

Annual Report
and Accounts

2019-20

Annual Report





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01

Chair's Statement



It is my pleasure to introduce SLC's Annual Report and Accounts for the financial year 2019-20. It is a story of continued success in again delivering our stakeholders' key priorities. A great deal has been achieved and I would like to put on record my thanks to our staff, shareholders, Executive Directors and Non-Executives for their energy and dedication throughout the year.

I would in particular like to wholeheartedly thank my two immediate predecessors in the role of Chair of the company. For six years, Christian Brodie successfully led SLC through a period of unprecedented growth – in terms of the number of customers we serve, the number of financial products we provide to students and the size of the loan book that we manage. Professor Andrew Wathey then ably took up the reins as Interim Chair until my appointment. I am deeply indebted to both, and I am grateful for the support that they have given me as incoming Chair.

We are also indebted to Natalie Elphicke who stepped down as a member of the Board this year, and warmly welcome two new members, Charlotte Moar and Stephen Tetlow, who both have already provided a wealth of insight to our discussions.

Of course, just like every other organisation, SLC has faced unprecedented challenges in the final months of 2019-20 due to the COVID-19 pandemic. I have been impressed by the way our leadership team has transformed our delivery capability from a largely office-based operation to an organisation which is substantially home-based.

I would also like to pay tribute to the flexibility and adaptability of all our staff and their willingness to take on new ways of working. All of this has depended on the rapid activation of our business continuity plans and protocols for the rollout of technology that has enabled SLC to safely deal with this year's applications for financial support for the 2020/21 academic year, and to make this transition quickly.

At the time of writing, the pandemic is a critical focus for the company. The two key priorities in SLC's response to the ongoing situation are: to protect the health and wellbeing of employees, and to continue to deliver core services to customers.

During 2019-20, SLC has not only delivered our core financial services to students but also maintained the momentum of our transformational Evolve Programme. One key achievement was the implementation of the More Frequent Data Sharing project, whereby HM Revenue and Customs (HMRC) provides near real-time data on the repayments made by borrowers: this has reduced the amounts that have been over-repaid by customers. A second key part of Evolve this year was the development of a facility for applicants which enables them to digitally upload the supporting evidence for their loan application (rather than having to post these items to us). This demonstrates our commitment to providing the kind of experience that our tech-savvy customers expect to see in their everyday lives.

One of our key business objectives for the year was to "improve financial management through a well-managed, skilled, engaged and properly rewarded workforce", and SLC made progress in this area, with stronger financial planning and controls, the establishment of a new Enterprise Risk and

Compliance function and the development of both a Workforce Strategy and a People Strategy. In March, we completed the transfer of SLC's Pension Scheme to the Civil Service Pension Arrangements, a move that has made our pension arrangements both more sustainable for the future and also provides a competitive element of the reward package that we are able to offer to our staff.

The Government's Tailored Review of SLC – a standard review process for all Non-Departmental Public Bodies - was published last July. It affirmed the continued strategic value of the company in the delivery of student finance services for the UK. We have already implemented several of the recommendations from that report – for example, the rationalisation of our key performance indicators – and made progress with many others. I believe that recommendations to work with shareholders to simplify existing policy and crucially to bring forward the timetable for commissioning of new policy will be key to building further success in the future through the Evolve Programme.

As we move into the 2020s SLC's primary focus will be on doing

everything that we can to improve our customers' experience. There is still much more that we can do to provide an intuitive, right-first-time and trusted service to applicants, students and repayers, one where they no longer need to telephone or write to us. Our task is to evolve into a leaner company with an increasingly skilled workforce, one that our customers will instinctively have confidence in.

Peter Lauener
Chair

02

Chief Executive's
Foreword

I am pleased to report that 2019-20 has been a successful year for SLC. We again exceeded the majority of our core business targets and at the same time drove forward our strategy to transform our technology and ways of working which will deliver our goal to provide increasingly intuitive, joined-up and trustworthy digital services both to our student customers and to our Government shareholders and partners.

I am proud of how our team has responded to the challenge posed by the COVID-19 pandemic. Within just a month of the UK Government's announcement of restrictions for people leaving their homes, over 99% of those SLC staff whose roles could be performed from home had been provisioned with the necessary equipment and technology to do so. This achievement meant that SLC transitioned from a predominantly office-based organisation to one where 90% of its 3,500 staff were successfully

performing their roles from home, all with the minimum of disruption to the services that we continued to provide to our customers.

This success story was of course underpinned by the dedication of staff and the strong leadership and commitment of my colleagues. I am pleased to have this timely opportunity to put on record my thanks for their remarkable achievement in putting SLC onto a stable footing.

The last month of this year has confirmed what I already knew: that SLC has committed, conscientious and resourceful people at all levels throughout the company. This bodes well for the future, as we continue to drive forward together with the operational transformation of the company. During 2019-20 we have already passed major milestones in our longer-term transformation, the Evolve Programme, which will build the capacity of our technology and workforce in order to meet the challenges ahead.

There has, for example, been major progress in updating our underpinning technologies; this includes the implementation of a new core HR and financial management ERP system, further progress on moving to cloud-based platforms and the deployment of technology which integrates our data and processes. We also further enhanced the security of our systems, with the completion of a new data anonymisation and encryption programme and upgraded cyber defences. And we are poised to deliver major improvements in our digital services to customers during the months ahead.

This year, there was also good progress in the implementation of our People Strategy, developing a new set of career pathways supporting the development of the skills that we need for the future, alongside an expanded graduates and apprentices programme. We have already seen a clear improvement in our employee engagement score, and this further development of "our team" will be a key focus in the year ahead. For the longer-term, we also developed a new Workforce Strategy, which now provides a comprehensive roadmap for achieving the future size and

shape of the company in a way that will continue to meet the needs of our customers, shareholders and education partners over several years ahead.

What SLC achieves has not always been well communicated, and ever since I first joined the company, I have felt it was important that we communicate and engage better with our customers – with students, applicants – perhaps with their parents too – and of course also with those former students now repaying their loans. It means communicating better with our Government shareholders, with our partners throughout the higher and further education sectors, and also crucially within our teams and within the company as a whole. We have made significant progress in this during 2019-20 that will stand us in good stead for the future, in particular reaching out to our customers in the forums of their choice – whether this is via our many social media channels or, for example, via a new outreach programme whereby all my Executive Directors now spend time visiting higher and further education institutions across the UK to spend time talking to students and Higher and Further Education providers.

Our hard work will enable our student customers to invest in their futures through higher and further education. I believe that this is an organisation that is quite capable of continuing to succeed in what may be challenging times ahead. In these unprecedented times, I want you to know that SLC will be ready and able to continue to meet the needs of our customers.

Paula Sussex
Chief Executive

03

The Strategic Report

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3.1 About SLC

SLC is a UK public sector organisation established to provide financial services (in the form of loans and grants) to approximately two million new and returning students annually in colleges and universities across England, Northern Ireland, Scotland and Wales.

SLC is a non-profit making organisation. SLC was incorporated in 1989 as a company limited by shares under the Companies Act with its registered office at

Memphis Building, Lingfield Point, McMullen Road, Darlington, DL1 1RW. The company is wholly in public ownership; the four UK Government Administrations are its shareholders. Since April 1996 SLC has been classified as an executive non-departmental public body (NDPB).

SLC operates from five offices across the UK: there are two in Glasgow city centre, plus one in nearby Hillington, and there are two further offices in England and

Wales – these are in Darlington and Llandudno Junction respectively.

SLC's Chief Executive leads a team of six Executive Directors – her Executive Leadership Team (ELT) – each heading up a Directorate with a mix of employees from across SLC's offices in England, Scotland and Wales.

Further information on both SLC's Executive and Non-Executive Directors is provided in the Governance Statement (Chapter 5 of this report).

SLC's Executive Leadership Team (ELT) is set out below.



Paula Sussex
Chief Executive



Product, Customer and External Relations (PCER)

David Wallace
Executive Director - (also Deputy Chief Executive and Chief Customer Officer)



Operations

Derek Ross
Executive Director



Repayments and Counter Fraud Services (R&CF)

Bernice McNaught
Executive Director - also SRO for Evolve



Technology Group (TG)

Stephen Campbell
Executive Director



Chief Financial Officer (CFO)

Jacqui Smillie
Executive Director



People

Morven Spalding
Executive Director



SLC's Mission

“We enable people to invest in their futures through further and higher education by providing trusted, transparent flexible and accessible student finance services.”

SLC is one of HM Government's (HMG) key strategic delivery partners and the Department for Education's (DfE's) largest partner organisation by headcount. HMG relies on the company to assess applications from approximately two million new and returning students each year; manage a growing loan book (£156.5 billion at 31 March 2020*); work in partnership with HMRC to collect repayments; and manage a total customer base of over nine million individuals.

Apply-to-Pay ("A2P") Services

SLC provides a range of different services for students throughout the UK which vary according to the requirements of each of the four Government shareholders. For England and Wales, SLC manages the full, end-to-end “apply, assess, pay and repay” process for undergraduates studying on a full-time and part-time basis; it provides elements of the payment and repayment

services for Scotland and Northern Ireland. Additionally, Northern Ireland's Education Authority uses SLC-developed systems for assessing their students' applications. In recent years, England, Wales and Northern Ireland have each developed varying finance products for postgraduate students, covering both Masters and Doctoral degrees. These have added to the mix of services delivered by SLC.

SLC also manages a growing range of products for students in further education. These also are tailored to the differing requirements of individual Government Administrations – from Advanced Learner Loans in England, through to the Welsh Government Learning Grant; Northern Ireland and Wales both continue to offer Education Maintenance Allowance.

SLC administers various targeted support grants designed to enable people with disabilities, childcare responsibility, adult dependants or other needs to overcome barriers to participation in higher and further education. Additionally, SLC pays bursaries to students on behalf of many UK education providers.

During 2019-20, SLC disbursed £10.56 billion in tuition fee payments and £9.47 billion in loans for living costs and grants.

Repayment Services

SLC administers repayment services on behalf of all four UK administrations. SLC services a growing loan book of “income-

3.2 Core Business

contingent repayment” (ICR) loans and works in partnership with HMRC to collect repayments through PAYE and self-assessment; the company directly collects repayments from those borrowers outside the UK tax system. SLC also provides a direct-debit option for all customers, and actively encourages those borrowers who are nearing the end of their repayment term to use this facility, as it allows the company to manage the remaining balance in real-time and thus removes the risk of incorrect PAYE deductions which would otherwise result in customers over-repaying their loans. SLC and HMRC service the entire ICR loan-book, which is partly owned by HMG and partly owned by private investors.

Technology

In order to support the provision of the administrations' student policy and products, SLC purchases, designs, builds and maintains software, databases and web-interfaces. The company is on a journey to deliver a sustainable and resilient technology architecture. This will form a strong, efficient and enabling technology foundation, upon which the SLC can ultimately deliver an outstanding customer experience. A substantial portion of the Technology Strategy is delivered via the Evolve transformation programme, providing the appropriate governance and oversight to ensure alignment across strategic initiatives.

* The value of the Loan Book represents the face value of the total loan book, and not the value in accounting terms which is included in the DfE Consolidated Annual Report and Accounts, and not within the SLC Annual Report & Accounts

3.3 Performance

The Annual Performance and Resource Agreement (APRA)

Government affirms SLC's role and core responsibilities each year in the APRA letter. This letter also confirms the company's annual budget and outlines a set of key performance targets that it expects SLC to meet – the APRA targets. Despite a growing number of customers, a rapidly increasing loan book and a complex set of tailored finance products, SLC has yet again achieved a good level of success against the APRA targets set by Government. SLC reports against these targets using a modified RAG-scale; each metric has individual thresholds defined for performance, in four bands:

- green (above target)
- green-amber (adequate)
- amber-red (of concern)
- red (below target)

The full year outturn for SLC's 16 APRA performance measures was:

- 9 metrics reported green
- 3 metrics reported green-amber
- 2 metrics reported amber-red
- 1 metrics reported red
- 1 metric reported without RAG-status (no target set for 2019-20 in the APRA)

Full results against the year's APRA targets are shown in the tables below. For comparison, 2018-19 results are also shown for those where equivalent metrics were in place last year.

There are clear links between the risks and uncertainties facing an organisation to the level of performance targeted or attained in its KPIs. SLC strives to balance these carefully; for example, while seeking to improve processing times the company has at the same time remained vigilant in mitigating against key risks relating to cyber security and information and data handling. Performance and risk reporting are both aligned to the company's Key Business Objectives, and all KPIs and risks have clear ownership at Executive level.

3.3 Performance

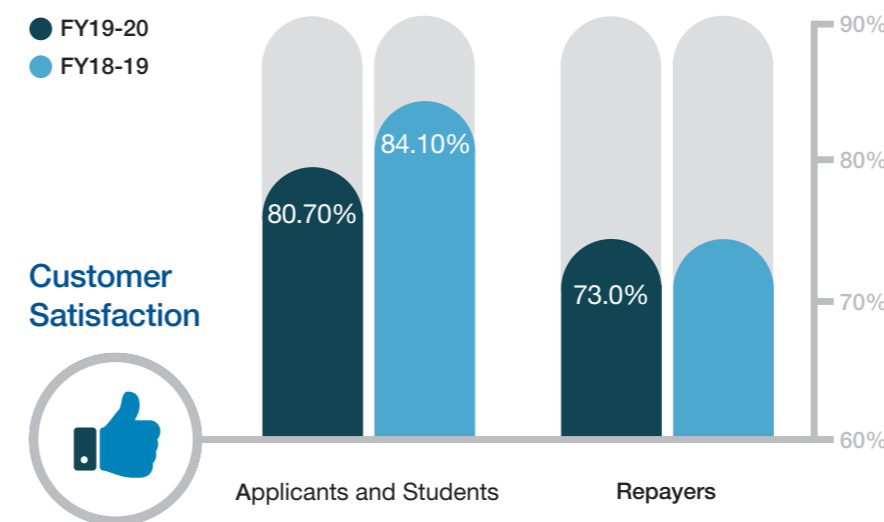


Key Business Objective 1- Customer Focus

“Deliver a great customer service based on an increased digital offering, decreasing avoidable contact and ensuring compliance with data protection regulations and cyber-security best practice.”

3.3.1 Customer Satisfaction Results

SLC commissions independent surveys of customer opinion on a variety of topics each month. As part of each survey, customers are regularly asked to rate the company's overall service with a mark out of ten. These scores are usually aggregated as a 12-month rolling average and expressed as a percentage.

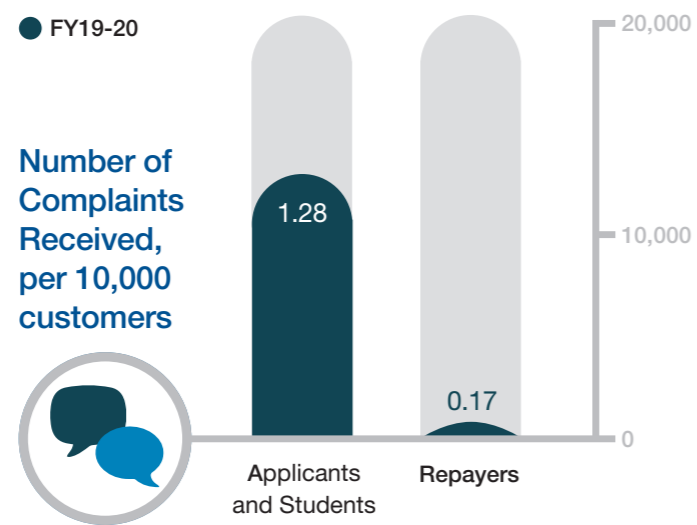


Customer Satisfaction	2019-20			2018-19
	Score	Green Target	RAG Status	Score
How applicants and students rated the company's overall service	80.70%	≥85%	GREEN-AMBER	84.10%
How those in repayment rated the company's overall service	73%	≥73.5%	GREEN-AMBER	73.10%

3.3 Performance

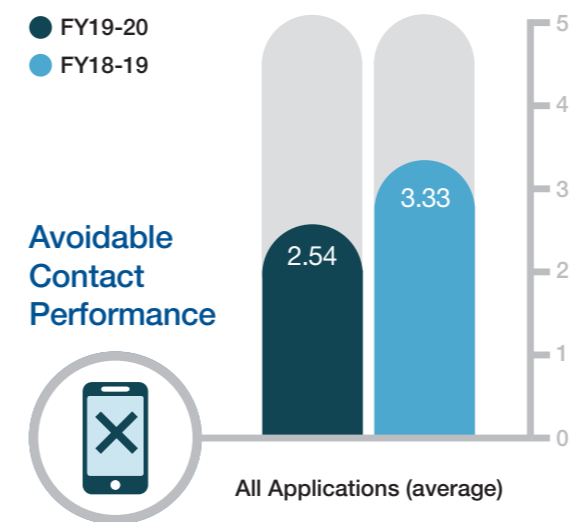
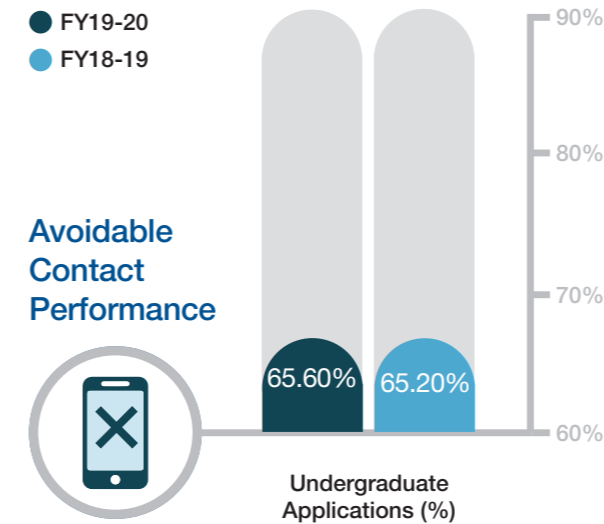
The company was initially unable to renew its contract with an independent survey partner during the first five months of 2019-20, and therefore this year's satisfaction results only cover the latter seven months of the year.

This is likely, partly, to explain the apparent drop in applicant and students' satisfaction – (given that many customers whose applications were processed very quickly – i.e. at the beginning of the year – will have been excluded from the survey results). However, the company also recognises that some dissatisfaction related to slightly longer timescales for some application assessments during 2019-20. This also aligns with results from other relevant performance metrics, including the Complaints metric below.



Number of Complaints Received, per 10,000 Customers	2019-20			2018-19
	Score	Green Target	RAG Status	Score
Complaints from applicants and students	1.28	≥1.0	RED	N/A
Complaints from those in repayments	0.17	≥0.2	GREEN	N/A

3.3 Performance



Avoidable Contact Performance	2019-20			2018-19
	Score	Green Target	RAG Status	Score
Percentage of undergraduate applications processed without any incoming telephone call	65.60%	≥66%	GREEN-AMBER	65.20%
Average number of incoming phone-calls for each application	2.54	≥2.56	GREEN	3.33

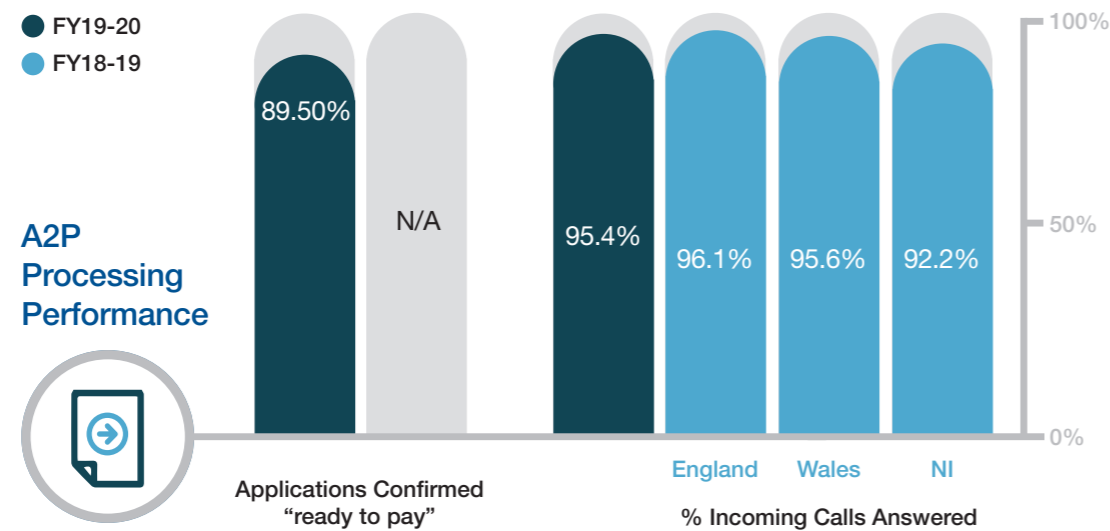
The company has made sustained progress in reducing the need for customers to telephone, with the average number of incoming calls per application falling to 2.5 during 2019-20 (compared to 3.3 over the previous year).

