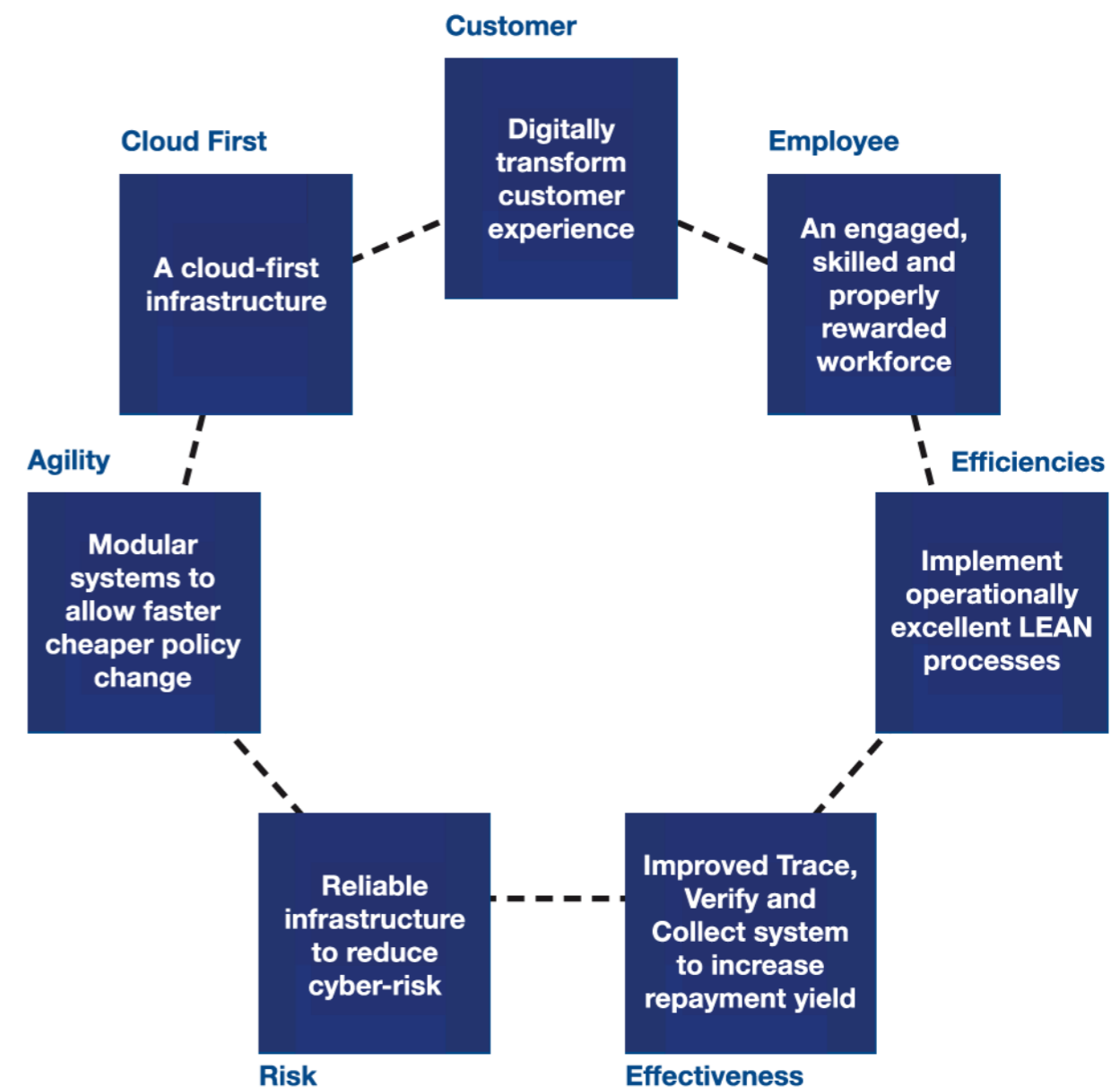
SLC has identified five key challenges:

- The inability of customers to see real-time balance and loan information online;
- The lack of an end-to-end digital journey, driving customer contact and manual processes;
- Technology that is out of date or too interdependent;
- A rapidly growing and more complex loan book; and
- Lower than desired employee engagement, and high rates of attrition.

4.3 SLC's Strategy

In 2017, the SLC Executive Leadership Team developed a new strategy to address these challenges. The strategy aims to put in place a virtuous circle whereby customers benefit (from a simpler, faster application experience), Government and taxpayers benefit (from a more cost-effective service), SLC operates with more resilient and reliable technology platforms, and SLC staff are released from routine and repetitive tasks and able to focus on customers who need more help or have more complex queries. This in turn provides more rewarding and skilful work for SLC staff.

Delivery of the strategy has been clearly designed within flexible timescales, to allow SLC to plan and work within the necessary constraints of public governance and finance – including with regard to the Government's Review of post-18 education, and the Tailored Review of SLC. The four interlinked programmes will be delivered in waves and re-baselined if and when necessary over the three to five year timescale.



The strategy is ambitious, and SLC recognises that over the years ahead shareholders may well have competing priorities in terms of policy delivery. It is a multi-year strategy, but is only funded annually, as DfE's current practice is to agree SLC's budget for a single year at a time. For these reasons, each strategy programme has been formulated in "waves" of activity; the pace of change will inevitably depend on the scale of competing demands.

