Student Loans Company Limited

Registered Company No 2401034

Registered Office: Memphis Building, Lingfield Point, McMullen Road, Darlington DL1 1RW

Annual Report and Accounts

2018-19

Student Loans Company

Annual Report and Accounts FY2018-19

1. Chair's Statement

A great deal has been achieved this year at Student Loans Company (SLC) and I would like to record my thanks to our staff, shareholders, Executive Directors and Non-Executive Directors for their support and professional commitment throughout.

During the year, SLC laid strong foundations for renewing itself as an organisation that will be widely recognised as enabling student opportunity and for delivering a great customer experience in the efficient delivery of Governments' further and higher education finance policies. The year saw the appointment of two new permanent senior executives, a refresh of both our long-term strategy and also of our annual key business objectives for the year ahead.

During 2018 we welcomed Paula Sussex as Chief Executive Officer (CEO) and Jacqui Smillie as Chief Financial Officer (CFO). It is already clear that both have brought energy and commitment alongside a wealth of experience to their new roles, and these appointments have also significantly improved the gender balance of the Executive Leadership Team. I am also keen to put on record my gratitude to their immediate predecessors, Peter Lauener (Interim CEO) and Mike Blackburn (Interim CFO) whose energy and clarity kept us focused on meeting our operational targets and developing our strategic goals during the interim period while we recruited new permanent executives.

In October 2018, Sally Winstanley agreed to join SLC's Main Board meetings as part of the *Future Boards Scheme*. In her main role as Chief Risk Officer for *Aviva Investors*, Sally is a senior figure in the world of risk management, and I welcome the invaluable expertise and experience that she has already brought to SLC. The company is also indebted to Antonia Cox, who stepped down at the end of her three-year term on the Board in March 2019, and I would like to take this opportunity to record my thanks for the contribution that she has made.

This year's theme of re-focusing the organisation is set to continue into next year. The report from the Government's *Tailored Review* into SLC was published on 18 July 2019. The aim of these regular reviews is to ensure that public bodies remain fit for purpose, are well governed and are properly accountable, and the report came at a welcome time given our ongoing drive towards a sharper focus on governance, and on compliance with key Government controls and standards.

In this, my last full year as SLC's Chair, we have sought to significantly strengthen the structures and practices of SLC's Main Board and committees. As a trusted delivery partner for Government it is essential that we maintain a sound system of governance, internal control and risk management – one that supports the achievement of SLC's aims and objectives while safeguarding public funds and assets.

Alongside strengthening our governance, the year's other major focus has been on recalibrating SLC's long term strategy. The new Evolve Programme will build on the achievements of the 2020 Strategy. One crucial enhancement to the programme is a new collaborative component: we aim to work closely with the Department for Education to focus on streamlining the policy commissioning process. SLC is a very different organisation from the one that I joined in early 2014, and I think that we can all take pride in the enormous progress that we have made, and should make time to reflect on our achievements. In March 2013, (the end of the financial year before I became Chair), the company's £52.9bn loan book seemed significant, but this pales in comparison to its current £136.7bn value, (at March 2019). Over the same period our customer base has grown from 5.4m to 8.5m individuals, and we now offer some 86 finance product variations to students across England, Wales and Northern Ireland, compared to approximately 46 when I joined.

Finally, I would also like to highlight just a few of our major achievements during this period. SLC has now returned £3.6bn to HM Treasury through two successful sales of tranches of the loan book, and we look forward to working with Government on future sales. Over the last year we worked closely with HM Revenue and Customs (HMRC) to implement the More Frequent Data Sharing (MFDS) project. This will provide major service improvements for our customers in repayment, including near real-time balance and interest calculations, and a reduction in the value of over-repayments (through ensuring that HMRC, and in turn employers, are notified to stop deductions closer to the time loans are fully repaid). We have also improved the service we offer to customers at the start of their journey with us: the successful delivery of the E-signatures project has provided customers with a simpler experience, by allowing them to sign their applications electronically, avoiding the time and cost (both to them and to us) of sending their agreement by post.

Christian Brodie, Chair

Date: 26th September 2019

2. Chief Executive's Foreword

More than six months into my stewardship of SLC, I find that I am still acutely impressed by the degree of commitment, energy and skill shown by our people – at all levels throughout the company. Their hard work enables our student customers to invest in their futures through higher and further education.

It therefore gives me real satisfaction that in March 2019 the company was able to reach a significant early milestone in our sustained effort to find ways to properly reward our people, following a sustained period of public sector pay restraint. HM Treasury's approval of our pay business case for lower-graded staff has enabled SLC to guarantee the Real Living Wage, (as defined by The Living Wage Foundation), to all employees, and has provided for uplifts to over 1,900 lower paid employees during 2019. Looking ahead, SLC's new People Strategy will build a stronger career and reward offer for our team, and support the development of the skills that we need for the future.

Over the past year we have applied particular focus to renewing and strengthening the foundations of the business – foundations that will be capable of underpinning an ambitious programme of planned transformational change. Detailed and thorough examinations of financial controls, financial management, risk and governance arrangements have aimed to ensure that SLC will be able to remain fully compliant with statutory requirements. In addition, we have refreshed our business planning and performance framework.

Crucially this winter, we also thoroughly reviewed SLC's 2020 Strategy. The refreshed strategy that emerged from the review – our new Evolve Programme – has been broadened to include greater focus on people, data and the policy commissioning process.

This year's focus on rebuilding our strategy has followed a period of significant change in senior management at SLC. I am especially pleased that throughout this process we have nevertheless been able to continue delivering our core services to customers - SLC once again delivered strongly against the performance targets set by our shareholders, with 35 out of our 43 APRA targets reporting "green" – and at the same time delivered new and improved products and services on behalf of our Government shareholders. This success has again continued against the background of an increasing number of customers, a rapidly growing loan book and a complex set of products and services.

Paula Sussex, SLC Chief Executive / Accounting Officer

Date: 26th September 2019

3. 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 over 1 million new and returning students annually, in colleges and universities across England, Northern Ireland, Scotland and Wales.

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

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

SLC's Chief Executive Officer heads a team of five Directors – her Executive Leadership Team (ELT) – each heading up a Directorate with a mix of employees from across SLC's offices in Scotland, England and Wales. A sixth Directorate (HR) is currently led by an Interim HR Director (who is not a full member of ELT).

The six Directorates:

- Operations
- Repayments and Counter Fraud Services
- Technology Group
- Product, Customer and External Relations
- Chief Financial Officer
- HR

The ELT:

- Paula Sussex - Chief Executive
- David Wallace - Deputy Chief Executive & Chief Customer Officer
- Bernice McNaught - Executive Director, Repayments and Counter Fraud
- Jacqui Smillie - Chief Financial Officer & Executive Director, Finance, Commercial, Estates and Risk Management
- Derek Ross - Executive Director Operations
- Adrian Tucker – Chief Information Officer

*SLC is established as a company limited by shares under the Companies Act with its registered office at Memphis Building, Lingfield Point, McMullen Road, Darlington, DL1 1RW.

3.2. Core Business

SLC is one of HM Government (HMG)'s key strategic delivery partners and DfE's largest partner organisation by headcount. HMG relies on the company to assess 2m applications for student finance each year, manage a loan book worth £136.7bn*, and act as a first point of contact for repayments, from a total customer base of 8.5m individuals.

Applicant Services ("Apply-to-Pay"):

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. Again these 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 Educational 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.

Repayment Services:

SLC administers repayment services on behalf of all four UK administrations.

SLC services a growing loan book of "income-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 that can sometimes result in customers over-repaying.

* 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

SLC and HMRC service the entire ICR loan-book, which is partly owned by HM Government, and partly owned by private investors. SLC will continue to work with UK Government Investments (UKGI) to facilitate the sale of further tranches of the loan book to investors, in line with Government priorities.

Technology and Data Services:

In order to support the provision of the administrations' student policy and products, SLC purchases, designs, builds and maintains software, databases and web-interfaces. These systems underpin the increasingly digital application, assessment, payment and repayment services used by both customers and delivery partners. The company works closely with a range of Government departments, education providers and statutory bodies to provide secure and reliable services.

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.

3.3. Performance

Despite a growing number of customers, a rapidly increasing loan book and a complex set of tailored finance products, SLC has yet again achieved an excellent 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:

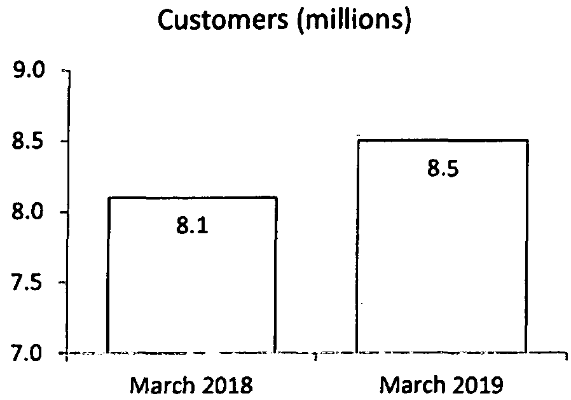
- green (above target)
- green-amber (adequate)
- amber-red (of concern)
- red (below target)

The full year outturn for SLC's 43 APRA performance measures was:

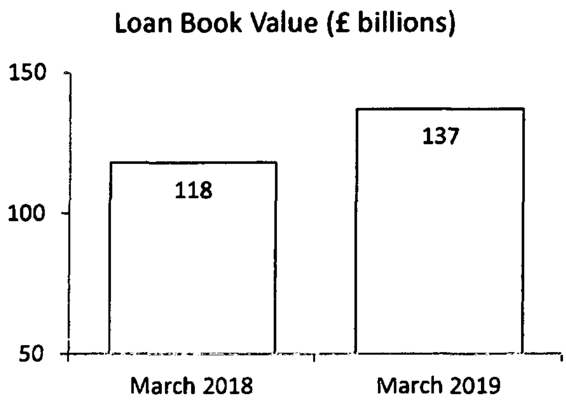
- 35 metrics reported green
- 3 metrics reported green-amber
- 2 metrics reported amber-red
- 3 metrics reported red

SLC has achieved these results while accommodating a 5% increase in customers and a 16% increase in the value of the student finance loan book over the year:

3.3a Increase in the Number of Customers



3.3b Increase in the Value of the Loan Book



Full results against the year's APRA targets are shown in the tables below.

3.3c Customer Satisfaction APRA Targets
SLC commissions independent surveys of customer opinion on a variety of topics each month. As part of this, customers are regularly asked to score SLC out of ten in regard to the overall service that they have received; answers to this question are aggregated as percentages:-

Customer Satisfaction	2018-19			2017-18		
	Target	Result		Target	Result	
Apply To Pay Customer Satisfaction	≥85%	83.1%	GREEN-AMBER	≥85%	84.1%	GREEN-AMBER
Repayer Customer Satisfaction	≥72%	73.5%	GREEN	≥72%	72.1%	GREEN

3.3d Assessment – Core Processing Timeliness APRA Targets

The assessment and processing of loans and grants for maintenance (help with living costs) and tuition fees for both undergraduate (UG) and postgraduate (PG) students are the core "Assess to Pay" services provided by SLC.

Core Processing Timeliness Metrics	2018-19			2017-18		
	Target	Result		Target	Result	
UG applications by start of term	≥ 99%	99.7%	GREEN	≥99%	99.8%	GREEN
UG applications within 20 working days	≥ 70%	91.0%	GREEN	≥ 70%	94.5%	GREEN
UG applications within 30 working days	≥ 95%	97.8%	GREEN	≥ 95%	98.8%	GREEN
PG applications within 20 working days	≥ 70%	99.3%	GREEN	≥ 70%	100.0%	GREEN
PG applications within 30 working days	≥ 95%	100.0%	GREEN	≥ 95%	100.0%	GREEN

3.3e Assessment – Targeted Support APRA Targets

SLC assesses and pays "targeted support" grants to English and Welsh students, in accordance with Government regulations relating to Disabled Students Allowance (DSA) and Childcare Grant (CCG).

In September 2018, the time taken to assess some of these specialist applications began to increase, mainly due to high staff turnover (which in turn led to further pressure through an increased reliance on both overtime and short-tenure employee contracts). SLC reduced processing times for both DSA and CCG by January 2019 through transferring resource between CCG and DSA, however partly due to the pressure earlier in the year the overall targets for CCG were not met, as shown below. The CCG service has now been completely re-modelled, and SLC has entered into a partnership with a third party provider to deliver aspects of it in 2019-20.

Targeted Support Assessment Timeliness Metrics	2018-19			2017-18		
	Target	Result		Target	Result	
DSA applications within 10 working days	≥95%	97.9%	GREEN	≥95%	98.4%	GREEN
DSA Needs Assessments within 10 working days	≥95%	96.5%	GREEN	≥95%	97.9%	GREEN
CCG1s (estimated costs) within 20 working days	≥95%	85.2%	AMBER-RED	≥95%	99.1%	GREEN
CCG2s (finalised costs) within 20 working days	≥95%	71.1%	RED	≥95%	98.8%	GREEN

3.3f Assessment – Further Education APRA Targets

SLC assesses and pays Advanced Learner Loans (AdvLL) to students in England, and Education Maintenance Allowance (EMA) to students in Northern Ireland and Wales, alongside Welsh Government Learning Grant (WGLG) in Wales, in accordance with the relevant Government administrations' regulations. SLC again met all timeliness targets for assessing these applications:

FE Assessment Timeliness Metrics	2018-19			2017-18		
	Target	Result		Target	Result	
AdvLLs within 5 working days	≥95%	98.3%	GREEN	≥95%	98.8%	GREEN
AdvLLs with evidence requirements within 20 working days	≥95%	98.6%	GREEN	≥95%	98.8%	GREEN
Non-peak period EMA & WGLG within 7 working days	100%	100.0%	GREEN	100%	100.0%	GREEN
Peak period EMA & WGLG within 14 working days	≥90%	100.0%	GREEN	≥90%	100.0%	GREEN
All EMA & WGLG within 21 working days	100%	100.0%	GREEN	100%	100.0%	GREEN
EMA & WGLG evidence returned within 15 working days	100%	100.0%	GREEN	100%	100.0%	GREEN

3.3g Assessment Accuracy APRA Targets

SLC's internal auditors review student support assessments to provide assurance to DfE on their accuracy.

This year a net financial variance was identified in the value of application assessments of 0.15%, another significant annual improvement.

Specific types of error that are identified through sample testing are fed back to the business: in some cases, these lead to changes to systems' "rules engines", in other cases standard procedures for assessors are amended. This has contributed to continuous improvement in this metric over several years.

Assessment Accuracy Metric	2018-19			2017-18		
	Target	Result		Target	Result	
Net Financial Variance	≤0.5%	0.15%	GREEN	≤0.5%	0.35%	GREEN

3.3h Payment APRA Targets

SLC issues student finance support payments to students throughout the UK, (including on behalf of those Government administrations that do not use SLC's application assessment services). The company also pays tuition fee loans directly to education providers, and makes bursary payments to students on behalf of many universities and colleges.

During 2018-19 SLC made payments of £19.2bn on behalf of the four UK Government administrations and well over 99% were made within the relevant target timeframe.

Payments Metrics	2018-19			2017-18		
	Target	Result		Target	Result	
HE Maintenance and PGL within 1 Day	≥95%	>99%	GREEN	≥95%	>99%	GREEN
HE Maintenance and PGL within 2 Days	≥99%	>99%	GREEN	≥99%	>99%	GREEN
FT & PT Tuition Fees on weekly deadline	≥99%	>99%	GREEN	≥99%	>99%	GREEN
FE Grants and Loans on weekly / fortnightly deadline	≥96%	>99%	GREEN	≥96%	>99%	GREEN

3.3i Repayment APRA Targets

SLC works in partnership with HMRC to collect repayments against the whole of the Income Contingent Repayment (ICR) loan book – including those loans that have been sold to private investors. Regular repayments are for the most part arranged via the UK tax system; SLC directly collects repayments where this is either not possible or not desirable, or if borrowers wish to make voluntary early repayments; additionally, as part of the Prevent Over-Repayments Scheme, borrowers are encouraged to repay SLC directly by direct-debit in the final year of their repayment term.

Repayments Metrics	2018-19			2017-18		
	Target	Result		Target	Result	
Incoming cohort matched to repayment channel	≥ 96%	97.2%	GREEN	≥ 96%	97.2%	GREEN
Past cohorts of UK-resident borrowers matched to repayment channel	≥ 90%	94.1%	GREEN	≥ 90%	93.5%	GREEN
UK borrowers resident overseas matched to repayment channel	≥ 73%	73.9%	GREEN	≥ 73%	73.8%	GREEN
Non-UK borrowers resident overseas matched to repayment channel	≥ 57%	60.1%	GREEN	≥ 57%	58.7%	GREEN

SLC has piloted schemes targeting borrowers who reside in specific countries overseas, and in some cases, has achieved a substantial improvement in the rate of collection. The pilots have also developed SLC's understanding about how best to tailor collection strategies to achieve optimum results from individual countries. For example, last year SLC targeted 2,900 customers in Australia who were not repaying their loans: this pilot scheme achieved the recovery of £1.3m (between May 2017 and September 2018). SLC has subsequently developed similar schemes for other countries, including USA and Canada. Additionally, SLC has now developed online functionality that enables borrowers to digitally upload their evidence of changed circumstances; this is of particular benefit to overseas customers.

