Student Loans Company Limited
Annual Report and Accounts 2016-17

Student Loans Company

FY16 -17 in numbers

Applications Processed
1.8
MILLION

Fraud Prevented
£16.3
MILLION

Income Contingent and Direct Repayments
£2.4
BILLION

Maintenance Loans and Grants paid
£7.8
BILLION

FE / HE Provider Tuition Fees paid
£9.4
BILLION

Fraud Return on Investment
13:1

Loan Book Value
£101.2
BILLION

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01.
Chairman's Statement

During the year under review, I have worked with two Chief Executive Officers (CEO), through a period of uncertainty, followed by the start of the development of a significant operational and strategic change programme.

I would like to record my thanks to David Wallace for providing continuity and leadership over a seven month period spanning the end of the last financial year and the first two months of the year under review, during the search for the new CEO.

On 1 June 2016, Steve Lamey was appointed as CEO to lead on the Student Loans Company (SLC) 2020 Strategy development process. He involved the broadest possible range of stakeholders in the development, from University Vice Chancellors to customer advisers on our help desks.

At the same time as welcoming a new Chief Executive, the senior team at SLC has quickly established a strong working relationship with their opposite numbers in a new sponsor team at the Department for Education (DfE), following the machinery of Government changes at Whitehall in the summer of 2016.

In my Statement in last year's Annual Report I welcomed five new Non-Executive Directors to the Board and spoke about the vital part they play in our governance and oversight mechanisms. I have been impressed and grateful in equal measure for the commitment they have shown this year, particularly their participation in the development of the SLC2020 Strategy.

The input and constructive challenge by the Non-Executive Directors, along with other stakeholders in the Higher and Further Education sectors, has resulted in a strategy that is imbued with a clear logic and strong rationale that is understood and supported by the entire Board, our stakeholders and our staff. Ultimately, however, it will be through the lens of our customers and their end-to-end experience of our service that we will be judged. If we achieve that then it follows that our stakeholders will be satisfied that we have delivered our mission and done so in accordance with our vision.

"SLC will deliver outstanding digital products and services to its customers and stakeholders and will respond effectively, quickly and flexibly to the demands of Ministers and policymakers at the Department for Education and the devolved administrations."

We have continued to deliver our core purpose in the year under review but we recognise the need for further development to support the implementation of future Government policy, particularly as policies continue to diverge in other domiciles within the UK. The implementation of the SLC2020 Strategy should allow us greater flexibility across all policy areas and associated systems.

Our responsibility for the effective administration of the loan book and the debt sale that took place in December 2017 placed further responsibility on SLC to provide high quality data, evidence of security measures and a repayment strategy that maximises collections to UK Government Investments (UKGI), HM Treasury and the DfE.

SLC does not exist in a vacuum and as Chairman I am mindful that in addition to the matters described above, there are also events that are beyond our control, but nonetheless must be acknowledged and any potential risks recorded and managed appropriately. In the last year we added the impact of the EU referendum and the potential for another Scottish Independence Referendum to the Risk Register. Similarly, we acknowledged that any changes to student funding policy or concerns around the sustainability of the current fee loans model or changes in customer behaviour or expectations would have repercussions for SLC.

On 11 July 2017, Steve Lamey was suspended from his duties as CEO and Accounting Officer pending an investigation into concerns which had been raised. On the same day David Wallace (Deputy CEO and Chief Customer Officer) was appointed as Acting CEO and Accounting Officer.

On 7 November 2017, following investigations into allegations about aspects of his management and leadership Steve Lamey's contract as CEO and his formal appointment as Accounting Officer were terminated. SLC and its shareholders expected the highest standards of management and leadership and these were not upheld by Mr Lamey.

Peter Lauener was appointed as Interim CEO and Accounting Officer with effect from 29 November 2017. David Wallace continued as Acting CEO and Accounting Officer until Peter started before reverting back to his substantive post as Deputy CEO and Chief Customer Officer. The SLC Board would like to put on record our thanks to David Wallace for his excellent work as Acting CEO during Steve Lamey's suspension.

Peter Lauener recently retired from a long and successful senior career with DfE, latterly as CEO of the Education and Skills Funding Agency. The search for a new permanent CEO is under way.

I am certain that SLC will face continuing pressures and I will be working alongside our Interim CEO to press the UK Government and the Devolved Administrations for the best outcomes for SLC as we seek to invest in our future to enable us to better serve students investing in theirs.

Christian Brodie
Chairman

02. Chief Executive Officer's Foreword

The Chairman's introduction sets out the unusual circumstances which resulted in myself being asked to take on the role of Interim CEO at SLC from 29 November 2017. This means that my tenure started after the end of the year that this report covers but I have taken full assurance from David Wallace, who capably filled the role of Acting CEO before me, as well as from my Chief Financial Officer and others on the Executive Leadership Team that these accounts are a true and fair account of the 2016-17 year.

SLC has a vital role in society in 2016-17 we processed 1.8 million applications advancing £17.2 billion to help students invest in their future. By the end of the year the loan book value had reached £101 billion. To do this, SLC runs a very large service delivery operation to support the Government's and Devolved Administrations' policies for students. We run different programmes across the four domiciles to reflect the different models of student support that have been developed. The scale of this operation is striking and I have been very impressed as I take over as Interim CEO to find an organisation delivering well against some challenging targets and with firm plans to improve performance further in the period ahead. I am pleased to report that, as well as managing the largest policy-related change programme in our history and delivering a successful academic cycle, we have developed a new strategy for SLC that will put us in a strong position to meet future challenges.