Although it is inevitable that the scope and pace of the strategy will change, the underlying themes and principles will remain the same. The strategy has four core programmes:



THE DIGITAL CUSTOMER PROGRAMME aims to channel as many as possible of SLC's interactions online – via intuitive and appealing digital channels. This will reduce costs through fewer manual transactions, fewer telephone calls and less paper.



THE TECHNOLOGY PROGRAMME seeks to protect and update the technology platforms that deliver customer services, driving innovation to facilitate faster change with less risk and cost.



THE OPERATIONAL EXCELLENCE PROGRAMME seeks to create a Lean framework which drives continuous improvement and implements a new management and leadership development programme to inculcate the desired behaviours, delivering a cultural shift at SLC.



THE REPAYMENTS AND COUNTER FRAUD PROGRAMME seeks to increase yield by better segmenting the loan book and working with partners to provide more coverage to Trace, Verify and Collect. Fraud identification tools will support earlier identification of fraudulent activity within the application process.

4.4 The Digital Customer Programme



- Channel as many as possible of SLC's interactions online via intuitive and appealing digital channels
- Reduce costs through fewer manual transactions, fewer telephone calls and less paper

This is a multi-year programme to fundamentally redesign the service that SLC offers to its customers. By moving interactions with customers onto an appealing, intuitive and seamless digital service, the nature of the work performed by customer-facing staff will change, as the more routine and repetitive tasks are handled online, freeing up colleagues to focus on more complex and rewarding work. This will also reduce costs – for example those associated with dealing with routine customer enquiries.

The programme addresses five interconnected groups of issues with our current service:

PEOPLE

- Too many simple enquiries prevent contact centre staff focusing on customers who most need expert help; and
- Steep ramp-up of staff required to cover peak contact period.

PROCESS

- Too many manual and paper-based processes; and
- Process complexity is unnecessarily visible to customers.

TECHNOLOGY

- Complexity and cost of having multiple customer portals;
- Data driven by organisation not customer need; and
- Technology not exploited to handle simple customer queries.

EXPERIENCE

- Customers cannot always complete transactions online;
- Status of applications and up-to-date loan balances are not visible online; and
- Loan products are not well understood.

COST TO SERVE

- £24m is spent on calls with customers who would undoubtedly prefer not to have to telephone us;
- Over £26m is spent on processing customer applications;
- 15m items of mail are sent to customers each year at a cost of £7m; and
- Without SLC's strategy, these costs are expected to rise.

The Digital Customer programme is split up into three phases of work comprising various smaller discrete work packages.

- **PHASE 1** of the programme is currently in flight and focuses on technology solutions that reduce the need for customers to call SLC, such as
 - **Digital Service Design** - an approach to designing services that balances the needs of customers with the needs of the business. Using new methodology and tools to help prioritise projects in future phases of the strategy;
 - **e-Signatures** - a facility for applicants to digitally sign their Terms & Conditions declaration;
 - **Password Reset Improvements** - including the use of one-time SMS codes;
 - **Social Media Capability** - richer, more demographically aligned content, including for example 280 films hosted on YouTube; and
 - **Digital Evidence Upload** - a facility to allow customers to upload digital images of evidence (instead of posting it).

- **PHASE 2** will look to deliver a new customer management layer including digital correspondence and a better online account facility. When combined with more frequent data sharing with HMRC this will allow customers to more effectively self service their accounts.

- **PHASE 3** will complete delivery of a full end to end digital service, focusing on process automation and introducing more intelligent case worker technologies.

Once these strategic initiatives have been delivered SLC expects to see a significant reduction in running costs of £15m which represents a reduction in the annual cost to serve from better demand management, increased customer process efficiency, better use of data and digitising workforce processes.

4.5 The Technology Programme



To provide secure, digital and effective technology to enable the needs of our customers and stakeholders

The Technology Programme is a multi-year programme that seeks to stabilise, renew and upgrade the technology in the company. After initially stabilising key systems, attention will turn to moving to a preference for cloud-based services, where platforms are selected on criteria which focus on enabling business processes.

The programme seeks to address four interconnected sets of issues:

PEOPLE

- Too many low value processes, subduing innovation
- A need to re-skill the workforce to maximise opportunities for new technology
- A need to retain staff with core subject matter expertise

EXPERIENCE

- Older, near end-of-life technology
- Interdependent system stacks
- Multiple system access authentications
- Inconsistent customer journeys
- Complex and dated operational staff interfaces
- Sub-optimal response times
- Difficult to access data as an asset

PROCESS

- Changes to complex, monolithic (non-modular) systems are laborious and time-consuming
- Lack of automation in key areas when compared to a modern, *DevOps* methodology for software development
- Risk-based culture restricts innovation

COST

- £31m BAU operating costs
- 25,000 internal help desk tickets
- 12,000 changes over annual cycle
- 69% straight-through processing
- 41,000 peak concurrent users

The programme is made up of key workstreams:

Innovation

- Data analytics capability driven by business need
- *Omnichannel* architecture based on business process
- Automation, machine learning and robotics

Stabilisation

- Upgrade underpinning technologies
- Ensure availability of key systems

Cloud

- Stabilise physical environment
- Enable cloud future
- Migrate to hybrid cloud / physical ecosystem

Security

- Further develop and mature SLC's cyber defence capability
- Protect inside the estate as well as the perimeter

Mobility

- Enable a digital culture for staff using mobile technology

The following “red lines” are key principles underpinning the Technology Strategy:

- Move to cloud-based services so that no new services will be hosted in physical SLC-owned data centres;
- Opt for **Software as a Service** (SaaS) for business requirements;
- Develop new software only for true differentiation;
- Move to an outcome based, distributed delivery model reducing the vendors on site; and
- Simplify to modernise, by consolidating or removing duplicate systems and vendors.