3.3j Contact APRA Targets

SLC received 6 million phone calls during the year, (2.4m of them during the peak August to October period), and successfully met all APRA targets for call answering:

Contact Centre Metrics	2018-19			2017-18		
	Target	Result		Target	Result	
Calls Answered - SFE	≥ 90%	96.1%	GREEN	≥ 90%	95.5%	GREEN
Calls Answered - SFW	≥ 90%	95.6%	GREEN	≥ 90%	95.0%	GREEN
Calls Answered - ICR	≥ 90%	98.7%	GREEN	≥ 90%	97.1%	GREEN
SFNI Calls Answered in 60 seconds	≥ 87%	92.2%	GREEN	≥ 87%	94.5%	GREEN
EMA Wales & WGLG - Calls Answered in 180 seconds	≥ 90%	94.0%	GREEN	≥ 90%	97.2%	GREEN
EMA NI - Calls Answered in 180 seconds	≥ 90%	93.8%	GREEN	≥ 90%	97.4%	GREEN

Abbreviations in this table: SFE/ SFW / SFNI – Student Finance England / Wales /Northern Ireland;
EMA – Education Maintenance Allowance; WGLG – Welsh Government Learning Grant (FE); ICR – Income Contingent Repayment

3.3k Change Programmes' APRA Targets

SLC has APRA targets for three policy-driven programmes within the company's overall change portfolio. One of these was reporting "green" at the turn of the financial year. The HE programme reported "green-amber" overall, largely due to risks within the Childcare Grant change project.

Change Programmes	2018-19 Result	2017-18 Result
HE Programme	GREEN-AMBER	GREEN-AMBER
FE Programme	GREEN	GREEN-AMBER
Repayments Programme	GREEN-AMBER	GREEN-AMBER

3.3l Counter Fraud APRA Target

For a number of years, SLC has measured the Return on Investment (RoI) provided by SLC's Counter Fraud Services (CFS) Team by comparing the value of detected fraud (stopped payments) with the overall cost of the team.

At the same time, the team has employed increasingly sophisticated tools and worked closely with the rest of the business, with the result that certain types of application fraud are no longer being attempted. This has however naturally reduced the value of fraudulent payments stopped, and the RoI measure this year is again below the ambitious 10:1 target, and reports at amber-red. Nevertheless, the value of fraudulent payments that were stopped was still over six times the cost of employing the CFS Team.

Counter Fraud Services - Return on Investment	Target	Result	
2018-19	10:1	6:1	AMBER-RED
2017-18	14:1	11:1	AMBER-RED

3.3m Budget Variance APRA Targets

Following a change in APRA targets for 2018-19, SLC now measures three individual targets for variance against the constituent Admin, Programme and Capital elements of the overall budget. While SLC underspent against the overall £262.4m budget for the year by £1.50m (0.89%), which would have constituted a green-amber result in 2017-18, the company did not meet two of the three new targets, which were set against the three component budgets. The company's overspend against Admin and Programme was approximately matched by a corresponding underspend against Capital; the expenditure for the Admin and Capital elements was beyond the permitted variance thresholds, and these metrics report "red".

Two key factors underlie this result

- Financial reviews have led to the reclassification of some elements of what was formerly considered programme expenditure to become Admin expenditure, (for further detail, see section 3.9 Financial Review)
- There were delays within SLC change programmes, specifically where a number of projects moved from Inception into Delivery later than planned, (and thus capitalisation of expenditure did not occur as budgeted)

* Targets <u>exclude</u> Annually Managed Expenditure (AME)

Budget Variance Metrics	2018-19						2017-18				
	Target	Budget *£m*	Outturn *£m*	Variance *£m*	Variance *%*	RAG Status	Target	Budget *£m*	Outturn *£m*	Variance *%*	RAG Status
Admin	≥ 0% & ≤+10%	42.88	46.90	-4.02	-9.42	RED	NA	NA	NA	NA	NA
Programme	≥ -5% & ≤ +5%	171.42	176.90	-5.48	-2.69	GREEN	NA	NA	NA	NA	NA
Capital	≥ -5% & ≤ +5%	48.10	37.10	11.00	22.85	RED	NA	NA	NA	NA	NA
Total	NA	262.40	260.90	1.50	0.89	NA	≥ 0%	227	224	+1.32	GREEN

3.3n Forecasting Accuracy APRA Targets

SLC provides forecasts to Government on the value that will be paid out in loans and grants, based on the applications that have been received for assessment. This year all four forecasts were within the "green" threshold, a significant improvement on last year's result. Results are detailed below:

Forecasting Accuracy	2018-19					2017-18		
	Target	Result				Target	Result	
		Forecast	Actual	Variance	RAG			
Mid Year Forecast for Grants	±2%	£1.228 Bn	£1.225 Bn	-0.24%	GREEN	±1.75%	1.89%	GREEN-AMBER
Mid Year Forecast for Loans	±1.5%	£17.253 Bn	£17.424 Bn	0.98%	GREEN	±2.25%	0.13%	GREEN
10 Month Forecast for Grants	±1%	£1.237 Bn	£1.225 Bn	-0.96%	GREEN	±0.75%	-1.49%	AMBER-RED
10 Month Forecast for Loans	±0.75%	£17.423 Bn	£17.424 Bn	0.00%	GREEN	±1%	-0.15%	GREEN

3.4. Strategic Challenges

For the investment made by Government each year, (£262m in 2018-19), SLC continues to deliver these services efficiently and expertly, but it is clear that this is becoming increasingly challenging with each year that passes, and that the company must now become more efficient in order to deliver improved performance – for both students and taxpayers.

Policy Priorities

SLC operates in an increasingly complicated policy landscape, which has seen the number of products and services offered by the company almost double in the last six years alone. Providing this support to Government, delivering on each administration's policy priorities – whether to provide new or to refine existing services – 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; for example, DfE's *Review of Post-18 Education and Funding* led by Philip Augar has recently reported its findings. SLC would need significant capacity in its future change programmes to implement whichever recommendations the Government chooses to progress.

To date, SLC has been able to successfully deliver against the policy agenda. A by no means exhaustive list of changes delivered during the financial year 2018-19 provides a flavour of this:

3.4a Highlighted 2018-19 Government Policy Deliveries
(For Academic Years 2018/19 and 2019/20)

New / Changed Product for **AY2018/19**	Domicile(s) Affected	Summary of Changes
Postgraduate Doctoral Loans	England, Wales & EU	Introduction of loans of up to £25,000 for eligible doctoral degree students; non-means tested and paid to the student as a contribution to costs.
Part Time Maintenance Loans	England & Wales	Introduction of a new means tested maintenance loan in England for part time courses from August 2018. Introduction of a new means tested maintenance loan in Wales to replace the course grant; eligible part time students can apply for combined loan and grant support. Entitlement for both products is based on income and intensity of study.
Care leavers	Wales	New category of students introduced: eligible for existing Undergraduate (UG) products. Considered to be independent for the purposes of the financial assessment.
Stateless Leave	England, Wales & NI	New category of students eligible for existing Further Education (FE), UG and Postgraduate (PG) products.
Dental Health and Dental Therapy	England, Wales, NI, EU & Scotland	Dental hygiene and dental therapy undergraduate students currently receive NHS bursary support. From AY2018/19 the NHS Bursary will cease for new students, instead new students studying in England, NI or Scotland will receive the standard package of support.
Welsh Full Time Tuition Fee Support	Wales & EU	Removal of tuition fee grant for new students starting courses from August 2018, replaced by a loan to cover the cost of the tuition fee.
Full time Postgraduate pre-registration courses in nursing, midwifery, and the Allied Health Professions (AHP)	England	Full time postgraduate pre-registration nursing, midwifery, and allied health profession students currently receive NHS bursary support. From AY2018/19 the NHS Bursary will cease for new students, instead new students studying designated pre-registration courses in AHP subjects, nursing or midwifery that lead to a PG Diploma or Master's qualification are eligible for the standard undergraduate support package.
Welsh Full Time Living Cost Support	Wales	Increased support package for new students from AY2018/19 with changed income assessment rules for Welsh Government Learning Grant (WGLG) and maintenance. All eligible students to receive the same amount of support so the balance of grant versus loan differs depending on the income, a lower income entitles the student to a higher grant. All eligible students are entitled to a minimum amount of £1,000 in WGLG. The tuition fee grant element will be removed and students will now be able to access tuition fee loan only.

New / Changed Product for **AY2019/20**	Domicile(s) Affected	Summary of Changes
Accelerated Degrees	England	Increase in the maximum annual tuition fee cap and tuition fee loan available to students on accelerated degree courses (which are completed one year sooner than equivalent standard courses).
JACs coding to the new HECoS coding system	England, Wales & NI	The Higher Education Data and Information Improvement Programme commissioned a project to create the new Higher Education Classification of Subject (HECoS) codes to replace Joint Academic Coding System (JACS).
Institutional Exits Policy	England	Initiatives to deal with situations where providers exit the market (for a variety of reasons).
HERA / Office for Students	England	Implementation of new provisions and working agreements as a result of the introduction of HERA and the creation of Office for Students.
Welsh Postgraduate Masters Support	Wales	New product offering students a combination of loan and means tested grant as a contribution to costs for completing a master's degree course.
DSA changes - Wales	Wales	Service improvements resulting from research and consultation with the sector.
Childcare Grant	England & Wales	Childcare Grant payments will change from being paid directly to students based on estimated costs to being paid to the child care provider via a third party system, based on actual costs incurred. This includes a simplification to the income assessment for Grants for Dependants.
Armed Forces Distance Learners	England, Wales & NI	This is an extension to AY2017/18 policy: students who are distance learning due to being in the Armed Forces and posted outside of their home domicile can access the distance learning package of support.

Technology

To date, SLC has continued to deliver Government policy priorities, but this success has come at a price. Delivering each year's new policy agenda for Government has meant that the company has had to de-prioritise more routine ICT "housekeeping" workstreams, while at the same time the scale and scope of its products and services have exponentially increased. Over time, this has resulted in multiple interdependencies between systems and crucially, an increasingly complicated and expensive process for developing new services.

In an organisation with the assets and a customer base of its size, SLC's technology, data management and organisational structures need to keep pace with industry standards and best practice. A focus on data quality, as a means to maximising the value of the loan book, is a continuing priority. Maintaining and strengthening cyber defences, in order to ensure that the company can continue to securely protect its customers' data remains an important mitigation to SLC's key corporate risks (see Section 3.8).

Attracting and Retaining Employees

SLC's ability to compete for and retain skilled employees in the public sector pay environment has also been an increasing challenge, and has featured as one of the company's top three corporate risks for several years. During 2018-19 the high level of attrition directly led to the company being unable to achieve several operational efficiencies, savings and performance improvements that had been planned. Pay and reward is a recurring theme in SLC employee engagement surveys. Towards the end of the year HM Treasury approved SLC's Low Pay Business Case (see section 3.6 below); the company will continue to pursue further initiatives aimed at improving its ability to attract and retain employees.

3.5. Transformational Strategies and Deliveries

Given the accumulation of technological debt, the difficulties in recruitment and retention and the company's key role in delivering new student finance policy on behalf of Government, SLC has needed to develop a credible plan and persuade Government of the need for supporting investment, to ensure that it can remain fit for the future.

The Original 2020 Strategy

In 2017 SLC launched its original 2020 Strategy. This envisaged a multi-year investment of £154m across four programmes of work:

- Digital Customer
- Digital Architecture
- Operational Excellence
- Repayments

SLC has continued to make significant progress against the original strategy programmes, as illustrated by the following examples:

- As part of the Digital Customer Programme, online applicants are now able to confirm their agreement with terms and conditions using e-signatures, rather than printing, signing and posting a form to SLC. Refinements to SLC's web interfaces now also allow customers to upload digital evidence. These initiatives have resulted in a significant reduction in incoming post.
- LEAN, part of the Operational Excellence Programme, is now well established at SLC with over 1,000 employees trained in the methodology. In 2018-19 LEAN delivered 11 improvement projects across the Operations and Repayments & Counter Fraud directorates, resulting in an average capacity increase of 21%. The average increase in engagement scores, for teams that have implemented LEAN in their area, is 15%.
- Within Repayments, the More Frequent Data Sharing (MFDS) project has now replaced the previous process whereby SLC only received annual updates from HMRC regarding the amounts customers had repaid via the tax system. This is expected to lead to a significant reduction in the value of over-repayments, and therefore also to increased customer satisfaction among borrowers.

SLC has been able to deliver against the strategy at the same time as continuing to meet a significant majority of its APRA performance targets (section 3.3 above) and successfully delivering the policy changes required by Government (section 3.4 above). Furthermore, this has all been achieved during a period of refocusing the business after significant change in senior management.

Refreshed Strategy: The Evolve Programme

In December 2018 SLC's ELT reviewed the 2020 Strategy. The refreshed and extended programme has significantly more focus on three areas: policy commissioning, data and people.

The new programme will also take projects forward from the 2020 Strategy, but only those that have been assessed as being truly transformational.

The end goals for the new Evolve Programme are:

- **Digital Services**

SLC aims to provide an intuitive online experience for customers. As many applications as possible should be fully and automatically processed online. Accurate, real-time information about applications or loan balances should be readily accessible to customers, removing the need for customers to telephone. In addition, the online interfaces for staff will enable them to see consolidated customer details in one place, further enhancing their ability to provide a "right first time" service.

- **Business Architecture and Technology**

To sustain this digital service, SLC systems need to be simplified and more modular, and underpinned by a simplified set of student finance products that are more understandable to customers and easier to roll over each year. Less complex platforms will also enable more efficient delivery of policy change and better use of strategic delivery partners in both Business as Usual (BAU) and change activity.

- **Data**

The programme will strengthen controls and protocols around customer data, with cyber security designed into the data architecture, and focus on clear ownership of and accountability for data. This will consolidate and enhance data analytics capability, and release more value from loan sales and collections' activities.

- **People**

The company aims to introduce a transparent pay and grading structure, with career pathways and a framework that supports progression, enabling a lean, efficient and competent workforce.

3.6. SLC People

Operational Excellence

The Operational Excellence Programme, which originally launched as part of the 2020 Strategy, continued throughout 2018-19. The programme, designed to deliver cultural uplift and enhance organisational performance, encompasses three projects - LEAN, The Role of the Manager and Employee Engagement.

- LEAN – Around 300 managers have completed LEAN Leadership training, where they explored five LEAN tools designed to drive continuous improvement
- Role of the Manager – People managers and senior leaders have been trained in The SLC Way and the associated Eight Behaviours, with focus on developing coaching

skills that will drive performance. This will further develop into a new Management and Leadership Development Programme for the coming year

- Employee Engagement – SLC has action plans for directorates and teams to address areas of weakness, and to build on areas of strength as revealed by this year's engagement survey. Of particular importance will be further progress on pay equity, total reward, career pathways, corporate culture, wellbeing and organisational health

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 Operations and Technology Group directorates. Many apprentices have succeeded in gaining qualifications and entering into substantive roles within SLC. The company's Business Plan for 2019-20 outlines an increase in apprentice, graduate and intern opportunities across SLC.

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 2019 SLC published an EDI Annual Report, alongside the statutory gender pay gap report, both published at www.gov.uk/slc.

This was the first full year of Arcus – SLC's new LGBT+ network - with over 100 employees joining since its launch in February 2018. More than 60 people supported Arcus at the Pride Glasgow and Northern Pride parades, and staff in Wales held their own on-site Pride event at the Llandudno Junction office. Arcus has also been a driver of improvements to SLC's digital customer service – for example by pushing for IT system changes that have now eradicated error messages previously encountered by same-sex sponsors of applicants for student finance.

For a second year, SLC supported and promoted International Women's Day, in March 2019. This year the gender balance of the company's ELT is 50:50 for the first time in its history.

3.6a Gender Analysis of SLC Board Members, Assessors, Directors and Staff

SLC Gender Profile as at 31 March 2019	Male		Female		Total
Board Members	6	54.5%	5	45.5%	11
Governments' Board Assessors	3	75.0%	1	25.0%	4
Executive Leadership Team	3	50.0%	3	50.0%	6
Senior Management Team	15	51.7%	14	48.3%	29
SLC Employees	1,576	45.7%	1,870	54.3%	3,446

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.

3.7. Environment and Sustainability

SLC takes seriously its responsibility to operate in an environmentally aware and sustainable manner. For example, this year the company introduced the facility for students to electronically sign their applications; this alone has led to a significant reduction in paper, waste and cost.