Over the last few years, SLC has had a track record of successful delivery and this year was no exception.

In respect of the Academic Year (AY) 16/17 we implemented changes to student funding policy, with the shift from maintenance grants to loans, as well as launching new product offerings in the student finance arena in the shape of Post Graduate Loans in England, one of the Government's flagship policies.

Our new strategy, called SLC2020, has been endorsed fully by the SLC Board and approved by our Minister Jo Johnson, and the first elements of implementation will start during 2018.

Our new strategy has been heavily influenced by listening to staff, stakeholders, shareholders and Government officials testing our understanding of the strengths, weaknesses, opportunities and threats facing the Company. This was an important first step as we needed to be clear what problems the Company is trying to fix and how best to achieve the desired outcome for SLC and our shareholders.

We also needed to recognise in the strategy:

- the increasingly divergent and complex policies we need to develop and deliver for each of the four UK Government administrations,
- a younger customer demographic (Generation Z and Generation Alpha) who have a very different expectation of the service they receive from us than the students of 25 years ago,
- a more mature and growing set of customers who will leave study and move into repayment,
- a more diverse set of customers whose accessibility requirements span language and culture, as well as physical considerations.

For SLC to continue to be fit for its purpose of delivering secure, accurate and efficient application, assessment, payment and repayment services that enable customers to invest in their futures, we will change the way SLC operates.

In order to continue to safeguard our top priority, 'business as usual' delivery of our services, the SLC2020 Strategy will be delivered through four key programmes over the next 3-4 years.

Organisation Health and Effectiveness

To support the delivery of the SLC2020 strategy a new target operating model is being implemented, underpinning a move away from the current process driven approach to one that is a digitally driven customer/ product organisation. The new operating model identified the need for a new customer/ product executive directorate responsible for policy interface, product design and assurance of commissioning activities.

As a result, a new Executive Director role of Chief Customer Officer has been created to bring together all of the organisation's activities in respect of planning and policy, shareholder commissioning, customer product design, proposition development, digital delivery and marketing and customer communications into one new Directorate. This will also allow us to use customer insight and deep user experience to design and continuously improve our customer proposition.

An extensive people change programme introducing Operational Excellence, LEAN, a new cultural framework (the SLC Way) will reinforce that every application we process and every call we answer is from a real person and how we respond affects that person and in some cases more than one person's life.

To support the successful delivery of the programme we are introducing training and coaching to re-focus the role of managers at SLC and we will carry out a review of our current pay and grading structures.

Digital Customer

One of our objectives is to "Deliver an outstanding digital customer experience" and we have identified and scoped six features that we will implement in the coming year. Work began in FY16-17 to define how we could increase and expand our digital service to meet that objective.

As a result, plans are in place to tackle this on a number of fronts in the next financial year. These include increased automation of processes and enhancements to existing services. This first raft of changes will also reduce costs and the need for customers to contact us for a simple change like a password re-set. At the same time we will use Digital Notifications such as SMS text messaging to pro-actively provide updates to our customers on the progress of their application.

For those occasions when customers do contact us, they will experience better service as we enhance our call handling processes, particularly the interactive voice response, to identify and route complex customer issues more effectively.

The introduction of E-Signatures will significantly improve the customer experience by speeding up loan decisions and the ability to upload evidence in support of an application will reduce print and post, and associated document scanning and manual processes leading to a reduction in call volumes for status checks.

Digital Architecture

Looking at our broader digital architecture, in the year under review, we made significant progress with our Infrastructure Uplift Programme. This was a strategic initiative designed to improve SLC's resilience, migrating systems from the legacy environment to a new Assure Platform.