3.3 Performance



Key Business Objective 2 - Apply-to-Pay (A2P) Processing

“Through each academic cycle, ensure that existing products are delivered securely, effectively, sustainably and efficiently.”



A2P Processing Performance	2019-20			2018-19
	Score	Green Target	RAG Status	Score
Applications confirmed "ready to pay" within 70 calendar days of receipt	89.50%	≥ 91%	AMBER-RED	N/A
Percentage of incoming phone-calls answered	95.40%	≥90%	GREEN	96.1% for England; 95.6% for Wales; 92.2% within 60 seconds for Northern Ireland

SLC's new target for end-to-end processing - 91% of applications ready to pay within 70 calendar days was not quite met – the company achieved 89.5% within the target timescale. This year's discontinuation of the automatic roll-over process for applications from returning students contributed to this.

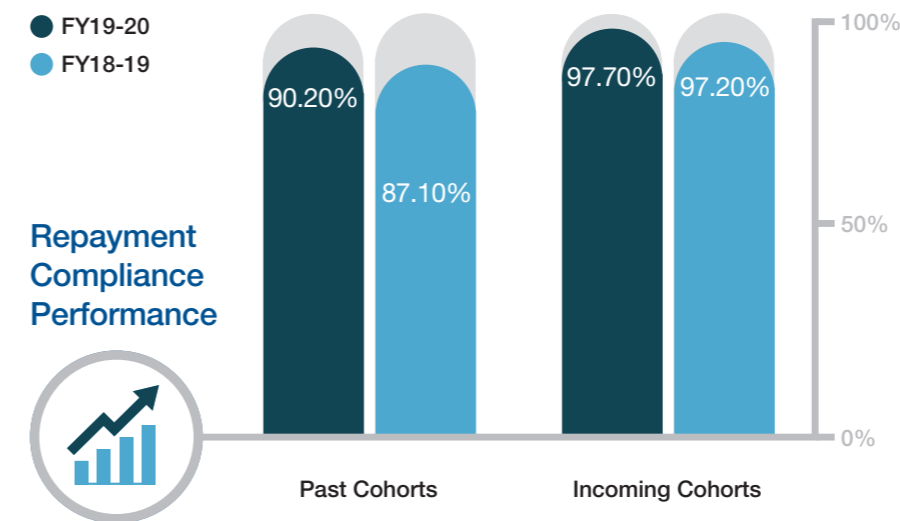
Despite being unable to accelerate processing times this year, SLC nevertheless again successfully made accurate and timely payments to over 99% of students and Higher and Further Education providers within target timescales.

3.3 Performance



Key Business Objective 3 - Repayment and Loan Book

“Increase repayment compliance, administer the loan book effectively and efficiently, deliver post loan sale obligations and support future sales.”



Repayment Compliance Performance	2019-20			2018-19
	Score	Green Target	RAG Status	Score
Percentage of borrowers from past cohorts who are compliant with their repayment obligations. ("Past cohorts" means all ICR cohorts with an SRDD* before April 2020)	90.20%	≥89.5%	GREEN	87.10%
Incoming Cohort: percentage of the new cohort of borrowers - (i.e. those whose SRDD* will be in April 2020) – who have successfully been matched to an HMRC or an SLC repayment channel. (This is monitored from November to March each year)	97.70%	≥97%	GREEN	97.20%

* SRDD = Statutory Repayment Due Date – the point at which former students would become due to begin making repayments if their earnings were sufficient.

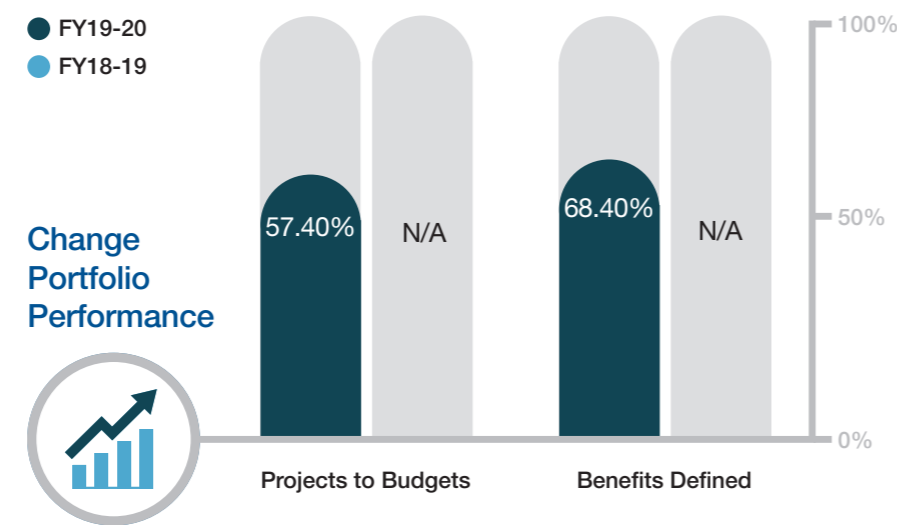
Achieving 90% borrower compliance during 2019-20 was a significant milestone and achievement for SLC; this success reflects considerable work on analysing and segmenting the loan book, with projects tailored for improving compliance within specific groups of customers, or borrowers residing in specific countries overseas.

3.3 Performance



Key Business Objective 4 - Delivering Change

“Manage change projects in a timely manner, balancing lowest practical cost with the need for achieving quality outcomes and agreed benefits.”



SLC manages an overall Change agenda which is comprised of five portfolios, namely Policy, Technology, Repayments, Corporate and Evolve. These are rolled up and reported at an overall ‘all portfolio’ level. New metrics were introduced in 2019-20 with a view to assessing performance of SLC’s change portfolios in terms of time, cost and quality of delivery.

In addition, two further measures were introduced to assess the stability of the change programme and benefits realisation. It has been clear during the year that the level of stability (as measured by the number of externally driven technical change release notes) has been less than would be desired.

This has, in turn, impacted time and cost of deliveries. The metrics were strictly numeric, based on the original budget and timetable for each project, and did not take account of in-year changes to the scope or scale of projects even if that change was requested by Government or other stakeholders.

The new metrics have also provided management with insight on some fundamental issues faced by SLC relating to the current timing of the budget setting process for change portfolios not being properly aligned with the Discovery and Inception phases of project delivery. New, more appropriate reporting has been agreed for the following 2020-21 financial year which will also include the implementation of a more rigorous benefits maturity model.

In addition, in respect of the Policy Portfolio, SLC and its shareholders have developed workstreams with the Evolve transformation programme both to simplify existing student finance regulations and, crucially, to re-timetable the standard policy commissioning process (incrementally over the next two years) in a way that will allow SLC to better deliver and manage time, cost and quality more effectively within change portfolios.

3.3 Performance

Change Portfolio Performance	2019-20			2018-19
	Score	Green Target	RAG Status	Score
Percentage of change projects to budget	57.40%	≥ 80%	 AMBER-RED	N/A
Percentage of change projects with agreed benefits defined	68.40%	No target in APRA	N/A	N/A

3.3 Performance



Key Business Objective 5 - Public Money, Governance and People

“Improve financial management and compliance with government and other controls, through a well-managed, skilled, engaged and properly rewarded workforce.”

Staff Turnover	2019-20		
	Score	Green Target	RAG Status
Staff Turnover – (total leavers across the year as a percentage of the average monthly headcount)	13.1%	≥18%	GREEN

Budget Variance	2019-20			2018-19
	Year End Variance	Green Target	RAG Status	Year End Variance
Administration Budget Variance	4.91% (£2.04m)	≥ 0% & ≤+10%	GREEN	-9.42% (-£4.02m)
Programme Budget Variance	0.46% (£0.78m)	≥ -5% & ≤+5%	GREEN	-2.69% (-£5.48m)
Capital Budget Variance	0.19% (£2.80m)	≥ -5% & ≤+5%	GREEN	22.85% (£11.00m)

SLC has succeeded in reducing turnover within many grade 1 and 2 positions, having secured funding for the implementation of the Real Living Wage which has had a historic effect, on some areas of the organisation more than others. There was also sustained progress against the implementation of the company’s People Strategy during the year.

During 2018-19 the reclassification of some elements of expenditure between capital, programme and administration led to SLC being unable to meet its budget variance targets. With the renewed and sustained focus on compliance with HM Treasury budgeting guidance during 2019-20, alongside strengthened financial management (and a revised budget settlement at Q2 that addressed the organisation’s finances in terms of administration, programme and capital), this year all three measures have reported at green.

Managing Complexity and Growth

SLC operates in a complicated and ever-changing policy landscape, which has seen the number of products and services offered by the company almost double in the last six years alone. The four UK Governments’ regulations associated with student finance are detailed and complex. Different loan and grant products can each have distinct eligibility criteria; there are often complex entitlement rules as to the amount of financial support available; and different repayment terms, income thresholds and interest rates are in force. Customers can be repaying more than one loan at the same time, and these may be on different terms.

Delivering each administration’s policy priorities – whether to provide new products and services or to refine existing ones – is a core part of SLC’s remit. It seems unlikely that Ministers across the four UK Government administrations will demand less of SLC in the years to come. The independent panel of the Review of Post-18 Education and Funding led by Philip Augar has reported its recommendations earlier this year; if the Government were to choose to take any of these forward, SLC would be required to free up significant capacity in its future change programmes to deliver them.

SLC has comparable size and complexity to a small to medium retail bank; however, unlike a bank SLC cannot pick and choose between customers or market segments, rather, it is responsible for a universal service for all customer groups, subject to the eligibility rules set by each Government administration. For several years SLC has built new

systems to manage the near annual introduction of new products and regulations. This usually requires significant systems development work to challenging deadlines, against a backdrop of year-on-year increases in the numbers of both applicants and repayers and further diversification of shareholders’ policy requirements.

Technology

There has been historic underdevelopment of many legacy systems, often because the organisation has needed to prioritise the delivery of each year’s new policy changes ahead of the internal investment in time and manpower required to upgrade 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, and of maintaining the existing estate.

This technical debt, combined with a customer base that is digitally fluent means that the company now needs to put major effort into upgrading its applications and associated technologies, in order to bring them up to the standard that today’s customers expect as a matter of course and to make the technology resilient. The scale and sensitivity of the customer data that the company processes also mean that it is critical that SLC maintains a focus on, and continues to invest in, cyber security.

In the past, SLC was successful in recruiting and retaining staff of enough experience and skill to be able to keep pace with the growing demands of the UK’s student finance system. But this has become increasingly difficult

3.4 Strategic Challenges

3.4 Strategic Challenges

over recent years. Despite SLC's success in reducing staff turnover within many grade 1 and 2 positions, rates of pay for some SLC staff have still fallen behind both public sector and private sector comparators, leading to high turnover 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.

Political, Social and Economic Considerations

The company may have to change course in response to new political and economic realities: these may arise as a result of UK-specific processes, such as spending reviews, Brexit, general elections or a possible second Scottish independence referendum; or from the performance of the global economy as a whole, and its impact on labour markets or interest rates. Demographics and new modes of learning and employment may all interact with these factors. SLC has commissioned detailed planning and workforce modelling for several macro environmental scenarios as part of its People Strategy.

The COVID-19 Pandemic

Initially, COVID-19 had a significant impact on the company as it transitioned to home-working, but our original planning for the coming year remains largely unchanged.

The two key priorities in SLC's response to the situation are:

1. To protect the health and wellbeing of our employees
2. To continue to deliver critical services to our customers

SLC has safely and securely transitioned a predominantly office-based organisation into one that

can function with the majority of its staff based at home and made this transition quickly. This was a significant change for SLC, both from a technological and a cultural perspective.

The company has made sensible adjustments to projects within the change programmes that were originally planned for 2020-21, but will continue to progress these, albeit to new timetables in some cases. For example, the launch of the Online Repayments Service (ORS) was rescheduled from April to July 2020, in order to mitigate the risk of increased incoming contact in quarter one.

Conversely a number of projects within the Technology Workforce Mobility programme have been brought forward to facilitate the transition to home working. These include the accelerated rollout of new devices and the implementation of Windows 10 and Microsoft Teams Exchange. The Technology Group business plan includes a new goal, to rapidly stand up remote working and to support it for the remainder of the year.

SLC promptly invoked its Business Continuity Plan in response to the situation and has taken extensive steps to enable most staff to work from home, while new office protocols covering for example social distancing and extra cleaning have allowed a minimum essential team to be able to work safely in company premises. In this way the company has been successful in maintaining critical services, including continued, timely and accurate payments both to students and to Higher and Further Education providers.

Although SLC and shareholders had, as part of the standard business planning cycle, already agreed detailed and specific

performance targets and milestones for the year ahead, these are clearly no longer appropriate in the current, unprecedented circumstances, and shareholders decided to remove them for the 2020-21 financial year. Nevertheless, the company will continue to measure performance against its core metrics and will endeavour to maintain progress against the original targets.

SLC's response to the long-standing challenges outlined above is articulated at high level within its Vision Statement which is that:

"SLC is widely recognised as enabling student opportunity and delivering an outstanding customer experience in the efficient delivery of the four UK Governments' further and higher education finance policies"

As well as the statement above, the vision is underpinned by five themes. These are the foundations of this Strategy – the company's key, longer-term strategic goals:

An Outstanding Customer Experience

SLC will deliver intuitive, seamless and transparent services aligned to the relevant part of their customer journey. The company will work to ensure that students have access to trusted student finance expertise, providing clear, comprehensive and easily accessible advice, and will maintain a strongly-engaged and collaborative relationship with Higher Education Institutions (HEIs) to support SLC's commitment to providing the best possible customer experience over the whole student life-cycle. SLC systems will ensure that clear and accessible information and application / payment interfaces are available allowing customers to interact or self-serve in a fully informed way. If they must contact the company, they will be able to

do so easily through their channel of choice and will have their query resolved by experts with full access to all required information.

SLC will deploy sentiment analysis tools to monitor customer experience at key points in the customer journey and will use this to continually improve the services provided.

Enabler of Opportunity

SLC will be recognised as an enabler of student opportunity, delivering strong social value on behalf of shareholders. This will continue to be based on a clear understanding of objective to provide student finance reliably and securely, helping customers invest in their futures and supporting the long-term economic growth of the UK economy. In executing that core mission, the company will be viewed as competent, especially in our responsibility to maximise use of and safeguard the taxpayer pound.

Leaner, Better, Doing More for Less

SLC will deliver student finance services safely through flexible, sustainable, and inherently secure technology solutions. Emerging opportunities, driven by advances across the technology sector will be exploited to optimise delivery, provide a lower total cost of ownership and help protect SLC from cyber-attacks.

SLC will have confidence in the accuracy and integrity of its data, aligned to the customer and user needs. Real-time understanding of our consolidated data will improve operational efficiency and performance and enable the creation of new KPIs based on key outcomes.

3.4 Strategic Challenges

3.4 Strategic Challenges

The company will continue to develop a culture of continuous improvement through lean, straight through, standardised processes. SLC will automate or outsource high volume, low complexity activity while moving to become a smaller centre of excellence to manage more complex work.

The new Establishment Oversight Committee is responsible for ensuring that there is governance and oversight in place to prevent unplanned headcount increases and preserve the integrity of the agreed and authorised annual budgets.

A Great Place to Work

SLC will be an outstanding place to work and to develop. Implementation of a comprehensive People Strategy will create a more skilled, motivated and engaged workforce, aligned to current and future organisational needs. An improved employer brand, underpinned by a stronger external reputation, will help the company to retain and attract good people. The mission and vision will be delivered through the People Strategy built on simple, fair and consistently adhered to policies and processes and fair and attractive reward and recognition for colleagues. Tailored skills development and career progression will be core components in building talent, as discussed within the Remuneration and Staff Report (Section 4).

Trusted Delivery Partner

Shareholders will see SLC as a trusted partner in the efficient and agile delivery of Government policy and taxpayers will trust the company's stewardship of their money. The company will support shareholders to simplify and rationalise the policy landscape wherever possible, better aligning

policy intent with efficient delivery and proven, tested customer needs. SLC and policy teams in DfE and the devolved administrations will work in a joined-up way, underpinned by robust governance of the policy development and commissioning process tied to clearer, achievable delivery timelines.

Evolve

The company has developed a refreshed transformation programme, Evolve, to achieve these strategic goals within a timeframe stretching up to five years ahead. Evolve is designed to enable the company to react quickly to the uncertainties in the wider political and economic environment in which it operates. SLC has also defined key business objectives covering just the year ahead, (see the company's one-year Business Plan for these). While the company may need to scale back or pause some 'non-critical' aspects of its service and change programme as a result of the COVID-19 pandemic, SLC remains fully committed to the full Evolve programme, and in the year ahead significant and genuine transformation of the company will lay the foundations both for improvements in customer service and reduction in cost.

A key component of this is the Customer Engagement Management (CEM) programme, with goals to provide online processing wherever possible, intuitive online capability for customers and real time data that either allows self-service or enables staff to provide a "right first time" service. Improved digital self-service for customers will greatly reduce incoming contact by telephone and mail.

SLC takes seriously its responsibility to operate in an environmentally aware and sustainable manner.

Emissions

The company's electricity emissions for 2019-20 were calculated at 1,760 tonnes. The increased use of passive infrared sensors for lighting in Darlington has contributed to a significant reduction – a comparison between January 2019 and January 2020 suggests a monthly 30,000 kw/hour saving there. Business travel emissions have benefitted from the use of hybrid vehicles, with emissions of 201 tonnes of CO₂. Fugitive emissions totalled 8.48kg across all sites.

SLC is currently compiling a TM44* Air Conditioning Efficiency Report, which will cover the energy efficiency of all sites and will underpin the next statutory 5-year report which is due next year.

Waste Minimisation and Management

SLC produced 338.27 tonnes of waste from all sites. 11.91 tonnes of this was general waste sent to landfill; 131.70 tonnes were sent to a material recycling facility. 194.67 tonnes of waste were sent to an energy from waste facility. A new third-party contract has achieved a better level of recycling across all of company sites – for example this year's 11.91 tonnes to landfill compares with 53 tonnes in 2018-19.

Finite Resources

SLC's water consumption was 7,160.38 m³ for the full estate. This was an increase on the previous year due to the necessary meter

deregistration in the Glasgow Bothwell Street office, however the removal of the cooling towers should see improvement in coming years.

* TM44 is the Chartered Institute of Building Services Engineers' (CIBSE) Technical Memorandum number 44 covering the statutory inspection of air conditioning systems.

Embedding Sustainable Procurement

SLC is committed to embedding sustainable procurement by: ensuring that environmental, social and whole life cost impacts are taken into consideration in the assessment of value for money, including the consideration of fairly traded goods; by undertaking sustainability risk/impact assessments of products and services to be purchased; by working with new and existing suppliers to encourage consideration of the social and environmental impacts of their services and activities alongside compliance with national standards; by forging links with the local community to encourage positive participation and address barriers to entry to encourage local, regional, SME and ethnic minority suppliers to bid for SLC contracts; and by supporting the drive to achieve carbon emission reduction targets.

There is a balance between these factors and the overall need to achieve value for money. The scope to take account of environmental and sustainability issues is restricted to a strict set of circumstances in line with UK policy and EU regulations.

3.5 Environment, Sustainability and Corporate Responsibility

3.5 Environment, Sustainability and Corporate Responsibility

Modern Slavery Act

In line with section 54 of the Modern Slavery Act 2015, SLC is committed to the highest level of ethical standards and has a zero-tolerance policy towards modern slavery and human trafficking. The company is committed to acting ethically and with integrity in all business dealings and to taking steps to ensure that modern slavery and human trafficking do not exist in any part of the business or its supply chains. SLC's statement on modern slavery can be viewed at www.gov.uk/slc.

SLC People

SLC has an established commitment to Equality, Diversity and Inclusion (EDI), and publishes an EDI Annual Report alongside the statutory gender pay gap report, both at www.gov.uk/slc. Gender analysis on SLC Board Members, Directors and Staff is included within the Remuneration and Staff Report (Section 4).

Anti-Fraud and Anti-Corruption

SLC is committed to combatting fraud and corruption in all its activities. The company's Anti-Fraud and Corruption Policy sets out its overall position, with due regard to relevant legislation including (but not limited to) the 2006 Fraud Act, the 2010 Bribery Act and Scots common law relating to "fraud and uttering". The policy affirms SLC's commitment to the Nolan Principles of Public Life. The company maintains additional related policies, for example a Whistleblowing Policy and a Gifts and Hospitality Policy. Regular training is provided for employees, including on money laundering regulations and data protection.