Emissions
Electricity emissions reduced by over 1,000 tonnes of CO_2 this year, (from 3,230 to 2,072). Further reduction in electricity consumption is expected through the installation of dimmer switches at Darlington, and a reconfiguration of warehouse lighting whereby lights automatically switch off when not in use.

Business travel was responsible for 288 tonnes of CO_2 during 2018-19.

SLC is not able to report on fugitive emissions for 2018-19. However, since April 2019 the company's new total facilities management provider has begun providing fugitive emissions data from air conditioning.

Waste Minimisation and Management
In 2018-19 SLC sent 236 tonnes of general waste and 30 tonnes of ICT waste for recycling; the company sent 53 tonnes of general waste to landfill. SLC has recently changed the way it disposes of cardboard, and invested in an industrial shredder to help recycle more paper.

Finite Resource Consumption
SLC does not have accurate figures to report on water usage for 2018-19 (due to an issue, now resolved, with faulty metering). However, water consumption has reduced in SLC offices through various measures, including for example the removal of cooling towers from one office.

Biodiversity Action Planning
SLC has little ground space, and therefore no biodiversity action plan. However, the company has recently completed the planning process for rain water harvesting at the Darlington site. If successful, this may be rolled out to other offices.

Sustainable Procurement
SLC is committed to sustainable procurement principles, and ensures that environmental, social, fair-trade and whole life cost impacts are taken into consideration in the assessment of value for money. The company makes sustainability risk impact assessments for products and services, and encourages new and existing suppliers to consider the social and environmental impacts of their services and to comply with national and international standards.

Climate Change Adaptation
SLC has eradicated the use of single use plastic cups at water coolers, and has purchased reusable water bottles and hot liquids flasks for every member of staff. The company will continue to monitor how its processes could contribute to climate change and take preventative action wherever possible.

3.8. Principal Risks

The key risks experienced by the company during 2018-19 were:

Pay and Reward
If SLC is to successfully deliver against its strategic objectives then it must invest in the future workforce of the organisation, ensuring that it is adequately skilled, rewarded and incentivised to meet performance goals.

Following approval of the Pay Business Case in March 2019, which secured a salary increase for over 1,900 members of lower paid staff (Grades 1-3), key mitigations now being finalised include the implementation of a reward and career framework that includes the creation of a new pay and grading structure.

Information Security
Information is an important asset at SLC. If systems are not sufficiently protected, confidentiality of the asset may be compromised. Without preventative action, a cyber-attack may lead to data loss and/or business disruption. It is equally important to ensure the integrity of this data (i.e. quality and accuracy) and that personal data is handled and stored appropriately.

These risks are mitigated by continuous deliveries of improvements from:

- The ongoing Security Programme, which has particular focus on further encryption and further hardening of SLC's cyber defences
- The ongoing General Data Protection Regulations (GDPR) Compliance Programme, covering information and data handling
- The ongoing work of two specialist teams, one focused on security technology and one on security governance

External Environment
A complex policy commissioning process can interact with the political issues of the day (either at UK-level, or within devolved administrations) and can lead to late regulations or delays in the necessary approvals to launch change programmes; this in turn compresses

development and service delivery timescales. Increasingly complex policy demands compound this problem and place additional pressure on an already highly leveraged operational workforce.

This was managed by a change freeze in Quarter 3, whereby the company worked closely with shareholders to control the incoming volume of new policy demands and re-prioritise resources while continuing to meet APRA requirements. Although progress has been made, there is still opportunity for SLC to be engaged earlier in policy development.

3.9. Emerging Risks

Government has a number of significant financial and policy objectives which rely on a well-functioning SLC. These include possible loan book sales, and the possible implementation of the Post-18 Review recommendations. In the short time since the Post-18 report was released, SLC has been able to conduct an initial, high-level analysis of the potential impact of the recommendations. There is a significant amount of change and potential for complexity that may be introduced by the Post-18 review, dependent on the Government's response.

SLC will work with DfE to produce more detailed delivery assessments over the coming months. The company will also update delivery timelines and resource estimates for implementing the recommendations to enable DfE to set expectations of Ministers when required. DfE is in the process of establishing a Post-18 working group with SLC to facilitate this work.

3.10. Financial Review

Grant-in-Aid Funding

SLC is primarily funded through Grant-in-Aid, received from the 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

Grant-in-Aid funding covers both operating expenditure and change programme expenditure, together referred to as the "business lens". 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. Table 3.10a details UK funding for the delivery of SLC core activities and change projects for 2018-19 and 2017-18.

There were a number of delays to deliveries within the 2018-19 change portfolio, many due to recruitment and retention issues, others through additional scope being requested for the policy portfolio, and several projects required rescheduling. Alongside the classification review (discussed further below), this had a significant effect on the original budget requirements for capital DEL funding for the year, and placed a higher reliance on supplier partner resource which increased the requirement for programme funding. As a result, SLC received revised APRA programme funding.

3.10a UK Funding for Delivery of SLC Core Activities and Change Projects

	Operating Expenditure	Continuous Improvement	Change & Strategy Programme	Total
2018-19	**£'000**	**£'000**	**£'000**	**£'000**
Non-ringfenced (Cash)	138,500	10,000	80,700	229,200
Ringfenced (Non-cash)	33,200	-	-	33,200
Total Admin	**171,700**	**10,000**	**80,700**	**262,400**
2017-18				
Non-ringfenced (Cash)	125,100	-	75,000	200,100
Ringfenced (Non-cash)	27,900	-	-	27,900
Total Admin	**153,000**	-	**75,000**	**228,000**

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 2018-19 was £229.2m (2017-18: £200.1m).

Non-cash funding also contains two budgets. Firstly, ring-fenced DEL comprises non-cash expenditure such as depreciation. Secondly, Annually Managed Expenditure (AME) covers expenditure which cannot be fully controlled such as pension adjustments, some provisions and impairments. The non-cash element of funding amounted to £33.2m in 2018-19 (2017-18: £27.9m).

Non-Grant-in-Aid Funding

SLC continued to receive other income amounting to £609,000 (2017-18: £457,000) 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 £118,000 (2017-18: £92,000).

Financial Leadership

The appointment of a permanent Chief Executive and permanent Chief Financial Officer has led to additional focus on forecasts and risks. New monthly ELT business review meetings have strengthened financial analysis and review, and Executive Directors' accountability. Three specific reviews took place, as follows:

(a) Classification Review

SLC conducted an extensive review into the correct classification of expenditure as Admin, Programme or Capital, as per HMT's budgeting guidance. In consultation with DfE, several reclassifications of expenditure took place during 2018-19 to ensure compliance with HMT guidance. This resulted in net movement from Programme to Admin expenditure of £4.7m.

Financial training for all budget holders was rolled out in the first quarter of 2019-20 in order to strengthen financial awareness and understanding of HMT guidance; this training will continue as part of a business as usual programme.

(b) Review of Judgements and Estimates

SLC adopted IAS 38, Intangible Assets, from 1 April 2009. There has been no significant change to the accounting standard since that date. Since its adoption in 2009, SLC have capitalised the costs of staff or contractors working directly on projects that produce an intangible asset. SLC also began capitalising corporate overheads from 2014-15 to reflect the increased expenditure supporting investment in intangible assets.

The company has reviewed which items of expenditure can be directly attributed to the cost of developing software in-house. As a result, the company has revised how these costs are estimated and introduced a management overhead charge attributable to software development. This is compliant with IAS 38, and has resulted in a prior period adjustment as detailed below.

(c) Prior Period Adjustments

Prior year comparatives have been restated following SLC's reassessment of the costs previously attributed to internally generated software. The original assumptions behind the calculations are no longer assessed as a valid cost that is directly attributable to the value of the internally generated intangible assets. See note 20 to the accounts for details regarding the restatement.

Year-End Outturn

The overall outturn was £260.9m, an underspend of £2.3m against the APRA budget, as shown in Table 3.10b below:

3.10b Final budget outturn position of net expenditure – excluding AME

	2018-19			2017-18 As Originally Reported		
	Budget	Outturn	Variance	Budget	Reported Outturn	Variance
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Non-Ringfenced (Cash)	229,200	227,100	2,100	200,100	198,600	1,500
Ringfenced (Non-cash)	33,200	33,800	(600)	27,900	25,300	2,600
Total DEL	**262,400**	**260,900**	**1,500**	**228,000**	**223,900**	**4,100**

3.10c Reconciliation to Statement of Comprehensive Net Income / Expenditure

Reconciliation to Financial Statements	2019	2018 Restated	2018
	£'000	£'000	£'000
Total expenditure per Financial Statements*	190,600	154,200	146,900
Non Grant-in-Aid Income (note 3)	-1,000	-600	-600
Amortisation of deferred capital receipts excluding bursaries (note 4)	34,300	23,700	25,700
Capital additions – tangible	5,400	3,900	3,900
Capital additions – intangible	31,600	40,800	48,000
Total Outturn	**260,900**	**222,000**	**223,900**

* This represents staff costs, restructuring costs, depreciation amortisation and impairments, deferred capital receipts, other administrative expenses and finance costs as detailed in the financial statements.

During the year, staff costs increased by 11.9%, from £88.4m to £98.9m. The key changes were due to a 9% increase in full time equivalent staff numbers since the previous year – from 2,859 to 3,105. Specifically, there has been an increase in staffing to support project delivery as well as an increase in operational areas.

Other administrative expenses increased by 41%, from £64.4m to £90.6m. This increase was largely due to a £12m increase in supplier partner resource. During 2018-19 there was higher expenditure on the underlying infrastructure for SLC's existing systems resulting in higher costs on software maintenance which rose from £2.9m to £4.8m.

There was an overall reduction of £2.8m in the recharge of professional services to capital projects compared to the prior year, and third party telephone services increased by £1.7m from the prior year.

Pension Scheme

The Statement of Financial Position (SOFP) reports that SLC had total net liabilities at 31 March 2019 of £36.7m. The pension liability represents £31.1m of that total, with provisions for dilapidations representing £5.0m. Progress continues to be made towards addressing the longer-term financial sustainability of SLC's defined benefit retirement and death benefit scheme, by transferring active members of it to the Civil Service Pension Scheme. Any changes will be subject to appropriate staff consultation and approval from Departments, SLC Board, SLC Pension Trustees, HM Treasury and Cabinet Office. In the meantime, the short-term liquidity risk of the scheme is being addressed through additional pension contributions detailed in note 17 of the financial statements. SLC considers it appropriate to adopt a going concern basis for the preparation of these financial statements.

Losses, Special Payments and Write-offs *(this information is subject to audit)*

As part of the wider improvement strategy in financial compliance, SLC introduced a quarterly review of losses, special payments and write-offs during the year. The total payments written off during the year amounted to less than £30,000.

Each year, SLC has a specific delegated authority of up to £100,000 for ex-gratia payments. Total ex-gratia payments (which include payments that SLC is required to make by the DfE appointed Independent Assessors) exceeded the delegated authority during the year, with total expenditure of £102,052. Separate approval for one exceptional ex-gratia payment for £11,000 was also received. Retrospective approval to exceed the limit by this small amount has been provided by DfE as per the Framework Document. New monthly review processes have been introduced to monitor these payments, with clear ownership at Executive Director level.

As stated in section 6, an internal audit report during the financial year found that 207 laptops were unaccounted for. The full value of the loss of all laptops was estimated at £100,000. In addition, the report found that some mobile devices were unaccounted for, with an approximate maximum value of £37,000.

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 Government Financial Reporting Manual.

Supplier Payment Policy

SLC aims to comply with the Government's Better Payment Practice Code. 98% (2018: 98%) of invoices were paid within the normal trading terms of 30 days, with 61% (2018: 65%) being paid within 5 days.

This report was approved by SLC's Main Board on 24 July 2019 and signed on the Board's behalf by:

Paula Sussex, SLC Chief Executive / Accounting Officer

Date: 26th September 2019

4. Remuneration and Staff Report

Contents

Tables

4.1. Oversight and Responsibilities

The Remuneration and Staff Report sets out the remuneration of all 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 2019.

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

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, which is subject to approval by the Secretary of State for Education in conjunction with relevant Ministers. The Committee determines the total individual remuneration package for other members of the ELT in consultation with the Chair and the CEO.

The members of the RPOD who served during 2018-19:

4.1a Committee Membership

	From	To
David Gravells	1 April 2018	31 March 2019
Antonia Cox	1 April 2018	31 March 2019
Mary Curnock Cook	1 April 2018	31 March 2019

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

4.2. Management Changes

Peter Lauener continued as Interim CEO during the period until the appointment of the new CEO and Accounting Officer, Paula Sussex, on 17 September 2018.

Mike Blackburn left the organisation as Interim Chief Financial Officer on 15 July 2018, with Jacqui Smillie taking up the post of Chief Financial Officer on 16 July 2018. He remained with the organisation on an advisory basis until 4 August 2018. David Wallace continued as Deputy CEO and Chief Customer Officer throughout the period, Derek Ross continued as

Executive Director of Operations and Adrian Tucker continued as Interim Chief Information Officer (CIO). A permanent CIO has now been appointed.

Bernice McNaught's role as Executive Director of Repayments, Counter Fraud and HR changed in January 2019, retaining responsibility as Executive Director of Repayments and Counter Fraud and including Senior Responsible Officer responsible for SLC's Strategy Programme (Evolve).

Morven Spalding took over management of SLC's HR function from Bernice McNaught as the organisation's new Interim HR Director on 26 November 2018.

4.3. Remuneration Policy

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

All ELT members who are permanent employees are on standard SLC contracts of employment and have notice periods of six months. Members of ELT who are not permanent employees are 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.

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

Pensions

ELT members who are permanent staff have the option of joining the Student Loans Retirement and Death Benefits Scheme. As ordinary members, they contribute 6% of pensionable salary and SLC contributed 27.1% of employees' pensionable salary during the year, in line with the 2013 actuarial valuation and recovery plan agreed with the Trustees of the Scheme. Ordinary members' contributions will remain at 6% for the 2019-20 and SLC will contribute 45.4% of employees' pensionable salary.

The SLC scheme is a final salary scheme providing benefits at the earliest retirement age of 65. These benefits consist of an annual pension based on a final pensionable salary and pensionable service, and a tax-free lump sum payable on retirement, which is equivalent to three times the annual pension.

SLC intends to introduce the Civil Service Pension Scheme Arrangements (CSPA) during 2019-20, potentially transferring active SLC scheme members to the CSPA and providing the 'alpha' and 'partnership' schemes for other staff to join. Following the transfer of its active members, the SLC scheme would operate in a residual manner, accommodating any requirements for deferred members and pensioners for the foreseeable future. The company would continue to provide resource and assist the Trustees in the management of the scheme.

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 those members of the ELT who are not permanent employees.

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.

4.4. Executive Salary and Pension Information

(This section of the report is subject to audit)

4.4a Fees Paid to Chair and Non-Executive Directors

	31 March 2019			31 March 2018		
	Remuneration £'000	Other Expenses (to nearest £100) £'000	Total £'000	Remuneration £'000	Other Expenses (to nearest £100) £'000	Total £'000
Christian Brodie	50.0	3.6	53.6	50.0	3.6	53.6
Antonia Cox (to 31 March 2019)	17.0	3.1	20.1	17.0	2.6	19.6
Simon Devonshire	17.0	1.8	18.8	17.0	1.7	18.7
Natalie Elphicke	17.0	2.0	19.0	17.0	3.0	20.0
David Gravells	17.0	4.1	21.1	17.0	5.0	22.0
Sally Jones-Evans (to 31 March 2018)	-	0.2	0.2	17.0	2.6	19.6
Mary Curnock Cook (from 11 December 2017)	15.0	3.1	18.1	4.6	0.6	5.2
Andrew Wathey (from 1 January 2018)	15.0	1.7	16.7	3.8	1.1	4.8

The total expenses shown above for each Director include travel and accommodation costs arranged and paid for by SLC. These expenses are necessarily incurred on behalf of the Chair and Non-Executive Directors in order to carry out their roles.