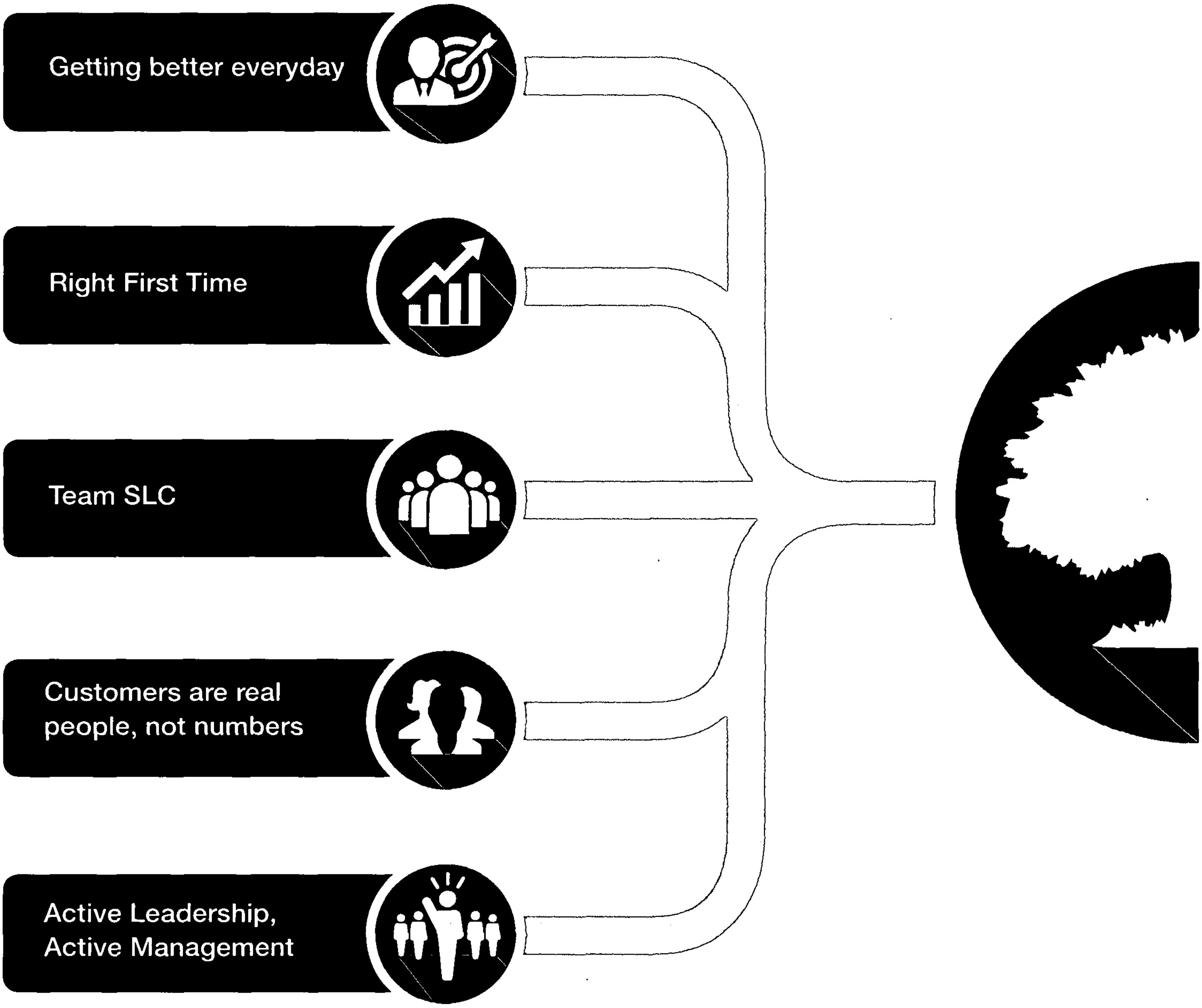
With a more modern, resilient and secure platform to manage our loan book, we have a strong foundation for future developments and the business changes needed as part of our SLC2020 Strategy, particularly in the area of repayment. All key applications will be migrated to this Assure Platform over the next few years.

We have maintained our focus on security, and cyber security in particular this year, building on the achievements of previous years, supporting the continued move to digital while staying vigilant to emerging threats from the ever changing threat landscape.

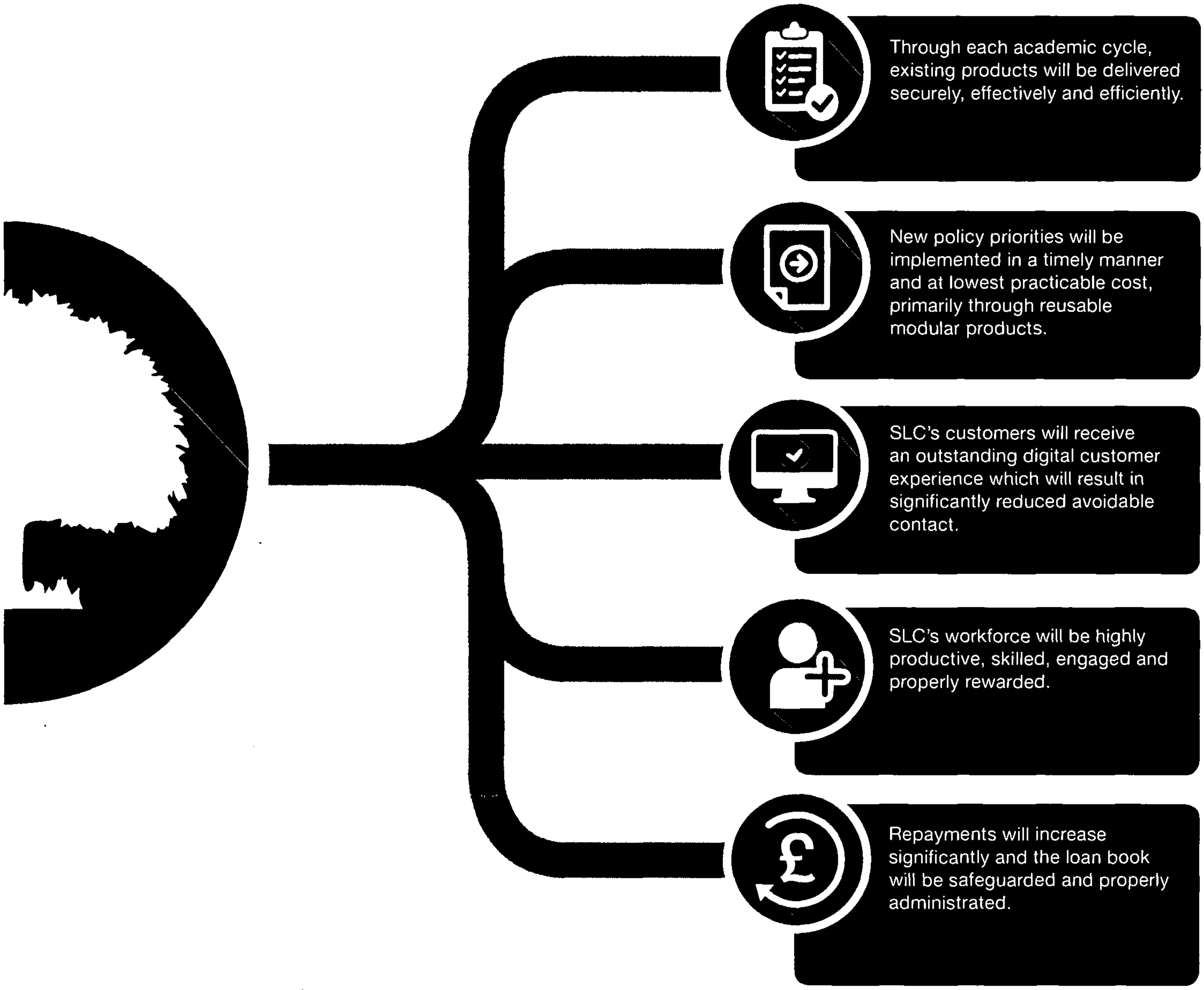
Our Security Programme is now in its third year delivering key enhancements to our technical control environment. This year the programme has focused on managing system access, our incident response capability, protective monitoring and a bulk data protection strategy. This has been complemented by the ongoing security awareness programme designed to ensure that our staff are aware and equipped to recognise potential threats and take the most appropriate action.