Risk

The COVID-19 pandemic has had a significant impact on the company and is clearly both the principal risk and principal issue facing the company, as further detailed in Section 3.4, Strategic Challenges (above). Beyond the pandemic, the principal risks facing the company are:

Disaster Recovery (DR)

Effective DR arrangements are vital to safeguarding continuous and effective customer service arrangements. If SLC's DR arrangements are not capable of returning critical services in line with business requirements, there will be business disruption and customers may be impacted detrimentally. A programme plan has been developed and is proceeding to implement technical solutions to remediate DR issues, in line with a detailed assessment and recommendations made by our third-party partner.

Cyber Security

The dynamic nature of cyber risk is such that SLC must always be vigilant. If systems are not sufficiently protected, confidentiality may be compromised and without preventative action, a cyber-attack may lead to data loss and/or business disruption. SLC recognises that this is an inherent risk which the company will be exposed to long term and it continually reviews the appropriateness of mitigations. Specifically, this includes the SLC Security Programme, which has a focus on data anonymisation and further strengthening cyber defences.

Information and Data Handling

Information is an important asset at SLC which must be adequately protected to ensure the integrity of data (i.e. quality and accuracy) and to ensure that personal data is handled and stored appropriately. If data is handled inappropriately, it may lead to a breach of legislative or regulatory requirements. This risk exposure continues to be reduced by the delivery of key initiatives as part of the General Data Protection Regulations (GDPR) Compliance Programme, covering information and data handling.

3.6 Principal Risks

3.7 Financial Review

Grant-in-Aid Funding

SLC is primarily funded through Grant-in-Aid, received from DfE as SLC's sponsor department. DfE receives appropriate apportionments of this funding from the three Devolved Administrations:

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

The same funding is also analysed through the "parliamentary lens" – that is, by Admin, Programme and Capital, as defined in HM Treasury's Consolidated Budgeting Guidance (CBG).

DfE confirmed SLC's budget in the APRA letter, which provided analysis of the funds through both the business and the parliamentary lenses.

3.7.1. UK Funding for Delivery of SLC Core Activities and Change Projects

(to nearest £100,000)	Operating Expenditure	Business Optimisation and Maintenance	Change & Strategy Programme	Total
2019-20	£'000	£'000	£'000	£'000
Non-ringfenced (Cash)	159,300	6,600	85,800	251,700
Ringfenced (Non-cash)	36,400	-	-	36,400
Total	195,700	6,600	85,800	288,100
2018-19				
Non-ringfenced (Cash)	138,500	10,000	80,700	229,200
Ringfenced (Non-cash)	33,200	-	-	33,200
Total	171,700	10,000	80,700	262,400

Cash Grant-in-Aid Funding

Cash Grant-in-Aid funding is allocated each year from the original Departmental Expenditure Limit (DEL) which consists of two separate budgets: net resource spending (resource DEL) split into Admin and Programme expenditure; and net Capital expenditure (capital DEL). The cash element of the funding of DEL in 2019-20 was £251.7m (2019: £229.2m).

Non-cash DEL Grant-in-Aid Funding

Non-cash funding also contains two budgets. Ring-fenced DEL comprises non-cash expenditure such as depreciation. The non-cash element of funding amounted to £36.4m in 2019-20 (2019: £33.2m).

Year-End Outturn

The overall outturn was £285.1m (2019 adjusted: £264.2m), an underspend of £3.0m (2019 adjusted overspend: £1.8m) against the APRA budget, as shown in below:

3.7.2. Final budget outturn position of net expenditure

	2019-20			2018-19 restated		
(rounded to the nearest £100,000)	Budget £'000	Outturn £'000	Variance £'000	Budget £'000	Outturn £'000	Variance £'000
Non-Ringfenced (Cash)	251,700	249,300	2,400	229,200	226,800	2,400
Ringfenced (Non-cash)	36,400	35,800*	600	33,200	37,400	(4,200)
Total DEL	288,100	285,100	3,000	262,400	264,200	(1,800)

3.7.3. Reconciliation to Statement of Comprehensive Net Expenditure

Reconciliation to Financial Statements (rounded to the nearest £100,000)	2019-20	2018-19 Restated
Total expenditure per SOCNE:	£'000	£'000
Staff and restructuring costs	68,700	98,900
Depreciation, amortisation and impairments	41,100	34,300
Other administrative expenses	83,900	90,600
Finance costs	1,700	1,100
	195,400	224,900
Non Grant-in-Aid income (note 3)	(1,300)	(1,000)
Capital expenditure	40,900	37,400
Add back: AME income recognised in SOCNE	55,000	2,900
IFRS 16 impact on expenditure (note 1.2)	(4,900)	-
Total Outturn	285,100	264,200

*The depreciation figure of £35.8m above excludes the adjustment to depreciation arising from the IFRS 16 adjustment through property, plant and equipment for right of use assets which were introduced this year in order to comply with IFRS 16. The treatment in this financial review section of the Annual Report and Accounts is due to DfE reporting and budgetary requirements which specifically exclude IFRS 16 from calculations until the year ended 31 March 2022 when the department will require to have full budgetary measures in place.

3.7 Financial Review

3.7 Financial Review

Staff numbers and salary costs

- The impact of the low pay case in Operations (c. 1,900 staff at Grades 1 to 3) during the financial year resulted in an increase in salary costs of £3.3m.
- There has also been an 6.5% increase in average FTE staff numbers since last year – from 3,105 to 3,308. This has had a corresponding impact on the level of salaries. Operations staff had previously faced significant recruitment and retention issues during 2018-19, and so the staff numbers in this area have increased in 2019-20.
- Additional costs from the low pay business case, increased staff numbers and additional contributions to the SLC Pension Scheme has resulted in an overall staff costs increased from £98.9m to £111m.
- The one-off gain on settlement adjustment on the transfer of the pension fund of £42.3m reduced the total staff and restructuring costs figure to £68.7m.

Depreciation, amortisation and impairments

- Depreciation for the year increased for property, plant and equipment from £5.1m in 2018-19 to £9.5m in 2019-20. This was mostly due to SLC’s adoption of IFRS 16, with a corresponding adjustment in depreciation for right of use assets for all the property leases previously held within operating costs.
- During the year, an exercise was undertaken to assess all non-current assets held at nil book value as at 31 March 2020 in order to identify those assets which were no longer in use and had been disposed of during the previous year. These assets comprised £45m of brought

forward cost and brought forward aggregate depreciation and amortisation.

- Following the full desktop review, a prior year adjustment has been calculated with full details included in note 19. As a result, the corresponding brought forward cost and associated aggregate depreciation have both fallen by £29m. The remaining asset register will now be subject to regular review.
- Amortisation for intangible assets increased in line with an additional £24.8m internally generated software assets being capitalised during the year. These assets represent completed developments during the year.
- Work conducted to date on a Repayments Calculator was assessed for impairment during the financial year, and a value of £240,000 was written off under intangible assets under development.
- Computer equipment and software licences were also impaired during the year for items considered to no longer be in use as at 31 March 2020.
- No additional impairment to the value of SLC’s non-current assets was deemed necessary.

Other Administrative Expenses

- Other administrative expenses fell by £6.7m from £90.6m to £83.9m. Costs for supplier partner resource reduced by £11m reflecting a drop back from the higher levels of expenditure on the underlying infrastructure for SLC’s existing systems in 2018-19. However, costs on outsourced call handling, business service and technology operations rose in total by £12.9m.

- In estates costs, rent, rates and service charges have remained consistent since 2018-19. Changes to the provisions for dilapidation are considered in the non-cash AME funding and are detailed in note 15 in the accounts. Small savings of £0.4m were made in security and property insurance and maintenance.
- Postage, stationery and office costs increased by £0.7m with annual price increases to contracts and the introduction of third-party costs under the Childcare grants project which added an additional £0.4m of costs.

Financial Risks and Challenges

2020-21 funding has been provided as a “flat cash” settlement to SLC which is broadly in line with 2019-20 funding. The APRA letter for 2020-21 sets out a small (£0.7m) increase against 2019-20 across Programme (£169.2m to £169.9m) and Capital (£40.9m to £41.0m) budgets, with Administration budget unchanged (at £41.5m). The main challenge SLC has faced has been to produce a balanced budget to meet the priorities of the organisation, including delivery of a sizeable Evolve transformation programme, against the “flat cash” funding position. SLC has completed a re-prioritisation of planned activities and made some difficult decisions to ensure successful delivery and affordability of key priorities.

Non-cash AME Grant-in-Aid Funding

Annually Managed Expenditure (AME) covers expenditure which cannot be fully controlled. This is contained within the Programme budget each year. The non-cash element of funding granted by DfE amounted to £5m credit funding in 2019-20 (2019: £33.2m debit) due to the expected budgeting for the transfer of the pension scheme.

AME Expenditure

	2019-20	2018-19 restated
(rounded to the nearest £100,000)	£'000	£'000
IAS 19 pension costs*	(50,900)	(1,000)
Impairments	(500)	(1,300)
Movement in provisions	(3,600)	(600)
Total AME (Income)/Expenditure	(55,000)	(2,900)

* this represents interest costs of £1.4m (2018-19: £1.1m), a credit to employer contributions of £17.6m (2018-19: £11.5m), other staff costs of £7.6m (2018-19: £9.4m) and a credit of a gain on settlement of £42.3m (2018-19: £nil) as detailed in the reconciliation table in note 16.

3.7 Financial Review

3.7 Financial Review

Non-Grant-in-Aid Funding

SLC continued to receive other income amounting to £1,078,000 (2019: £609,000) from those universities and colleges that choose to have SLC administer their bursaries and scholarship payments under the Higher Education Bursary and Scholarship Scheme. Further income was received from third parties in relation to the historic sales of Mortgage Style Loans; this amounted to £121,000 (2019: £118,000).

Prior Period Adjustments

Prior year comparatives have been restated following a reassessment of the treatment of Grant-in-Aid and the review of non-current assets as stated above. Disposals were adjusted retrospectively for computer equipment, furniture fixture and fittings and licences for brought forward costs and associated depreciation and amortisation of £26.9m, £1.7m and £0.6m respectively.

Grant-in-Aid drawn down from the DfE has previously been recorded as revenue, and an accrual for Grant-in-Aid as at 31 March 2019 was agreed with DfE. During the year ended 31 March 2020, DfE and SLC agreed to treat Grant-in-Aid on a cash basis, in line with DfE's own reporting requirements and in line with the Government Financial Reporting Manual (FRM). Grant-in-Aid will be credited to SLC's reserves, and no longer incorporated within the Statement of Comprehensive Net Expenditure (SOCNE). SLC is content that this is also acceptable under the Companies Act.

Pension Scheme

As stated in the Remuneration Report, on 1 March 2020 SLC became a member of the Civil Service Pension Arrangements and made the alpha and partnership schemes available to all its employees. The pension schemes are unfunded and no liability rests with SLC. Employee contributions are salary-related, with details of the scheme reflected in the notes to the accounts.

Due to the pension transfer arrangement made mid-year, the pension deficit of £31.1m has changed to a £10.6m surplus with only deferred members and pensioners remaining in the residual scheme as at 31 March 2020. Further information is reflected in the pension note to the accounts and in wages and salaries figures in the Remuneration and Staff Report to show the relevant settlement gain realised.

The transfer of the pension scheme resulted in a settlement payment at 29 February 2020 of £72.7m, which reduced the value of assets in the remaining scheme, with a corresponding reduction in liabilities of the cash amount. A further payment of £3.8m is due by the end of June 2020 and has been accrued, deducted from the value of the Retirement Benefit Obligation Surplus and reflected within the gain on settlement in note 16.

Ex-gratia Payments (this information is subject to audit)

Each year, SLC has a specific delegated authority of up to £100,000 for ex-gratia payments to customers. This includes payments requested by DfE-appointed Independent Assessors for up to £5,000. Payments of £5,000 and more are detailed out-with

this budget and subject to separate DfE approval. During the 2019-20 financial year, the budget was increased to £130,000. SLC spent a total of £126,000 during the year (2019: £102,052). One additional exceptional ex-gratia payment was requested to be made by DfE for almost £11,000 which, as such, came under the budget for special payments.

The largest increase in complaints arose from core application processing and an increase in the amount paid following Independent Assessment (IA). In the first 9 months of 2018-19 £18,400 for IAs was paid out, and in the first 9 months of 2019-20 this had increased to £25,400. This has been driven by a small number of higher than usual awards - some of which stem from 2017-18 and 2018-19 but, due to legal issues, were not paid until 2019-20.

Fees and Charges

SLC does not receive any fees and charges other than those relating to supporting the bursary and scholarship schemes as detailed in note 3 to the accounts.

Remote Contingent Liabilities (this information is subject to audit)

SLC is not aware of any remote contingent liabilities that would be required to be disclosed under the requirements of the FRM.

Supplier Payment Policy

SLC aims to comply with the Government's Better Payment Practice Code. 94% (2019: 98%) of invoices were paid within the normal trading terms of 30 days, with 43% (2019: 61%) being paid within 5 days.

Declaration and Signature

This Strategic Report forms only part of the annual company accounts and reports that SLC publishes online at www.gov.uk/slc. Directors have had full regard to the considerations set out in Section 172 Companies Act 2006 when fulfilling their duty to promote the success of the company, these being:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the company.

This report was approved by SLC's Main Board on 30 June 2020 and signed on the Board's behalf by:

Paula Sussex

Chief Executive
and Accounting Officer

22 September 2020

3.7 Financial Review

04

Remuneration and Staff Report

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4.1 Oversight and Responsibilities

The Remuneration and Staff Report sets out the remuneration of all SLC Directors and of those members of the ELT who are not Directors, together with details of the Remuneration policy for the year ended 31 March 2020. 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 follows the overall principles of the FReM.

Remuneration, People and Organisational Design Committee

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

Committee Membership	From	To
David Gravells	1 April 2019	31 March 2020
Mary Curnock Cook	1 April 2019	10 July 2019
Stephen Tetlow	7 May 2019	31 March 2020

Mary Curnock Cook stepped down from the RPOD Committee during the year in order to take on responsibility in the Evolve Oversight Committee.

Annual Statement from the RPOD Committee Chair

The RPOD Committee is committed to ensuring SLC has a well-managed, skilled, engaged and properly rewarded workforce.

With the launch of the SLC People Strategy in 2019, a number of projects have been developed to enable the organisation to achieve its goals as aforementioned. The projects are placed under four main components which are Reward, Skills, Workforce and Brand.

I am pleased as Chair of the committee to be able to report that the following changes to our pay structure were implemented to ensure a fairer, more equitable pay and reward system for staff:

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

- Uplifting all grade 1 employees across all our locations to a salary equivalent to the Living Wage Foundation's Real Living Wage rate
- Increasing our starting salary for lower paid employees within grades 2, 2B and 3 across all locations to ensure starting pay within these grades remains competitive.

As a result of these changes, over 1,900 lower paid employees benefitted from pay increases from 1 April 2019. The remainder of this report explains how executive remunerations is determined at SLC and gives more information on the policies applied during the year.

SLC aims that the remuneration packages offered to the ELT:

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

Annual salary reviews take into account the pay remit requirements of HM Treasury at

<https://www.gov.uk/government/publications/civil-service-pay-remit-guidance-2019-to-2020/civil-service-pay-remit-guidance-2019-to-2020> alongside the HM Treasury guidance on public sector pay and terms at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819562/190702_Public_sector_pay_and_terms.pdf

All salaries, including the CEO's, are reviewed annually. Salaries are set considering external markets, internal comparisons and individual responsibilities.

All ELT members are permanent employees and are therefore on standard SLC contracts of employment and have notice periods of six months. In previous years, members of ELT who were not permanent employees were on standard contracts via the Crown Commercial Service's Contingent Labour One framework. If a member of the ELT's employment with SLC is terminated on the

grounds of redundancy, or in the interests of the efficiency of the organisation, service-based compensation is applied.

Salaries

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

Pensions

On 1 March 2020 SLC became a member of the Civil Service Pension Arrangements and made the alpha and partnership schemes available to all its employees. As agreed with Cabinet Office, SLC transferred all the active members of the SLC Pension Scheme to CSPA alpha and provided non-scheme members with the options of joining alpha, joining partnership, or remaining a non-pension member until next re-enrolment date when they would be auto-enrolled into alpha. Details of the scheme can be found at: www.civilservicepensionscheme.org.uk

Until that time, SLC contributed to the Student Loans Company Limited Retirement and Death Benefits Scheme (SLC Pension Scheme) which was a defined benefit scheme that all employees had the option to join, and NOW : Pensions, a defined contribution scheme, which met SLC's statutory obligations to enrol all employees in a pension scheme.

4.2 Remuneration Policy

4.2 Remuneration Policy

ELT members who were permanent staff had the option during the year of joining the Student Loans Retirement and Death Benefits Scheme. As ordinary members, they contributed 6% of pensionable salary and SLC contributed 45.4% (2019: 27.1%) of employees' pensionable salary during the year, in line with the 2016 actuarial valuation and recovery plan agreed with the Trustees of the Scheme.

The SLC Pension Scheme was a final salary scheme providing benefits at the earliest retirement age of 65. These benefits consisted 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.

Performance Related Payments

Each member of the ELT has personal performance objectives, including specific targets which have a significant impact on the performance of the organisation.

These targets and the CEO's appraisal of their performance against them are subject to review by the RPOD Committee. Subject to RPOD Committee approval, members of the ELT who are permanent staff are eligible to participate in SLC's performance related payment scheme.

The Chair reviews the performance of the CEO and, based on delivery against agreed objectives, may propose an award for consideration by the RPOD Committee. The terms of her appointment provide for a performance related payment to a maximum value of £20,000 per annum.

Performance-related payments are not awarded to Non-Executive Directors, interim staff nor any member of the ELT who is not a permanent employee.

Other Benefits and Expenses

SLC meets normal allowable travel costs for Board Directors and members of ELT in accordance with SLC's standard travel and expenses policy.

Remuneration of Board Members

Christian Brodie left the organisation at the end of his second term as Chair on 31 January 2020, with Andrew Wathey taking on the role of Interim Chair until the end of the financial year. Peter Lauener became permanent Chair of the Board on 1 April 2020.

There were no redundancy payments to members of the Board for loss of office made during the year (2019: £nil).

4.3.1 Fees Paid to Chair and Non-Executive Directors

	31 March 2020			31 March 2019		
	Remuneration	Other Expenses (to nearest £100)	Total	Remuneration	Other Expenses (to nearest £100)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Christian Brodie (to 31 Jan 2020)	40-45	2.1	40-45	45-50	3.6	50-55
Antonia Cox (to 31 March 2019)	-	-	-	15-20	3.1	20-25
Mary Curnock Cook	15-20	1.7	15-20	10-15	3.1	15-20
Simon Devonshire	15-20	1.5	15-20	15-20	1.8	15-20
Natalie Elphicke (to 30 Sep 2019)	5-10	1.0	5-10	15-20	2.0	15-20
David Gravells	15-20	2.0	15-20	15-20	4.1	20-25
Sally Jones-Evans (to 31 March 2018)	-	-	-	-	0.2	0-5
Charlotte Moar (from 7 May 2019)	10-15	3.3	15-20	-	-	-
Stephen Tetlow (from 7 May 2019)	10-15	2.8	15-20	-	-	-
Andrew Wathey	15-20	0.7	15-20	10-15	1.7	15-20

4.3 Non-Executive Directors and Executive Leadership Team Salary and Pension Information (audited)

4.3 Non-Executive Directors and Executive Leadership Team Salary and Pension Information (audited)

Remuneration of ELT

The ELT is responsible for the day-to-day management and leadership of SLC's activities and operations. Paula Sussex continued her role as CEO during the year.

David Wallace continued as Deputy CEO and Chief Customer Officer throughout the year; Derek Ross continued as Executive Director of Operations; Bernice McNaught continued as Executive Director of Repayments and Counter Fraud and also as Senior Responsible Officer responsible for SLC's Transformation Programme (Evolve).

Jacqui Smillie continued her role as Chief Financial Officer and as well as Executive Director of Finance,

Commercial and Estates, added Enterprise Risk and Compliance to her role; Morven Spalding retained leadership of SLC's HR function in her interim role and became the permanent Executive Director of People in November 2019.

Adrian Tucker left the organisation as Interim Chief Information Officer (CIO) in June 2019. Nigel Carroll, the Chief Technology Officer, took over the role in an interim basis until Stephen Campbell was appointed as permanent CIO in August 2019.

There were no redundancy payments to members of the ELT for loss of office made during the year (2019: £nil).