4.4b Remuneration of ELT

31 March 2019					
	Remuneration £'000	Other Benefits and Expenses (to nearest £100) £'000	Performance related pay £'000	Pension Contributions £'000	Total Remuneration £'000
Paula Sussex (from 17 September 2018)	102.9 (190.0)*	0.1	7.5	12.6	123.1
Peter Lauener (to 16 September 2018)	60.0 (150.0)*	14.7	-	13.3	88.0
David Wallace	142.5	2.0	5.0	37.0	186.5
Derek Ross	126.8	8.3	3.0	32.7	170.8
Bernice McNaught	126.8	1.5	4.0	32.7	165.0
Jacqui Smillie (from 16 July 2018)	92.6 (130.0)*	2.5	2.3	0.6	98.0
Morven Spalding (from 26 November 2018)	38.8 (110.0)*	-	-	0.3	39.1
Adrian Tucker	319.5 (312.5)*	-	-	-	319.5
Mike Blackburn (to 15 July 2018)	99.7 (290.0)*	-	-	-	99.7

31 March 2018					
	Remuneration £'000	Other Benefits and Expenses (to nearest £100) £'000	Performance related pay £'000	Pension Contributions £'000	Total Remuneration £'000
Peter Lauener (from 27 November 2017)	41.8 (150.0)*	7.4	-	5.0	54.2
Steve Lamey (to 7 November 2017)	130.3 (205.0)*	5.2	-	13.0	148.5
David Wallace	144.8	-	10.0	36.0	190.8
Derek Ross	126.3	12.3	3.3	32.0	173.9
Paul Mason (to 9 March 2018)	119.1 (126.3)*	-	-	31.0	150.1
Bernice McNaught	126.2	-	3.3	32.0	161.5
John Evans (to 25 July 2017)	41.0 (120.0)*	-	-	8.0	49.0
Adrian Tucker (from 4 December 2017))	107.0 (312.5)*	-	-	-	107.0
Mike Blackburn (from 26 July 2017)	227.6 (290.0)*	-	-	-	227.6
Chris O'Connor (to 30 November 2017)	242.5 (302.4)*	-	-	-	242.5

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

Other benefit and expenses paid to members of the ELT represented reimbursement of subsistence and travel costs. The only taxable benefits were living accommodation and travel of £9,900 (2018: £4,400) incurred by Peter Lauener, and a car benefit of £5,300 (2018: £3,700) to Derek Ross. There were no redundancy payments to members of the ELT for loss of office made during the year (2018: £nil).

4.4c Agency Payments for temporary members of the ELT

	31 March 2019			31 March 2018		
	Gross Payments £	Agency Fees £	Net Remuneration £	Gross Payments £	Agency Fees £	Net Remuneration £
Mike Blackburn	103,771	4,056	99,715	227,574	10,985	216,589
Adrian Tucker	336,706	17,251	319,455	106,872	5,037	101,835
Chris O'Connor	-	-	-	242,457	11,607	230,850
TOTAL	**440,477**	**21,307**	**419,170**	**576,903**	**27,629**	**549,274**

4.4d Retirement Benefits for the ELT

	Accrued pension as at 31 March 2019 £'000	Accrued lump sum as at 31 March 2019 £'000	Increase in accrued pension during the year to 31 March 2019 £'000	Increase in lump sum during the year to 31 March 2019 £'000	CETV as at 31 March 2019 £'000	CETV as at 31 March 2018 £'000	Increase in CETV net of inflation £'000
Paula Sussex	0-5	0-5	0-2.5	0-2.5	10	n/a	10
David Wallace	10-15	40-45	0-2.5	2.5-5	374	330	36
Derek Ross	25-30	85-90	0-2.5	2.5-5	910	866	23
Bernice McNaught	0-5	10-15	0-2.5	2.5-5	112	77	33

(i) 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 Scheme
(ii) Inflation over the year was 2.4%
(iii) Any Additional Voluntary Contributions paid by members of the ELT and the resulting benefits are not shown
(iv) "Increase net of inflation" does not include a deduction for member contributions
(v) Although Peter Lauener received pension contributions during the year, these were not made to the SLC Retirement and Death Benefits Scheme, but to a nominated pension scheme

The total annualised remuneration of SLC's CEO, as the highest paid permanent member of the ELT, was £190,000 (2018: £184,598). This was 9.4 times (2018: 9.5 times) the median remuneration of the workforce.

Total remuneration does not include employer pension contributions, any accrued benefits in kind or bonuses, and the cash equivalent transfer value of pensions. SLC was subject to continuing pay restrictions and distributed a consolidated pay uplift of 1.5% to all staff members with effect from 1 October 2018.

4.4e Median Remuneration Table

	31 March 2019 £	31 March 2018 £
CEO's Total Remuneration	190,000	184,598
Median Total Remuneration	20,242	19,531
Ratio	9.4	9.5

In both the years ended 31 March 2019 and 31 March 2018, the highest paid member of the ELT was the Interim CIO. He has been contracted through an agency since December 2017. His full salary for the year ended 31 March 2019 amounted to £319,455 as he worked additional hours during the year in comparison to the annualised calculation of his salary. Efforts to recruit a permanent employee for this post have now been successful, and the new CIO has been appointed.

The total annualised remuneration of the Interim CIO payable by Capita Business Services would be £312,480 (2018: £312,480) equivalent to 15.4 times (2018: 16.0 times) the median remuneration of the workforce.

4.4f Median Remuneration compared to Highest Paid member of the ELT

	31 March 2019 £	31 March 2018 £
Interim CIO's Total Remuneration	312,480	312,480
Median Total Remuneration	20,242	19,531
Ratio	15.4	16.0

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

The median calculation includes only employees who were in a contract of employment with SLC on 31 March each year. The calculation therefore excludes members of the ELT, such as the Interim Chief Financial Officer Mike Blackburn, and the Interim Chief Information Officer Adrian Tucker, as contractor day rates are not directly comparable to staff salaries. All other contractor costs are similarly excluded from the calculation. This methodology is consistent with disclosures in prior years.

4.5. Staff Report

This section of the report is subject to audit

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

4.5a Staff Numbers

	31 March 2019 No	31 March 2018 No
Executive Leadership Team	5	5
Senior Management Team	25	25
SLC Employees	3,075	2,829
Full time equivalent employees	**3,105**	**2,859**

All staff were employed by SLC for the purposes of administration and operation of the student finance support scheme.

Staff costs for SLC comprise the following:

4.5b Wages and Salaries

	31 March 2019			31 March 2018		
	Permanent Staff *£'000*	Agency Costs *£'000*	Total Remuneration *£'000*	Permanent Staff *£'000*	Agency Costs *£'000*	Total Remuneration *£'000*
Wages and salaries	78,476	2,845	81,321	69,941	1,527	71,468
Social security costs	7,055	-	7,055	6,296	-	6,296
Pension costs	9,707	-	9,707	9,951	-	9,951
Direct staff costs	**95,238**	**2,845**	**98,083**	**86,188**	**1,527**	**87,715**
Indirect staff costs	782	-	782	683	-	683
TOTAL	**96,020**	**2,845**	**98,865**	**86,871**	**1,527**	**88,398**

'Permanent Staff' includes all staff with an employment contract with SLC - these contracts may be for permanent employment or fixed term employment. 'Agency Costs' covers 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 a large number of 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. Payment of severance is excluded from the above, and is detailed in table 4.5d..

The Strategic Report provides further details on people management, including equality, diversity and inclusion at SLC.

Sickness Absence (*This section of the report is not subject to audit*)

Sickness absence is recorded on a rolling 12-month full time equivalent basis.

4.5c Sickness Absence Report

	31 March 2019	31 March 2018
	%	%
Sickness Absence	4.69	4.28

Severance (This section of the report is subject to audit)

SLC agreed and paid 1 (2018: 16) severance payment during the period. One additional severance payment was agreed during the year, but paid after the end of the financial year. A relevant accrual has been made, and the exit packages note in 2019-20 will reflect that payment. Note 1 to the financial statements details SLC's policy on termination benefits under the heading 'Employee Benefits'. One employee also received a payment through insurance due to ill health (2018: nil).

4.5d Severance Payments

Cost Band	31 March 2019 No	31 March 2018 No
£0 - £9,999	-	1
£10,000 - £25,000	-	5
£25,001 - £50,000	1	6
£50,001 - £75,000	-	2
£75,001 - £100,000	-	1
£100,001 - £125,000	-	1
Total number of severance payments	1	16
Cost	**31 March 2019 £'000**	**31 March 2018 £'000**
Total cost on a cash basis	25	615

Trade Union Facility Time

SLC has a longstanding relationship with its recognised trade union, Public & Commercial Services Union (PCS). SLC and PCS hold monthly meetings which provide an opportunity to discuss and resolve employment and business related matters.

During the year, 15 SLC employees (14.5 full time equivalent) acted as PCS representatives (2018: 23 employees and 21 full time equivalent) across the four SLC sites; Glasgow City Centre, Glasgow Hillington, 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.

Previously, 13 of the 19 PCS representatives within SLC spent up to 50% of their time on union duties and 6 spent in excess of 50% of their time on union duties. In the year to 31 March 2018, 15 representatives spent up to 50% of their time on union duties and 8 spent in excess of 50% of their time on union duties.

The annual cost of union facility time amounts to £58,795 (2018: £112,000). This amounts to 0.06% of the total annual pay bill.

Paula Sussex, SLC Chief Executive / Accounting Officer

Date: 26th September 2019

5. Governance Statement

Contents

Tables

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 Financial Reporting Manual (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

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.

The Legal Framework

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.

The SLC Board

The Board is responsible for taking forward the strategic aims and objectives of SLC consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State. In summary, the Board's role is to:

- Establish the strategic aims and objectives for SLC and monitor SLC's performance against these
- Ensure that effective governance is in place around the use of public funds
- Regularly review financial information concerning the management of SLC, and provide assurance to Government that appropriate action is taken over any concerns
- 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 on the basis of 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 consistent with the UK Corporate Governance Code and appropriate adaptations of Corporate Governance in the Central Government Departments Code of Good Practice. The Directors are not aware of any deviations from the UK Corporate Governance Code during the year.

The Audit and Risk Committee (ARC)

ARC is a committee of the Board, and also advises SLC's Accounting Officer on matters relating to internal control and governance, by reviewing the effectiveness of audit, risk management and assurance arrangements, including the reliability and integrity of these assurances.

Remuneration People and Organisational Design (RPOD) Committee

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; recommendations from the CEO/ELT on any major organisational or executive leadership changes require RPOD's approval.

Board and Committee Membership

5.2a Board Members

	From	To
Christian Brodie, Non-Executive Chair [1]	February 2014	January 2020
Antonia Cox, Non-Executive Director	March 2016	March 2019
Mary Curnock Cook, Non-Executive Director	December 2017	December 2020
Simon Devonshire, Non-Executive Director [1]	March 2016	March 2022
Natalie Elphicke, Non-Executive Director [1]	March 2016	March 2022
David Gravells, Non-Executive Director [1]	March 2016	September 2020
Andrew Wathey, Non-Executive Director	January 2018	January 2021
Peter Lauener, Interim CEO	November 2017	September 2018
Paula Sussex, CEO	September 2018	ongoing
David Wallace, Deputy CEO and Chief Customer Officer [2]	January 2019	ongoing
Jacqui Smillie, CFO [2]	January 2019	ongoing
Gary Womersley, Company Secretary	December 2015	ongoing

[1] Second term appointment
[2] Appointed as Companies Act Directors

5.2b ARC Members

	From	To
Natalie Elphicke, Non-Executive Director, Chair of ARC *	May 2016	March 2022
Mary Curnock Cook, Non-Executive Director	September 2018	December 2020
Andrew Wathey, Non-Executive Director	March 2018	January 2021
Ian Lee, Independent External Member of ARC *	September 2011	August 2018
Douglas Griffin, Independent External Member of ARC	September 2018	August 2021

*Extension to second term

5.2c RPOD Members

	From	To
David Gravells, Non-Executive Director, Chair of RPOD	June 2016	September 2020
Mary Curnock Cook, Non-Executive Director	March 2018	December 2020
Antonia Cox, Non-Executive Director	November 2016	March 2019

Biographical information on Executive and Non-Executive Directors can be found at www.gov.uk/slc. The Remuneration and Staff Report (section 4 above) contains information on their remuneration.

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 also has access to SLC's regular internal control and risk reports.

Shareholders' key responsibilities include:

- Determining policy for student support, establishing and maintaining the legislative framework
- Setting SLC's functions, strategic focus, business objectives and targets
- Providing a resource budget and Grant-in-Aid
- Monitoring SLC's role and operation

5.2d Government Assessors

Sinead O'Sullivan, Department for Education
Chris Williams, Welsh Government
Gareth Allen, Scottish Government
Jonny O'Callaghan, Department for the Economy, Northern Ireland

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 SLC interests and their own interests. Related parties in line with IAS 24 are held within note 22 to the financial statements. A Register of Interests is available upon request.

Board and Committee Attendance

The Board held eleven regular meetings during 2018-19, plus an additional special meeting in September 2018 to discuss the recommendations of the Board effectiveness review. Details of the review are discussed below.

ARC and RPOD held five and seven meetings respectively during 2018-19.

For each attendee, the table below shows how many meetings they attended, out of the total number of meetings that occurred during the period of their membership.

5.2e Members' Attendance Record

Member	Board	Special Board	ARC	RPOD
Christian Brodie, Non-Executive Chair *	11 / 11	1 / 1	0 / 5	4 / 7
Antonia Cox, Non-Executive Director	11 / 11	1 / 1	-	7 / 7
Mary Curnock Cook, Non-Executive Director	10 / 11	1 / 1	3 / 3	6 / 7
Simon Devonshire, Non-Executive Director	9 / 11	1 / 1	-	-
Natalie Elphicke, Non-Executive Director, Chair of ARC	11 / 11	1 / 1	5 / 5	-
David Gravells, Non-Executive Director, Chair of RPOD	11 / 11	0 / 1	-	6 / 7
Andrew Wathey, Non-Executive Director	10 / 11	1 / 1	5 / 5	-
Peter Lauener, Interim CEO	5 / 5	1 / 1	-	-
Paula Sussex, CEO	7 / 7	1 / 1	-	-
David Wallace, Deputy CEO	10 / 11	1 / 1	-	-
Jacqui Smillie, CFO	8 / 8	1 / 1	-	-
Gary Womersley, Company Secretary *	11 / 11	1 / 1	5 / 5	7 / 7
Ian Lee, Independent External Member of ARC	-	-	2 / 2	-
Douglas Griffin, Independent External Member of ARC	-	-	3 / 3	-

* SLC's Chair has a standing invitation to attend ARC / RPOD when required; the Company Secretary attends by invitation and as a non-member.

Matters Considered by the Board

In addition to the regular review of operational and financial performance and risk, matters considered by the Board during 2018-19 included:

- Appointment of the new CEO
- The 2020 Strategy, and future Evolve Programme
- Approval of strategic plans and budgets
- Summary reports from the Chairs of RPOD and ARC
- GDPR
- The ICR debt sale

- Cyber security
- The SLC Pension Scheme
- UKGI and NAO governance reports
- The 2017-18 Annual Report and Accounts
- Board Effectiveness Review recommendations (see also below)

Board minutes can be found at www.gov.uk/slc.

Matters considered by ARC

Matters considered by ARC during 2018-19 included:

- The Annual Report and Accounts for 2017-18
- The Internal Audit Annual Report for 2017-18
- Appointment of the National Audit Office (NAO) as external auditor
- Transfer of SLC's Internal Audit to the Government Internal Audit Agency
- Audit strategy, plans and progress reports
- Annual audit of the accuracy of student support payments in England and Wales
- Risk management arrangements, and key risks and issues
- Performance targets and financial delegation arrangements
- Review of the departmental security health check

Matters considered by RPOD

Matters considered by RPOD during 2018-19 included:

- The performance and objectives of the CEO and Interim CEO
- ELT performance
- The ELT re-design and terms of appointment
- SLC's annual pay remit, pay business case and reward strategy
- CEO and CFO recruitment and contractual arrangements
- Update on the SLC Pension Scheme
- People Strategy
- Equality, diversity and inclusion
- Gender pay-gap reporting
- The Remuneration and Staff Report of the Annual Report and Accounts

Board Effectiveness Review

During 2018-19 SLC commissioned an independent company to conduct a Board Effectiveness Review. The review found that the Board and its committees were effective in fulfilling their statutory duties, and described SLC's Non-Executives and Directors as a very high quality group with extensive experience of operating at high levels of seniority. The mix of skills contributed by Board members in key areas of education, finance, legal, government/public sector and general corporate governance was deemed to be very good.

The assessment was above average across all categories and particularly strong in relation to the ARC and RPOD Committee.

The review was discussed at the Board meeting in July 2018 and at a separate specific meeting of Directors held in September 2018. The Board has responded to recommendations by making improvements to the Board schedule (including replacing some meetings with "deep-dive" sessions), introducing specific strategy and planning meetings, and will establish a new committee to monitor the Evolve Programme.

New Board Members

Inductions were held for all new members who joined the Board during 2018-19. Additionally, each Board member was "paired" with a member of ELT in order to develop knowledge and understanding of the business.

The Executive Leadership Team

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 the 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 at SLC's Board.

5.2f Executive Directors

Executive Directors	In-Year Changes
Paula Sussex, CEO	Since 17 September 2018
Peter Lauener, Interim CEO	Until 16 September 2018
David Wallace, Deputy CEO and Chief Customer Officer	N/A
Jacqui Smillie, CFO	Since 16 July 2018
Mike Blackburn, Interim CFO	Until 15 July 2018
Adrian Tucker, Interim Chief Information Officer	N/A
Derek Ross, Executive Director of Operations	N/A
Bernice McNaught, Executive Director of Repayments and Counter Fraud	N/A

The CFO provides financial reporting monthly to the ELT and the Board. This covers analysis of spend to date and full year forecasts, to enable SLC to effectively manage its finances. The Finance team also provides monthly expenditure returns and forecasts to the DfE, to ensure that SLC's business is transparent and reported in line with requirements.