Progress has also been independently verified through a number of external security reviews supporting both the Pre-2012 Income Contingent Repayment Loan Sale for England and renewal of our Payment Card Industry Data Security Standard (PCI DSS) certification. Work is also underway to ensure that we are prepared for the forthcoming EU General Data Protection regulation (GDPR) in 2018.

The SLC Way


Getting better everyday
Right First Time
Team SLC
Customers are real people, not numbers
Active Leadership, Active Management

Taken together, and once implemented, the strategy will deliver a set of outcomes that will ensure the following agreed objectives and priorities are met:



Repayments

We recognise that we need to get better at ensuring that those who are due to repay their loans start and stop at the correct times. We are also working to ensure that those who actively try to avoid repayment are pursued.

The publication of the Government's Joint Repayments Strategy in February 2016 confirmed how SLC, HMRC and the Administrations will work together to optimise the operation of a fair, robust and efficient repayment process.

The involvement and contribution of our staff and external stakeholders as well as Board members has been central to shaping and informing the strategy that will prioritise investment to transform SLC into a high performing and operationally excellent organisation driven through a digital product and customer services development and delivery model. I am confident that we will see the organisation become a better place to work and a more effective delivery vehicle for student finance across the United Kingdom.

Peter Lauener
Interim Chief Executive Officer

03.
About The Student Loans Company

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

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About us

The Company plays a central role in supporting the Higher Education (HE) and Further Education (FE) sectors by: making timely and accurate payments of maintenance grants and loans to learners; and ensuring timely and accurate payments of tuition fee loans to HE and FE providers. We do this by working with the Departments for Education (DfE, England), Education and Lifelong Learning (DELL, Scotland), Education and Skills (DfES, Wales) and the Department for the Economy (DfEcon, Northern Ireland). We also work with the Student Awards Agency for Scotland (SAAS), Higher and Further Education providers and other delivery partners.

SLC services around 1.8 million applications per year, responds to 4.5 million phone calls from customers and has over 6 million repaying or due to repay customers with loans totalling more than £100 billion.

Applications processed
1.8 million

Customer calls processed
4.5 million

Customers repaying
6 million

Loans totalling more than
100 billion


Glasgow
Hillington
Darlington
Llandudno Junction

Core functions of the SLC

SLC administers government funded loans and, in some Administrations, grants to HE and FE learners, on behalf of England, Wales, Scotland and Northern Ireland, in line with the policy aims of the relevant Administrations.
Currently the primary roles of SLC are to:

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

Shared UK requirements

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

04. Strategic Report

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04.1 Business at a Glance

"SLC will deliver outstanding digital products and services to its customers and stakeholders and will respond effectively, quickly and flexibly to the demands of Ministers and policymakers at the Department for Education and the devolved administrations."

A new vision aligned to the SLC2020 Strategy.

Our strategic priorities are confirmed in the Annual Performance and Resourcing Agreement, known as the APRA, and comes in the form of a letter from the relevant Government Minister to the Chairman of the Student Loans Company.

This document forms the basis of the annual operational plan for both business as usual activities and change projects to support new policy requirements. It also sets out the performance measures and targets agreed with each Administration, as well as the funding to deliver their requirements.

SLC records and reports its performance against its strategic priorities monthly using a balanced scorecard constructed around the measures set out in the APRA and SLC's Business Plan.

Progressing towards our vision

A fundamental part of SLC's vision for the last three years has rested on the organisation's ability both technically and physically to maintain and enhance existing systems and invest in new ones where this is required to support new products or improve the customer experience.

We completed the build of the new Assure platform in March 2017 and started four waves of controlled migration of systems, including operational and customer facing applications, and will continue throughout the coming financial year.

The security around our customer and staff data continues to be an important focus for SLC. Our staff awareness programme continued this year with a planned programme of messages reinforcing the steps to take to keep their and our customers' data secure.