The Technology Roadmap:

- **PHASE 1** will focus on securing and stabilising our key systems and data. It will also lay the foundations for greater innovation and change in future phases, through Cloud enablement, data management techniques and Application Programming Interface (API) gateway initiatives.
- **PHASE 2** will focus on the *digital* and *data domains*, in particular in delivering a new assessment platform and a business-driven data analytics platform. It will start the migration of physical infrastructure into the Cloud, and complete remaining stabilisation work, while continuing to keep pace with best-practice security.
- **PHASE 3** will focus on the *transactional domain*, starting to diminish the legacy monolithic architecture and improve functionality around ledger, lending, repayment and collections. It will complete the migration to a hybrid physical / cloud model, and continue to adopt security best practices.

4.6 The Operational Excellence Programme



The Operational Excellence programme will create an organisational environment in which all members of staff constantly strive to deliver the highest and most cost effective standards of service, ensuring customer requirements are a central consideration in every decision

The Operational Excellence Programme has been built upon the principle that better employee engagement will lead to higher standards of performance and service for our customers.

At the same time, adopting LEAN methodology will reduce complexity and make SLC more productive and efficient.

The programme has five objectives:

- End-to-end quality processes that are well understood and add value from a customer perspective;
- Staff that are fully engaged and have the training and tools to perform their jobs and improve their processes;
- Creation of a Lean framework which will deliver an enduring capability within SLC to drive the continuous improvement of processes;
- KPI's that align to strategic objectives and flow from the boardroom to front line staff; and
- Well defined accountabilities where employees know their roles (with particular emphasis on the role of the manager).

These objectives will be delivered through three workstreams, LEAN, The Role of the Manager and Employee Engagement, briefly outlined below:

LEAN: SLC will implement LEAN working practices throughout the organisation. Initially, four pathfinder projects have piloted the methodology, and developed a pipeline of future projects. These projects were led by SLC Lean Practitioners, supported by our strategic partner.

In parallel, we are establishing our own Lean Capability Centre (LCC). This is staffed with SLC colleagues who have responsibility for the deployment, management and measurement of all improvement initiatives. The LCC will develop into custodians of the methodology, providing training and expertise to projects and the business on the application of the tools and techniques.

Finally, the Lean Measurement and Quality Framework is being developed, to ensure that the appropriate governance, reporting and metrics are implemented to track Lean benefits realisation.

SLC has now completed the pilot activities with a number of tangible benefits already realised, and the next set of Wave 1 projects has commenced. These include: Core Processing at Darlington and Llandudno Junction, FE at Hillington, Verification Operations, Counter Fraud Services and Customer Relations.

During Wave 1 we will see over a thousand employees trained in Lean tools and methods.

ROLE OF THE MANAGER involves the development and implementation of a new management and leadership programme, which embeds the desired behaviours, including those that will deliver a cultural shift at SLC to working according to Lean principles.

EMPLOYEE ENGAGEMENT is focused on detailed analysis of staff feedback, to allow appropriate action plans to be developed and implemented wherever any company shortcomings are identified. SLC will survey all employees' opinions, assessing specific strengths, weaknesses and opportunities for improvement.

SLC expects to see a significant reduction to running costs - an £8m reduction in the BAU budget from improved process quality, removal of non value add activity and a reduction in demand.

4.7 The Repayments and Counter Fraud Programme



The Repayments and Counter Fraud Programme seeks to increase repayments yield, with a specific focus on those borrowers whose whereabouts or employment status is not fully understood. The aims are to collect every pound that is due and to safeguard the value of the loan book

The Repayments programme has two key areas of focus:

Collect Every Pound Due:

- Know what is due;
- Know who and where customers are;
- Know who is and isn't eligible to repay;
- Tailor strategies to trace and collect against each customer group;
- Ensure proportionate and fair processes are in place, with tailored support for our most vulnerable customers;
- Manage arrears; and
- Apply sanctions where required.

Safeguard the Value of the Loan Book:

- Ensure that data is clean and of high quality;
- Prevent fraud; and
- Support and service further anticipated loan sales.

The programme has already delivered some success – for example, SLC has piloted schemes targeting borrowers who reside in specific countries overseas, and in some cases, has achieved a substantial improvement in the rate of collection.

The pilots have also developed SLC's understanding about how best to tailor collection strategies in order to achieve optimum results from individual countries.

For example, SLC targeted 2,900 customers in Australia who were not repaying their loans: this pilot scheme achieved the recovery of £1.3million (between May 2017 and September 2018), and over £50,000 per month continues to be repaid from this group of customers through a local debt collection agency.

Avoiding repayment, for example while residing overseas, is unfair on both students and taxpayers. SLC remains committed to reducing the number of people who fail to repay.

SLC expects to see a significant improvement in collection performance

- **£113m** lifecycle benefits for HMT through improved data quality and enhanced trace, verification and collection performance.

4.8 Loan Book Sales

The first batch of Plan 1 type Income Contingent Repayment (ICR) loans were sold successfully in 2017. SLC continues to administer these loans and is subject to annual assurance and audit activities to ensure that the assets are managed effectively on behalf of investors.*

SLC expects to work with Government on selling further tranches of ICR loans during the next three years.