During 2018-19 the ELT prioritised:

- Stronger focus on financial and performance data
- Stronger focus on collective decision-making and accountability
- Review of the 2020 Strategy and development of the Evolve Programme
- Strengthened business planning arrangements
- Longer-term ("horizon scanning") risk analysis

Since December 2018, the ELT has held a monthly briefing session with SMT to provide updates on key discussions.

Tailored Reviews

SLC, as an NDPB, is subject to a regular Tailored Review (at least once during every parliament is stipulated; the aim of Tailored Reviews is to ensure that public bodies are well governed and properly accountable for what they do). The Tailored Review examined SLC's longer term operating model following an earlier review that DfE had commissioned from UK Government Investments (UKGI), which had focused on the governance model in place between DfE and SLC. The Tailored Review's report was published on 18 July 2019.

5.3. SLC's Risk Management Arrangements

Risk Management

SLC has a clear and comprehensive risk management framework in place. A framework of risk identification, assessment and escalation has been embedded in the culture of SLC.

All identified risks are categorised against the key business objectives set out in the company's Business Plan, which can be found at www.gov.uk/slc. The company operates within a 'cautious' risk appetite.

Enhancements to Risk Assurance

Continuous improvement within risk management has led to a number of changes during 2018-19.

Steps to further embed the Corporate Risk Team as a second line assurance function include its move into the CFO Directorate, where it will become part of a new team that will have responsibility for embedding a robust risk and compliance framework and culture across SLC.

A key set of enhancements has aimed to contextualise SLC risk within the wider Government risk environment, through deeper and more frequent engagement with stakeholders. Enhancements include:

- A new joint risk and information forum with DfE
- Regular engagement for the first time with devolved administrations
- Benchmarking across all of DfE's Arm's Length Bodies' risk teams
- A formal escalation process between DfE and SLC

The Corporate Risk Manager prepares regular risk reports for discussion at ARC and Board, and Executive Directors are invited to escalate key risks via the CEO Report.

Key Risks in 2018-19

The three key risks under consideration at the end of the year were pay and reward, external environment and information security and are detailed in the Strategic Report (see section 3.8 above).

5.4. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. I have sought assurance on governance arrangements during the period prior to my appointment on 17 September 2018 from my predecessor Peter Lauener. I established with him, through an effective and extensive handover, the necessary assurance regarding controls and governance. Accordingly, I take personal responsibility in this Governance Statement for the full financial year 2018-19.

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 2019, 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 issues.

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.

Internal Audit Opinion

Internal Audit provided an 'adequate' opinion on the framework of governance, risk management and control within SLC for 2018-19. This opinion reflects the coverage of the agreed 2018-19 internal audit plan. The opinion direction is made on the basis of the work and assurance provided during 2018-19 to date, meetings with senior management, and the provision of their advisory work. Internal Audit has also considered the work of other assurance providers where available.

During 2018-19, the majority of areas reviewed exhibited 'good' or 'adequate' internal control systems. Internal Audit noted improvements in the administration of student support payments, corporate governance compliance, and were satisfied with risk management arrangements. They did however note a number of control weaknesses and issues across the business. Underlying themes include ageing software and business systems, skills shortages, data integrity, and gaps in controls over aspects of procurement.

With the full support of ARC, significant efforts and resources have been applied in mitigation, albeit Internal Audit noted that some issues will take time to fully resolve, in particular, the implementation of the replacement ERP system, and the upgrade of core business systems infrastructure, alongside staff reward.

The ARC will continue to monitor implementation and embedding of these improvements, and any additional related control recommendations made by external auditors in respect of the above matters during 2019-2020.

In summary, Internal Audit concluded that, where internal control issues have been identified, appropriate steps have been taken, or mitigations appropriate to the risks have been identified, and recommendations have been presented to remedy the situation.

On 1 April 2019, SLC Internal Audit team transferred to the Government Internal Audit Agency (GIAA). I welcome this move to GIAA and the opportunity it will provide to access wider skills in the internal audit community.

Previously Reported Issues

The Annual Report and Accounts for 2017-18 included commentary within the Governance Statement referring to:

- The termination of SLC's contract with its previous permanent CEO
- The qualification of SLC's accounts in 2016-17 and 2017-18 as SLC had not obtained prior approval from Cabinet Office relating to proposed settlement agreements with employees, and two contracts for digital and technology expenditure

Both of these have led to renewed focus on internal controls and governance, both by SLC and by its shareholders.

In May 2018 the NAO published its own assessment of the events that led to the departure of the previous permanent CEO in November 2017. Additionally, DfE, the Devolved authorities and SLC agreed a revised Framework Document (ratified in January 2019); further, SLC appointed the Chief Financial Officer and Deputy CEO to the Board and put measures in place to facilitate more timely production of the Annual Performance and Resource Agreement with DfE.

The appointment of a new CEO in September 2018 further stabilised SLC's leadership. The company has also made improvements based on the Cabinet Office Code on Corporate Governance, and has set in motion a revision to SLC's Articles of Association.

SLC's Legal Team is involved in safeguarding the company's interest in relation to a legal dispute with a former third party provider/contractor; this included formal mediation during the course of the year. The dispute discussions are likely to remain ongoing, including into the next financial year, with all costs of any ongoing required legal action having been provided and accrued for historically. SLC has set up an advisory forum to provide legal support for this process.

Compliance with Government Controls

Following on from the qualification of SLC accounts in 2016-17 and 2017-18, SLC has continued to strengthen internal assurance, control and compliance arrangements, and has reviewed financial and commercial practices with a view to ensuring robust processes are in place. As part of this review, SLC identified a number of contracts that had not obtained prior approval from Cabinet Office:

- A communication campaign and advertising for external recruitment (£732k combined) where prior approval had not been obtained from Cabinet Office. Retrospective approval was granted by Cabinet Office in May 2019.

- Two contracts signed in 2015, including an extension on one agreed in 2018, relating to Contact Centre requirements at a combined cost of £59.9m over a period of 51 months where prior approval had not been obtained from Cabinet Office. Retrospective approval was granted by the Cabinet Office in July 2019.

SLC has reviewed its internal commercial governance, documents and controls processes to ensure that the requirement for Cabinet Office approval is more stringently reviewed and goes through an appropriate delegated authority process prior to approval for spend being given and contracts entered into.

To ensure that all budget holders have a strong understanding of HM Treasury guidance, as well as Cabinet Office spending controls, SLC has launched a new mandatory training programme for all budget holders. A new team in the CFO will have specific responsibility for further developing a robust compliance and control framework across SLC.

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 to enhance SLC's level of compliance. There were no protected personal data related incidents reportable to the Information Commissioner's Office in 2018-19.

5.5. 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, SLC Chief Executive / Accounting Officer

Date: 26th September 2019

6. Directors' Report and Financial Statements

Contents

6.1. Directors' Report

The Directors' Report including financial statements for Student Loans Company Limited (SLC) is for the year ended 31 March 2019. The financial statements have been prepared in accordance with the Companies Act 2006 and, as appropriate, the Government Financial Reporting Manual (FReM), and other guidance issued by HM Treasury and the Secretary of State for Education where the disclosure requirements of these go beyond the Companies Act. 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 (2018: £nil).

Directors and their Interests

Board Members	From	To
Christian Brodie, Non-Executive Chair	February 2014	January 2020
Antonia Cox, Non-Executive Director	March 2016	March 2019
Mary Curnock Cook, Non-Executive Director	December 2017	December 2020
Simon Devonshire, Non-Executive Director	March 2016	March 2022
Natalie Elphicke, Non-Executive Director	March 2016	March 2022
David Gravells, Non-Executive Director	March 2016	September 2020
Andrew Wathey, Non-Executive Director	January 2018	January 2021
Peter Lauener, Interim CEO	November 2017	September 2018
Paula Sussex, CEO	September 2018	ongoing
David Wallace, Deputy CEO and Chief Customer Officer	January 2019	ongoing
Jacqui Smillie, CFO	January 2019	ongoing
Gary Womersley, Company Secretary	December 2015	ongoing

All non-executive directors are considered to be independent. Details of any related parties are disclosed in Note 22 of the financial statements.

No director had any interest in the shares of SLC throughout either the year ended 31 March 2019 or 31 March 2018.

SLC is wholly owned by the Secretary of State for Education, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for the Economy in Northern Ireland. All are entered as 'Registrable Relevant Legal Entities' in SLC's Register of People 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 weekly all-staff newsletter and a quarterly e-magazine, 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 at Section 4.

Information and Equipment Losses

In the year ended 31 March 2019 SLC reported one incident to the Information Commissioner's Office (31 March 2018: nil). No further action was required.

SLC recorded the loss of twenty-five items of equipment (31 March 2018: seven). All devices were encrypted and carried no company data or personal information.

Additionally an internal audit report during the financial year found that a further 207 new laptops were unaccounted for. There has been an adjustment to property, plant and equipment in the accounts to recognise the full value of the loss of all 232 items, which is estimated at £100,000. In addition, the report found that some mobile devices were unaccounted for, with an approximate maximum value of £37,000. (These are not capitalised and therefore there is no associated adjustment to property, plant and equipment in the accounts.)

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 revised Framework Document refers to the appropriate HM Government 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 above). 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 consistent with the UK Corporate Governance Code and appropriate adaptations of Corporate Governance in the Central Government Departments Code of Good Practice.

The responsibilities of the Board are set out in the Governance Statement at Section 5.

Remuneration

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

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

The Non-Executive Directors are appointed by the Secretary of State for Education, on behalf of the Minister for Education and Skills in Wales, 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 Human Resources.

For further information, refer to the Remuneration and Staff Report at Section 4.

Audit and Risk Committee (ARC)

Membership of ARC consists of at least three individuals who are independent of management and free of any business or other relationships (including cross directorships or day-to-day involvement in the management of the business) which could interfere with the exercise of their independent judgement.

The Board has appointed 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(a) of the financial statements.

On 26 September 2018, the Board recommended the appointment of the Comptroller and Auditor General as SLC's external auditor. The Comptroller and Auditor General have been reappointed for the financial year ended 31 March 2020.

By order of the Board

Paula Sussex, SLC Chief Executive / Accounting Officer

Date: 26th September 2019

6.2. 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 Government Financial Reporting Manual 2018-19 (FReM). Consequently, they have elected under the Companies Act to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law and to provide the additional disclosures required by the 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 Government Financial Reporting Manual 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 Government Financial Reporting Manual 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 IFRSs 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

Date: 26th September 2019

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

Opinion on Financial Statements
I have audited the Financial Statements of the Student Loans Company Limited for the year ended 31 March 2019 which comprise the 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 2019 and of the loss for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union
- 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 has 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
We are required to conclude on the appropriateness of management'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 Loan Company's ability to continue as a going concern for a period of at least twelve months from the date of approval of the Financial Statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. We have nothing to report in these respects.

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
- 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 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 consolidated 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 entities or business activities within the Group to express an opinion on the consolidated Financial Statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion

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, other than 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 that 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 part of the Remuneration Report to be audited has been properly prepared
- in light of the knowledge and understanding of the group and 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
- 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
- The Financial Statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns
- Certain disclosures of directors' remuneration specified by law are not made
- I have not received all of the information and explanations I require for my audit

- A corporate governance statement has not been prepared by the parent company

P Morland

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

Date: 2 October 2019

6.4. Statement of Comprehensive Net Expenditure

For the year ended 31 March 2019

	Note	2019	2018 Restated
		£'000	*£'000*
Revenue	3	190,017	155,252
Expenditure:			
Staff costs	5	(98,849)	(88,398)
Restructuring costs	5	(84)	(385)
Depreciation, amortisation and impairments	9,10	(34,664)	(23,583)
Deferred capital receipts	15	34,664	24,134
Other administrative expenses		(90,578)	(64,372)
		(189,511)	(152,604)
Operating profit	2	**506**	**2,648**
Finance income	6	14	5
Finance costs	7	(1,100)	(1,562)
Net financing expense		**(1,086)**	**(1,557)**
(Loss)/profit on ordinary activities before taxation		**(580)**	**1,091**
Tax on result of ordinary activities	8	1	1
(Loss)/profit on ordinary activities after taxation		**(579)**	**1,092**
Other comprehensive (expenditure)/income:			
Actuarial (loss)/gain on defined benefit pension scheme	17	(8,943)	18,066
Total comprehensive net (expenditure)/income for the period		**(9,522)**	**19,158**

The notes in Section 6.8 form an integral part of these financial statements.
All income and expenditure reported is derived from continuing operations.

6.5. Statement of Financial Position as at 31 March 2019

	Note	2019		2018 Restated		1 April 2017 Restated	
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Non-current assets:							
Property, plant and equipment	9	16,151		16,490		17,193	
Intangible assets	10	94,734		91,628		69,856	
Total non-current assets			**110,885**		**108,118**		**87,049**
Current assets:							
Trade and other receivables	12	13,992		13,081		9,423	
Cash and cash equivalents	13	17,305		12,450		16,634	
Corporation tax		2		1		-	
Total current assets			**31,299**		**25,532**		**26,057**
Total assets			**142,184**		**133,650**		**113,106**
Current liabilities:							
Trade and other payables	14	(70,036)		(65,673)		(51,161)	
Provisions	16	(1,024)		(201)		(556)	
Corporation tax		-		-		(2)	
Total current liabilities			**(71,060)**		**(65,874)**		**(51,719)**
Total assets less current liabilities			**71,124**		**67,776**		**61,387**
Non-current liabilities:							
Trade and other payables	14	(71,681)		(67,508)		(62,609)	
Provisions	16	(5,035)		(5,281)		(4,883)	
Retirement benefit obligation	17	(31,138)		(23,227)		(40,907)	
Total non-current liabilities			**(107,854)**		**(96,016)**		**(108,399)**
Net liabilities			**(36,730)**		**(28,240)**		**(47,012)**
Capital and reserves:							
Called up share capital	19		-		-		-
General reserve			**(36,730)**		**(28,240)**		**(47,012)**
Total equity			**(36,730)**		**(28,240)**		**(47,012)**

The notes in Section 6.8 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 July 2019 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: 26th September 2019

Registered company number: 2401034

6.6. Statement of Changes in Equity

For the year ended 31 March 2019

	Note	*2019* *£'000*	*2018* *£'000*	*1 April 2017 Restated £'000*
Balance at 1 April		**(28,240)**	**(47,012)**	**(21,617)**
Net (loss)/profit		(579)	1,092	(166)
Total pension cost recognised in Statement of Comprehensive Net Expenditure	17	(10,489)	(11,436)	(6,310)
Employer contribution in respect of retirement benefit	17	11,521	11,050	10,361
Actuarial (loss)/gain in retirement benefit obligations	17	(8,943)	18,066	(29,280)
Balance at 31 March		**(36,730)**	**(28,240)**	**(47,012)**

The notes in Section 6.8 form an integral part of these financial statements.

6.7. Statement of Cashflow for the year ended 31 March 2019

	Note	2019		2018	
				Restated	
		£'000	£'000	£'000	£'000
Cashflow from operating activities:					
(Loss)/profit on ordinary activities after taxation		(579)		1,092	
Adjustments to (loss)/profit on ordinary activities:					
Depreciation	9	5,391		4,577	
Amortisation	10	27,947		19,006	
Impairments - Intangible assets	10	1,226		-	
Amortisation of deferred capital receipts					
- Property, plant and equipment	15	(5,391)		(5,128)	
- Intangible assets	15	(27,947)		(19,006)	
- Intangible assets - Impairment	15	(1,226)		-	
Net loss on disposal of fixed assets	4	241		11	
Proceeds on disposal of fixed assets	4	(36)		-	
Taxation	8	(1)		(1)	
Finance costs	7	1,100		1,562	
Finance income	6	(14)		(5)	
		711		**2,108**	
(Increase) in trade and other receivables		(3,470)		(5,221)	
Increase/(Decrease) in trade other payables		7,227		(933)	
Increase/(Decrease) in provisions		577		(748)	
Corporation tax paid	8	1		(2)	
Net cash inflow/(outflow) from operating activities			**5,046**		**(4,796)**
Cashflow from investing activities:					
Finance income	6	14		5	
Acquisition of property, plant and equipment	9	(5,393)		(3,885)	
Acquisition of intangible assets	10	(32,279)		(40,778)	
Proceeds from sales of property, plant and equipment		36		-	
Net cash outflow from investing activities			**(37,622)**		(44,658)
Cashflow from financing activities:					
Capital funding received from government department	15	37,431		45,270	
Net cash inflow from financing activities			**37,431**		**45,270**
Net increase/(decrease) in cash and cash equivalents	13		4,855		(4,184)
Cash and cash equivalents at 1 April	13		12,450		16,634
Cash and cash equivalents at 31 March	**13**		**17,305**		**12,450**

The notes in Section 6.8 form an integral part of these financial statements.

6.8. 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 Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for the Economy in Northern Ireland.