Following an independent assessment in March, SLC was recertified as meeting the Payment Card Industry Data Security Standard, this is an annual exercise required of any organisations that handle credit cards.

04.1 Business at a Glance

Delivering our Mission

Once again in FY16-17 SLC has delivered an increased volume of policy requirements, which have involved increased complexity and variability in eligibility criteria and assessment rules.

SLC works with 730 Higher Education Providers, 620 Further Education Learning Providers, 480 Learning Centres and over 1500 organisations delivering a broad range of information to existing and new customers. Our information is provided in a variety of formats to ensure that we meet the requirements of the 2010 Equalities Act and interact with our customers using the channels that they use. A growing and increasingly important sub-set of our customer base are those who are in repayment. We maintain a close relationship with HMRC to ensure that repayments start and stop at the correct times. This is an area where real time information would enhance the customer experience of income contingent loan repayers in the UK who can find themselves over or under repaying as a result of the once per financial year report that SLC relies on from HMRC.

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

SLC's mission remains unchanged.

04.2 Operating Model and Strategy

The current operating model does not drive the delivery and assurance of SLC's complex services through the lens of customers or products and services but rather through separate vertical operational processes, that can create handoff issues for customers with complex applications.

This will be addressed by the SLC2020 Strategy where we introduce clear ownership of end-to-end customer processes with the assurance function separated from operations and more aligned to the development and improvement of the products and services.

Engagement and ways of working with each of the four devolved administrations has improved in the current year but there is a recognition that there remains scope for improvement. It is anticipated that the new operating model when rolled out next year will move SLC to a position where a modular approach can be adopted re-using business rules or IT components to deliver a better, faster and more cost effective product.

This approach will help but will not eliminate the perennial challenge of managing competing demands of each Administration as their policies diverge. Earlier involvement by SLC in policy development in relation to product design is an area that could deliver benefits to each of the shareholder groups.

04.3 Managing our People

Early work on the Organisational Health element of the SLC2020 Strategy will provide essential improvement to staff engagement. This will be achieved through a range of activities that address the hygiene factors of pay and reward, as well as behavioural change initiatives across the management group to include a sharper focus on structured communications delivered by managers to their teams.

This new approach to communications across SLC was piloted in FY16-17 using a monthly cascade called Talking Points to inform and involve staff in the SLC2020 Strategy development process. Three pulse surveys were carried out amongst a cross section of staff to assess the effectiveness of this method of communication and the skills of managers in tailoring and delivering corporate messages to their teams. It is intended that this structured communication approach will continue to be used for the strategy implementation and other corporate messages in FY17-18.

The bulk of SLC's workforce work in our contact centre and processing operations, however, the organisation also employs a broad range of professional staff, in Corporate Services functions and in other areas. To support the Continuous Professional Development of professional staff external specialist training is encouraged as well as membership of the relevant professional accreditation bodies, such as the Law Society of Scotland, the Chartered Institute of Public Finance and Accountancy, Institute of Internal Auditors and the Chartered Institute of Public Relations.

In addition, mandatory training in areas such as data protection and health and safety, and regular training appropriate to the role is also provided to ensure that our staff develop and maintain the skills necessary to be effective. One such example is the Company accreditation from the Credit Services Association last year with 85% of repayments staff having completed the Collectors Accreditation Initiative test, this is expected to rise to 100% in the first quarter of the coming financial year.

Staff Training Hours

External-Professional programmes	3,236
Policy-system change delivery	340
Operational training delivery	4,965
Management Development and Business Skills	309

Staff joining	**Staff leaving**
604	536

Equality, Diversity and Inclusion FY16-17

SLC has an established commitment to equality, diversity and inclusion (EDI). In 2016 we revised our equality objectives with a focus on business, customer and our people.

A session on 'unconscious bias' was included within the 2016 Senior Management Development Programme and a series of video shorts on leadership; customer care and web testing were developed to support the equality e-learning programme.

Mental Health awareness has also been an important part of this year's programme of work with training for managers; promotion of our support services to employees and managers; encouraging health and wellbeing activity and establishing mental health first aiders in the workplace.

Providing accessible services to our disabled customers has progressed this year through development work to extend our Disabled Student Allowance (DSA) online application process.

The Company also supported Global Accessibility Awareness Day at our business locations in 2016.

The Company has arrangements in place to meet gender pay gap reporting and is also compliant with the new statutory regulations which came into force in 2016 on English and Welsh language requirements in the public sector.

During FY16-17 SLC partnered with the National Centre for Diversity to carry out an employee EDI survey. We produced our workforce equality monitoring profile by business location allowing a more informed analysis against local population data. The actions emerging from the survey and the equality monitoring data will be incorporated into the EDI action plan for FY17-18.

Employees	**1305** male	**1553** female
Senior Managers	**34** male	**27** female
ELT and Board	**8** male	**4** female

04.4 Managing Public Money

Like all publicly funded bodies SLC is required to manage its funds appropriately, record and monitor expenditure accurately, deliver value for money and operate within budgets agreed in the APRA. Further details can be found in the Financial Review on page 28.

SLC's Counter Fraud Services prevented fraud of £16.3million in FY16-17, representing a return on investment (ROI) of 13:1.

Current fraud prevention techniques continue to prove successful. We continue to monitor new threats ensuring the impact to our customers and SLC is kept to a minimum.