4.3.2. Remuneration of ELT

Executive Leadership Team	31 March 2020				
	Remuneration £'000	Other Benefits and Expenses (to nearest £100) £'000	Accrued Performance Related Pay £'000	Pension Contributions (to nearest £100) £'000	Total Remuneration £'000
Paula Sussex	190-195	-	15-20	19	220-225
David Wallace	140-145	-	5-10	14	160-165
Derek Ross	125-130	8.6	-	13	145-150
Bernice McNaught	130-135	-	5-10	13	150-155
Jacqui Smillie	130-135	-	5-10	13	145-150
Morven Spalding	110-115	-	0-5	12	125-130
Adrian Tucker (to 30 Jun 2019)	85-90 (310-315)*	-	-	-	85-90
Stephen Campbell (from 21 Aug 2019)	85-90 (140-145)*	-	5-10	14	105-110
Nigel Carroll (from 1 Jul – 18 Aug 2019)	15-20 (120-125)*	-	-	6	20-25

Executive Leadership Team	31 March 2019				
	Remuneration £'000	Other Benefits and Expenses (to nearest £100) £'000	Performance related pay** £'000	Pension Contributions (to nearest £100) £'000	Total Remuneration £'000
Paula Sussex (from 17 Sep 2018)	100-105 (190-195)*	-	5-10	13	120-125
Peter Lauener (to 16 Sep 2018)	60-65 (150-155)*	9.9	-	13	80-85
David Wallace	140-145	-	5-10	37	180-185
Derek Ross	125-130	5.3	0-5	33	165-170
Bernice McNaught	125-130	-	0-5	33	160-165
Jacqui Smillie (from 16 Jul 2018)	90-95 (130-135)*	-	0-5	1	95-100
Morven Spalding (from 26 Nov 2018)	35-40 (110-115)*	-	-	-	35-40
Adrian Tucker	315-320 (315-320)*	-	-	-	315-320
Mike Blackburn (to 15 Jul 2018)	95-100 (290-295)*	-	-	-	95-100

* Denotes the full-time equivalent salaries for those members of the ELT who were not in post for the full financial year.

** Accrued performance pay is shown in bands of £5,000 as follows: £1-£4,999; £5,000 - £9,999; £10,000 - £14,999 and £15,000 - £19,999

Salary includes gross salary and any other allowance. Other benefit and expenses represent taxable subsistence and travel costs, which is a change in the disclosure from the previous year's published accounts which included non-taxable subsistence and travel costs.

The only taxable benefits for the ELT during the year to 31 March 2020 represented a car benefit of £8,600 (2019: £5,300) to Derek Ross. The changes in the disclosure for the prior year to 31 March 2019 which removes all non-taxable expenses are as follows:

	Other Benefits and Expenses (nearest £100) (prior year published accounts)	Other Benefits and Expenses (nearest £100) (updated)
Paula Sussex	0.1	-
Peter Lauener	14.7	9.9
David Wallace	2.0	-
Derek Ross	8.3	5.3
Bernice McNaught	1.5	-
Jacqui Smillie	2.5	-

4.3 Non-Executive Directors and Executive Leadership Team Salary and Pension Information (audited)

4.3.3 Retirement Benefits for the ELT

	Accrued pension at pension age as at 31 March 2020 and related lump sum	Real increase in accrued pension and related lump sum during the year to 31 March 2020	CETV as at 31 March 2020 (to nearest £1,000)	CETV as at 31 March 2019 (to nearest £1,000)	Increase in CETV net of inflation (to nearest £1,000)
	£'000*	£'000**	£'000	£'000	£'000
Paula Sussex***	0-5	0-2.5	5	-	4
	0-5 (lump sum 5-10)	0-2.5 (lump sum 5-7.5)	101	10	91
David Wallace	20-25	0-2.5	311	307	2
Derek Ross	45-50	0-2.5	693	690	2
Bernice McNaught	5-10	0-2.5	111	108	2
Jacqui Smillie ***	0-5	0-2.5	3	-	2
	0-5 (lump sum 0-5)	0-2.5 (lump sum 2.5-5)	48	n/a	48
Morven Spalding ***	0-5	0-2.5	3	-	2
	0-5 (lump sum 0-5)	0-2.5 (lump sum 0-2.5)	15	n/a	15
Stephen Campbell ***	0-5	0-2.5	3	-	3
	0-5 (lump sum 0-5)	0-2.5 (lump sum 0-2.5)	29	n/a	29

- (i) * these columns are stated in band of £5,000
(ii) ** these columns are stated in bands of £2,500
(iii) *** applicable pension regulations prohibited the past service transfer of their benefits to the nuvos Civil Service Pension Arrangements; additional disclosure therefore relates to those retained benefits in the SLC Pension Scheme as at 31 March 2020
(iv) Cash Equivalent Transfer Values (CETV) have been calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996, depending upon length of membership of the SLC Pension Scheme, and figures have been rounded
(v) Inflation over the year was 2.4%
(vi) Any Additional Voluntary Contributions paid by members of the ELT and the resulting benefits are not shown
(vii) "Increase net of inflation" does not include a deduction for member contributions

4.3 Non-Executive Directors and Executive Leadership Team Salary and Pension Information (audited)

4.3.4 Agency Payments for temporary members of the ELT

	31 March 2020			31 March 2019		
	Gross Payments £'000	Agency Fees £'000	Net Remuneration £'000	Gross Payments £'000	Agency Fees £'000	Net Remuneration £'000
Adrian Tucker	90	5	85	336	17	319
Mike Blackburn	-	-	-	104	4	100
TOTAL	90	5	85	440	21	419

Median and Fair Pay

Reporting bodies are required to disclose the relationship between the remuneration including bonus paid during the year of the highest-paid Director in their organisation and the median remuneration of the organisation's workforce.

The CEO was the highest paid permanent member of the ELT, with a salary of £197,000 (2019: £190,000 FTE), which includes the accrued bonus of £7,000 from the previous year. This was 9.2 times (2019: 9.4 times) the median staff salary paid, which was £21,426 (2019: £20,242) of the workforce.

However, in both the years ended 31 March 2020 and 31 March 2019, the highest paid member of the ELT was the Interim CIO. He was contracted through an agency from December 2017 to 30 June 2019. The total annualised remuneration of the Interim CIO was £312,480 (2019: £312,480) equivalent to 14.6 times (2019: 15.4 times) the median staff salary paid.

During the year, remuneration for permanent members of staff ranged from £17,500 to £197,500 (2019: £17,063 to £190,000), and the remuneration for the entire ELT was £1.0m (2019: £1.1m).

4.4 Staff Numbers and Remun (audited)

The below table represents the average full-time equivalent employees:

4.4.1 Staff Numbers by grade and gender

	31 March 2020			31 March 2019		
	Male No	Female No	Total No	Male No	Female No	Total No
Executive Leadership Team	3	4	7	2	3	5
Senior Management Team	15	8	23	15	10	25
All other employees	1,523	1,755	3,278	1,457	1,618	3,075
TOTAL	1,541	1,767	3,308	1,474	1,631	3,105

'Permanent staff' in the table below includes all staff with an employment contract with SLC and includes those employees on fixed term contracts. 'Agency costs' incorporates agency staff who are fulfilling a permanent role within the structure; these support short term requirements such as unexpected absences, short term peaks in workload, short term projects or gaps between filling permanent vacancies.

Additionally, SLC has many service contracts to support the delivery of the technology programmes. As these contracts are for an overall service, they are not incorporated within wages and salaries costs, but are incorporated within 'other administrative expenses' within the

Statement of Comprehensive Net Income/Expenditure. Consultancy costs during the year are detailed in note 4 to the accounts. Apart from legal and professional fees, other consultancy costs included costs for data migration, IT and digital print solutions and amounted to £7.7m (2019: £10.3m) during the year.

There has been a 6.5% increase in staff numbers since last year – from 3,105 to 3,308. This has had a corresponding impact on the level of salaries, with an additional cost from the low pay business case also increasing the wages and salaries costs for the year. Full details are provided in the financial review in the Strategic Report. Payment of severance is excluded from the table below:

4.4.2. Wages and salaries

	31 March 2020			31 March 2019		
	Permanent Staff £'000	Agency Costs £'000	Total Remuneration £'000	Permanent Staff £'000	Agency Costs £'000	Total Remuneration £'000
Wages and salaries	88,071	3,688	91,759	78,476	2,845	81,321
Social security costs	7,968	-	7,968	7,055	-	7,055
Pension costs	10,026	-	10,026	9,707	-	9,707
Gain on settlement	(42,291)	-	(42,291)	-	-	-
Direct staff costs	63,774	3,688	67,462	95,238	2,845	98,083
Indirect staff costs	1,019	-	1,019	766	-	766
Total staff costs	64,793	3,688	68,481	96,004	2,845	98,849

Severance Payments

SLC agreed and paid 8 (2019: 1) severance payments during the year. All payments in both years were other severance payments, and none represented compulsory redundancy payments.

Note 1 to the Financial Statements details SLC's policy on termination benefits under the heading 'Employee Benefits'. No employees received a payment through insurance due to ill health (2019: 1).

4.4.3 Severance Payments

Cost Band	31 March 2020 No	31 March 2019 No
£ < £10,000	-	-
£10,000 - £25,000	3	-
£25,000 - £50,000	2	1
£50,000 - £75,000	3	-
Total	8	1

Cost Band	31 March 2020 £'000	31 March 2019 £'000
Total Cost (cash basis)	303	25

4.4 Staff Numbers and Remuneration (audited)

4.4 Staff Numbers and Remuneration (audited)

4.4.4 Off-payroll Arrangements

	31 March 2020 No	31 March 2019 No
No of existing engagements as of 31 March 2020	27	15
Of which, at the time of reporting have existed:		
Less than one year	23	7
Between 1 and 2 years	1	6
Between 2 and 3 years	3	-
Between 3 and 4 years	-	2
4 years or more	-	-

	31 March 2020 No
No of new engagements, or those that reached six months in duration, between 1 April and 31 March	23
Of which,	
assessed as caught by IR35	12
assessed as not caught by IR35	11
engaged directly (via PSC contracted to department) and on payroll	-
reassessed for consistency / assurance purposes during the year	-
saw a change to IR35 status following consistency review	-

Adrian Tucker received off-payroll payments for the year ended 31 March 2020. Both Mike Blackburn and Adrian Tucker received off-payroll payments for the year ended 31 March 2019 as detailed in the final table below. Adrian Tucker was appointed as Chief Information Officer on 4 December 2017 on an interim basis after the departure of Chris O'Connor. This interim appointment was made to allow further consideration to be

given to appropriately support the organisation going forward. Mike Blackburn was appointed Interim Chief Financial Officer on 26 July 2017 when the previous position of Interim Executive Director for Corporate Services was abolished in order to support the organisation until a permanent position was filled. The role was advertised on a permanent basis, and Jacqui Smilie took up the post of Chief Financial Officer on 16 July 2018.

	31 March 2020 No	31 March 2019 No
No of engagements of board members and/or senior officials with significant financial responsibility during the financial year	1	2
Total no of individuals on payroll and off-payroll that have been deemed 'board members and/or senior officials with significant financial responsibility' during the financial year	19	17

SLC will be a great place to work and to develop. Implementation of a comprehensive People Strategy aims to create a sustainable organisation of the optimum size with the correct capabilities, skills and tools to improve wellbeing and engagement. SLC aims to keep employees informed about its affairs and in particular about those matters that affect them directly. The company has a number of regular digital communications including a daily all-staff newsletter and regularly holds sessions where staff can put their questions directly to the ELT. SLC frequently issues all-staff emails and maintains an intranet site available to all employees.

Four key strands of the people strategy are: reward, skills, workforce and brand.

- Reward**
Fair pay, reward and progression are fundamental to attracting valuable skills and retaining valued employees.
- Skills**
The company will develop targeted and tailored programmes to promote a positive learning culture, enabling people to develop relevant skills and experience at every stage of their career with SLC.
- Workforce**
Enhanced strategic workforce planning will provide SLC with a longer-term view of labour supply and demand, better scenario-planning and a method of producing strategic workforce plans that are flexible and responsive to strategic goals and changing business objectives. We will recognise and encourage the strengths of a multi-generational workforce.

- Brand**
SLC aims to be an employer of choice. An improved employer brand underpinned by a stronger external reputation will help us to attract and retain good people. We will have robust morale and organisational health, built on simple, fair and consistently adhered to policies and processes. People will feel proud to work for SLC.

Low Pay

In March 2019 HM Treasury approved SLC's Low Pay Business Case. As a result, the company has been able to raise all employees at grade 1 to at least the Real Living Wage (as defined by the Living Wage Foundation), with increases too for employees at grades 2 and 3. With effect from 1 April 2019, over 1,900 lower paid employees have benefitted from this significant milestone. SLC is committed to working with Government to achieve further improvements.

Apprentices, Graduates and Interns

The apprenticeship scheme continued during the year, bringing a new generation of talent into the Chief Financial Officer, Operations and Technology Group Directorates. Many apprentices have succeeded in gaining qualifications and entering substantive roles within SLC. The company's Business Plan for 2020-21 outlines an increase in apprentice, graduate and intern opportunities across SLC.

4.5 People Strategy (unaudited)

**4.5
People Strategy
(unaudited)**

Investors in People

In June 2018 SLC obtained Silver Standard accreditation from Investors in People (IIP), the UK's leading accreditation provider for improving businesses through good people management. IIP gave particular praise to the way SLC supports new staff.

Equality, Diversity and Inclusion

SLC has an established commitment to equality, diversity and inclusion (EDI). In April 2020 SLC published the statutory gender pay gap report, published at <http://www.gov.uk/slc>. This year SLC will also publish its new EDI Strategy spanning the next three years, including three objectives:

- To build and maintain a diverse and inclusive workforce
- To cultivate and promote a workforce culture where everyone is included and is encouraged to be their true selves and feels accepted for who they are
- To work together towards an empowered and engaged workforce.

The EDI Strategy recaps on the progress within diversity and inclusion over the past year and outlines our ambitious action plan to support our three objectives as well as containing the annual compliance monitoring report. We will keep our EDI Strategy under continuous review to ensure its ongoing relevance and to set further actions where new priorities emerge.

We have been working towards Investors in Diversity - a national equality standard with the National Centre for Diversity. This will help us gauge the consequences of our diversity and inclusion effort and

provides an opportunity to learn from and share from our peers.

It was a special year for our LGBT+ Network, Arcus, with the 50-year anniversary since the Stonewall riots. The network provides a supportive visible environment for LGBT+ employees as well as promoting a greater sense of understanding of LGBT+ issues and participated in many Pride events. One of these was participating in the Glasgow Pride event in August 2019, walking under the 'This Is Me Scotland' banner connecting SLC with other organisations supporting wider inclusion. The network also helped in the development of the new Transgender Equality Policy and Guidance.

Supporting the mental health of all of our employees remains a priority on our agenda and bespoke Managing Mental Health training was delivered to managers in 2019, partnering with The Charlie Waller Memorial Trust. SLC also re-signed the 'Time to Change' pledge during Mental Health Awareness Week and continues to celebrate other calendar dates including Time to Talk Day and World Mental Health Day.

At the time of writing we continue to protect and support our employee's mental health as we communicate about COVID-19, support wellbeing and encourage a work/life balance for all."

Health and Wellbeing

This year SLC took further steps to making health and wellbeing a core part of the culture, with promotions on mental health awareness to all employees. SLC offices now have a network of mental-health first-aiders.

Sickness Absence Report

	31 March 2020 %	31 March 2019 %
Sickness Absence	4.99	4.69

Trade Union

SLC has a longstanding relationship with its recognised trade union, Public and Commercial Services Union (PCS). SLC and PCS hold monthly meetings which provide an opportunity to discuss and resolve employment and business-related matters. PCS provided support across all SLC sites; Glasgow, Darlington and Llandudno Junction.

The Facility Time Agreement implemented in November 2018 permits SLC employees who act as PCS representatives to spend up to a maximum of 50% of their working week on union responsibilities. Overall, 14.28% of time was spent on trade union activities.

Trade Union facility time reporting

	31 March 2020	31 March 2019
Employees identified as union officials	11	15
Full time equivalent employees identified as union officials	10.9	14.5
Proportion of working time spend on facility time by employee:		
0% of working time	-	-
1-50% of working time	9	7
51-99% of working time	2	8
100% of working time	-	-
Amount of pay bill spent on facility time	£28,230	£58,795
Total Pay bill	£94m	£98m
%age of pay bill spent on facility time	0.03%	0.06%
Time spend on paid trade union activities as a % of total paid facility time	100%	100%

**4.5
People Strategy
(unaudited)**

Paula Sussex
Chief Executive
and Accounting Officer
22 September 2020

05

Governance Statement

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5.1 Introduction

As SLC’s Accounting Officer, I have personal responsibility for maintaining a sound system of governance, internal control and risk management that supports the achievement of SLC’s policies, aims and objectives while safeguarding public funds and assets. This is in accordance with the responsibilities assigned to me by the DfE, as described within the Framework Document, and in accordance with relevant HM Treasury guidance, in particular the FReM and Managing Public Money.

I am personally accountable to the UK Parliament, via and alongside the DfE Principal Accounting Officer, and to the devolved parliaments and administrations, via their Accounting Officers.

This Governance Statement provides information about SLC’s corporate governance, risk management and internal control arrangements. It also outlines issues that have arisen during this and previous years and the mitigations that have been put in place.

5.2 The Governance Framework

The Governance Framework

SLC has arrangements in place to ensure good corporate governance, and the Framework Document, which can be found at www.gov.uk/slc, provides comprehensive detail of the roles and responsibilities of Executives, Board members and Shareholders, as well as of two key Board Committees – the Audit and Risk Committee (ARC) and the Remuneration, People and Organisational Design (RPOD) Committee.

SLC’s Legal Status

SLC was incorporated in 1989 as a company limited by shares under the Companies Acts and is wholly in public ownership – the UK’s four Government administrations are its shareholders. Since April 1996 SLC has been classified as an executive non-departmental public body (NDPB).

Accountability to Government Shareholders

The Secretary of State for Education accounts for SLC’s business in the UK Parliament. The DfE Minister with responsibility for Higher Education may also act on his or her behalf as the “Responsible Minister”. SLC is separately accountable to the Responsible Minister and to devolved administrations’ Ministers for performance in their respective jurisdictions. However, the devolved Governments have agreed that DfE will act as the “Sponsor Department”, having the primary relationship with SLC, particularly in relation to corporate governance.

The Responsible Minister appoints the SLC Chair and Non-Executive Directors and determines their terms and conditions. Appointments are made for a period of three years and comply with the Code of Practice for Ministerial Appointments to Public Bodies. The Responsible Minister also approves the Board’s appointment of the Chief Executive.

The Permanent Secretary of DfE, as the Principal Accounting Officer of DfE, and acting on behalf of the Accounting Officers of the Devolved Administrations, has designated SLC’s Chief Executive Officer (CEO) as SLC’s Accounting Officer.

SLC’s Board of Directors (“The Board”)

The Board operates within a policy and resources framework determined by the Secretary of State. In summary, its role is: to establish SLC’s strategic goals and key business objectives and to monitor performance against these; to ensure that there is effective governance concerning the use of public money; to regularly review financial information and provide assurance to Government that appropriate action is taken over any concerns; and to appoint (with the

responsible Minister’s approval) the CEO and set their objectives.

Non Executive Directors of the Board are appointed by the Secretary of State for Education, from a variety of backgrounds based on their knowledge and experience gained in both the public and private sectors in industry, commerce and academia.

The Board is required to demonstrate high standards of corporate governance at all times and to ensure that best practice is followed.

5.2 The Governance Framework

5.2.1 Board Membership and Attendance Record

Board Members	From	To	Attendance
Christian Brodie , Non-Executive Chair ¹	February 2014	January 2020	8 / 8
Andrew Wathey , Non Executive Director, Interim Chair ²	January 2018	January 2021	9 / 10
Mary Curnock Cook , Non-Executive Director	December 2017	December 2020	10 / 10
Simon Devonshire , Non-Executive Director ¹	March 2016	March 2022	10 / 10
David Gravells , Non-Executive Director ¹	March 2016	September 2020	10 / 10
Natalie Elphicke , Non-Executive Director ¹	March 2016	September 2019	5 / 5
Charlotte Moar	May 2019	May 2022	9 / 9
Stephen Tetlow	May 2019	May 2022	8 / 9
Paula Sussex , CEO	September 2018	ongoing	10 / 10
David Wallace , Deputy CEO and Chief Customer Officer	January 2019	ongoing	10 / 10
Jacqui Smillie , CFO	January 2019	ongoing	10 / 10
Gary Womersley , Company Secretary	December 2015	ongoing	10 / 10

¹ Second term appointment ² Interim Chair from 1 February 2020 to 31 March 2020

The Board held 10 meetings during 2019-20; the table above shows how many of these each member attended (during the period of their membership).