The financial statements have been prepared on an accruals basis in accordance with the Companies Act 2006 and, as appropriate, the Government Financial Reporting Manual (FReM) and other guidance issued by HM Treasury and the Secretary of State for Education where the disclosure requirements of these go beyond the Companies Act 2006. The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) and International Financial Reporting Interpretations Committee interpretations. 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 16 which relates to the accounting treatment of leases. SLC has not early adopted this accounting standard in 2018-19. However, SLC has carried out a review of the standard in order to assess its impact on its accounting policies and treatment.

IFRS 16 (leases)
IFRS 16 Leases specifies how SLC will recognise, measure, present and disclose leases using a single lessee accounting model requiring the lessee to recognise assets and liabilities for all leases. The new standard requires recognition of all leases which last over 12 months to be recognised as a finance lease in the SOFP. This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised.

The main effect of the adoption of IFRS 16 for SLC for periods beginning after 1 January 2019 will be recognition of the leases formerly recognised as operating leases as right-of-use assets, with the corresponding lease liability also recognised in the opening balances and closing balances of the SOFP as at 31 March 2020. These leases are material in the context of SLC's Financial Statements.

The current values of the lease payments to the end of their relevant lease terms are as follows:

Property Lease	Term *years*	Lease Expiry	Annual Rental *£'000*
Bothwell Street, Glasgow	10	25 December 2023	**2,139**
Furnival Street, London	10	31 March 2020	**120**
Hillington Park, Glasgow	12	15 August 2025	**127**
Sarn Mynach, Llandudno Junction *	15	31 August 2023	**-**
Memphis Building and Building 13, Darlington	10	27 April 2023	**1,004**
Studios, Darlington	1	13 August 2019	**134**
Argyle Street, Glasgow	7	24 December 2023	**486**

* The rent for the Llandudno Junction property is £1, with the building being owned by Welsh Ministers.

1.2 Impact of New Accounting Standards

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments brings fundamental change to financial instrument accounting as it replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 eliminates the threshold in IAS 39 for the recognition of credit losses and it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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.

SLC does not believe the new classification of assets has a material impact on the classification and measurement of SLC's financial instruments.

All of SLC's cash resource requirements are met through Grant-in-Aid, and so SLC's exposure to credit risk is very limited. SLC has no power to borrow money or invest surplus funds. The only financial instruments held by SLC are those arising from its day-to-day operational activities, and include:

- cash and cash equivalents
- trade and other receivables
- trade and other payables.

The carrying value of the financial instruments approximates to their fair value and SLC is exposed to very limited credit, liquidity or market risk. There is no expected credit loss to recognise as at 31 March 2019. Note 11 lists SLC's financial instruments and related risk exposure in detail. There are no investments or loans held by SLC which expose the organisation to risks outwith a basic lending arrangement and would fail the 'Solely Payments of Principal and Interest' test.

IFRS 15 Revenue from Contracts

IFRS 15 Revenue from contracts with customers also became effective for annual periods beginning on or after 1 January 2018. The changes set out steps for revenue recognition along with requirements for accounting for contract costs. The aim of the change is to report information that is more useful about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Income earned falls within the scope of Revenue Recognition, and the table below details the full analysis of the income SLC accrued for the year ended 31 March 2019.

	2018-19	2017-18 Restated
	£'000	£'000
Grant-in-Aid	188,997	154,660
Grant income	111	-
Administration fees receivable from third parties	893	549
Other income	16	43
	190,017	155,252

Income earned by SLC represents administration fees which are charged to universities and colleges for providing a service to their funding for bursaries, scholarships and fees as detailed above and falls within the scope of IFRS 15. It is recognised in the year in which the administration work has been done, and when all performance obligations have been met. Where doubt arises over its collectability either through ageing, past experience, or other known factors, a provision for doubtful debtors is recognised in the Annual Report and Accounts.

The income recognition criterion introduced by IFRS 15 is consistent with how SLC has previously accounted for income, and there in no impact of the new standard on opening balances.

Applied Accounting Policies
The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these 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 Fair Work, Employability and Skills Department of the Scottish Government, the Department for the Economy in Northern Ireland and the Department for Education and Skills in the Welsh Assembly requires SLC to conduct its affairs so as to remain solvent within the total resources made available to it by the funding bodies. These financial statements have been prepared on this basis.

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

Parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-Aid is issued on the basis of operating expenditure for the coming year. Grant-in-Aid for SLC's business as usual operating expenditure for 2019-20 has already been included in the sponsoring departments' estimates for that year, which have been approved by Parliament. SLC expects that the departments' future sponsorship and future Parliamentary approval will be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

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 actually made to SLC. As a consequence, 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 at note 16 is based on external valuations provided by SLC's property consultants. The latest formal valuations were provided in March 2018 for premises in Darlington and Glasgow City Centre and in December 2016 for Glasgow Hillington. Key assumptions are based, in addition to management judgement, on the likely obligation at the lease expiry date and lease stipulations on the property condition on that expiry date

- **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

- **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. 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

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. Grant-in-Aid drawn down from the DfE is recorded as revenue, and an accrual for Grant-in-Aid as at 31 March 2019 has been agreed with DfE.

- **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 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 or 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. There has been no revaluation adjustment during the year taken to a revaluation reserve. The fair value of the assets equates to the net book value of the assets provided that there is sufficient evidence that there is no material difference between the two.

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 so as to write off the cost of each asset less estimated residual value, evenly over its expected useful life as follows:

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

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.

Expenditure on discovery and inception is not capitalised.

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

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

SLC has reassessed the costs previously attributed to internally generated software. The original assumptions behind the calculations are no longer considered a valid cost directly attributable to the value of the internally generated intangible assets, and the accounts have been restated as detailed in note 20.

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.

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 overheads directly attributable to the development of the intangible asset. Management overheads direct attribution is calculated based on an estimation of their time spent managing and overseeing the direct labour.

Revaluation and Impairment
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the date of each SOFP. The fair value of the assets equates to the net book value of the assets provided that there is sufficient evidence that there is no material difference between the two.

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:

Internally generated software	3 to 5 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 for the purpose of acquisition of property, plant and equipment and intangible assets, excluding the element relating to any capitalised dilapidation provision, is credited to the deferred capital receipts account and is released to the SOCNE by amounts equal to the associated depreciation and amortisation charge.

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

(b) Financial Liabilities

Classification
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.

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

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
SLC contributes to a defined benefit scheme which all employees have the option to join, and a defined contribution scheme which meets its statutory obligations to enrol all employees in a pension scheme.

Defined Benefit Scheme
The Student Loans Company Limited Retirement and Death Benefits 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 of, and having maturity dates approximating to the terms of SLC's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to SLC, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements. Actuarial gains and losses that arise are recognised by SLC in the 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 2016 and a recovery plan was put in place to remove the scheme's shortfall against the trustees' funding objective.

Defined Contribution Scheme
Additionally, SLC contributes to a separate defined contribution scheme to meet its statutory obligations under the Pension Reform Act to enrol all staff in a pension scheme. Contributions are recognised in the SOCNE as they are incurred. SLC has no further liability once contributions are paid to the pension scheme.

Other Obligations
Termination benefits are payable when employment is ceased either before the normal retirement date, the 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

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

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

Operating Leases

Those leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Rental payments under operating leases are charged to the SOCNE in the year to which they relate until IFRS 16 (leases) comes into effect for the 2019-20 financial year.

1.16 Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting as provided to the chief operating decision maker 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 Activities, Continuous Improvement, Change Programme and Other and this is the basis for SLC's reporting to DfE. The Operating Activities represent day to day operating activities undertaken by SLC. The Continuous Improvement activities represent 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. Other consists of additional services that SLC provides to Higher Education Institutes and other stakeholders.

SLC uses an activity based costing model to analyse revenue and expenditure by segment. This model allocates revenue and expenditure to products and services provided by SLC to the Department for Education, the Department for Education and Skills in the Welsh Assembly, the Student Awards Agency for Scotland and the Department for the Economy in Northern Ireland.

2 Segmental Reporting

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

	2018-19					2017-18			
	Operating Activities	Continuous Improvement	Change Programme	Other	Total	Operating Activities	Change Programme	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segmental Revenue:									
Grant-in-Aid*	132,181	12,590	44,150	75	188,996	125,716	21,650	53	147,419
Administration fees from 3rd parties	118	-	-	776	894	133	-	416	549
Grant income	111	-	-	-	111	-	-	-	-
Other income	16	-	-	-	16	43	-	-	43
Total revenue	**132,426**	**12,590**	**44,150**	**851**	**190,017**	**125,892**	**21,650**	**469**	**148,011**
Segmental Expenditure:									
England	(115,255)	(10,983)	(36,814)	(653)	(163,705)	(107,715)	(18,532)	(420)	(126,667)
Northern Ireland	(3,444)	(322)	(1,088)	(22)	(4,876)	(3,371)	(635)	(14)	(4,020)
Scotland	(2,815)	(279)	(708)	(12)	(3,814)	(2,800)	(137)	(8)	(2,945)
Wales	(10,593)	(989)	(5,482)	(52)	(17,116)	(9,709)	(1,983)	(39)	(11,731)
Total expenditure	**(132,107)**	**(12,573)**	**(44,092)**	**(739)**	**(189,511)**	**(123,595)**	**(21,287)**	**(481)**	**(145,363)**
Operating profit/(loss)	**319**	**17**	**58**	**112**	**506**	**2,297**	**363**	**(12)**	**2,648**

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

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

* All Grant-in-Aid funding has been received from the Department for Education, which subsequently reclaim the costs from the devolved administrations in Northern Ireland, Scotland and Wales.

3 Revenue

	2018-19	2017-18 Restated
	£'000	£'000
Grant-in-Aid	188,997	154,660
Grant income	111	-
Administration fees receivable from third parties	893	549
Other income	16	43
	190,017	**155,252**

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 and Scholarship Schemes
SLC supports Higher Education Providers (HEPs) in England, Northern Ireland, Scotland and Wales, in providing mandatory and discretionary bursaries, scholarships and fee waivers to students, by providing an administration service. HEPs may 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 aim set by the funding bodies is to break even on both the full and core services offered as part of the bursary schemes. Any net surplus will be reinvested to ensure continued systems enhancement to improve efficiencies in the end to end process. Any net deficit will be fully funded in the next financial year.

Enhancements that provide future economic benefit for the scheme will be capitalised in line with company policy as set out in Note 1. Funding received for the purpose of the acquisition of tangible and intangible assets will be held as deferred capital receipts on SLC's SOFP and released in line with company policy as detailed in Note 1.11.

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

	2018-19 *£'000*	2017-18 *£'000*
Included in Statement of Comprehensive Net Expenditure:		
Revenue	609	457
Expenditure	(609)	(457)
Surplus before tax	-	-
Included within Statement of Financial Position:		
Capital expenditure	245	482
Deferred capital receipts	(245)	(482)

4 Net Expenditure before Interest and Tax

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

	2018-19	2017-18 Restated
	£'000	£'000
Dilapidations provision	522	225
Depreciation, amortisation and impairments - owned assets	34,664	23,583
Net loss on disposal of fixed assets	205	11
Amortisation and impairment of deferred capital receipts	(34,664)	(24,134)
Directors' remuneration	643	434
Auditors remuneration:		
- Audit of these financial statements	100	-
- Audit of prior year financial statements by former auditors	-	39
Amounts received by former auditors and their associates:		
- Valuation and actuarial services	14	27
- Other services relating to taxation	3	3
- Other assurance services	-	22
Operating lease rentals:		
- Land and buildings	3,378	3,726
- Motor vehicles	-	3

During the year to 31 March 2019, SLC purchased additional valuation services provided by KPMG to support the proposed transfer of the Student Loans Company Retirement and Death Benefits Scheme to the Civil Service Pension Scheme.

(b) Directors' remuneration:

	2018-19 £'000	2017-18 £'000
Fees	148	144
Executive emoluments (including benefits in kind)	413	238
Pension contributions	63	32
Taxable expenses	19	20
	643	**434**

The remuneration of each individual Director is analysed in the Remuneration and Staff Report. Paula Sussex was appointed Director on 17 September 2018. David Wallace and Jacqui Smillie were appointed as Directors on 8 January 2019.

5 Staff Costs

The aggregate payroll costs were as follows:

	2018-19 £'000	2017-18 £'000
Wages and salaries	78,476	69,941
Social security costs	7,055	6,296
Pension service costs	9,707	9,951
	95,238	**86,188**
Other staff costs	3,611	2,210
	98,849	**88,398**
Restructuring costs	84	385

Pension service costs includes employer's contributions of £467,000 (2018: £181,000) to a defined contribution plan to meet the company's auto-enrolment responsibilities.

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

Restructuring costs represent the severance payments made in year. Full details of exit packages are included in the Remuneration and Staff Report, and the movement in the provision for severance is set out in note 16.

6 Finance Income

	2019 £'000	2018 £'000
Bank interest	14	5

7 Finance Costs

	2019 £'000	2018 £'000
Pension interest charge	461	910
Pension administration expenses	639	652
	1,100	**1,562**

8 Tax Results on Ordinary Activities

	2019 £'000	2018 £'000
Current taxation refund for the year At the small companies' rate of 19% (2018: 19%)	(1)	(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 2019 and 2018). The differences are explained below:

	2019 £'000	2018 £'000
(Loss)/profit on ordinary activities before taxation	(580)	1,091
(Loss)/profit on ordinary activities subject to small companies UK corporation tax rate	(110)	207
The (loss)/profit subject to corporation tax is broken down as follows:		
Amounts not subject to corporation tax	110	(206)
Reversal of prior year liability	(1)	(2)
Current taxation refund for the period	(1)	(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.

9 Property, Plant and Equipment

	Short leasehold improvements	Computer and other electronic equipment	Furniture, fixtures and fittings	Motor vehicles	Assets under construction	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost:						
At 1 April 2017	15,031	40,858	4,064	36	27	60,016
Additions	452	1,079	803	43	2,126	4,503
Adjustment	(618)	-	-	-	-	(618)
Disposals	-	(621)	-	-	-	(621)
Transfers	20	-	-	-	(20)	-
At 31 March 2018	**14,885**	**41,316**	**4,867**	**79**	**2,133**	**63,280**
At 1 April 2018	14,885	41,316	4,867	79	2,133	63,280
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	**17,066**	**42,661**	**5,221**	**86**	**406**	**65,440**
Depreciation:						
At 1 April 2017	6,970	32,698	3,153	2	-	42,823
Charge for the year	1,155	3,702	267	15	-	5,139
Adjustment	(562)	-	-	-	-	(562)
On disposals	-	(610)	-	-	-	(610)
At 31 March 2018	**7,563**	**35,790**	**3,420**	**17**	**-**	**46,790**
At 1 April 2018	7,563	35,790	3,420	17	-	46,790
Charge for the year	1,577	3,464	324	26	-	5,391
On disposals	(1,148)	(1,191)	(526)	(27)	-	(2,892)
At 31 March 2019	**7,992**	**38,063**	**3,218**	**16**	**-**	**49,289**
Net book value:						
At 1 April 2018	7,322	5,526	1,447	62	2,133	16,490
At 31 March 2019	**9,074**	**4,598**	**2,003**	**70**	**406**	**16,151**

Items held under finance leases with a net book value of £nil (2018: £nil), and gross cost of £8,616,000 (2018: £8,726,000) are included in computer and other electronic equipment.

The refurbishment of the leased premises on Argyle Street, Glasgow was 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 June 2018.

10 Intangible assets

	Intangible assets under development	Internally generated software	Websites	Software licences	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 April 2017 (restated)	25,981	47,055	3,671	11,549	88,256
Additions	40,322	-	-	456	40,778
Transfer	(36,386)	36,386	-	-	-
Disposals	-	-	-	(313)	(313)
At 31 March 2018 (restated)	**29,917**	**83,441**	**3,671**	**11,692**	**128,721**
At 1 April 2018 (restated)	29,917	83,441	3,671	11,692	128,721
Additions	31,474	-	20	785	32,279
Transfers	(43,747)	43,727	20	-	-
Impairment	(581)	(308)	-	(337)	(1,226)
At 31 March 2019	**17,063**	**126,860**	**3,711**	**12,140**	**159,774**
Amortisation:					
At 1 April 2017 (restated)	-	9,946	2,907	5,547	18,400
Charge for the year	-	16,164	383	2,459	19,006
On disposals	-	-	-	(313)	(313)
At 31 March 2018 (restated)	-	**26,110**	**3,290**	**7,693**	**37,093**
At 1 April 2018 (restated)	-	26,110	3,290	7,693	37,093
Charge for the year	-	25,322	388	2,237	27,947
At 31 March 2019	-	**51,432**	**3,678**	**9,930**	**65,040**
Net book value:					
At 1 April 2018	29,917	57,331	381	3,999	91,628
At 31 March 2019	**17,063**	**75,428**	**33**	**2,210**	**94,734**

Note 20 (Prior Year Comparative Restatement) provides further detail

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.