The nature of the work the teams carry out is complex with cases being referred from a variety of sources. Proving fraud relies on in-depth investigation, diligent evidence gathering and meticulous record keeping which could be relied upon in a criminal court to secure a conviction. Working in partnership with other government departments, these convictions often result in a substantial fine and in some cases, a custodial sentence.

SLC counters the threat of fraud at each step of the customer journey from the point of application through to when a customer is due to repay.

SLC administers a loan book of £101.2 billion, working in partnership with HMRC to ensure repayments are collected on time from those due to repay under the Income Contingent Repayment Loan Scheme. The Company also manages direct collection from customers making voluntary repayments, residing overseas or repaying grant and loan overpayments. In FY16-17 SLC met its key performance targets, with £2.4 billion in Income Contingent and Direct Repayments collected.

Throughout FY16-17 SLC remained focused on the implementation of the joint Repayment Strategy. The Strategy set out how the then Department for Business, Innovation and Skills, SLC, HM Revenue and Customs and the Devolved Administrations of Wales, Scotland and Northern Ireland would work together to improve their capability to pursue outstanding student loan debt; better forecast future repayment and loan rates to set better targets; reduce operational costs and ultimately improve customer service for the borrower.

A renewed focus was placed on repayments in FY16-17 with a harder line taken in the collection of non paying accounts, including the use of external agencies. This focus will continue as SLC works towards delivery of the Repayment Strategy, making improvements for customers and maximising the amount collected through repayment channels.

SLC's partnership with HMRC and DfE continues to strengthen as the organisations work together to ensure that all repayments due are collected. In the coming year potential changes will be explored to improve repayment.

04.5 Principal risks

SLC has identified a number of strategic and operational risks that impact on the achievement of our Mission and Vision. The Governance Statement on page 50 describes our approach to risk management.

Security

Information is an increasingly valuable asset at SLC. If systems are not appropriately protected against the risk of cyber attack(s), the confidentiality, integrity and availability of assets may be compromised.

Mitigation:

SLC has invested significantly in its cyber security capability. Security controls have been implemented on core systems to prevent, detect and respond to threats or attacks. Regular activities take place with staff members to highlight and promote awareness of cyber and data security.

The Company's Information Risk Appetite Statement aligns with the Corporate appetite and is signed off annually by the Board. Investment continues in to FY17-18 through SLC's Security Programme.

People

Increased market demand for specialist resources and the disparity between SLC's pay and reward package and that of its peers may reduce organisational effectiveness if staff cannot be recruited and retained.

Mitigation:

SLC is working with DfE to review the Company's pay and reward package. A component of SLC's strategy targets staff engagement, skills progression, career development and performance management.

04.5
Principal Risks

Customer Expectations

SLC's technology and service may not keep pace with changes to customer behaviour and expectations, resulting in lower levels of satisfaction and disengagement from our core demographic.

Mitigation:

As part of the SLC2020 Strategy, SLC will expand its digital channels and improve customer experience to bring it in line with expectations.

ICT Resilience

SLC operates a number of legacy systems. This presents a risk of failure, which may result in service disruption for our customers.

Mitigation:

SLC is currently undergoing a substantial uplift to its infrastructure resiliency. This includes migration of systems on to a new, more secure platform and upgrade of its business support services systems including the accounting ledger. Investment will continue into FY17-18.

External environment

Due to the political environment in which SLC operates, it is subject to a number of indirect policy and commissioning risks which can lead to delays in project delivery and reputational damage.

Mitigation:

Revisions to the 2009 Framework Document will clarify governance arrangements and responsibilities between SLC and its stakeholders. The impacts of indirect risks are managed in accordance with SLC's risk framework in order to minimise exposure. Further clarity regarding the impact of UK Government's triggering of Article 50 is expected in FY17-18.

Pensions

The value of SLC's pension scheme assets are insufficient to meet the estimated liabilities of the fund. This funding position is unsustainable.

Mitigation:

SLC, in conjunction with DfE, continues to progress a potential transfer of the SLC Retirement and Death Benefits Scheme to the Civil Service Pension Scheme. Details on the performance of the SLC Retirement and Death Benefits Scheme can be found in Note 18 to the financial statements.

Business readiness

The size and breadth of planned change may exceed SLC's capacity to achieve its operational and strategic objectives.

Mitigation:

An organisational re-design has commenced in order to best align business areas with forthcoming changes.

04.6 Financial Review

Funding

SLC is funded primarily by Grant in Aid. In accordance with HM Treasury Consolidated Budgeting Guidance for the year ending 31 March 2017, this is all received directly from the Department for Education as our sponsor department with responsibility for England. They receive the relevant apportionments from the other devolved authorities for whom we perform work as listed below:

- Department for Education and Skills - Wales
- Student Awards Agency for Scotland
- Department for the Economy - Northern Ireland

Grant in Aid funding is provided to cover expenditure on ongoing operational activities and the change programme.

We apply for funding through an annual corporate financial planning cycle which forecasts funding requirements incorporating departmental discussions and an APRA letter confirming Grant in Aid available and income from other sources.

In the year ending 31 March 2017, income continued to be received from universities and colleges which have chosen to have the Student Loans Company administer their bursaries and scholarship payments under our Higher Education Bursary and Scholarship Scheme.

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

Year end outturn

For the year ending 31 March 2017 our APRA allocation, which determines the total revenue and capital expenditure we can incur as measured by Government expenditure classifications, was £200.1m. The financial year outturn was £194.2m, an under spend of £5.9m to the APRA position.