**5.2
The Governance
Framework**

Matters considered by the Board

At each meeting, the Board reviewed SLC’s operational and financial performance alongside its key corporate risks, via the monthly CEO and CFO reports, and discussed progress against the company’s policy change programme, on behalf of the four Government shareholders. The quality of operational and performance data provided to the Board in the form of the company’s Corporate Performance Dashboard is subject to annual audit by GIAA, who this year reported “substantial” assurance in its framework of governance, risk-management and assurance.

There was close monitoring of operational services throughout the year, including application numbers, delivery capacity and customer satisfaction, alongside regular consideration of progress against SLC’s Evolve transformational change portfolio, with particular focus on the upcoming new online repayment service. Cyber security, disaster recovery capability, SLC’s corporate affairs strategy and its stakeholder forum were also the subjects of key discussions during the year.

Additionally, the Board considered executive appointments and the terms of reference for its sub-committees, and it reviewed arrangements for the coming financial year (2020-21), including the company’s Business Plan, budget and the Annual Performance and Resource Agreement.

Board Effectiveness Review and Inductions

In accordance with the Framework Document, an internal board effectiveness survey took place and reported its findings to the Board in September 2019. Overall, scoring from the present exercise shows comparable or improved scoring under the categories of Board objectives, functioning of the Board, communications and relationships, strategic aims and role of the Chair. Two high priority themes were identified in the review:

- The need to continue to maintain the new focus of performance and financial material, and to ensure that timing is aligned to the process for producing the Annual Report and Accounts
- The need for a secure transition plan for the appointment of a new Chair

The company has a comprehensive induction process for new Board members; inductions for two new members, Charlotte Moar and Stephen Tetlow took place this year.

The Audit and Risk Committee (ARC)

ARC is a committee of the Board; in addition, it advises SLC’s Accounting Officer on internal control and governance, by reviewing the effectiveness, reliability and integrity of audit, risk management and assurance arrangements.

ARC Membership and Attendance Record

	From	To	Attendance
Natalie Elphicke , Non-Executive Director, ARC Chair ¹	March 2016	September 2019	5 / 5
Charlotte Moar , Non Executive Director, ARC Chair ²	September 2019	May 2022	4 / 4
Andrew Wathey , Non Executive Director	January 2018	January 2020	5 / 7
Mary Curnock Cook , Non-Executive Director	December 2017	December 2020	8 / 8
Douglas Griffin , Independent External Member	September 2018	August 2021	7 / 8

¹ ARC Chair until and including September 2019 ² ARC Chair from September 2019

ARC held eight meetings during 2019-20; the table above shows how many of these each member attended (during the period of their membership)

Matters considered by ARC

The committee regularly reviewed key risks and issues, internal audit progress and performance reports and, updates on significant legal matters throughout the year.

During 2019-20, ARC reviewed its regular meeting arrangements, with more focus on ‘deep-dive’ exercises – (following a similar change to the Board schedule during 2018-19). A ‘deep dive’ in November benchmarked SLC risk management and compliance arrangements against an internationally recognised standard - (the COSO* Framework).

Additionally, it fulfilled its role in reviewing:

- The Annual Report and Accounts for 2018-19, incorporating SLC’s accounting policies, which was recommended by the ARC for approval by the Board
- The external audit strategy, and interim reports and fees for 2018-19
- The internal audit strategy and audit plan for 2020-21

ARC also reviewed the Departmental Security Health-check, the Internal Audit Annual Report and Opinion, SLC’s 2018-19 Governance Statement, and annual audits of the accuracy of student support payments in England and Wales.

*COSO is the Committee of Sponsoring Organisations of the Treadway Commission

**5.2
The Governance
Framework**

5.2 The Governance Framework

The Remuneration People and Organisational Design Committee (RPOD)

RPOD is also a committee of the Board. Its primary role relates to the appointment and remuneration of members of the ELT, including the CEO. Its responsibilities also include periodically reviewing the company’s organisational structure and design; any major organisational or executive leadership changes require RPOD’s approval.

5.2.3 RPOD Membership and Attendance Record

	From	To	Attendance
David Gravells, Non-Executive Director, Chair	March 2016	September 2020	5 / 5
Mary Curnock Cook, Non-Executive Director ¹	December 2017	July 2019	1 / 1
Stephen Tetlow	May 2019	May 2022	5 / 5

¹ Mary Curnock Cook stepped down from RPOD in July to take on responsibility for the Evolve Oversight Committee

RPODC held five meetings during 2019-20; the table above shows how many of these each member attended (during the period of their membership).

Matters considered by RPODC

Key matters considered this year included the new SLC People Strategy, which covered the SLC annual pay remit, the revised pay and grading business case, new reward strategy and pension scheme transfer. The committee also reviewed the results of the employee engagement survey, Equality Diversity and Inclusion 3-year strategy and Gender pay gap report.

The RPOD Committee also fulfilled its role in considering:

- The performance and objectives of the CEO
- The ELT’s terms of appointment, contractual arrangements, performance and year-end reviews
- All other business as determined by the Terms of Reference for the Committee

The Evolve Oversight Committee

The Evolve Oversight Committee is a committee of the SLC Board, chaired by Non-Executive Director Simon Devonshire. It provides the SLC Board with oversight of the company’s transformational Evolve Programme, bringing experience and market insight to maximise opportunities within projects and to integrate progress with SLC’s People Strategy.

The Committee specifically provides effective oversight of the programme’s technology component to ensure that the company achieves good value for money and realises planned benefits.

Shareholders and Assessors

The four Government Shareholders each appoint an “Assessor” who has the right to attend all main Board meetings and committee meetings on their behalf, and thus has access to SLC’s regular internal control and risk reports. Shareholders’ key responsibilities include determining policy and maintaining the legislative framework for student support, providing a resource budget and Grant-in-Aid and setting SLC’s functions, strategic focus and business objectives.

Register of Interests

All Non-Executive Directors are independent of management and are required to declare any outside interests. They are required to take due care to avoid conflict between their own and SLC interests. Related Party disclosures, as per IAS 24, are included within note 21 to the Financial Statements. A register of interests is available upon request.

The Executive Leadership Team (ELT)

The ELT is responsible for the day-to-day management of the company. ELT controls and monitors SLC’s operational and financial management, sets SLC’s business priorities and objectives in line with strategies set out by shareholders, and oversees SLC’s capacity and capability to deliver within available resources. Each Executive Director is supported by a team of senior managers, who collectively make up the company’s Senior Management Team (SMT). Decisions on reserved matters are subject to approval of SLC’s Board.

5.2.4 ELT Membership and in-year changes

	In-Year Changes
Paula Sussex, Chief Executive Officer	NA
David Wallace, Deputy CEO and Chief Customer Officer	NA
Jacqui Smillie, Chief Financial Officer	NA
Stephen Campbell, Chief Information Officer	Since 21 August 2019
Adrian Tucker, Interim Chief Information Officer	Until 30 June 2019
Derek Ross, Executive Director of Operations	NA
Bernice McNaught, Executive Director of Repayments and Counter Fraud	NA
Morven Spalding, Executive Director of People	Initially interim, became permanent in November 2019

5.2 The Governance Framework

5.3 Risk Management Arrangements

Risk Management

SLC has a clear and comprehensive risk management framework in place. During 2019-20, the company significantly strengthened this with the expansion and restructuring of the Enterprise Risk and Compliance (ERC) Team. This included the recruitment of a new senior role to head up the team, and additional risk analysts; the team now operates in a business partner model.

SLC now operates a Three Lines of Defence model and operated within a 'cautious' risk appetite. Following the ARC's 'deep-dive' into risk management in November 2019, the ERC Team has further refined plans to strengthen the company's risk management arrangements

- Defining and agreeing a comprehensive risk and compliance framework that clearly articulates roles and responsibilities
- Creating a new policy that aligns completely with the new IT system
- Identifying and training key 'role holders' throughout the business who will be pivotal in the ongoing use and success of the new framework and system
- Holding a series of workshops across SLC to identify, document and agree the highest inherent risks to SLC
- Then, in turn, identifying and documenting key controls to manage these areas of highest inherent risk

Progress against these deliverables is presented regularly at ELT, ARC and the Board.

Key Risks in 2019-20

The key risks under consideration during the year concerned Disaster Recovery, Cyber Security and Information and Data Handling. These are detailed in the Strategic Report (see section 3.7 above).

Towards the end of the year newly identified and emerging risks included:

COVID-19:

The impact of this pandemic on SLC was rated severe and subsequently crystallised as an issue. The current focus is to ensure the safety of our staff and that most critical processes can continue, namely making payments to individuals and institutions. SLC invoked its Business Continuity Plan and has mobilised around four key areas: protecting our people, managing the supply chain, delivering critical processes and governance / communication. SLC has now successfully transitioned to a predominantly home-working business very quickly and also at minimum cost.

Flat Cash Budget:

SLC has assessed the impact of the agreed funding settlement, which is broadly "flat cash". The APRA letter for 2020-21 sets out a small (£0.7m) increase against 2019-20 across Programme (£169.2m to £169.9m) and Capital (£40.9m to £41.0m) budgets, with Administration budget unchanged (at £41.5m). The main challenge SLC has faced has been to produce a balanced budget to meet the priorities of the organisation, including delivery of a sizeable Evolve transformation programme, against the "flat cash" funding position. SLC has completed a re-prioritisation of planned activities and made some difficult decisions to ensure successful delivery and affordability of key priorities.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control, and I take personal responsibility in this Governance Statement for the financial year 2019-20.

My review of the effectiveness of the system of governance, internal control and risk management, which has been in place in SLC throughout the year ended 31 March 2020, and up to the date of approval of the Annual Report and Accounts, is informed by:

- The work of the Internal Auditors, who review all material risks and business areas
- My ELT, who have each provided additional assurance over the controls they have put in place over the activities where they have delegated responsibility
- SLC's Senior Management Team, who certify compliance with key controls twice a year and produce an annual assurance statement
- Comments made by the External Auditors in their management letter and other reports
- The SLC Board, ARC and Company Secretary

These did not identify significant concerns with control.

As part of a review of its adherence with DfE controls, in February 2020 SLC identified that it required retrospective approval for spend during financial year 2019-20 on 8 contractors paid more than £150,000 (on an annualised basis). These cases were brought to DfE's attention in March 2020. Retrospective approval was subsequently obtained.

A number of commercial contracts also required retrospective approval. Despite improvements with commercial compliance during

the year, the requirement to observe and adhere to a set of processes with rigour needs to be consistently applied across the Team.

SLC's system of governance, internal control and risk management 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.

5.4 Review of Effectiveness

5.4 Review of Effectiveness

Internal Audit Opinion

The Government Internal Audit Agency (GIAA) provided a 'moderate' opinion on the framework of governance, risk management and control within SLC for 2019-20. Their opinion reflects improvements made by the Company within the control environment since 2018-19 with operational accuracy, particularly in delivering payments to customers, significantly improved. It also noted progress in implementing elements of the Repayments Strategy, and successful implementation of the majority of Projects reviewed, in line with approved Company methodology. They also noted improvements in the implementation of business continuity arrangements, and performance management.

The majority of opinions on individual reviews exhibit substantial or moderate assurance, with 17% being graded "limited", which compares favourably with 2018-19, where comparable figures were 26%.

Previously Reported Issues

GIAA findings in the Annual Report and Accounts for 2018-19 included commentary within the Governance Statement referring to:

- Ageing core systems – in particular, the ERP System
- Issues with staff reward

In November 2019, SLC completed the successful implementation of the first phase of its new ERP system (Workday) which now handles the company's core financial and HR functionality. Phase 2 of the Workday project, which will deliver new, substantially enhanced analysis and reporting capability alongside new HR functionality covering performance management and Civil Service Pension integration, is underway and on track to complete during 2020-21.

In March 2019 the company was able to reach a significant early milestone in its effort to find ways to enhance reward following a sustained period of public sector pay restraint. HM Treasury's approval of SLC's Low Pay Business Case enabled SLC to bring all employees up to at least the Real Living Wage (as defined by The Living Wage Foundation); the company has since seen a significantly lower level of attrition within its two lowest staff grades. During 2019-20, SLC also launched its new People Strategy, which plans for significant enhancements to the company's reward, recruitment and retention, including a new Careers Pathways initiative.

Personal Data

The introduction of GDPR precipitated a step-change in requirements for all organisations to ensure good governance, quality, and integrity are in place over personal data. Significant funding and resource continue to be invested in order to bring SLC towards full compliance.

Personal data losses are reported within the Directors' Report.

Conclusion

I have considered the evidence available to me with regard to the production of the annual Governance Statement and conclude that SLC maintains a sound system of governance, risk management and internal control.

Paula Sussex

Chief Executive
and Accounting Officer

22 September 2020

5.5 Conclusion

06

Parliamentary Accountability and Audit Report

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6.1 Directors' Report

The Directors' Report including Financial Statements for Student Loans Company Limited (SLC) is for the year ended 31 March 2020. The Financial Statements have been prepared in accordance with the Companies Act 2006 and, as appropriate, the FReM, and other guidance issued by HM Treasury and the Secretary of State for Education where the disclosure requirements of these go beyond the Companies Act. The Financial Statements have been prepared and approved by Directors in accordance with the International Financial Reporting Standards

(IFRSs) as adopted by the EU (Adopted IFRSs) and International Financial Reporting Interpretations Committee Interpretations.

Principal Activities

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

Dividends

SLC has no accumulated reserves and accordingly the Directors do not recommend the payment of a dividend (2019: £nil).

Directors and their Interests

Board Members	From	To
Christian Brodie , Non Executive Chair*	February 2014	January 2020
Andrew Wathey , Non Executive Director and Interim Chair*	January 2018	January 2021
Mary Curnock Cook , Non Executive Director	December 2017	December 2020
Simon Devonshire , Non Executive Director	March 2016	March 2022
Natalie Elphicke , Non Executive Director	March 2016	September 2019
David Gravells , Non Executive Director	March 2016	September 2020
Charlotte Moar , Non-Executive Director	May 2019	May 2022
Stephen Tetlow , Non-Executive Director	May 2019	May 2022

ELT Members	From	To
Paula Sussex , CEO	September 2018	Ongoing
David Wallace , Deputy CEO and Chief Customer Officer	January 2019	Ongoing
Jacqui Smillie , CFO	January 2019	Ongoing

Company Secretary	From	To
Gary Womersley	December 2015	Ongoing

*As stated in the Remuneration Report, Christian Brodie left the organisation at the end of his second term as Chair on 31 January 2020, with Andrew Wathey taking on the role of Interim Chair until the end of the financial year. Peter Lauener became permanent Chair of the Board on 1 April 2020.

All non-executive Directors are considered to be independent. Details of any related parties are disclosed in Note 21 of the Financial Statements.

No Director had any interest in the shares of SLC throughout either the year ended 31 March 2020 or 31 March 2019.

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

The Chief Executive Officer (CEO) is also the Accounting Officer (AO) for SLC.

Employees

SLC aims to keep employees informed about its affairs and in particular about those matters that affect them directly. The company has a number of regular digital communications including a daily all-staff newsletter and regularly holds sessions where staff can put their questions directly to the ELT. SLC frequently issues all-staff emails and maintains an intranet site available to all employees.

SLC has a longstanding relationship with its recognised trade union, the Public and Commercial Services Union (PCS). SLC and PCS hold regular meetings which provide the opportunity to discuss and resolve employment and business-related matters. SLC is an Equal Opportunities Employer and was awarded the Disability Confident Level 2 award (demonstrating commitment to disabled individuals) and the conditional Investors in Diversity award. More information on employees is contained in the Remuneration and Staff Report.

Losses, Special Payments and Write-offs

There were eight redundancy payments in total during the year which are detailed in the Remuneration and Staff Report, two of which were special redundancy payments and subject to the appropriate approval from DfE. There were two settlement agreements made for court actions during the year amounting to £30,000, and a settlement of £1million made to conclude a supplier dispute.

There were no donations made during either the year ended 31 March 2020 or 31 March 2019.

Following HMG's budget announcement on 11 March 2020 that the loan sale programme

was not proceeding, SLC has assessed constructive losses in the programme preparation of £970,000.

Due to the UK Government advice on COVID-19 the SLC Contact centres were closed temporarily on 24 March 2020 and remained closed to the end of the financial year. This resulted in contractual payments to SLC's two outsource providers (one for £145,000 and one for £80,000) in respect of resource ordered but not utilised during this temporary closure of the contact centre.

Other than the above, losses comprising payroll debt and customer invoice write-off was limited to less than £20,000 during the year, with no individual write-offs exceeding £5,000.

Information, Equipment and Personal Data Losses

In the year ended 31 March 2020 SLC reported eleven incidents to the Information Commissioner's Office (ICO) (31 March 2019: one). ICO made recommendations but did not take any further action in relation to any of the breaches. No further action was required.

SLC recorded the loss of 32 items of computers and mobile phones (31 March 2019: 25). All devices were encrypted and carried no company data or personal information.

6.1 Directors' Report

6.1 Directors' Report

Corporate Governance

As an Executive NDPB, SLC's control framework is set out in the SLC Framework Document, drawn up by the DfE in consultation with SLC and the relevant departments of the Devolved Administrations. The Framework Document refers to the appropriate HMG guidance on corporate governance, including HM Treasury's Managing Public Money. As defined within Managing Public Money and in the Accounting Officer Delegation Letter, the AO is charged with ensuring that SLC operates with propriety and regularity; with maintaining a sound system of internal control that supports the achievement of SLC's policies, aims and objectives; and with regularly reviewing the effectiveness of that system. The AO is also responsible for preparing and signing the Governance Statement (section 5). Due to its structure and objectives, SLC has limited exposure to financial risk. An assessment of the credit, liquidity and cash-flow risk is provided at note 11.

SLC is bound by 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance). It is also bound by the guidance contained within Managing Public Money issued by HM Treasury.

SLC Board

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

The Board is required to demonstrate high standards of corporate governance at all times and to ensure that best practice is followed. The responsibilities of the Board are set out in the Governance Statement at Section 5.

Remuneration

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

The remuneration of the CEO is determined by the Board, subject to approval by the Secretary of State for Education, the Welsh Ministers, the Scottish Ministers and the Minister for the Economy in Northern Ireland.

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

Remuneration, People and Organisational Design (RPOD) Committee

Members of the committee are appointed by the Board for an initial three-year term of office after which they may be appointed for one further term of office. Assessors have the right to attend all committee meetings on behalf of the shareholders. The Board determines the membership and terms of reference.

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

Committee meetings will normally be attended by the CEO and the Executive Director responsible for People. For further information, refer to the Remuneration and Staff Report.

Audit and Risk Committee (ARC)

Members of the committee are appointed by the Board for an initial three-year term of office. Members 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 a Chartered Accountant as an independent external member of ARC. Throughout the year, both external and internal audit had the right of independent access to the Chair and members of ARC, and regular discussions have taken place.

Further details regarding ARC and its responsibilities can be found in the Governance Statement.

External Auditor

All non-audit work undertaken by the external auditor is approved by ARC. There was no non-audit work undertaken by the National Audit Office during the year. Details of all fees earned by the external auditor are provided in note 4 of the Financial Statements.

The Comptroller and Auditor General, the head of the National Audit Office, has been reappointed for the financial year ended 31 March 2020.

Remote Contingent Liabilities

As stated in section 3.8 above, SLC is not aware of any remote contingent liabilities that would be required to be disclosed under the requirements of the FReM.

By Order of the Board

Paula Sussex

Chief Executive
and Accounting Officer

22 September 2020

6.1 Directors' Report

6.2 Statement of Directors' Responsibilities

Statement of Directors' Responsibilities

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which SLC's external auditor is unaware. Each Director has taken all appropriate steps to make themselves aware of any information relevant to the audit, and to establish that SLC's external auditor is suitably informed.

Directors are responsible for preparing the Directors' Report in accordance with applicable law and regulations. Company law requires them to prepare Financial Statements for each financial year. Under the Framework Agreement they are required to follow the principles of the FReM. Consequently, they have elected under the Companies Act to prepare the Financial Statements in accordance with IFRS as adopted by the EU and applicable law and to provide the additional disclosures required by the FReM where these go beyond the requirements of the Companies Act 2006.

In preparing the accounts, the Accounting Officer is required to comply with the FReM and in particular to:

- Observe the Accounts Direction issued by DfE, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis

- Make judgements and estimates on a reasonable basis; state whether applicable accounting standards as set out in the Companies Act 2006 and FReM have been followed, and disclose and explain any material departures in the Financial Statements
- Prepare the Financial Statements on a going concern basis; and
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

Under company law Directors must not approve 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 net income/expenditure of the company for the year. In preparing Financial Statements, 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 IFRS as adopted by the EU
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

Directors are responsible for keeping adequate accounting records sufficient to show and explain the company's transactions and disclose, with reasonable accuracy, at any time the financial position of the company, and that will 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 and Staff Report in order to comply with the requirements of the FReM and 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.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding SLC's assets, are set out in Managing Public Money published by HM Treasury.