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. The majority of financial instruments relate to contracts to buy non-financial items in line with SLC's expected purchase and usage requirements and SLC is therefore exposed to little liquidity or market risk. Credit risk exists for trade and other receivables, which are detailed in note 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 the sums due from third party portfolio administration and higher education institutions for the bursary administration service. 94% of other trade receivables are not older than 3 months and do not represent any credit risk, therefore no allowance for credit loss is required.

SLC's maximum exposure to credit risk as at 31 March 2019 is £1.7m (31 March 2018: £1.7m).

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 APRA letter for the financial year 2019-20 has been presented and agreed which gives SLC assurance that funding of its activities will continue. Cashflows are presented to 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 into foreign currency transactions.

	2019		2018	
	Book value	Amortised cost	Book value	Amortised cost
	£'000	*£'000*	*£'000*	*£'000*
Trade receivables due within 1 year	13,833	13,833	11,722	11,722
Trade receivables due after 1 year	159	159	1,359	1,359
Cash and cash equivalents	17,305	17,305	12,450	12,450
Trade payables due within 1 year	70,036	70,036	65,673	65,673
Trade payables due after 1 year	71,681	71,681	67,508	67,508

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

12 Trade and Other Receivables

	2019 *£'000*	2018 *£'000*
Amounts falling due within one year:		
Balances with central government bodies	7,196	4,445
Other trade receivables	1,606	936
Prepayments and accrued income	5,031	6,341
	13,833	**11,722**
Amounts falling due after more than one year:		
Prepayments and accrued income	159	1,359
Total trade and other receivables	**13,992**	**13,081**

13 Cash and Cash Equivalents

	2019 *£'000*	2018 *£'000*
Balance at 1 April	12,450	16,634
Net increase/(decrease) in cash and cash equivalents	4,855	(4,184)
Balance at 31 March	**17,305**	**12,450**
The balances at 31 March were held at:		
Government banking scheme accounts	17,297	12,442
Cash vouchers	8	8

At 31 March 2019 £64,336,000 (31 March 2018: £101,729,000) was held in trust on behalf of third parties. This level was high at 31 March 2018 due to the timing of cash-flows to cover student payments made in early April 2018.

14 Trade and Other Payables

	2019 *£'000*	2018 *£'000*
Amounts falling due within one year:		
Trade payables	1,887	1,200
VAT	5,835	4,167
Other taxation and social security	1,869	1,804
Accruals and deferred income	21,242	17,892
Deferred capital receipts	39,203	40,610
	70,036	**65,673**
Amounts falling due after more than one year:		
Deferred capital receipts	71,681	67,508
Total trade and other payables	**141,717**	**133,181**

15 Deferred Capital Receipts

	2019			2018 Restated		
	Intangible assets	**Property, plant and equipment**	**Total**	**Intangible assets**	**Property, plant and equipment**	**Total**
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
At 1 April	91,628	16,490	108,118	69,856	17,126	86,982
Receivable for the year	32,279	5,393	37,672	40,778	4,503	45,281
Credited to Statement of Comprehensive Net Expenditure:						
- Amortisation and depreciation	(27,947)	(5,391)	(33,338)	(19,006)	(5,128)	(24,134)
- Impairment	(1,226)	(100)	(1,326)	-	-	-
- Disposals	-	(241)	(241)	-	(11)	(11)
At 31 March	**94,734**	**16,151**	**110,885**	**91,628**	**16,490**	**108,118**

16 Provisions

	Severance	Legal costs	Dilapidations	Deferred lease improvement	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
At 1 April 2018	41	160	4,490	791	5,482
Arising in year	100	571	577	-	1,248
Amounts utilised	(25)	(160)	-	(345)	(530)
Amounts reversed unutilised to the SOCNE	(16)	-	(55)	(70)	(141)
Amounts reversed unutilised to the SOFP	-	-	-	-	-
At 31 March 2019	**100**	**571**	**5,012**	**376**	**6,059**
Amounts falling due within one year	100	571	90	263	1,024
Amounts falling due after more than one year	-	-	4,922	113	5,035
	100	**571**	**5,012**	**376**	**6,059**

The provision for severance represents the estimated costs for redundancy arising in the year which have not yet been paid as at 31 March 2019.

The provision for legal claims represents the estimated cost to SLC for ongoing legal work. The provision has been made on the basis of the best estimate, based on the value of the claims made and the circumstances surrounding the claims. The claims are still ongoing as at 31 March 2019.

The provision for dilapidations represents the estimated settlement cost to SLC of the dilapidations clauses included in its property leases. These costs are expected to be incurred on the termination of the property leases as follows: £257,000 in August 2025, £3,770,000 in December 2023, £751,000 in April 2023 and £90,000 in August 2019. The provision has been made on the basis of the best estimate using independent professional assessments.

Deferred lease improvements represents future capital costs for cladding and air conditioning 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. This was previously shown as an accrual and has been re-categorised as a provision during the financial year. No adjustment has been necessary in the SOCNE.

17 Retirement Benefit Obligation

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

Reconciliation to Statement of Financial Position	2019		2018	
	£'000	£'000	£'000	£'000
Opening Pension Net Liability		23,227		40,907
Interest Costs		1,100		1,562
Employer contributions		(11,521)		(11,050)
Other staff costs		9,389		9,874
Actuarial (gain) in fair value of plan assets	(2,518)		(3,336)	
Actuarial (gain)/loss in defined benefit obligation:				
- effect of changes in demographic assumptions	(1,735)		(5,390)	
- effect of changes in financial assumptions	13,196		(9,340)	
- effect of experience adjustments	-		-	
Total actuarial loss/(gain)		**8,943**		**(18,066)**
Benefit obligation as at 31 March		**31,138**		**23,227**

SLC has made employer contributions of 27.1% (31 March 2018: 27.1%) to the pension scheme after agreement with the Trustees in January 2015 to address the current and future deficit of the scheme. This rate will rise from 1 April 2019 to contributions of 45.4% since the last triennial valuation of the scheme on 5 November 2016.

SLC also pays an additional contribution of £300,000 per month in respect of the shortfall in funding as agreed in the recovery plan of April 2018. From April 2020 onwards, these monthly contributions are due to increase to £1,691,667.

These increases to the rate of employer contribution are expected to eliminate the shortfall by 1 April 2024.

Revising Contributions between Triennial Actuarial Valuations

In addition to the shortfall contributions the employer may pay additional contributions which may be nil, as calculated by the Scheme Actuary to reflect any approximate increase in liabilities as a result of actual salary increases being higher than those assumed in the statement of funding principles dated April 2018, with allowance made for any additional contributions paid in the period up to the effective date.

Net defined liability reconciliation	2019	2018
	£'000	£'000
Opening net defined benefit liability	23,227	40,907
Defined benefit cost included in Statement of Comprehensive Net Expenditure	10,489	11,436
Total re-measurements	8,943	(18,066)
Employer contributions	(11,521)	(11,050)
Net liability	**31,138**	**23,227**

Amounts recognised in the Statement of Financial Position	2019	2018
	£'000	£'000
Present value of funded obligations	170,813	146,536
Fair value of plan assets	(139,675)	(123,309)
Deficit for funded plans	31,138	23,227
Effect of ceiling / onerous liability at end of year	-	-
Net liability	**31,138**	**23,227**

The benefit obligations are estimated based on the projected unit cost method. They have been rolled forward from the corresponding valuation for accounting purposes at 31 March

2018 (which itself was based on a projection from the results of the scheme's statutory funding valuation as at 5 November 2016) to the year-end measurement date allowing for interest on the liabilities, the accrual of further benefits by active members, the actual benefits paid out, estimated impact of GMP equalisation and an estimate of the effect of any changes in the actuarial assumptions.

Change in defined benefit obligation	2019		2018	
	£'000	£'000	£'000	£'000
Benefit obligation at 1 April		146,536		148,374
Current service cost		8,539		9,874
GMP Equalisation*		850		-
Interest cost		3,930		3,829
Benefits paid		(1,986)		(2,187)
Plan participants' contributions		1,721		1,623
Insurance premiums for risk benefits		(238)		(247)
Actuarial (gain)/loss:				
- effect of changes in demographic assumptions	(1,735)		(5,390)	
- effect of changes in financial assumptions	13,196		(9,340)	
- effect of experience adjustments	-		-	
Total actuarial (gain)/loss		**11,461**		**(14,730)**
Benefit obligation as at 31 March		**170,813**		**146,536**

* An allowance for GMP equalisation has been based on an approximate impact analysis conducted by the actuary. It has been treated as a past service cost during the year, and the year-end liabilities have been adjusted accordingly. Details on the regulations behind the calculation have been incorporated within the financial overview.

Change in fair value of plan assets	2019	2018
	£'000	£'000
Fair value of plan assets at 1 April	123,309	107,467
Interest income	3,469	2,919
Employer contributions	11,521	11,050
Plan participants' contributions	1,721	1,623
Benefits paid	(1,986)	(2,187)
Administrative expenses	(639)	(652)
Insurance premiums for risk benefits	(238)	(247)
Actuarial gain	2,518	3,336
Fair value of plan assets as at 31 March	**139,675**	**123,309**

Components of defined benefit cost	2019		2018	
	£'000	£'000	£'000	£'000
Current service cost	8,539		9,874	
GMP Equalisation	850		-	
Total service cost		9,389		9,874
Interest cost	3,930		3,829	
Interest (income) on plan assets	(3,469)		(2,919)	
Total net interest cost		461		910
Administrative expenses		639		652
Defined benefit cost included in Statement of Comprehensive Net Expenditure		10,489		11,436
Re-measurements (recognised in other comprehensive income):				
Effect of changes in demographic assumptions	(1,735)		(5,390)	
Effect of changes in financial assumptions	13,196		(9,340)	
Effect of experience assumptions	-		-	
Return on plan assets (excluding interest income)	(2,518)		(3,336)	
Total re-measurements		8,943		(18,066)
Total recognised in the Statement of Comprehensive Net Expenditure		19,432		(6,630)

Defined benefit obligation by participant status	2019	2018
	£'000	£'000
Actives	111,669	92,194
Vested deferrals	44,342	40,420
Retirees	14,802	13,922
Total	170,813	146,536

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

Fair value of plan assets with a quoted market price	2019	2018
	£'000	£'000
Cash and cash equivalents*	7,776	4,461
Equity instruments	28,913	23,689
Debt instruments	79,267	71,934
Real estate	10,503	10,205
Diversified fund growth	13,216	13,020
Total	139,675	123,309
Actual return on plan assets	5,987	6,255

* The balance of the Trustees' bank account as at 31 March 2019 was £1,541,000 (31 March 2018: £1,622,000) 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.

Weighted average assumptions used to determine benefit obligations	2019	2018
	%	%
Discount rate	2.50	2.70
Salary increase rate	3.10	3.00
Rate of price inflation (RPI)	3.10	3.00
Rate of price inflation (CPI)	2.10	2.00
Deferred pension increase rate	2.10	2.00
Rate of increase of pension in payment	2.90	2.80

Weighted average life expectancy for mortality tables used to determine benefit obligation	2019	2018
	years	years
Male member age 65 (current life expectancy)	20.40	20.60
Male member age 45 (life expectancy at aged 65)	21.50	21.70
Female member age 65 (current life expectancy)	22.90	23.10
Female member age 45 (life expectancy at aged 65)	24.40	24.60

Weighted average assumptions used to determine defined benefit cost	2019	2018
	%	%
Discount rate	2.70	2.60
Salary increase rate	3.00	3.10
Rate of price inflation (RPI)	3.00	3.10
Rate of price inflation (CPI)	2.00	2.10
Deferred pension increase rate	2.00	2.10
Pensions-in-payment increase rate	2.80	3.00

Sensitivity Analysis:

The funded status of the scheme and the amounts recognised as a company liability as at 31 March 2019 and *projected* at 31 March 2020 are compared to the corresponding amounts given a range of sensitivities below.

Sensitivities from Base 2018:

Analysis of amounts recognised in the Statement of Financial Position	2018	2019	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	123,309	139,675	139,675	139,675	139,675	139,675	139,675
Defined Benefit Obligation	146,536	170,813	183,749	158,977	162,026	180,257	177,545
Funded Status	23,227	31,138	44,074	19,302	22,351	40,582	37,870
Net defined benefit liability, excluding any effect of asset ceiling	**23,227**	**31,138**	**44,074**	**19,302**	**22,351**	**40,582**	**37,870**

Sensitivities from Base 2019:

Analysis of projected defined benefit cost	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
Current service cost	8,539	9,852	10,770	9,011	9,103	10,663	10,270
Past service cost / GMP Equalisation	850	-	-	-	-	-	-
Interest expense on defined benefit obligation	3,930	4,245	4,111	4,344	4,025	4,481	4,413
Interest income on plan assets	(3,469)	(3,696)	(3,327)	(4,066)	(3,696)	(3,696)	(3,696)
Administrative expenses and/or taxes	639	659	659	659	659	659	659
Total defined benefit cost before asset limit	10,489	11,060	12,213	9,948	10,091	12,107	11,646

Sensitivities on assumptions:

Actuarial Assumptions	2018	2019	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	2.70%	2.50%	2.25%	2.75%	2.50%	2.50%	2.50%
Rate of RPI assumption	3.00%	3.10%	3.10%	3.10%	2.85%	3.35%	3.10%
Rate of CPI assumption	2.00%	2.10%	2.10%	2.10%	1.85%	2.35%	2.10%
Rate of salary increase	3.00%	3.10%	3.10%	3.10%	2.85%	3.35%	3.10%

Contributions

SLC expects to contribute £17,492,000 (31 March 2018: £11,780,000) to its pension plan in the financial year ending 31 March 2020 as per the projections below.

Change in defined benefit obligation	Projected 2020	Projected 2019
	£'000	£'000
Benefit obligation at beginning of period	170,813	146,536
Current service cost	9,852	8,826
Interest cost	4,245	3,926
Benefits paid	(2,053)	(2,257)
Plan participants' contributions	1,820	1,786
Insurance premiums for risk benefits	(245)	(255)
Benefit obligation as at 31 March	**184,432**	**158,562**

Change in fair value of plan assets	Projected 2020	Projected 2019
	£'000	£'000
Fair value of plan assets at beginning of period	139,675	123,309
Interest income	3,696	3,470
Employer contributions	17,492	11,780
Plan participants' contributions	1,820	1,786
Benefits paid	(2,053)	(2,257)
Administrative expenses	(659)	(610)
Insurance premiums for risk benefits	(245)	(255)
Fair value of plan assets as at 31 March	**159,726**	**137,223**

18 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.

	2019 £'000	2018 £'000
Within one year	3,925	3,858
In the second to fifth years inclusive	11,511	13,753
In over five years	174	1,945
	15,610	**19,556**

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

SLC may renew operating leases for land and buildings, specifically for the premises in Bothwell Street and Argyle Street, Glasgow, Hillington and Darlington. The term end date is December 2023 for Bothwell Street and Argyle Street, August 2025 for Glasgow Hillington and April 2023 for two of the three Darlington sites. The studios in Darlington have a lease expiring in August 2019.

Contingent rent payable in the year ended 31 March 2019 totalled £nil (31 March 2018: £nil). No contingent rent is payable on any future financial commitments as at 31 March 2019.

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

At 31 March 2019 SLC had placed contracts for the purchase of fixed assets totalling £687,657 (31 March 2018: £1,513,628) and intangible assets totalling £822,095 (31 March 2018: £1,270,014).