4.9 Risk Strategy

SLC has a well-developed corporate risk assurance function, but is currently reviewing arrangements against best practice to seek improvement opportunities. Progress to date includes:

- Transition from Audit Committee to Audit and Risk Committee (ARC), providing Board level sponsorship of risk management activity from 'top down';
- Increased profile of risk management activity at Board and ARC;
- Delivery of new reporting suites aligned to three performance categories (delivery, excellence and resilience); and
- Preparation for the adoption of a formal 'Three Lines of Defence' model.

Further plans include:

- Review of escalation procedures;
- Review of risk appetite;
- Review of assessment procedures, risk classification, tools and techniques (including technology requirements); and
- Review of training and communication requirements.

*ICR loan sales differ from the 2014 final sale of the original "Mortgage Style" Student Loan Book, against which SLC is no longer responsible for collecting repayments. For sold ICR loans, SLC and HMRC will continue to work together to collect repayments, but now on behalf of the investors who have bought the asset.

4.10 Governance Review and Enhancement

In parallel with the UKGI review of SLC governance, the company has initiated its own review, following last year's change of CEO and the associated interim leadership arrangements and investigations. Workstreams include:

- The production of a revised governance assurance framework and scheme of delegation;
- Core governance objectives and competencies for Executive Leadership Team and Senior Management Team;
- Supporting shareholders on updating SLC's Articles of Association;
- Supporting shareholders on revising SLC's Framework Document;
- A new data governance framework;
- The governance approach for the central management of all SLC policies; and
- Protocols for the progress of reports to the Executive Leadership Team / Board, and Board effectiveness.

4.11 Longer term planning

SLC's sponsor department (DfE) currently agrees a one-year budget with SLC. This does limit the level of certainty available to the three year Corporate Plan. As a result most of the detail planning is contained within the one year Business Plan.

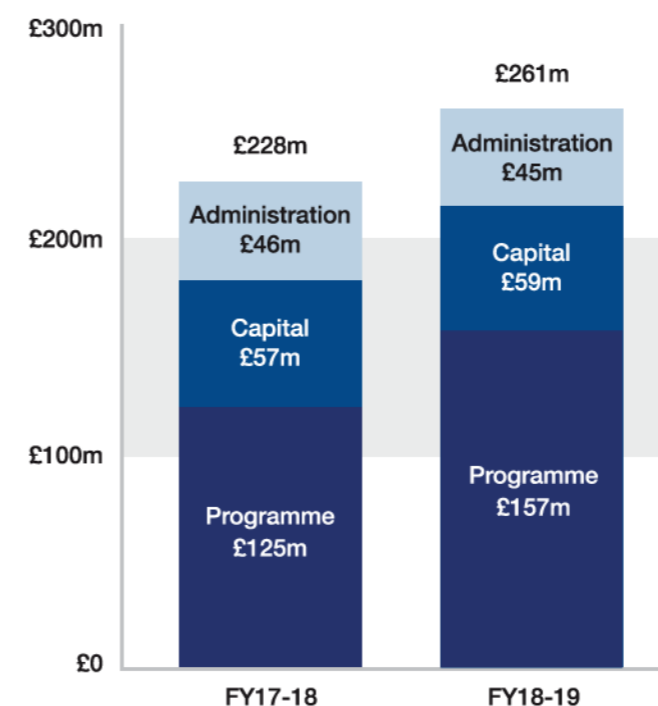
Nevertheless, with the support of DfE and other stakeholders, SLC has developed and launched its ambitious multi-year strategy, and has funding agreed for deliverables within FY2018-19 and for some planning activities for future years. Strategy deliverables have been planned in phases (or "waves") which cannot necessarily be mapped to specific financial years, due to the constraint of multi-year budgeting being unavailable.

05

The One-Year Business Plan FY2018-19

SLC's **Business Plan** contains the detailed objectives covering the single year FY2018-19. The plan

- Sets out the five Key Business Objectives (KBOs) for the year, how we plan to achieve these goals, and how we measure our progress;
- Sets out our budget for the year, and how this aligns to our objectives; and
- Supports the medium term objectives in the Corporate Plan by ensuring that in-year objectives and initiatives contribute to these and move us forward towards success in our four strategic programmes.



SLC's overall budget for FY2018-19 is £260.8 million. Of this, 60% is for Programme, 23% for Capital and 17% for Administration.

This compares with 55%, 25% and 20% respectively for FY2017-18's total budget of £228 million.

5.1 Key Business Objectives



KBO 1

Through each academic cycle, deliver existing products securely, effectively, sustainably and efficiently

The accurate assessment of applications and subsequent timely payment of loan, grant, bursary or fee instalments to students and learning providers is a core activity for SLC and a key priority for Government shareholders. SLC expects to process around 1.8 million applications and make payments of around £18 billion during FY2018-19. The majority of the applications will be for undergraduate courses, and most of these courses will all begin at the same time in late September.

Stakeholders have set a range of detailed targets for SLC to meet across the "apply to pay" processes of the 25 student finance products – from the timeliness and accuracy of processing to the efficiency of our contact centres. (The APRA targets are listed in full at Annexe 2).