Paula Sussex

Chief Executive
and Accounting Officer

22 September 2020

6.2 Statement of Directors' Responsibilities

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

Opinion on Financial Statements

I have audited the financial statements of the Student Loans Company Limited for the year ended 31 March 2020 which comprise Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Changes in Equity and Statement of Cashflow and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006. I have also audited the information in the Directors' Remuneration Report that is described as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of the loss for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Student Loans Company Limited in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Student Loans Company's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Student Loans Company have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Student Loans Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Directors Responsibilities Statement, the directors are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Student Loans Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the business activities to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion.

- Conclude on the appropriateness of the Student Loans Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Student Loans Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Student Loans Company to cease to continue as a going concern.

- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other Information

Directors are responsible for the other information. The other information comprises information included in the annual report but does not include the parts of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared;
- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- a corporate governance statement has not been prepared by the company.

Peter Morland
(Senior Statutory Auditor)

For and on behalf of the
Comptroller and Auditor General
(Statutory Auditor)

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

23 September 2020

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

07

Financial Statements

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7.1 Statement of Comprehensive Net Expenditure

For the year ended 31 March 2020

	Note	2020	2019 Restated
		£000	£000
Revenue	3	1,330	1,020
Expenditure:			
Staff costs	5	(68,481)	(98,849)
Restructuring costs	5	(209)	(84)
Depreciation, amortisation and impairments	9,10	(41,112)	(34,248)
Other administrative expenses		(83,892)	(90,578)
		(193,694)	(223,759)
Operating profit		(192,364)	(222,739)
Finance income	6	17	14
Finance costs	7	(1,724)	(1,100)
Net financing expense		(1,707)	(1,086)
(Loss)/profit on ordinary activities before taxation		(194,071)	(223,825)
Tax on result of ordinary activities	8	(3)	1
(Loss)/profit on ordinary activities after taxation		(194,074)	(223,824)
Other comprehensive (expenditure)/income:			
Actuarial (loss)/gain on defined benefit pension scheme	16	(9,158)	(8,943)
Total comprehensive net (expenditure)/income for the period		(203,232)	(232,767)

The notes in section 7.5 form an integral part of these Financial Statements.
All income and expenditure reported is derived from continuing operations.

7.2 Statement of Financial Position

as at 31 March 2020

	Note	2020		2019 Restated		1 April 2018 Restated	
		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Property, plant and equipment	9	28,915		16,098		16,142	
Intangible assets	10	99,436		94,731		91,504	
Retirement benefit obligation surplus	16	10,557		-		-	
Total non-current assets			138,908		110,829		107,646
Current assets							
Trade and other receivables	12	7,835		6,796		8,636	
Cash and cash equivalents	13	6,003		17,305		12,450	
Corporation tax		3		2		1	
Total current assets			13,841		24,103		21,087
Total assets			152,749		134,932		128,733
Current liabilities							
Trade and other payables	14	(29,745)		(30,833)		(25,063)	
Provisions	15	(135)		(1,024)		(201)	
Total current liabilities			(29,880)		(31,857)		(25,264)
Total assets less current liabilities			122,869		103,075		103,469
Non-current liabilities							
Trade and other payables	14	(9,399)		-		-	
Provisions	15	(2,322)		(5,035)		(5,281)	
Retirement benefit obligation	16	-		(31,138)		(23,227)	
Total non-current liabilities			(11,721)		(36,173)		(28,508)
Net liabilities			111,148		66,902		74,961
Capital and reserves							
Called up share capital	18	-		-		-	
General reserve		111,148		66,902		74,961	
Total equity			111,148		66,902		74,961

The notes in section 7.5 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 30 June 2020 and were signed on its behalf by the Accounting Officer, who authorised these accounts for issue on the date of the Statutory Auditor's certificate.

Paula Sussex, Chief Executive and Accounting Officer
Date: 22 September 2020
Registered company number: 2401034

7.3 Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2020

	Note	General Reserves 2020		Total
		General Fund	Pension Reserve	
		£'000	£'000	
Balance at 1 April		98,040	(31,138)	66,902
Net (loss)/profit on ordinary activities after taxation		(244,927)	50,853	(194,074)
Actuarial (loss)/gain in retirement benefit obligations	16	-	(9,158)	(9,158)
Grant from sponsoring department		241,718	-	241,718
Cumulative effect of adopting IFRS 16		5,760	-	5,760
Balance at 31 March		100,591	10,557	111,148

	Note	General Reserves 2019			As at 1 April 2018 restated
		General Fund	Pension Reserve	Total	
		£'000	£'000	£'000	
Balance at 1 April		98,188	(23,227)	74,961	33,055
Net (loss)/profit on ordinary activities after taxation		(224,856)	1,032	(223,824)	(172,764)
Actuarial (loss)/gain in retirement benefit obligations	16	-	(8,943)	(8,943)	18,066
Grant-in-aid from sponsoring department		224,708	-	224,708	196,604
Balance at 31 March		98,040	(31,138)	66,902	74,961

The notes in Section 7.5 form an integral part of these financial statements.

The General Fund represents total assets less liabilities, to the extent that the total is not represented by other reserves and financing items for the Company. The Pension Reserve represents the net obligation to the defined benefit pension scheme.

7.4 Statement of Cashflow

for the year ended 31 March 2020

	Note	2020		2019 Restated	
		£'000	£'000	£'000	£'000
Cashflow from operating activities					
Loss on ordinary activities after taxation		(194,074)		(223,824)	
Adjustments to (loss)/profit on ordinary activities:					
Depreciation	9	9,466		5,096	
Impairments - Property, plant and equipment	9	337		100	
Amortisation	10	30,921		27,826	
Impairments - Intangible assets	10	388		1,226	
Loss on disposal of fixed assets	4	169		205	
Taxation	8	3		(1)	
Finance costs	7	1,724		1,100	
Finance income	6	(17)		(14)	
		(151,083)		(188,286)	
(Increase)/decrease in trade and other receivables		(2,671)		(718)	
Increase/(Decrease) in trade and other payables		(4,750)		7,227	
Increase/(Decrease) in provisions		(900)		577	
Corporation tax paid	8	-		1	
Stamp Duty Land Tax Paid	8	6		-	
Net cash inflow/(outflow) from operating activities			(159,398)		(181,199)
Cashflow from investing activities:					
Finance income	6	17		14	
Acquisition of property, plant and equipment	9	(5,250)		(5,393)	
Acquisition of intangible assets	10	(36,015)		(32,279)	
Proceeds from sales of property, plant and equipment		15		36	
Net cash outflow from investing activities			(41,233)		(37,622)
Cashflow from financing activities:					
Grant in Aid funding received from sponsoring department		190,865		223,676	
Cash payments for the principal portion of the lease liability		(1,536)		-	
Net cash inflow from financing activities			189,329		223,676
Net increase/(decrease) in cash and cash equivalents	13		(11,302)		4,855
Cash and cash equivalents at 1 April	13		17,305		12,450
Cash and cash equivalents at 31 March	13		6,003		17,305

The notes in section 7.5 form an integral part of these Financial Statements.

7.5 Notes to the Financial Statements

1.1 Accounting Policies

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

The Financial Statements have been prepared on an accruals basis in accordance with the Companies Act 2006 and, as appropriate, the FReM and other guidance issued by HM Treasury and the Secretary of State for Education where the disclosure requirements of these go beyond the Companies Act 2006 and do not conflict. 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. There have been no significant changes to the FReM during the year.

Disclosure of Assessment of the Impact of Accounting Policies not yet Adopted

There is one international accounting standard issued but not yet required to be applied in the preparation of these Financial Statements. This is IFRS 17 which relates to insurance contracts. This is applicable to annual reporting periods beginning on or after 1 January 2021 and requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. SLC is required to comply with Managing Public Money for any insurance arrangements and does not issue

any insurance contracts. As a result, it is not expected that the implementation of IFRS 17 will affect the Annual Report and Accounts of SLC. As at 31 March 2020, there are no insurance contracts in issue by SLC with any expected cashflow or any profit.

1.2 Impact of New Accounting Standards

IFRS 16 Leases

In the current year, SLC has applied IFRS 16 Leases (as issued by the IASB in January 2016). IFRS 16 Leases introduced new or amended requirements with respect to lease accounting by removing the distinction between operating and finance leases and requiring the recognition of right of use asset and a lease liability at the lease commencement for all leases, except for short term leases and leases of low value assets. The impact of the adoption of IFRS 16 on the Financial Statements is described below.

As at 1 April 2019, SLC has recognised all right of use assets and corresponding lease liabilities at the present value of future lease payments. This has resulted, during the year ended 31 March 2020, in an associated depreciation charge and finance cost.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as a lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 April 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments recognised in the Statement of Financial Position immediately before the date of initial application and including the carrying amount of the dilapidations provision.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line-basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 1.990%.

The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases. The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current year.

7.5 Notes to the Financial Statements

7.5 Notes to the Financial Statements

Impact on Statement of Financial Position	31 March 2020		1 April 2019	
	£'000	£'000	£'000	£'000
Impact on property, plant and equipment	-		-	
Right-of-use assets	(7,333)		20,547	
Impact on intangible assets	-		-	
Total non-current assets		(7,333)		20,547
Trade and other receivables	-		(629)	
Cash and cash equivalents	-		-	
Corporation tax	-		-	
Total current assets		-		(629)
Total assets		(7,333)		19,918
Trade and other payables	3,588		(1,096)	
Provisions	-		-	
Corporation tax	-		-	
Total current liabilities		3,588		(1,096)
Total assets less current liabilities		(3,745)		18,822
Trade and other payables			(13,062)	
Provisions	-		-	
Retirement benefit obligation	-		-	
Total non-current liabilities		-		(13,062)
Net assets/(liabilities)		(3,745)		5,760
Called up share capital	-		-	
General reserve	3,748		(5,760)	
Total equity		3,748		(5,760)

7.5 Notes to the Financial Statements

Impact on Statement of Comprehensive Net Expenditure	2020
	£'000
Impact on revenue	-
Expenditure:	
Impact on Staff costs	-
Impact on Restructuring costs	-
Impact on Depreciation, amortisation and impairments	4,570
Impact on administrative expenses	-
Impact on operating profit	4,570
Impact on net financing expense	302
Impact on (Loss)/profit on ordinary activities before taxation	4,872
Impact on Tax on result of ordinary activities	-
Impact on (Loss)/profit on ordinary activities after taxation	4,872

7.5 Notes to the Financial Statements

1.3 Measurement Convention

The Financial Statements are prepared on the historical cost basis, with the following exceptions which are stated at fair value:

- Financial instruments are classified at fair value in accordance with IFRS 9
- Assets under development are valued at current cost, calculated using expenditure incurred to date and are subject to impairment review
- Tangible and intangible assets, other than assets under development, are stated at depreciated historic cost, as this accurately represents their value in use

1.4 Going Concern

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

Grant-in-Aid for SLC's business as usual operating expenditure for 2020-21 has already been included in the sponsoring departments' estimates for that year, which have been approved by Parliament. The total budget has been confirmed by all four shareholders as set out in the Annual Performance and Resource Agreement (APRA) Letter 2020-21, as submitted to the SLC Board on 30 April 2020. It

has accordingly been considered appropriate to adopt a going concern basis for the preparation of the 2019-20 financial statements.

Progress has been made on addressing the longer-term financial sustainability of SLC's defined benefit retirement and death benefit scheme with the transfer of active members of the SLC scheme to the Civil Service Pension Scheme on 1 March 2020.

SLC's COVID-19 spend to date has been relatively low and the organisation has transitioned quickly to be able to provide its core objectives on student finance: processing applications, tuition fee payments to institutions and standing up its contact centres after a temporary closure in late March 2020.

1.5 Unsold Loans

SLC administers a loan book on behalf of all four UK administrations. Neither the loans nor the related obligation to repay the funding bodies is included in the Financial Statements of SLC because:

- In accordance with the terms of the SLC Framework Document any interest earned on funds made available for making loans to students and on money repaid to SLC by borrowers under the scheme shall be returned to the funding bodies
- Under the SLC Framework Document, there is an agreement between SLC and the funding bodies that SLC is liable to transmit to these bodies only those repayments which are made to SLC. Therefore, SLC is not liable for repayments due which ultimately may not be recovered.

1.6 Use of Estimates and Judgement

The preparation of the Financial Statements in conformity with IFRS requires 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- **Provisions:** The dilapidations provision is based on external valuations provided by SLC's property consultants. The latest formal valuations were provided in March 2018 for premises in Darlington and in December 2016 for Glasgow Hillington. A new formal valuation for the premises at Bothwell Street was conducted as at 31 March 2020. As the properties other than Bothwell Street have lower levels of dilapidations, assessments for those have not been revisited due to materiality. Key assumptions are based, in addition to management judgement, on the likely obligation at the lease expiry date and lease stipulations on the property condition on that expiry date.
- **Accruals and Prepayments:** SLC recognises accruals based on purchase orders and prepayments where the invoice value is over £10,000 de minimis.

The exceptions to this de minimis rule include accruals in respect of internal rechargeable resource costs and project milestone-based contracts. Accruals and prepayments are estimated using the best available sources of information at the date of calculation.

- **Retirement Benefit Obligations:** SLC's retirement benefit obligations are based on external valuations provided annually by qualified actuaries. Key assumptions are based on current market conditions and the discount rate applied, representing the interest rate used to determine estimated future cash outflows anticipated to settle SLC's pension obligations. The pension scheme's actuary carries out triennial valuations. The final results as at 5 November 2016 and the indicative review results as at 5 November 2019 have impacted this set of accounts. Final results of the valuation dated 5 November 2019 are expected to be agreed after the signing of these Financial Statements.
- **Intangible Assets:** Development costs that meet IFRSs intangible asset recognition criteria where the assets are intended to be used internally or otherwise, are capitalised as an intangible asset. Capitalisation will only occur when management identify the technological and economic feasibility of the project as detailed in 1.10 below. SLC will test intangible assets for impairment after initial recognition and whenever there is an indication of impairment. Assets under development are tested annually. Impairments are based on key assumptions made by management on the value in use of the intangible asset being developed.

7.5 Notes to the Financial Statements

7.5 Notes to the Financial Statements

1.7 Income

- **Revenue Recognition:** Revenue is recognised net of recoverable Value Added Tax (VAT) when the amount of revenue can be reliably measured and where probable future economic benefit will flow to the entity. In the financial year to 31 March 2020, Grant-in-Aid drawn down from the DfE is recorded on a cash basis in line with DfE's own reporting requirements and in line with the FReM. Grant-in-Aid will be credited to SLC's reserves. This is a change in accounting policy as Grant-in-Aid was previously recorded on an accruals basis within revenue, with further information on the change within note 19.
- **Finance Income:** Finance income comprises interest income on funds invested and is recognised as it accrues in the SOCNE.

1.8 Taxation

Tax on the profit or loss for the year comprises current tax. Tax is recognised in the SOCNE.

Current tax is the expected tax due on the taxable profit or loss for the year and any adjustment to tax due in respect of previous years.

VAT is accounted for in the Financial Statements, in that amounts are shown net of VAT with the following exceptions:

- Irrecoverable VAT on revenue is charged to the SOCNE and included under the relevant expenditure heading
- Irrecoverable VAT on the purchase of an asset is included in non-current asset additions
- The net amount due to HM Revenue and Customs in respect of VAT is included within trade and other payables within the SOFP.

1.9 Property, Plant and Equipment

Recognition

Property, plant and equipment is capitalised where: its value is greater than £5,000 (grouped); it is held for use in delivering services or for administrative purposes; it is probable that future benefits will flow to, or service potential be provided to, SLC; it is expected to be used for more than one financial year; and the cost of the item can be measured reliably.

Measurement

Items of property, plant and equipment are initially measured at cost, representing the costs directly attributable to the acquisition or construction of the asset.

Revaluation and Impairment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the date of each SOFP. Apart from right-of-use assets as detailed at 1.2 above, assets are valued at depreciated historical cost. There is no revaluation reserve balance within the Statement of Financial Position, as SLC does not have a policy of revaluing its assets.

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 SOCNE.

Depreciation

Depreciation is charged on all property, plant and equipment when substantially all the risks and rewards of the asset have been transferred to SLC. It is calculated to write off the cost of each asset less estimated residual value evenly over its expected useful life as follows:

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

1.10 Intangible Assets

Recognition

Intangible assets valued greater than £5,000 are recognised where the costs can be measured reliably and there is a clear future benefit or service potential attributable from the asset that will flow to SLC.

SLC determines phases during each project's life cycle.

1. Discovery
2. Inception
3. Delivery and Implementation
4. Run and Warranty

As costs accumulate during the discovery and inception phases, expenditure is not capitalised, as feasibility is only determined at the end of these stages. A stage gate report or alternative equivalent assessment is used to determine each project as ready for delivery.

Expenditure on delivery and implementation is then capitalised where all the following can be demonstrated in accordance with IAS 38:

- The project is technically feasible to the point of completion and will result in an intangible asset for use in the provision of services to SLC or to SLC customers
- SLC intends to complete the asset and use it
- SLC could use the asset

- the intangible asset will generate probable future economic or service delivery benefits
- adequate financial, technical and other resources are available to SLC to complete the development and use the asset
- SLC can reliably measure the expense attributable to the asset during development

Only expenditure directly attributable to the cost of developing software in-house is capitalised. Costs directly attributable are capitalised by way of an estimated standard cost for each development team. Any other expenditure is taken to the SOCNE as an expense.

Websites represent website developments for delivering specific services to customers in the payment and repayment of products within the portfolio.

Implementation costs in relation to cloud-based developments are also capitalised and held within internally generated software.

7.5 Notes to the Financial Statements

Measurement

All intangible assets recognised have finite useful lives and are measured at cost less accumulated amortisation and impairment losses. In accordance with the assessment of capitalisation methods for software development conducted, the cost for internally generated intangible assets has been assessed as the direct labour and management costs directly attributable to the development of the intangible asset.

Revaluation and Impairment

The assets' residual values and useful lives are reviewed

Internally generated software	3 to 10 years
Websites	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.

1.11 Deferred Capital Receipts

Funding received from the funding bodies in prior years for the purpose of acquisition of property, plant and equipment and intangible assets was credited to the deferred capital receipts account and released to the SOCNE by amounts equal to the associated depreciation and amortisation

for impairment, and adjusted if appropriate, at the date of each SOFP. The assets are valued at depreciated historical cost.

Amortisation

Amortisation is calculated over the life of the asset. Amortisation is recognised in the SOCNE 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 year are as follows:

charge up to 31 March 2019.

Due to the changes in revenue recognition and associated treatment of both revenue and capital Grant-in-Aid as note 1.7 above, this deferred funding has been released to the Statement of Changes in Taxpayers' Equity and there will be no further movement after 1 April 2019.

1.12 Financial Instruments

(a) Financial Assets

Classification

IFRS 9 requires financial assets to be measured at either amortised cost or fair value. Changes in fair value should either be reflected in profit or loss in the Statement of Comprehensive Net Expenditure (SOCNE) or taken to 'other comprehensive income and expenditure' (OCI) with no recycling. As at the date of the SOFP, SLC has financial assets included in current assets; these comprise of 'balances with central government bodies', 'other trade receivables', 'prepayments and accrued income' and 'cash and cash equivalents'.

Recognition and Measurement

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

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

Cash and cash equivalents represent 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

Changes in fair value should be reflected through the SOCNE. 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 SOFP, SLC has financial liabilities included as current liabilities comprising of 'trade and other payables' in the SOFP.

Recognition and Measurement

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

A financial liability is removed from the SOFP when it is extinguished, that is when the obligation is discharged, cancelled or expired.

1.13 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
- The amount can be reliably estimated

The provision's value is discounted when the time value of money is considered material. Changes in the discount rate applied will be recognised in the year in which the change occurred. The discount rate applied is in line with HM Treasury's Public Expenditure System Announcement of Rates which was published on 6 December 2019.

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

7.5 Notes to the Financial Statements

1.14 Employee Benefits

Short Term Benefits

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

Pension Arrangements

During the year until the end of February 2020, SLC contributed to the SLC Pension Scheme which was a defined benefit scheme that all employees had the option to join, and NOW : Pensions, a defined contribution scheme, which met SLC's statutory obligations to enrol all employees in a pension scheme.

SLC then became a member of the Civil Service Pension Arrangements and made the alpha and partnership schemes available to all its employees from 1 March 2020. The transfer arrangements are detailed in note 16.