19 Called up Share Capital

	2019 £	2018 £
Authorised:		
200 ordinary shares of 50p each	100	100
Allotted, called up and fully paid:		
20 ordinary shares of 50p each	10	10

20 Prior Year Comparatives Restatement

Restated Statement of Financial Position 31 March 2018

	As previously reported 2018		Valuation of Intangible Assets		Restated 2018	
	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets						
Property, plant and equipment	16,490		-		16,490	
Intangible assets	102,707		(11,079)		91,628	
Total non-current assets		**119,197**		**(11,079)**		**108,118**
Current assets						
Trade and other receivables	13,081		-		13,081	
Cash and cash equivalents	12,450		-		12,450	
Corporation tax	1		-		1	
Total current assets		**25,532**		**-**		**25,532**
Total assets		**144,729**		**(11,079)**		**133,650**
Current liabilities						
Trade and other payables	(67,503)		1,830		(65,673)	
Provisions	(201)		-		(201)	
Corporation tax	-		-		-	
Total current liabilities		**(67,704)**		**1,830**		**(65,874)**
Total assets less current liabilities		**77,025**		**(9,249)**		**67,776**
Non-current liabilities						
Trade and other payables	(76,757)		9,249		(67,508)	
Provisions	(5,281)		-		(5,281)	
Retirement benefit obligation	(23,227)		-		(23,227)	
Total non-current liabilities		**(105,265)**		**9,249**		**(96,016)**
Net liabilities		**(28,240)**		**-**		**(28,240)**
Capital and reserves						
Called up share capital		-		-		-
General reserve		(28,240)		-		(28,240)
Total equity		**(28,240)**		**-**		**(28,240)**

Restated Statement of Financial Position 31 March 2017

	As previously reported 2017		Valuation of Intangible Assets		Restated 2017	
	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets						
Property, plant and equipment	17,193		-		17,193	
Intangible assets	75,524		(5,668)		69,856	
Total non-current assets		**92,717**		**(5,668)**		**87,049**
Current assets						
Trade and other receivables	9,423		-		9,423	
Cash and cash equivalents	16,634		-		16,634	
Corporation tax	-		-		-	
Total current assets		**26,057**		**-**		**26,057**
Total assets		**118,774**		**(5,668)**		**113,106**
Current liabilities						
Trade and other payables	(52,295)		1,134		(51,161)	
Provisions	(556)		-		(556)	
Corporation tax	(2)		-		(2)	
Total current liabilities		**(52,853)**		**1,134**		**(51,719)**
Total assets less current liabilities		**65,921**		**(4,534)**		**61,387**
Non-current liabilities						
Trade and other payables	(67,143)		4,534			(62,609)
Provisions	(4,883)		-			(4,883)
Retirement benefit obligation	(40,907)		-			(40,907)
Total non-current liabilities		**(112,933)**		**4,534**		**(108,399)**
Net liabilities		**(47,012)**		**-**		**(47,012)**
Capital and reserves						
Called up share capital		-		-		-
General reserve		(47,012)		-		(47,012)
Total equity		**(47,012)**		**-**		**(47,012)**

Restated Statement of Comprehensive Net Expenditure 31 March 2018

	As previously reported 2018	Valuation of Intangible Assets	Restated 31 March 2018
	£'000	£'000	£'000
Revenue	148,011	7,241	155,252
Expenditure:			
Staff costs	(88,398)	-	(88,398)
Restructuring costs	(385)	-	(385)
Depreciation, amortisation and impairments	(25,413)	1,830	(23,583)
Deferred capital receipts	25,964	(1,830)	24,134
Other administrative expenses	(57,131)	(7,241)	(64,372)
	(145,363)	**(7,241)**	**(152,604)**
Operating profit	**2,648**	-	**2,648**
Finance income	5	-	5
Finance costs	(1,562)	-	(1,562)
Net financing expense	**(1,557)**	-	**(1,557)**
(Loss)/profit on ordinary activities before taxation	**1,091**	-	**1,091**
Tax on result of ordinary activities	1	-	1
(Loss)/profit on ordinary activities after taxation	**1,092**	-	**1,092**
Other comprehensive (expenditure)/income:			
Actuarial (loss)/gain on defined benefit pension scheme	18,066	-	18,066
Total comprehensive net (expenditure)/income for the period	**19,158**	-	**19,158**

Prior year comparatives have been restated upon SLC's reassessment of the costs previously attributed to internally generated software. The original assumptions behind the calculations are no longer assessed as a valid cost that is directly attributable to the value of the internally generated intangible assets.

21 Controlling Parties

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

22 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 exactly the same terms and conditions as are available to other students.

During the year, certain Non-Executive Directors held the following positions with higher education institutions with which SLC transacts, or with bodies closely associated with higher education.

- The Chair, Christian Brodie, held the positions of Chair of Council and Pro Chancellor at the University of Sussex and the Chair of the Universities and Colleges Admissions Service (UCAS) Council for part of the year. He was also a Board Member of the University, College Employers' Association and a member of both the Financial Sustainability Strategy Group of the Higher Education Funding Council for England (HEFCE) and the Governor Advisory Forum of the Leadership Foundation for Higher Education for part of the year. He no longer holds these roles. He continued his role as Chair of South East Local Enterprise Partnership for the whole year which also funds Higher and Further Education Institutions.
- Natalie Elphicke, OBE, is an independent member of the Audit and Risk Committee at DfE and her husband is a member of the UK Parliament, and sits on the Treasury Select Committee.
- Mary Curnock Cook, OBE, is a Council Member of the Open University.
- Andrew Wathey, CBE, is Vice Chancellor and Chief Executive Officer of Northumbria University and a Council Member of the All-Party University Group.

During the year, the only Executive Directors to hold a position with a higher education institution with which SLC transacts was the Interim Chief Executive Officer, Peter Lauener, who is a Non-Executive Director of the Newcastle College Group.

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.

23 Statement of Loans Administered by SLC

Funding for the purpose of making loans to students is received by SLC from the Department for Education, the Department for Education and Skills in the Welsh Assembly, the Student Awards Agency for Scotland and the Department for the Economy in Northern Ireland.

As at 31 March 2019 the total face value of the loan portfolio administered by SLC on behalf of the funding bodies was £136.7bn (31 March 2018: £117.8bn), which excludes all non-repayable student support.

24 Events after the Reporting Period

SLC will launch a staff consultation on 30 September regarding the proposal to transfer active members of the SLC Retirement and Death Benefit Scheme to the Civil Service Pension Scheme. If the transfer goes ahead, there will be an as yet unknown variation in the assets and liabilities of the SLC scheme on transfer. No other material events occurred after the reporting date.

7. Independent Assessors' Annual Report

(this section is not subject to audit)

Contents

Tables

7.1. Introduction

There are currently twelve Independent Assessors (IAs) appointed by the UK and Welsh Governments to consider appeals and complaints by student finance customers. This is our annual report to those Governments for the financial year 2018-19 and covers cases on which we have reported in the twelve months to 31 March 2019. It sets out the background to our work and the role we play, describes our caseload during the year, and draws out some themes from that caseload. The report also refers to the role of ombudsmen in considering SLC cases and concludes with some recommendations.

7.2. Background

The number of IAs has increased since four were appointed in May 2009. There were eight from May 2015. The six most recently appointed IAs were reappointed in 2018 for a further three-year term and the remaining two original IAs were reappointed for a further one-year term. Five additional appointments were made in August 2018 and there has been one resignation. All this means that there are twelve IAs at the end of 2018-19, but that number will shortly reduce to ten.

Our appointments are statutory and are made under section 23(6) of the Teaching and Higher Education Act 1998. Complaints about the older mortgage style loans, which have now been transferred to the private sector, may be referred to us if they do not fall within the remit of the Financial Ombudsman Service. In 2014-15, our remit was extended to include appeals from Student Finance Wales and this report includes our work on those cases. Student finance customers have access to an IA if they remain dissatisfied after two formal stages of appeal or complaint within SLC.

Our recommendations are binding on SLC unless it is directed otherwise by a Secretary of State or Welsh Minister. During the course of the 2016-17 financial year, responsibility for SLC and for our appointments within the UK Government passed from the former Department for Business, Innovation and Skills (BIS) to the DfE.

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

In particular cases, SLC may supply a summary of the appeal to the relevant Department when it is referred to us. This provides officials with an opportunity to submit written comments if they consider that there are particular legal issues or policy guidance they would wish to bring to our attention. We have not been given written comments in this way in any case in 2018-19.

In the event that officials disagree with our recommendations to SLC, they advise Ministers accordingly. Ministers have delegated responsibility for overturning IA recommendations to the Director General for Higher and Further Education who decides whether or not a recommendation should be implemented. We routinely explain the provisional status of our recommendations to every appellant and complainant. In 2018-19 recommendations by IAs were rejected in this way by DfE on 6 occasions, 5 of which related to reports issued during 2017-18. Welsh Ministers did not reject any IA recommendations this year.

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

We have continued to receive superb support throughout the year from SLC's Independent Assessors Liaison Officer. It has been a demanding year for her, and we would like to express our thanks for her invaluable input and for the help we have received from her SLC colleagues.

7.3. Case-load

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

The number of IAs in post at any one time will obviously affect the time it takes for appeals and complaints to be escalated and resolved. In 2015, when the situation was at its worst, there were delays of 8 months, from request for escalation to stage three, to the file being sent to an IA. That delay was subsequently reduced to 2 months, but it then increased again. At the end of March 2018 there were 23 appeals and 53 complaints awaiting allocation to an IA with a waiting time of 3 and 4 months respectively. One year later, at the end of March 2019, 26 appeals and 22 complaints await allocation to an IA, with a waiting time of 5 and 3 months respectively.

The increase in appeal waiting times is disappointing, given that overall, fewer cases proceeded to stage three of the appeals and complaints processes in 2018-19 than in 2017-18. It would seem that the additional IA recruitment has started to have an impact, but the full effect has yet to be seen. We also noticed that in recent weeks there have been some delays in preparing cases to be sent to IAs, meaning that the expanded IA capacity might not yet be being used to full capacity. It will be important that SLC keeps these issues under review and ensures that sufficient administrative resource is available to support this part of the process.

Some customers will have made both complaints and appeals before their case is passed to an IA. Some of these cases will not have been considered at two stages of both tracks before being referred, and we think that this can be the sensible course, to avoid undue delay before there is an independent review. However, there may be advantage in ensuring that any appeal has been considered at stage two before it is escalated, to ensure that SLC has taken a definitive view on the application of the regulations to the case. If an appeal does not progress to stage two before escalation to an IA, it will be helpful to obtain the customer's consent to this course.

7.4. Appeals

During 2018-19 we reviewed 77 appeals. A comparison with preceding years may be seen in the tables below:

Table 7.4a Appeals Reviewed

Financial Year	SLC Decision	Appeal Upheld	Total
2018-19	52	25	77
2017-18	81	28	110 - (1 withdrawn)
2016-17	89	19	108
2015-16	47	15	62
2014-15	48	6	54
2013-14	38	9	47
2012-13	58	6	65 - (1 referred back to SLC)
2011-12	39	10	49
2010-11	34	25	59

Within the 2018-19 figures, 3 cases were for Wales, 1 of which was upheld.

The table below sets out the broad categories of appeal with comparable figures for previous years where available:

Table 7.4b Appeals Categories

Subject Matter	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Unfitted	13	7	15	39	43	32
Previous Study / ELQ	10	9	10	14	9	5
Residency	10	13	17	26	24	14
Overpayment / Repayment	1	1	1	1	1	1
Funding Entitlement	6	12	7	7	9	6
Migrant Worker	2	3	2	6	5	6
Postgraduate Loan	N/A	N/A	N/A	6	9	4
Other	5	9	10	9	10	9
Total	**47**	**54**	**62**	**108**	**110**	**77**

Within the 2018-19 figures, 3 cases were for Wales, one each in the following categories: *Unfitted, Overpayment / Repayment* and *Other.*

In considering an appeal, IAs will sometimes also address service issues which have arisen in the handling of a case. Recommendations were made in thirteen cases during 2018-19 for the offer of an ex gratia payment. The total amount recommended for payment in these cases was £2,800.

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

a. The three-year residency requirement: We have commented in earlier reports on the number of appeals arising out of the general requirement for three unbroken years of ordinary residence in the UK immediately prior to the start of a course. An issue is often that there has been a break in ordinary residence because an application for an extension of stay has been refused by the Home Office, only for a further application to have been accepted shortly afterwards. During this year DfE have agreed a somewhat more generous policy for SLC. Under the Immigration Rules a person will not be treated as an overstayer if a fresh application which is accepted has been made within 14 or 28 days of an initial refusal. SLC are now similarly able to disregard a break in lawful residence which is within the relevant "grace period" allowed by the Home Office. This change is obviously to the advantage of a number of applicants who would previously have been found ineligible under the stricter application of the regulations. However, we have some concerns that the new approach may not be entirely transparent to applicants and we have seen examples of appeal responses covering this point which are confusing and hard to follow.

b. *Students found unfitted for support*: We continue to see a significant number of cases where students are found to be unfitted for support following investigations by SLC's Counter Fraud Services (CFS). SLC is inevitably an attractive target for fraudsters and it is right that the company responds firmly when fraud is detected. However, in a number of cases that we have seen, a finding that the student is unfitted for all support for an indefinite period has seemed a disproportionately heavy response to relatively small-scale and / or inconclusively evidenced infractions. It is not made clear to these customers what – if anything – they might be able to do to become eligible for funding again at some point in the future. There can also be issues with the clarity and detail of the reasoning in CFS decision letters to students: it is important that those facing removal of eligibility fully understand the specific findings against them, to allow for the submission of relevant new evidence or arguments. Finally, appeal responses in these cases do not always seem fully joined-up, with the appeals team referring to CFS decisions as if they had been taken by a different organisation. It is important that any appeal response is an answer from SLC as a whole and represents a considered, collective view on the matters in dispute.

7.5. Complaints

This year we have reported on 168 complaints, including 6 from Wales. The table below shows the comparative numbers of complaints reported on each year:

Table 7.5a Complaints Reviews

Financial Year	Number Reviewed
2018-19	168
2017-18	191
2016-17	174
2015-16	172
2014-15	103
2013-14	119
2012-13	92
2011-12	51
2010-11	14

Many complaints have a range of issues within them. A report in such cases will therefore review a number of issues and may contain findings adverse to SLC on only some of the issues raised. For this reason, it is difficult to describe complaints as being upheld, either in full or in part.

The table below shows the complaints by categories used by SLC when the complaint is first registered:

Table 7.5b Complaints Categories

Subject Matter	2014-15	2015-16	2016-17	2017-18	2018-19
Processing	31	97	74	100	80
Grant overpayment	26	3	5	5	1
Advice given	9	37	23	29	34
ICR	23	18	47	36	25
Other	14	17	25	21	28
Total	**103**	**172**	**174**	**191**	**168**

Within the 2018-19 figures, four of the six Welsh cases fell into the *Processing* category; one case was in the *Grant Overpayment* category and one case was categorised *Other.*

In 2018-19 recommendations were made in 116 cases for the offer of an ex gratia payment. The total amount recommended for payment in these cases was £22,353.75.

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

We recognise that SLC has sought to respond positively to a number of the issues from complaints which have been raised in earlier annual reports. Some issues are more intractable and are rooted in SLC's business model:

a. Inaccurate telephone advice: Customers are encouraged to ring SLC if they have issues or queries, but it is impossible to obtain definitive answers from the help lines. There are recorded warnings before callers are put through, making clear that it is only when a formal application is made and assessed that applicants can know for sure what they will receive. Unfortunately, in many cases that we consider customers have relied on telephone advice which proves to be wrong – perhaps starting courses that they cannot afford to complete, leaving jobs or moving home. Call handlers can be too firm in giving wrong advice, whether because they want to be helpful or reassuring, or simply because they over-estimate their own understanding of the system.

b. Confusing system-generated correspondence: We are told that it is often impossible to prevent automatically generated letters being sent out at particular points in the cycle of considering a case. This can be both confusing and frustrating for customers, for example when unspecific requests for further information are received when additional evidence which has already been submitted is still under consideration. We recognise that lead times for improving large IT systems will be long and resources may be tight, but, at the least, more health warnings could be included in stock letters.

7.6. Ombudsman Services

Parliamentary and Health Service Ombudsman (PHSO) and Public Services Ombudsman for Wales (PSOW) provide an opportunity for customers who are dissatisfied with the outcome of the three stages of the complaints or appeals process to seek a review through referral by their MP. It is worth noting that, contrary to some customers' expectations, the Financial Ombudsman Service (FOS) does not have jurisdiction in relation to SLC's caseload save with respect to a narrow area of complaints arising between 1 April 2007 and 30 March 2015 and relating to the older mortgage style loans, which have now been transferred to the private sector.

The PHSO has requested information from SLC in 20 cases in 2018-19, confirming full investigation of four cases. A further six are still being considered. During the same period PHSO have also reported, after investigation, on six cases, some of which began earlier. In these reports the complaints were not upheld in four cases, and partly upheld in two. Where a complaint was upheld in full or in part the PHSO required SLC to take further steps in the form of providing additional explanation or offering a higher ex gratia or consolatory award than the IA had recommended.

The PSOW has requested information from SLC in nine cases in 2018-19 and investigated three. Reports were issued in two of those cases and the other was closed without formal investigation. The two completed PSOW reports both partially upheld the complaint. We have routinely been kept informed by SLC of the reports from the PHSO and PSOW in the past year.

7.7. Recommendations

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

- Closer attention to quality control in the drafting of appeal responses, to ensure that they are as clear and comprehensible to customers as possible
- More care in weighing the proportionality of decisions to make a customer unfitted for all funding for an indefinite period. Any such decisions should be fully reasoned, allowing more focused appeals to be made against them. Consideration should be given to whether more use might be made of time-limited bars on receiving further support and/or indicating whether, and if so how, it might be possible for an unfitted student to re-establish eligibility
- Consideration of adding to the current recorded messages by including more specific warnings in call handlers' scripts that customers should not rely on telephone advice and should, where possible, avoid acting on it until formal decisions have been made
- Similar consideration of the inclusion of more health warnings in the wording of stock, system-generated letters, making clear that they can be disregarded if there has been more recent communication with SLC

- Pressing on with the work which we know is underway to make it possible for more customers to communicate with SLC electronically, reducing the current reliance on phone calls and mail

- In mixed appeal / complaint cases, it will be helpful to obtain the customer's consent if an appeal does not progress to stage two before escalation to an IA

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