KBO 2

Implement new policy in a timely manner, balancing lowest practicable cost against quality, primarily through reusable modular products

SLC will deliver a programme of product and policy change for launch in AY2018/19, AY2019/20 and beyond. This includes accelerated courses, a new postgraduate masters' product for Wales and changes resulting from HERA. (Further detail on upcoming policy-driven change can be found in Section 5.2 below.)



KBO 3

Deliver an outstanding digital customer experience and reduce avoidable contact

This objective is covered in more detail under the Digital Customer Programme (Section 4.4 above). The longer-term aim is to move SLC from its current model which relies heavily on telephone and traditional paper based services to build a fully integrated digital multi-channel service.

SLC already has a number of Key Performance Indicators (KPIs) in place to measure early progress - (for example, in reducing call volume) - and to monitor customer experience.



KBO 4

Ensure that SLC has a highly productive, skilled, engaged and properly rewarded workforce

SLC has set out six workforce priorities in its current HR plan which complements the wider Operational Excellence programme (as set out in section 4.6 above):

- **Governance:** put in place clear modern policies to allow us to operate fairly and effectively;
- **Reward:** ensure that people feel fairly rewarded and recognised for their contributions to performance and success;
- **Attraction and Recruitment:** refine our application and selection processes;
- **Leadership and Capability:** develop the skills of managers to create a culture of performance coaching and role model behaviour, with opportunities for career progression;

- **Service Delivery:** improve our systems, data, models and processes; develop clear service level agreements; and

- **Workforce for the Future:** develop our operating model and working practices to support a post-digitisation organisation.

SLC monitors performance against a range of HR metrics (for example absence, turnover and time to fill vacancies).

In FY2018-19, SLC will work with DfE and HMT to support the case for an improved reward package for its staff.



KBO 5

Increase repayments and safeguard the proper administration of the loan book

This core activity is also a key priority for Government shareholders, who have set a number of performance targets in the APRA, (listed in full in Annexe 2), and the Repayment and Counter Fraud Programme (described in section 4.7 above) provides further detail on SLC's plans in this area.

SLC will continue to analyse and segment borrowers into actionable groups, to allow bespoke approaches to be designed that will increase verification, compliance and yield within each group of customers. This will be combined

with an increased focus on maintaining and enhancing the quality of our data.

Throughout this year, SLC will continue to work in partnership with HMRC and DfE to progress the More Frequent Data Sharing (MFDS) project which, when realised, will create a significant opportunity to reduce the incidence of over-repayments and to improve the digital service provided to customers.

SLC will continue to prepare for possible future loan sales (as described in Section 4.8 above).

5.2 Policy Change Deliverables

Alongside the four Strategy Programmes, SLC will continue to run its “mandatory” change programmes, (i.e. will deliver the changes to HE and FE finance products that flow out from the Government Administrations’ policy initiatives).

Some of the key launches for the **2018/19** Academic Year are summarised below (this is by no means an exhaustive list):

New / Changed Product for AY2018/19	Domicile(s) Affected	Summary of Changes
Postgraduate Doctoral Loans	England, Wales & EU	Introduction of loans of up to £25,000 for eligible doctoral degree students; non-means tested and paid to the student as a contribution to costs.
Part Time Maintenance Loans	England & Wales	Introduction of a new means tested maintenance loan in England for part time courses from August 2018. Introduction of a new means tested maintenance loan in Wales to replace the course grant; eligible part time students can apply for combined loan and grant support. Entitlement for both products is based on income and intensity of study.
Care Leavers	Wales	New category of students introduced: eligible for existing Undergraduate (UG) products. Considered to be independent for the purposes of the financial assessment.
Stateless Persons	England, Wales & NI	New category of students eligible for existing Further Education (FE), UG and Postgraduate (PG) products.
Dental Health and Dental Therapy	England, Wales, NI, EU & Scotland	Dental hygiene and dental therapy undergraduate students currently receive NHS bursary support. From AY2018/19 the NHS Bursary will cease for new students, instead new students studying in England, NI or Scotland will receive the standard package of support.
Welsh Full Time Tuition Fee Support	Wales & EU	Removal of tuition fee grant for new students starting courses from August 2018, replaced by a loan to cover the cost of the tuition fee.
Welsh Full Time Living Cost Support	Wales	Increased support package for new students from AY2018/19 with changed income assessment rules for Welsh Government Learning Grant (WGLG) and maintenance. All eligible students to receive the same amount of support so the balance of grant versus loan differs depending on income, a lower income entitles the student to a higher grant. All eligible students are entitled to a minimum amount of £1000 in WGLG. The tuition fee grant element will be removed and students will now be able to access tuition fee loans only.
Armed Forces Distance Learners	England, Wales & NI	This is an extension to AY2017/18 policy: students who are distance learning due to being in the Armed Forces and posted outside of their home domicile can access the distance learning package of support.