For those SLC staff in the existing NOW: Pensions defined contribution scheme, they still have the option to remain in NOW: Pensions or to accrue future benefits in alpha. Non-members of a pension scheme were also able to join alpha from 1 March 2020, with all staff members who join alpha then having a further option to switch to join partnership shortly thereafter.

Student Loans Company Limited Retirement and Death Benefits Scheme

The scheme is defined under the Pensions Act 1993 (part 1). It operates in accordance with the Pension Act 1995 as a trust, established by its Definitive Trust Deed and Rules (June 2004). The scheme is legally separated from SLC and governed by the Board of Trustees which has control over its operation, funding and investment strategy. The Board is chaired by an independent trustee and is comprised of nominees of SLC and elected scheme members. The scheme is regulated by the Pensions Regulator, and its Annual Report and Accounts are subject to audit by an independent auditor. SLC is the 'principal employer' and as such, retains responsibilities within the Definitive Trust Deed and Rules.

The defined benefit scheme provides a pension and lump sum based on pensionable service and final pensionable salary. The final pensionable salary is the average of the best three continuous pensionable salaries in the ten years before retirement. Benefits are also accessible to a spouse on the death of a scheme member.

SLC's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted to determine the net obligation. The liability discount rate is the yield at the SOFP date on 'AA' credit rated bonds denominated in the currency relating to the terms of the bonds and having maturity dates approximating to the terms of SLC's obligations.

The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to SLC, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements. Actuarial gains and losses that arise are recognised by SLC in the year they occur through the SOCNE.

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

The Board of Trustees regularly review the scheme's investment strategy in order to manage the investment risks within the scheme. 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. The statement of Investment Principles sets out the investment strategy adopted by the trustees.

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 2019.

As at 31 January 2020, the defined benefit scheme was closed to new members, and as at 29 February 2020, the defined benefit scheme was closed to any further accrued benefits.

NOW: Pensions

Contributions are recognised in the SOCNE as they are incurred. SLC has no further liability once contributions are paid to the pension scheme.

Civil Service Pension Scheme

The scheme provides benefits on a career-average basis, with a normal pension age equal to the member's state pension age (or 65 if higher).

These statutory arrangements are unfunded, as the cost of benefits is met by monies voted by Parliament each year. Pensions payable under nuvos and alpha schemes are increased annually in line with pensions increase legislation.

Employee contributions are salary-related for both nuvos and alpha. In nuvos there is a final salary section which is closed to active accrual. Neither SLC nor employees are contributing actively to the nuvos scheme, as it is a closed scheme.

For transferred service to nuvos final salary section, benefits remain linked to the members' final salary at retirement and the dependant's benefits will reflect the provisions of the SLC Pension Scheme with an increase in the current spouse's pension in nuvos from 37.5% (or member's pension) to 50%. Benefits in alpha build up with an accrual rate of 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product. Legal & General are the current provider.

7.5 Notes to the Financial Statements

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The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill-health retirement). Further details about the civil service pension arrangements can be found at the website: www.civilservicepensionscheme.org.uk

Other Obligations

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

1.15 Leases

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 in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Interest on leases is charged to the SOCNE in the year to which the lease payment relates.

Leases which are low in value or represent a short-term lease of up to 12 months are recognised as expenses on a straight-line basis and charged to the SOCNE in the year to which they relate.

1.16 Segmental Reporting

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

The CEO reviews performance based on four segments: Operating Budget, Business Optimisation and Maintenance, Change Programme and Evolve and this is the basis for SLC's reporting to DfE. The Operating Budget represents day to day operating activities undertaken by SLC. The Business Optimisation and Maintenance activities represents systems maintenance and enhancements to the day to day activities of SLC. The Change Programme represents additional activities undertaken by SLC in the financial year to create new activities. On completion, these activities will become part of the operating activities in subsequent years. The Evolve Programme represents the transformation programme.

2. Segmental reporting

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

	2020					2019 Restated		
	Operating Expenditure	Business Optimisation and Maintenance	Change Programme	Evolve Programme	Total	Operating Expenditure	Change Programme	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segmental Revenue:								
Grant income	105	-	-	-	105	111	-	111
Administration fees receivable from third parties	1,200	-	-	-	1,200	893	-	893
Other income	25	-	-	-	25	16	-	16
Total revenue	1,330	-	-	-	1,330	1,020	-	1,020
Segmental Expenditure:								
Total expenditure	(139,439)	(6,485)	(28,399)	(19,371)	(193,694)	(179,667)	(44,092)	(223,759)
Operating profit/(loss)	(138,109)	(6,485)	(28,399)	(19,371)	(192,364)	(178,647)	(44,092)	(222,739)
Capital expenditure	(3,916)	-	(21,403)	(12,839)	(38,158)	(23,975)	(32,030)	(56,005)
Total Segmental Expenditure	(142,025)	(6,485)	(49,802)	(32,210)	(230,522)	(202,622)	(76,122)	(278,744)

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.

SLC has updated this note to bring it in line with the internal reporting for the company and has removed the geographical split as this is not relevant for either internal or Board reporting purposes. Business Optimisation and Maintenance and Evolve are new reporting structures put in place in the 2019-20 reporting year, and so there is no prior year comparative analysis for these areas.

7.5 Notes to the Financial Statements

7.5 Notes to the Financial Statements

3. Revenue

	2020	2019 Restated
	£'000	£'000
Grant income	105	111
Administration fees receivable from third parties	1,200	893
Other income	25	16
	1,330	1,020

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

Bursary Administration Service

SLC supports HEPs in England, Northern Ireland, Scotland and Wales, in providing mandatory and discretionary bursaries, scholarships and fee waivers to students, by providing an administration service. HEPs may subscribe to the full service or the core service. The full service includes payment of

the bursary, scholarship or fee waiver entitlement to the student. The core service is an information-only service.

Financial Objective

The main financial objective of the HEP subscribers is to utilise the service as a low-cost way of executing their commitments, in their Fair Access Plans (or equivalents), to provide financial support to students recruited into HE under widening participation agendas. The level of subscription is intended to both pay for the planned operational costs incurred by SLC and to fund a programme of ongoing enhancements. Enhancements that provide

future economic benefit for the service will be capitalised in line with company policy as set out in note 1.

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.

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

	2020	2019 Restated
	£'000	£'000
Revenue	762	609
Expenditure	(762)	(609)
Surplus before tax	-	-

	2020	2019 Restated
	£'000	£'000
Capital expenditure	-	245
Deferred capital receipts	-	(245)

4. Net expenditure before interest and tax

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

	2020	2019 Restated
	£'000	£'000
Dilapidations provision	(991)	522
Depreciation, amortisation and impairments - owned assets	41,112	34,248
Net loss on disposal of fixed assets	169	205
Directors' remuneration	670	643
Auditors remuneration:		
- Audit of these financial statements	144	100
Professional fees:	-	
- Independent complaints assessors	240	225
- Pension advisors	187	44
- Internal audit feesw	738	-
Amounts received by former auditors and their associates:	-	
- Valuation and actuarial services	-	14
- Other services relating to taxation	-	3
Operating Lease Rentals:		
- Land and buildings	120	3,378

Other consultancy costs included costs for data migration, IT and digital print solutions and amounted to £7.7m (2019: £10.3m) during the year.

(b) Directors' remuneration:

	2020	2019 Restated
	£'000	£'000
Fees	145	148
Executive emoluments (including benefits in kind)	463	413
Pension contributions	46	63
Taxable expenses	16	19
	670	643

The remuneration of each individual Director is analysed in the Remuneration and Staff Report. The highest paid Director during the year was the CEO, Paula Sussex, with a salary of £190,000 (2019: £110,400).

7.5 Notes to the Financial Statements

7.5 Notes to the Financial Statements

5. Staff costs

The aggregate payroll costs were as follows:

	2020	2019
	£'000	£'000
Wages and salaries	88,071	78,476
Social security costs	7,968	7,055
Pension service costs	10,026	9,707
Gain on settlement at transfer of pension fund (see note 16)	(42,291)	-
	63,774	95,238
Other staff costs	4,707	3,611
Total Staff Costs	68,481	98,849

Pension service costs include employer's contributions of £18.2m to the SLC Pension Scheme, £733,000 to NOW: Pension, and £1.1m to the new partnership and alpha pension schemes, with a credit adjustment of £10m due to the net expected return on asset on the IAS 19 valuation of the pension scheme.

The net gain on settlement of £42.3m relates to the bulk transfer of active members of the defined benefit pension scheme to the Principal Civil Service Pension Scheme ("nuvos" section) on 1 March 2020.

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

Restructuring costs of £209k (2019: £84k) represents the accrued severance payments made in year. Full details of the number of payments and corresponding costs on a cash basis are included in the Remuneration and Staff Report, and the movement in the provision for severance is set out in note 15.

6. Finance income

	2020	2019
	£'000	£'000
Bank interest	17	14

7.5 Notes to the Financial Statements

7. Finance costs

	2020	2019
	£'000	£'000
Pension interest charge	495	461
Pension administration expenses	927	639
Lease finance charge	302	-
	1,724	1,100

8. Tax results on ordinary activities

	2020	2019
	£'000	£'000
Current taxation refund for the period at the small companies' rate of 19% (2019: 19%)	(3)	(1)
Stamp Duty Land Tax	6	-
Tax on result of ordinary activities	3	(1)

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

The tax assessed for the year varies from the standard rate of corporation tax in the UK (19% in 2020 and 2019). The differences are explained below:

	2020	2019
	£'000	£'000
Loss on ordinary activities before taxation	(194,071)	(223,825)
Loss on ordinary activities subject to small companies' UK corporation tax rate	(36,873)	(42,527)
The loss subject to corporation tax is broken down as follows:		
Amounts not subject to corporation tax	36,870	42,527
Reversal of prior year liability	-	(1)
Current taxation refund for the period	(3)	(1)

At the 2015 summer budget, the Government announced legislation setting the corporation tax main rate (for all profits except ring-fenced profits) at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At the 2016 budget, the Government announced a further reduction to the corporation tax main rate (for all profits except ring-fenced profits) for the year starting 1 April 2020, setting the rate at 17% or similar, given the announcements to date. Legislation was introduced in the Finance Bill 2020 to amend the main rate of Corporation Tax for all non-ring-fenced profits to 19% for financial year 2020. The Corporation Tax charge will also be set at 19% for all non-ring fence profits for financial year 2021.

7.5 Notes to the Financial Statements

9. Property, plant and equipment

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2018 (restated)	14,885	14,427	3,146	79	2,133	-	34,670
Additions	1,448	2,644	883	54	364	-	5,393
Disposals	(1,358)	(1,199)	(529)	(47)	-	-	(3,133)
Transfers	2,091	-	-	-	(2,091)	-	-
Impairment	-	(100)	-	-	-	-	(100)
At 31 March 2019 and 1 April 2019 (restated)	17,066	15,772	3,500	86	406	-	36,830
IFRS 16 adjustment 1 April 2019	-	-	-	-	-	20,547	20,547
Adjustments	-	(92)	-	-	-	-	(92)
Additions	401	2,468	688	18	1,445	230	5,250
Disposals	(1,274)	(344)	(15)	(18)	-	(2,993)	(4,644)
Transfers	999	-	37	-	(1,036)	-	-
Impairment	-	(888)	-	-	-	-	(888)
At 31 March 2019	17,192	16,916	4,210	86	815	17,784	57,003
Depreciation							
At 1 April 2018 (restated)	7,563	9,210	1,738	17	-	-	18,528
Charge for the year	1,577	3,198	295	26	-	-	5,096
On disposals	(1,148)	(1,191)	(526)	(27)	-	-	(2,892)
At 31 March 2019 and 1 April 2019 (restated)	7,992	11,217	1,507	16	-	-	20,732
Adjustments	-	(92)	-	-	-	-	(92)
Charge for the year	1,939	2,535	392	27	-	4,644	9,537
On disposals	(1,115)	(334)	(9)	(9)	-	(71)	(1,538)
Impairments	-	(551)	-	-	-	-	(551)
At 31 March 2020	8,816	12,775	1,890	34	-	4,573	28,088
Net book value							
At 1 April 2019 (restated)	9,074	4,555	1,993	70	406	-	16,098
At 31 March 2020	8,376	4,141	2,320	52	815	13,211	28,915

The refurbishment of parts of the leased premises on Bothwell Street, Glasgow and Hillington and the replacement of the cooling towers at Bothwell Street, Glasgow were included in the category Assets under Construction. On completion of the work in the current financial year, the costs were transferred to short leasehold improvements and capitalised in the financial year to 31 March 2020.

7.5 Notes to the Financial Statements

10. Intangible assets

	Intangible assets under development	Internally generated software	Websites	Software licences	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018 (restated)	29,917	83,441	3,671	11,079	128,108
Additions	31,474	-	20	785	32,279
Disposals	-	-	-	(557)	(557)
Transfer	(43,747)	43,727	20	-	-
Impairment	(581)	(308)	-	(337)	(1,226)
At 31 March 2019 and 1 April 2019 (restated)	17,063	126,860	3,711	10,970	158,604
Adjustments	209	(208)	(2)	(1,846)	(1,847)
Additions	34,010	-	-	2,005	36,015
Disposals	-	-	-	(525)	(525)
Transfers	(24,795)	24,776	19	-	-
Impairment	(255)	-	-	(594)	(849)
At 31 March 2020	26,232	151,428	3,728	10,010	191,398
Amortisation					
At 1 April 2018 (restated)	-	26,110	3,290	7,204	36,604
Charge for the year	-	25,322	388	2,116	27,826
Disposals	-	-	-	(557)	(557)
At 31 March 2019 and 1 April 2019 (restated)	-	51,432	3,678	8,763	63,873
Adjustment	-	-	-	(1,846)	(1,846)
Charge for the year	-	29,853	14	1,054	30,921
Disposals	-	-	-	(525)	(525)
Impairment	-	-	-	(461)	(461)
At 31 March 2020	-	81,285	3,692	6,985	91,962
Net book value					
At 1 April 2019 (restated)	17,063	75,428	33	2,207	94,731
At 31 March 2020	26,232	70,143	36	3,025	99,436

Amortisation for intangible assets is recognised as a charge in the SOCNE.

Assets under Development represent the ongoing internal development of SLC's systems to allow the delivery of services to customers and the policy change requested by the shareholders. The completed developments to date are included within Internally Generated Software.

7.5 Notes to the Financial Statements

11. Financial instruments

As the cash requirements of SLC are met through Grant-in-Aid, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. Most financial instruments relate to contracts to buy non-financial items in line with SLC's expected purchase and usage requirements and SLC is therefore exposed to little liquidity or market risk. Credit risk exists for trade and other receivables, which are detailed in note 12.

Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposure to customers. For banks and other institutions, only independently rated parties with a minimum rating of 'A' are accepted. Credit risk is the risk of financial loss

to SLC if a customer fails to meet their contractual obligations.

Other trade receivables comprise sums due from third party portfolio administration and HEPs for the bursary administration service. 94% of other trade receivables are not older than 3 months and do not represent any credit risk, therefore no allowance for credit loss is required.

Liquidity Risk

SLC's net revenue resource requirements and capital expenditure requirements are financed by fees charged to universities and colleges and Grant-in-Aid funded by Parliament. The Annual Performance and Resource Agreement letter, which confirms the top-level budget delegated to SLC, for the financial year 2020-21 has been presented to SLC and

provides assurance that funding of its activities will continue. Cashflows are presented to the Department for Education on a weekly basis, and any cash flow requirements are forthcoming as required. SLC is therefore not exposed to any material liquidity risks.

Market and Currency Risk

SLC does not borrow or invest funds. Financial assets and liabilities are generated by day to day activities and are not held to manage the risks facing SLC in undertaking its activities. The Financial Statements are presented in 'Pound Sterling' (£), which is SLC's functional and presentation currency. SLC does not ordinarily enter foreign currency transactions. The carrying value approximates to the fair value due to the short maturity of the instruments.

	2020		2019 Restated	
	Book Value	Fair Value	Book Value	Fair Value
	£'000	£'000	£'000	£'000
Trade receivables due within 1 year	7,708	7,708	6,637	6,637
Trade receivables due after 1 year	127	127	159	159
Cash and cash equivalents	6,003	6,003	17,305	17,305
Trade payables due within 1 year	29,745	29,745	30,833	30,833
Trade payables due after 1 year	9,399	9,399	-	-

The maturity analysis of lease liabilities that shows the remaining contractual maturities are shown below.

	End Date of lease	Lease liability
		£'000
Darlington Building 13	27/04/2023	151
Darlington Memphis Building	28/04/2023	2,803
Llandudno	23/06/2023	-
Bothwell Street	24/12/2023	7,334
Europa	24/12/2023	1,745
Darlington Studios	13/08/2024	557
Hillington	15/08/2025	690
Total liability		13,280

12. Trade and Other Receivables

	2020	2019 Restated
	£'000	£'000
Amounts falling due within one year:		
Other trade receivables	1,766	1,606
VAT	1,058	-
Prepayments and accrued income	4,884	5,031
	7,708	6,638
Amounts falling due after more than one year:		
Prepayments and accrued income	127	159
Total trade and other receivables	7,835	6,796

13. Cash and Cash Equivalents

	2020	2019 Restated
	£'000	£'000
Balance at 1 April	17,305	12,450
Net increase/(decrease) in cash and cash equivalents	(11,302)	4,855
Balance at 31 March	6,003	17,305
The balances at 31 March were held at:		
Government banking scheme accounts	5,999	17,297
Cash vouchers	4	8
	6,003	17,305

At 31 March 2020 £73,080,000 (31 March 2019: £64,336,000) was held in trust on behalf of third parties.

7.5 Notes to the Financial Statements

7.5 Notes to the Financial Statements

14. Trade and other payables

	2020	2019 Restated
	£'000	£'000
Amounts falling due within one year:		
Trade payables	6,600	1,887
VAT	-	5,835
Other taxation and social security	2,033	1,869
Accruals and deferred income	17,448	21,242
Lease liability	3,664	-
	29,745	30,833
Amounts falling due after more than one year:		
Lease liability	9,399	-
Total trade and other payables	39,144	30,833

7.5 Notes to the Financial Statements

15. Provisions

	Severance	Legal costs	Dilapidations	Deferred lease improvement	Total	2019
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2019	100	571	5,012	376	6,059	5,482
Arising in year	24	100	329	32	485	1,248
Amounts utilised	(124)	(108)	(1,772)	(290)	(2,294)	(530)
Amounts reversed unutilised to the SOCNE	-	(463)	(1,320)	(10)	(1,793)	(141)
At 31 March	-	100	2,249	108	2,457	6,059
Amounts falling due within one year	-	100	-	35	135	1,024
Amounts falling due after more than one year	-	-	2,249	73	2,322	5,035
As at 31 March	-	100	2,249	108	2,457	6,059

The provision for legal claims represents the estimated cost to SLC for ongoing legal work. The provision is the best estimate, based on the value of the claims made and the circumstances surrounding the claims.

The provision for dilapidations represents the estimated settlement cost to SLC of the dilapidation's clauses included in its property leases. These costs are expected to be incurred on the termination of the property leases as follows: £257,000 in August 2025, £90,000 in August 2024, £1,151,000 in December 2023 and £751,000 in April 2023. The provision has been made based on the best estimate using independent professional assessments.

Deferred lease improvement represents future improvements to the leased property on Bothwell Street which are part of the specific works required under the terms of the lease agreement until its expiration.

7.5 Notes to the Financial Statements

16. Retirement benefit obligation

Until 1 March 2020, SLC operated the SLC Pension Scheme for all permanent staff. This scheme was a defined benefit scheme that provides benefits based on final pensionable salary. The assets of the scheme have been held separately from those of SLC, being invested by the Trustees of the scheme.

On 1 March 2020 SLC became a member of the Civil Service Pension Arrangements and made the alpha and partnership schemes available to all its employees. As agreed with Cabinet Office, SLC transferred all the active members of the SLC Pension Scheme to CSPA alpha and provided non-scheme members with the options of joining alpha, partnership, or remaining a non-pension member until next re-enrolment date when they would be auto enrolled into alpha.

These statutory arrangements are unfunded, as the cost of benefits is met by monies voted by Parliament each year. Details of the scheme can be found at: www.civilservicepensionscheme.org.uk

At 29 February 2020, the SLC Pension Scheme closed to future accrual of benefits and most active members were transferred ('bulk transfer') to the Principal Civil Service Pension Scheme ('nuvos'

section) on 1 March 2020 where they retained their salary link.

The difference between the liability recognised by the scheme at the transfer date and the value of the assets transferred to the civil service scheme has been recognised in a net settlement gain of £42.3m arisen in respect of the bulk transfer at 1 March 2020. This net settlement gain has been reduced by the accrued payment due by the end of June 2020 for £3.8m and has resulted in a surplus in the IAS 19 valuation of the SLC Pension Scheme as at 31 March 2020.