	APRA £m	Outturn £m	Outturn variance to APRA £m
Operational expenditure	137.297	134.963	(2.334)
Change programme expenditure	62.798	59.191	(3.607)
Total expenditure	**200.095**	**194.154**	**(5.941)**

Reconciliation to Financial Statements	£m
Total expenditure per financial statements	128.891
Non Grant in Aid income	(0.658)
Amortisation of deferred capital receipts exc bursaries	17.111
Capital additions – tangible	7.469
Capital additions – intangible	41.341
Total expenditure per outturn	**194.154**

Operating expenses under spent by £2.3m. This was mainly due to reduced staff costs resulting from lower than forecast student numbers and operational efficiencies combined with lower than anticipated ongoing running costs from projects that have completed and costs transferred from the change programme.

The change programme under spent by £3.6m. This was mainly due to finalising scope and deliverables within specific projects before work could commence.

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

The funding position and outturn is reported on a monthly basis to the Senior Management Team, Executive Leadership Team and the Board, split by operating and change programme expenditure. In addition, detailed variance analysis is performed at directorate level and by expenditure type.

Financial Statements

The financial statements for the year ending 31 March 2017 are presented on pages 74 to 105. These statements have been audited with the audit report presented on pages 71 to 73.

Going Concern

The Company has negative equity at the Statement of Financial Position date of £47.0m (2016: £21.6 m). This arises largely from its obligations in respect of the retirement benefit obligations falling due in future years in accordance with the accounting treatment required by IAS 19 revised Employee Benefits, and additionally from a provision in respect of dilapidations arising from the Company's leasehold commitments. To the extent that they are not to be met from the Company's other sources of income, these liabilities may only be met by future grants or Grant in Aid from the Company's sponsoring departments. This is because, under the normal conventions applying to the Parliamentary control over income and expenditure, such grants may not be issued in advance of need.

04.6 Financial Review

Grant in Aid for the Company's business as usual operating expenditure for FY17-18, taking into account the amounts required to meet the Company's liabilities falling due in that year, has already been included in the Departments' estimates for that year, which have been approved by Parliament. There is no reason to believe that the Departments' future sponsorship and future Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The net liability position presented in the Statement of Financial Position is predominantly a result of the recognition of pension liabilities and dilapidations provisions. There is no adverse impact on SLC's ability to provide its services to either its customers or key business partners.

Statement of Comprehensive Income

This statement is presented on page 74.

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

The Company's operating expenditure of £128.7m includes both the operational costs and the costs associated with the change programme.

The decrease in expenditure this year reflects the costs that are directly attributable to the development of intangible assets, which are capitalised and held on the Statement of Financial Position. Note 11 to the financial statements provides details on intangible assets.

Funding of operating expenses are provided from Grant in Aid income (£128.1m) and the income generated from servicing contracts for third parties (£0.6m). A small decrease in income from servicing contracts for third parties was experienced in year as the income on capital enhancements for the bursary scheme will be recognised in future years as deferred capital receipts.

Statement of Financial Position

This statement is presented on page 75.

The net liability of £47.0m on the Statement of Financial Position principally consists of £4.8m in relation to dilapidation provisions, £0.9m deferred lease incentive and £40.9m of pension liabilities. These liabilities may only be met by future grants or Grant in Aid from the Company's sponsoring departments as such grants may not be issued in advance of need.

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

Retirement and Death Benefits Scheme

In the year ending 31 March 2017, the Company in conjunction with our sponsoring department, continued its remedial action to address the deficit of the scheme, currently £40.9m.

The Company has committed to making payments of £36m, underwritten by the Department for Education, over a ten year period specifically to reduce the deficit.

The Company also made the commitment to increase their contributions to cover the cost of the build up of further benefits to 27.1% of members' Pensionable Salaries, effective from 6 November 2014.

These higher contributions are intended to mitigate the risk of further deterioration of the Scheme's position from having it open to future accruals.

The Company, in conjunction with the Department for Education, is seeking alternative pension arrangements with the Civil Service Pension Scheme.

Statement of Cashflow

This statement, presented on page 77, presents the cash flows of SLC.

These cash flows relate to ongoing operational activities, including change programme activities. The cash flows relating to the payment of funding to students as loans, grants or allowances and the repayments received from those customers who have entered repayment are not included in the Company's Statement of Cashflow. These monetary transactions are conducted through bank accounts held "in trust" for the relevant funding authority and do not appear on the Company's Statement of Financial Position but are reported within the statements of the relevant sponsoring department.

Tax Status

For the year ending 31 March 2017, the Company was registered for VAT and we were able to recover part of our input VAT, those services continuing to support the sold mortgage style loan activities being exempt from VAT.

SLC is a not-for-profit organisation, but we pay corporation tax in respect of interest earned and on the profits arising from the administration contracts for services to third parties and the bursary administration services provided to universities and colleges.

04.7 Performance

SLC's Balanced Scorecard consists of 25 measurements, grouped within the four main objectives of the Company's Corporate and Business Plan for the FY16-17.

Many of these measurements, along with their targets, were agreed by the four UK Government Administrations, and set out in the Annual Performance and Resource Agreement (APRA). Additional measurements and targets were agreed by the SLC Board.

The Balanced Scorecard is the Board's formal vehicle for monitoring progress against the Business Plan's performance targets, month by month.