Some of the key launches for **AY2019/20** are summarised below (again, this is by no means an exhaustive list):

New / Changed Product for AY2019/20	Domicile(s) Affected	Summary of Changes
Accelerated Degrees	England	Change to tuition fee loan arrangements to better accommodate those students who elect to compress their period of study into fewer years
JACs Coding to the New HECoS Coding System	England, Wales & NI	The Higher Education Data and Information Improvement Programme commissioned a project to create the new Higher Education Classification of Subject (HECoS) codes to replace Joint Academic Coding System (JACS)
Institutional Exits Policy	England	Initiatives to deal with situations where providers exit the market (for a variety of reasons)
HERA / Office for Students	England	Implementation of new provisions and working agreements as a result of the introduction of HERA and the creation of the Office for Students
Welsh Postgraduate Masters Support	Wales	New product offering students a combination of loan and means-tested grant as a contribution to costs for completing a master’s degree course.
DSA Changes - Wales	Wales	Service improvements resulting from research and consultation within the sector

For **AY2020/21** and **AY2021/22**, potential policy changes are not yet clear, but some early indications are given below:

Scotland has announced a change to its write-off period (35 to 30 years) for students in repayment by the end of 2018, and a threshold change for Scottish repayers by April 2021. There may be other changes resulting from the independent review of student support; Scottish Ministers have also committed to undertaking a further review of non-core and discretionary support which will include support for part-time students, disabled students and student carers. The Scottish Government will launch a consultation later this year to inform this work.

Wales is establishing a new body, The Tertiary Education and Research Commission for Wales to replace the Higher Education Funding Council for Wales (HEFCW) in 2022. There may be additional changes resulting from the Government review of DSA in Wales and the recent consultation on Refugee and Asylum Seekers in Wales.

Northern Ireland has not had Ministers in place since January 2017 and therefore, while minor amendments in respect of existing policies have been made in response to changes in the other Administrations, Northern Ireland is currently unable to introduce substantial new policies.

For **England**, DfE's review of post-18 education and funding is due to be published in spring 2019. This fundamental review aims to ensure that education for those aged 18:

- Is accessible to all;
- Is supported by a funding system that provides value for money and works for students and taxpayers;
- Incentivises choice and competition across the sector; and
- Encourages the development of the skills that we need as a country.

Exiting the EU may require policy changes for all Administrations but as yet these are unknown. The recent White Paper noted that the government aims to "facilitate mobility for students and young people".

5.3 Financial Plans

SLC's overall budget for the financial year 2018-19 is set out in Tables 1-4 below.

Table 1: FY2018-19 Overall Budget

FY2018-19 Budget - DEL Cash	England £m	NI £m	Scotland £m	Wales £m	England FE £m	Bursaries £m	Total £m
Resource DEL Admin:-							
Operating Budget	18.6	0.5	0.4	1.6	0.7	0.0	21.9
Continuous Improvement	3.4	0.1	0.1	0.3	0.1	0.0	4.1
Change Programme	7.6	0.2	0.2	0.7	0.0	0.0	8.7
Resource DEL Admin Total	29.6	0.9	0.7	2.6	0.8	0.0	34.7
Resource DEL Programme:-							
Operating Budget	87.9	2.7	2.4	8.3	3.4	-0.2	104.6
Continuous Improvement	3.0	0.1	0.1	0.3	0.1	0.0	3.5
Change Programme	15.9	0.4	0.3	2.0	0.0	0.0	18.6
Resource DEL Programme Total	106.8	3.2	2.8	10.6	3.5	-0.2	126.7
Capital DEL:-							
Operating Budget	2.7	0.1	0.1	0.2	0.1	0.0	3.1
Continuous Improvement	3.4	0.1	0.1	0.3	0.1	0.0	4.1
Change Programme	40.4	1.5	0.7	9.5	0.2	0.0	52.2
Capital DEL Total	46.5	1.6	0.8	10.1	0.4	0.0	59.4
TOTAL DEL CASH	182.9	5.7	4.3	23.3	4.7	-0.1	220.8
FY2018-19 Budget - DEL Non-Cash	England £m	NI £m	Scotland £m	Wales £m	England FE £m	Bursaries £m	Total £m
Admin Ringfenced DEL	10.3	0.0	0.0	0.0	0.0	0.0	10.3
Programme Ringfenced DEL	30.8	0.0	0.0	0.0	0.0	0.0	30.8
Total DEL Non-Cash	41.0	0.0	0.0	0.0	0.0	0.0	41.0
Total DEL	223.9	5.7	4.3	23.3	4.7	-0.1	261.8
FY2018-19 Budget - AME	England £m	NI £m	Scotland £m	Wales £m	England FE £m	Bursaries £m	Total £m
Total AME	-1.0	0.0	0.0	0.0	0.0	0.0	-1.0
OVERALL TOTAL	222.9	5.7	4.3	23.3	4.7	-0.1	260.8

In this table, and those that follow, all totals were calculated from the raw numbers and then rounded. Totals may therefore differ from adding up rounded components.

Table 2: FY2018-19 DEL-only budget breakdown

FY2018-19 Budget – DEL only	Operating Expenditure £m	Continuous Improvement £m	Change £m	Total £m
DEL Administration:-				
Non ring fenced (Cash)	21.9	4.1	8.7	34.7
Ringfenced (Non-Cash)	10.3	0.0	0.0	10.3
Total DEL Administration	32.2	4.1	8.7	44.9
DEL Programme:-				
Non ring fenced (Cash)	104.6	3.5	18.6	126.7
Ringfenced (Non-Cash)	30.8	0.0	0.0	30.8
Total DEL Programme	135.4	3.5	18.6	157.5
DEL Capital:-				
Cash	3.1	4.1	52.2	59.4
Total DEL Capital	3.1	4.1	52.2	59.4
TOTAL DEL	170.6	11.7	79.5	261.8
FY2018-19 Budget – DEL only				
Cash	129.6	11.7	79.5	220.8
Non-Cash	41.0	0.0	0.0	41.0
TOTAL DEL	170.6	11.7	79.5	261.8