Under the Scheme rules, if the actuary certified that there is sufficient surplus in the scheme, the trustees may be liable to pay all or part of the surplus to the employer, however this is subject to specific funding rules. The Scheme actuary would have to certify that the scheme liabilities are fully funded under an actuarial valuation conducted under the Pensions Act 1995 (as amended) and SLC does not propose to request a refund given that is not the current position of the Scheme.

Members with less than 2 years' service have had their salary link broken and been given the option of either a refund of contributions or an enhanced cash transfer sum, payable by 28 February 2021.

A small number of members with more than 2 years' service have elected to obtain GCETV quotes prior to transfer to nuvos final salary section and have the option of taking the GCETV or transferring their benefits to nuvos final salary section by 30 August 2020. As at 31 March 2020, they have been classed as having remained in the retained scheme and it is assumed they will accept the GCETV. As a result, a negative past service cost, i.e. a credit, in respect of the remaining members has arisen on curtailment at 29 February of £2.0m. An allowance for a curtailment to reflect the breaking of their salary link has therefore been calculated.

A reconciliation of the scheme movements to the SOFP is given below:

Reconciliation to Statement of Financial Position			
	£'000	£'000	£'000
Opening Pension Net Liability		31,138	23,227
Interest Costs		1,422	1,100
Employer contributions		(17,603)	(11,521)
Other staff costs		7,619	9,389
Actuarial (gain) in fair value of plan assets	(5,382)		(2,518)
Actuarial (gain)/loss in defined benefit obligation:			
- effect of changes in demographic assumptions	(256)		(1,735)
- effect of changes in financial assumptions	16,118		13,196
- effect of experience adjustments	(1,322)		-
Total actuarial loss		9,158	8,943
Gain on settlement at transfer of pension fund		(42,291)	-
Net (asset)/liability as at 31 March		(10,557)	31,138

7.5 Notes to the Financial Statements

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SLC made employer pension contributions of 45.4% based on salaries (31 March 2019: 27.1%) to the pension scheme after agreement with the Trustees in January 2015 to address the deficit of the scheme at that time.

SLC has also paid additional monthly contributions during the year as follows:

- £300,000 in respect of the shortfall in funding as agreed in the recovery plan of April 2018. From April 2020 onwards, these monthly contributions were due to increase to £1,691,667, however on a cash basis, SLC has maintained the payments at £300,000 per month.
- £31,389 due to an additional liability of £1,130,000 because of a strain on salary from the salary increase estimates applied at the last triennial valuation on 5 November 2016. These payments were scheduled to continue until March 2022.

These increases to employer contribution were expected to eliminate the shortfall in the pension scheme by 1 April 2024. A new schedule of contributions has now been agreed on completion and agreement of the retrospective actuarial valuation as at 5 November 2019.

Net defined (asset)/liability reconciliation	2020	2019
	£'000	£'000
Opening net defined benefit liability	31,138	23,227
Defined benefit cost included in Statement of Comprehensive Net Expenditure	(33,250)	10,489
Total re-measurements	9,158	8,943
Employer contributions	(17,603)	(11,521)
Net (asset)/liability	(10,557)	31,138

Amounts recognised in the Statement of Financial Position	2020	2019
	£'000	£'000
Present value of funded obligations	78,581	170,813
Fair value of plan assets	(89,138)	(139,675)
Deficit for funded plans	(10,557)	31,138
Effect of ceiling / onerous liability at end of year	-	-
Net (asset)/liability	(10,557)	31,138

The benefit obligations are estimated based on the projected unit cost method. They have been rolled forward from a projection from the results of the scheme's statutory funding valuation as at 5 November 2016 to the year-end measurement date.

Change in defined benefit obligation	2020		2019	
	£'000	£'000	£'000	£'000
Benefit obligation at 1 April		170,813		146,536
Current service cost		9,639		8,539
GMP equalisation		-		850
Past service costs		(2,020)		-
(Gain) on settlements		(42,291)		-
Settlement payments from plan assets		(76,498)		-
Interest cost		4,038		3,930
Benefits paid		(1,184)		(1,986)
Plan participants' contributions		1,782		1,721
Insurance premiums for risk benefits		(238)		(238)
Actuarial (gain)/loss:				
- effect of changes in demographic assumptions		(256)		(1,735)
- effect of changes in financial assumptions		16,118		13,196
- effect of experience adjustments		(1,322)		-
Total actuarial (gain)/loss		14,540		(11,461)
Benefit obligation as at 31 March		78,581		170,813

* An allowance for GMP equalisation was based on an approximate impact analysis conducted by the actuary in the year ended 31 March 2019. It was treated as a past service cost during that year.

Change in fair value of plan assets	2020	2019
	£'000	£'000
Fair value of plan assets at 1 April	139,675	123,309
Interest income	3,543	3,469
Employer contributions	17,603	11,521
Settlement payments from plan assets	(76,498)	-
Plan participants' contributions	1,782	1,721
Benefits paid	(1,184)	(1,986)
Administrative expenses	(927)	(639)
Insurance premiums for risk benefits	(238)	(238)
Actuarial gain	5,382	2,518
Fair value of plan assets as at 31 March	89,138	139,675

7.5 Notes to the Financial Statements

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Components of defined benefit cost	2020		2019	
	£'000	£'000	£'000	£'000
Current service cost	9,639		8,539	
GMP Equalisation / past service costs	(2,020)		850	
Total service cost		7,619		9,389
Gain on settlements		(42,291)		-
Interest cost	4,038		3,930	
Interest (income) on plan assets	(3,543)		(3,469)	
Total net interest cost		495		461
Administrative expenses		927		639
Defined benefit cost included in Statement of Comprehensive Net Expenditure		(33,250)		10,489
Re-measurements (recognised in other comprehensive income):				
Effect of changes in demographic assumptions	(256)		(1,735)	
Effect of changes in financial assumptions	16,118		13,196	
Effect of experience assumptions	(1,322)		-	
Return on plan assets (excluding interest income)	(5,382)		(2,518)	
Total re-measurements		9,158		8,943
Total recognised in the Statement of Comprehensive Net Expenditure		(24,092)		19,432

There are now no active members in the SLC Pension Scheme, and so the below table shows the new analysis of the defined benefit obligation by remaining member type:

Defined benefit obligation by participant status	2020	2019
	£'000	£'000
Actives	-	111,669
Vested deferrals	62,602	44,342
Retirees	15,979	14,802
Total	78,581	170,813

The previously held equity instruments, real estate and funds were realised prior to the transfer of assets and liabilities to the Civil Service Pension Arrangements. Assets held on behalf of the remaining scheme are now limited to cash and debt instruments:

Fair value of plan assets with a quoted market price	2020	2019
	£'000	£'000
Cash and cash equivalents*	(1,000)	7,776
Equity instruments	-	28,913
Debt instruments	90,138	79,267
Real estate	-	10,503
Diversified fund growth	-	13,216
Total	89,138	139,675
Actual return on plan assets	8,924	5,987

* The balance of the Trustees' bank account as at 31 March 2020 was £2,120,000 (31 March 2019: £1,541,000) and has been included in the fair value of assets above.

The assumptions used to determine the actuarial calculations are shown below. There have been no changes in methodology since the prior valuation, however the figures for RPI have substantially changed after an assessment of deferred members. The weighted average assumptions for defined benefit cost are now the same as the assumptions used to determine the benefit obligations.

Weighted average assumptions used to determine benefit obligations	2020	2019
	%	%
Discount rate	2.30	2.50
Salary increase rate	n/a	3.10
Rate of price inflation (RPI)	2.40	3.10
Rate of price inflation (CPI)	1.90	2.10
Deferred pension increase rate	1.90	2.10
Rate of increase of pension in payment	2.40	2.90

Weighted average life expectancy for mortality tables used to determine benefit obligation	2020	2019
	years	years
Male member age 65 (current life expectancy)	20.70	20.40
Male member age 45 (life expectancy at aged 65)	21.80	21.50
Female member age 65 (current life expectancy)	22.70	22.90
Female member age 45 (life expectancy at aged 65)	24.30	24.40

Weighted average assumptions used to determine defined benefit cost	2020	2019
	%	%
Discount rate	2.30	2.70
Salary increase rate	n/a	3.00
Rate of price inflation (RPI)	2.40	3.00
Rate of price inflation (CPI)	1.90	2.00
Deferred pension increase rate	1.90	2.00
Pensions-in-payment increase rate	2.40	2.80

7.5 Notes to the Financial Statements

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Sensitivity analysis:

The funded status of the scheme and the amounts recognised as a company liability as at 31 March 2020 and projected at 31 March 2021 are compared to the corresponding amounts given a range of sensitivities below.

Sensitivities from Base 2020:							
Analysis of amounts recognised in the Statement of Financial Position	2019	2020	Minus 0.25% discount rate	Plus 0.25% discount rate	Minus 0.25% inflation rate	Plus 0.25% inflation rate	Mortality: Minus one year age rating
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Plan Asset	139,675	92,963	92,963	92,963	92,963	92,963	92,963
Defined Benefit Obligation	170,813	82,406	83,857	73,728	74,993	82,456	81,683
Funded Status	31,138	(10,557)	(9,106)	(19,235)	(17,970)	(10,507)	(11,280)
Net defined benefit liability, excluding any effect of asset ceiling	31,138	(10,557)	(9,106)	(19,235)	(17,970)	(10,507)	(11,280)

Sensitivities from Base 2021:							
Analysis of projected defined benefit cost	2020	2021	Minus 0.25% discount rate	Plus 0.25% discount rate	Minus 0.25% inflation rate	Plus 0.25% inflation rate	Mortality: Minus one year age rating
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current service cost	9,639	-	-	-	-	-	-
Past service cost / GMP Equalisation	(2,020)	-	-	-	-	-	-
(Gain)/loss on settlements	(42,291)	2,790	2,258	3,275	3,235	2,304	2,556
Interest expense on defined benefit obligation	4,038	1,793	1,707	1,864	1,711	1,882	1,865
Interest income on plan assets	(3,543)	(2,266)	(2,020)	(2,512)	(2,266)	(2,266)	(2,266)
Administrative expenses and/or taxes	927	600	600	600	600	600	600
Total defined benefit cost before asset limit	(33,250)	2,917	2,545	3,227	3,280	2,520	2,755

Sensitivities on actuarial assumptions							
	2019	2020	Minus 0.25% discount rate	Plus 0.25% discount rate	Minus 0.25% inflation rate	Plus 0.25% inflation rate	Mortality: Minus one year age rating
	%	%	%	%	%	%	%
Discount rate	1.80% / 2.50%	2.30%	2.05%	2.55%	2.30%	2.30%	2.30%
Rate of RPI assumption	2.70% / 3.10%	2.40%	2.40%	2.40%	2.15%	2.65%	2.40%
Rate of CPI assumption	1.90% / 2.10%	1.90%	1.90%	1.90%	1.65%	2.15%	1.90%
Rate of salary increase	2.90% / 3.10%	1.90%	1.90%	1.90%	1.65%	2.15%	1.90%

Contributions

SLC expects to contribute £21,277,000 (31 March 2019: £17,492,000) to its pension plan in the financial year ending 31 March 2021 as per the projections below based on the triennial actuarial valuation on 5 November 2016 and the 2019 indicative triennial review results.

Change in defined benefit obligation	Projected 2021
	£'000
Benefit obligation at beginning of year	82,406
Service cost – (gain)/loss on settlements	2,790
Interest cost	1,793
Benefits paid	(1,222)
Settlement payments from plan assets	(9,331)
Benefit obligation as at 31 March	76,436

Change in fair value of plan assets	Projected 2021
	£'000
Fair value of plan assets at beginning of period	92,963
Interest income	2,266
Employer contributions	21,277
Benefits paid	(1,222)
Settlement payments from plan assets	(9,331)
Administrative expenses	(600)
Fair value of plan assets as at 31 March	105,353

7.5 Notes to the Financial Statements

7.5 Notes to the Financial Statements

17. Operating Lease Commitments

SLC had commitments under non-cancellable operating leases for land and buildings as set out below. There were no other non-cancellable operating leases.

	2020	2019
	£'000	£'000
Within one year	120	3,925
In the second to fifth years inclusive	-	11,511
In over five years	-	174
	120	15,610

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

The comparative figures for the year ended 31 March 2019 represented operating leases for premises in Bothwell Street and Argyle Street, Glasgow, Hillington and Darlington. These premises have now been incorporated within note 9 for the year ended 31 March 2020 as 'right of use assets' in accordance with IFRS 16.

Contingent rent payable in the year ended 31 March 2020 totalled £nil (31 March 2019: £nil). No contingent rent is payable on any future financial commitments as at 31 March 2020.

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

At 31 March 2020 SLC had placed contracts for the purchase of non-current assets to the nearest £1,000 totalling £1,026,000 (31 March 2019: £688,000) and intangible assets totalling £1,220,000 (31 March 2019: £822,000).

18. Called up share capital

	2020	2019
	£	£
Authorised:		
200 ordinary shares of 50p each	100	100
Allotted, called up and fully paid:		
20 ordinary shares of 50p each	10	10

19. Prior Year Comparatives Restatement

Prior year comparatives have been restated upon SLC's reassessment of the accounting policy for the Grant-in-Aid received from the sponsoring department.

In prior years, Grant-in-Aid was recorded on an accruals basis within revenue. Following the reassessment of accounting policy, Grant-in-Aid drawn down from the DfE is recorded on a cash basis in line with DfE's own reporting requirements and in line with the FReM. Grant-in-Aid is now credited to SLC's reserves.

Funding received from the funding bodies in prior years for the purpose of the acquisition of property, plant and equipment and intangible assets was credited to the deferred capital receipts account and released to the SOCNE by amounts equal to the associated depreciation and amortisation charge.

Due to the changes in revenue recognition and associated treatment of both revenue and capital Grant-in-Aid, this deferred funding has been released to the Statement of Changes in Taxpayers' Equity.

At 31 March 2020, SLC undertook a review of Property, Plant and Equipment and Intangible Assets with nil net book value to identify all assets which had been disposed of. It was confirmed that these assets had not been in use since 1 April 2018. Disposals were adjusted retrospectively for computer equipment, furniture fixture and fittings and licences.

7.5 Notes to the Financial Statements

Restated Statement of Financial Position 31 March 2019

	As previously reported 2019	Grant-in-Aid adjustment	Disposal of Property, Plant and Equipment and Intangible Assets	Restated 2019
	£'000	£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	16,151	-	(53)	16,098
Intangible assets	94,734	-	(3)	94,731
Total non-current assets	110,885	-	(56)	110,829
Current assets				
Trade and other receivables	13,992	(7,196)	-	6,796
Cash and cash equivalents	17,305	-	-	17,305
Corporation tax	2	-	-	2
Total current assets	31,299	(7,196)	-	24,103
Total assets	142,184	(7,196)	(56)	134,932
Current liabilities				
Trade and other payables	(70,036)	39,203	-	(30,833)
Provisions	(1,024)	-	-	(1,024)
Corporation tax	-	-	-	-
Total current liabilities	(71,060)	39,203	-	(31,857)
Total assets less current liabilities	71,124	32,007	(56)	103,075
Non-current liabilities				
Trade and other payables	(71,681)	71,681	-	-
Provisions	(5,035)	-	-	(5,035)
Retirement benefit obligation	(31,138)	-	-	(31,138)
Total non-current liabilities	(107,854)	71,681	-	(36,173)
Net liabilities	(36,730)	103,688	(56)	66,902
Capital and reserves				
Called up share capital	-	-	-	-
General reserve	(36,730)	103,688	(56)	66,902
Total equity	(36,730)	103,688	(56)	66,902

7.5 Notes to the
Financial StatementsRestated Statement
of Financial Position 31
March 2018

	As previously reported 2018	Grant-in-Aid adjustment	Disposal of Property, Plant and Equipment and Intangible Assets	Restated 2018
	£'000	£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	16,490		(348)	16,142
Intangible assets	91,628		(124)	91,504
Total non-current assets	108,118	-	(472)	107,646
Current assets				
Trade and other receivables	13,081	(4,445)	-	8,636
Cash and cash equivalents	12,450	-	-	12,450
Corporation tax	1	-	-	1
Total current assets	25,532	(4,445)	-	21,087
Total assets	133,650	(4,445)	(472)	128,733
Current liabilities				
Trade and other payables	(65,673)	40,610	-	(25,063)
Provisions	(201)	-	-	(201)
Corporation tax	-	-	-	-
Total current liabilities	(65,874)	40,610	-	(25,264)
Total assets less current liabilities	67,776	36,165	(472)	103,469
Non-current liabilities				
Trade and other payables	(67,508)	67,508	-	-
Provisions	(5,281)	-	-	(5,281)
Retirement benefit obligation	(23,227)	-	-	(23,227)
Total non-current liabilities	(96,016)	67,508	-	(28,508)
Net liabilities	(28,240)	103,673	(472)	74,961
Capital and reserves				
Called up share capital	-	-	-	-
General reserve	(28,240)	103,673	(472)	74,961
Total equity	(28,240)	103,673	(472)	74,961

7.5 Notes to the
Financial StatementsRestated Statement of
Comprehensive Net Expenditure
31 March 2019

	As previously reported 2019	Grant-in-Aid adjustment	Disposal of Property, Plant and Equipment and Intangible Assets	Restated 2019
	£'000	£'000	£'000	£'000
Revenue	190,017	(188,997)	-	1,020
Expenditure:				
Staff costs	(98,849)	-	-	(98,849)
Restructuring costs	(84)	-	-	(84)
Depreciation, amortisation and impairments	(34,664)	-	416	(34,248)
Deferred capital receipts	34,664	(34,664)	-	-
Other administrative expenses	(90,578)	-	-	(90,578)
	(189,511)	(34,664)	416	(223,759)
Operating profit	506	(223,661)	416	(222,739)
Finance income	14	-	-	14
Finance costs	(1,100)	-	-	(1,100)
Net financing expense	(1,086)	-	-	(1,086)
(Loss)/profit on ordinary activities before taxation	(580)	(223,661)	416	(223,825)
Tax on result of ordinary activities	1	-	-	1
(Loss)/profit on ordinary activities after taxation	(579)	(223,661)	416	(223,824)
Other comprehensive (expenditure)/income:				
Actuarial (loss)/gain on defined benefit pension scheme	(8,943)	-	-	(8,943)
Total comprehensive net (expenditure)/income for the period	(9,522)	(223,661)	416	(232,767)

7.5 Notes to the Financial Statements

20. Controlling Parties

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

21. Related Party Transactions

SLC is a NDPB that is funded by the bodies detailed in note 1. Those funding bodies are regarded as related parties.

During the year, SLC had various material transactions with the above departments. The Grant-In-Aid funding received is detailed in notes 2 and 3.

Dependants of Directors, executive management and staff who are students are eligible to participate in the student loans scheme on the same terms and conditions as are available to other students. During the period, certain Non-Executive and Executive Directors held the following positions with higher education institutions which SLC transacts with for student funding or bodies which are closely associated with higher education.

- The outgoing Chair, Mr Christian Brodie, did not hold any relevant roles during the period.
- The Interim Chair, Prof. Andrew Wathey CBE is Vice Chancellor and Chief Executive Officer of Northumbria University and a Council Member of the All-Party University Group.
- The new Chair appointed on 1 April 2020, Mr Peter Lauener, is Chair of the Newcastle College Group.
- Ms Natalie Elphicke was an independent member of the Audit and Risk Committee at DfE and

her husband was a member of the UK Parliament, and sat on the Treasury Select Committee. She stepped down from her position at SLC and subsequently became the Conservative MP for Dover at the 2019 general election. DfE is SLC's sponsoring body.

- Ms Mary Curnock Cook OBE is a Council Member of the Open University.
- Ms Charlotte Moar is a Council Member at the University of Bath.

SLC is exempt from the disclosure requirements in relation to transactions and outstanding balances, where not individually or collectively significant, with any of the above related parties as the UK Government has significant influence over UK universities.

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

Transactions with bodies in which the Non-Executive Directors held interests during the year have been examined and no related party transactions have been found.

Compensation for key management personnel is disclosed in Section 4 Remuneration and Staff Report.

22. Statement of Loans Administered by SLC

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

As at 31 March 2020 the total face value of the loan portfolio administered by SLC on behalf of the funding bodies was £156.5bn (31 March 2019: £136.7bn), which excludes all non-repayable student support.

23. Events after the Reporting Period

In September 2020 SLC announced its decision to vacate one of its leased buildings, Europa, in line with its Strategic Workforce plan and the 2020 Comprehensive Spending Review covering financial years 2020-21 to 2024-25.

7.5 Notes to the Financial Statements



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