Table 3: FY2018-19 Budgetary Provision for Change Programmes

FY2018-19 Budget – Change Programme	Total £m
Higher Education Programme	29.8
Further Education Programme	0.5
Repayments Programme	10.4
Security Programme	5.1
SLC Strategy and Other Programmes	54.6
High Level Adjustment	-20.9
Total	79.5

Table 4: Forecast Payments and Receipts

FY2018-19 Budget – Payments and Receipts	Quarter 1 £'000	Quarter 2 £'000	Quarter 3 £'000	Quarter 4 £'000	Total £'000
Total Company:-					
Gross Spend (cash)	53.9	60.6	55.7	51.9	222.0
Income	-0.3	-0.3	-0.3	-0.3	-1.2
Net Spend	53.6	60.3	55.4	51.6	220.8
GIA Cash Drawdown (before VAT value)	53.6	60.3	55.4	51.7	220.9

Explanatory Notes on Financial Terminology

SLC now uses standard HM Treasury terminology “Administration” “Programme” and “Capital” to categorise expenditure and income.

DEL (Departmental Expenditure Limit) refers to department spending set at the time of the Government Spending Review. For SLC in this context, ‘department’ means the Department for Education, and its counterparts within the Devolved Administrations.

Capital expenditure is investment expenditure (controlled through capital DEL and AME limits), including net spending on the acquisition of assets, grant to support acquisition of assets, and loans paid out, less assets sales and loan repayments.

The **Administration** budget covers the resources set aside for running costs (largely staff and associated costs), and which form part of its Resource Departmental Expenditure Budget

(DEL). Administration budgets are **ring-fenced** budgets, set at the time of a Spending Review. The other part of the Resource DEL, outside of the Administration Budget is referred to as **Programme** expenditure.

Programme expenditure covers the resources used directly to deliver policy objectives and excludes spending within a Department’s administration budget. Programme expenditure may still include or support staff costs, but generally only those of staff involved in front line services. The dividing line between programme and administration spending is determined by HM Treasury for each Department.

AME (Annually Managed Expenditure) covers non-cash movements outside of DEL - (for example provisions for Corporation Tax or irrecoverable VAT).

The term **Non-Cash** covers elements of funding that do not have an associated cash transaction, chiefly depreciation, amortisation and provision for future cash flows.

5.4 Managing Risk

SLC has procedures in place to ensure the efficient escalation of risks, so that stakeholders have the visibility required to take early action. As new risks emerge or existing risks change, SLC regularly updates mitigation strategies and contingency arrangements. The process of identification, mitigation and management of risk is an ongoing activity, embedded within SLC.

Three key thematic risks faced by the Company are detailed below.

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

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

Data Management and Handling: Data is a valuable and growing asset at SLC. If systems are not sufficiently protected, the confidentiality, integrity or availability of the asset could be compromised. Without preventative action, a malicious attack, (such as a cyber attack) could lead to data loss and/or business disruption. It is also important for SLC to ensure the quality and accuracy of data and to ensure that personal data is handled and stored appropriately. This requirement has been reinforced since May 2018 when the General Data Protection Regulations (GDPR) significantly increased penalties for mishandling data, raised customer expectations and increased administrative overheads.

As mitigation, SLC has invested heavily through two independent programmes - the Information Security Programme (ISP), designed to enhance SLC’s technical control environment including its cyber security defence capability, and the GDPR programme.

The ISP programme has implemented controls to prevent, detect and respond to threats or attackers. It has also conducted activities to raise awareness including security master class training delivered to all managers. The Information Security Assurance team’s remit has been widened to provide oversight of improvements in data governance.

The GDPR Programme was initiated in 2017 to review all aspects of SLC’s compliance in preparation for enforcement in May 2018. The programme continues on a risk based and phased basis. The objective of phase 1 was to deliver GDPR readiness and to identify areas for improvement in subsequent phases of the programme. Phase 1 has had a significant focus on a systematic survey of all the information SLC holds, assurance of third party suppliers, staff awareness and the rights of individuals, and is scheduled to conclude in October 2018. Phase 2 is scheduled to conclude in Q2 2020.

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

Although progress has been made, there are still opportunities for SLC to engage earlier in policy development. However conflicting priorities have resulted in delay to policy simplification initiatives.

5.5 Measuring Performance

SLC has recently developed a new range of Key Performance Indicators (KPIs) to measure progress against both the Business Plan objectives and the SLC Strategy programmes, and reports against these alongside the APRA targets set by Government shareholders. The latter are listed in full in Annexe 2.

Work to refine and combine these sets of metrics will continue throughout FY2018-19, alongside the further development and formalisation of the performance framework.

Annexe 1: APRA Core Functions

In the 2018-19 **Annual Performance and Resource Agreement** the Government set out the following core functions for the Company:

- Ensure the payment of the right amount of support to the right person at the right time;
- Pay loans and grants to eligible learners in accordance with the relevant regulations and public policy objectives. In Scotland, this is done in partnership with the Student Awards Agency for Scotland (SAAS);
- Where applicable, pay learners' tuition fees loans to relevant providers in England, Wales and Northern Ireland;
- Pay bursaries and scholarships on behalf of those providers who take this service;
- Calculate interest in accordance with regulations and add to the right customer's account;
- Work in partnership with HM Revenue & Customs (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 from those living overseas, and recovery of overpaid loans or grants;
- Deliver appropriate information to all customer groups at the right time and in the right form;
- Provide expert operational advice and high quality information to support Departments' policy making and analysis;

- Undertake specific tasks for individual Departments, such as the payment of the Education Maintenance Allowances in Wales and Northern Ireland;
- Put in place measures to minimise, detect and deter fraud;
- Administer any sold portfolios of Income Contingent Repayment loans on behalf of the private sector;
- Use technology and improved business processes to strengthen and streamline the student finance system, make service improvements and improve the customer experience; and
- Deliver changes to student support policy.

Annexe 2: APRA Targets

In the 2018-19 **Annual Performance and Resource Agreement** the Government set out the following performance targets for the Company:

1 Customer Satisfaction:

- a. Apply-To-Pay customer satisfaction for HE applicants in England (SFE) and Wales (SFW) to be $\geq 85\%$
- b. Repayer customer satisfaction score to be $\geq 72\%$

2 Apply to Pay:

HE (England and Wales) applications

- a. All HE SFE and SFW applications received before the published deadline, $\geq 99\%$ to be assessed by the start of term
- b. Full-time HE SFE and SFW loan and grant applications, $\geq 70\%$ to be Assessed within 20 working days
- c. All HE SFE and SFW loan and grant applications, $\geq 95\%$ to be Assessed within 30 working days of receipt

Postgraduate Loans applications

- a. PGL applications, $\geq 70\%$ to be assessed within 20 working days of receipt
- b. PGL applications, $\geq 95\%$ to be assessed within 30 working days of receipt

DSA and CCG (England & Wales) applications and Needs Assessment reports

- a. ≥95% of DSA1 applications to be assessed within 10 working days of receipt
- b. ≥95% of Needs Assessment reports to be assessed within 10 working days of receipt
- c. ≥95% of Childcare Grant 1 (CCG1) applications to be assessed within 20 working days of receipt
- d. ≥95% of Childcare Grant 2 (CCG2) applications to be assessed within 20 working days of receipt

FE (England, Wales & NI) applications and evidence return

- a. ≥95% of "straight through" Advanced Learner Loan applications to be assessed within 5 working days
- b. ≥95% of all other Advanced Learner Loans applications to be assessed within 20 working days
- c. 100% of non-peak EMA/WGLG applications to be processed in 7 working days
- d. ≥90% of peak EMA/WGLG applications to be processed in 14 days
- e. 100% of EMA/WGLG applications to be assessed in 21 working days
- f. 100% of EMA/WGLG evidence items to be returned within 15 working days

HE Maintenance and Postgraduate Loans payments

- a. ≥95% of full-time maintenance payments and postgraduate loans paid within 1 working day of due date
- b. ≥99% of full-time maintenance payments and postgraduate loans paid within 2 working days of due date

HE Tuition Fees payments

- a. ≥99% of full-time and part-time HE tuition fees to be paid on their weekly Wednesday deadline

FE payments (Advanced Learner Loans, EMA etc.)

- a. ≥96% of FE payments to be paid on their weekly or fortnightly deadline. (This covers Advanced Learner Loans for England, WGLG for Wales, and EMA for both Wales and Northern Ireland)

Assessment Accuracy

- a. SLC Internal Audit's quarterly re-assessment of a sample of applications shows no more than a 0.5% overall net variance compared to the sum of the actual assessments

3 Repayments and Recoveries**Repayment of Income Contingent Repayment (ICR) Loans**

- a. ≥96% of new borrowers matched to repayment channel by their Statutory Repayment Due Date (SRDD)
- b. ≥90% of existing UK-resident ICR borrowers post SRDD matched to the correct repayment channel
- c. ≥73% of UK borrowers resident overseas matched to the correct repayment channel post SRDD
- d. ≥57% of EU borrowers resident overseas matched to the correct repayment channel post SRDD
- e. Number of found and unmatched borrowers not in the correct repayment status (past cohorts) is to be reported (but no target set)

4 Customer Contact

- a. ≥90% of SFE calls answered
- b. ≥90% of SFW calls answered
- c. ≥90% of ICR calls answered
- d. ≥87% of SFNI calls to be answered within 60 seconds
- e. ≥90% of Wales calls on EMA/WGLG to be answered within 180 seconds
- f. ≥90% of NI EMA to be answered within 180 seconds (PGL is included in the relevant SFE, SFW or SFNI target)

5 Change Programme

- a. Change Programme to be fully on track to meet agreed milestones (subject to formal change control)

6 Fraud Detection and Reduction

- a. Return on Investment (ROI) from fraud prevention activity to be at least 10:1

7 Loans and Grants Forecasting

- a. At year-end, the amount paid out in loans is to out-turn within ±2.25% of the mid-year forecast and within ±1% of the 10-month forecast
- b. The amount paid out in grants is to out-turn within ±1.75% of the mid-year forecast and within ±0.75% of the 10-month forecast

8 Financial Management

- a. Year-end outturn to be within the approved budgets
- b. Accurate forecasting: Year-end outturn to be +0% / -10% for Administration DEL and +/- 5% for each of Programme and Capital DEL



Student Loans Company

www.slc.co.uk

100 Bothwell Street
Glasgow G2 7JD
Tel 0141 306 2000
Fax 0141 306 2005

VAT Reg No. 556 4352 32

Registered in England
No. 2401034

Registered Office:
Memphis Building
Lingfield Point
McMullen Road
Darlington D1 1RW