In addition, Ministers and DfE senior officials conduct quarterly reviews of SLC's performance incorporating the Balanced Scorecard measures.

Objective 1: Progressing Towards Our Vision

1.1 Banking Platform

1.2 Security Programme

1.3 Data Warehouse

1.4 TOM and PMF

1.5 Postgraduate Loans

1.6 Digital Delivery

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

1.1 Banking Platform (Amber/Red)

SLC has successfully upgraded its banking platform onto a supported hardware and software platform. However, there is still work to complete on imaging stabilisation and document management.

1.2 Security Programme (Amber/Red)

While major progress has been made in strengthening the security of SLC systems, there have been delays, in part due to issues in securing appropriately skilled resource.

1.3 Data Warehouse (Amber/Red)

The first phase of the Strategic Data Warehouse project has successfully delivered UKGI access to SLC repayment data. Subsequent phases currently require replanning and alignment with the Business Case.

1.4 Target Operating Model and Process Management Framework (Green)

SLC has made significant progress in the development of a new operating model, and in the analysis and mapping of all core processes.
Remaining activity in this workstream has now been subsumed into the SLC2020 Strategy.

1.5 Postgraduate Loans (Green/Amber)

SLC successfully launched the Postgraduate Loans service for England in June 2016, having disbursed loans totalling £325m to over 60,000 Masters' students since it's launch. Development continues on products due to launch in coming years, including loans for Doctoral students (due prior to AY 18/19), and Masters products for Wales and Northern Ireland (due prior to AY 17/18)

1.6 Digital Delivery (Green/Amber)

Over the whole year customer satisfaction with the online services was 81.3%, against a target of 82.1%. However, satisfaction has steadily improved throughout the year (the result for March 2017 alone was 85.7%).

04.7 Performance

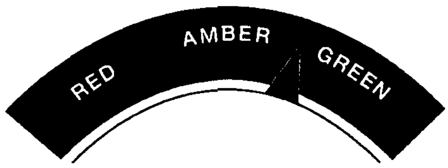
Objective 2: Delivering The Mission

2.1 Customer Feedback & Complaints

2.2 Assess-To-Pay

2.3 Repayment

2.4 Contact



2.5 ICT Network and Infrastructure

2.6 Annual Change Programme

2.7 Assessment Accuracy

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

2.1 Customer Feedback & Complaints (Green/Amber)

Customer satisfaction among applicants was 83.4% (against this year's target of 84.6%).
For repayers the result was 72.0% (target 77.2%).

SLC received 1.66 complaints per thousand customers (compared to 1.70 last year).

2.2 Assess To Pay Timelines (Green)

All assessment and payment timeliness targets for HE, FE and Postgraduate (PG) assessments were met. Some key results were:

- 99.8% of those HE applications submitted before the published deadlines were assessed by start of term (target 99%)
- 98.9% of all full-time HE applications were assessed within 20 working days (target 70%)
- 98.9% of Disabled Student Allowance (DSA) applications were processed within 10 working days, as were 96.7% of DSA needs assessments; over 97% of Child Care Grant applications were processed within 20 working days (respective targets all 95%).

2.3 Repayment (Green)

SLC met all targets for Income Contingent Repayment (ICR) and Recovery of Grant Overpayments (RGO), including:

- 97.1% of this year's incoming cohort of borrowers are in a repayment channel or fully repaid (target 96.4%)
- 91.5% of UK-resident borrowers from past cohorts are in a repayment channel or fully repaid (target 89.6%)
- 74.3% of UK citizen borrowers who reside overseas are in a repayment channel (target 73%)
- 63.3% of non-UK citizen borrowers who reside abroad are in a repayment channel (target 56.5%)
- 31.5% of RGO accounts are repaying (target 27.4%).

2.4 Contact (Green)

SLC met all contact centre targets for the year. Some key results were:

- England – we answered 97.3% of SFE (Student Finance England) calls (target 90%)
- Wales – we answered 97.0% of SFW (Student Finance Wales) calls (target 90%)
- All domiciles – we answered 97.6% of Repayments calls (target 90%)
- Northern Ireland – we answered 98.3% of SFNI (Student Finance Northern Ireland) calls within 60 seconds (target 87%).

2.5 ICT Network and Infrastructure (Green/Amber)

This was a year of significant upgrade and renewal for SLC infrastructure, with major projects delivering:

- Data centre consolidation
- Upgraded disaster recovery capability
- A programme to upgrade all servers onto supported hardware and software platforms
- Remediation of back-up and restore functionality
- Upgraded call-recording software
- Stabilisation of network file-share systems.

2.6 Annual Change Programme (Green)

SLC successfully worked with Government stakeholders to deliver their changes to HE and FE grants and loans products for the new academic year. The major changes this year were the introduction of postgraduate loans for England, and changes to Advanced Learner Loans eligibility.

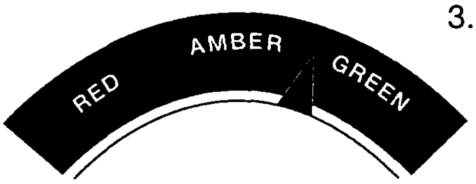
2.7 Assessment Accuracy (Green/Amber)

The net financial variance arising from errors in assessment (pre-payment) was 0.57% for AY16/17 applications (against a target of 0.5%). The net financial variance arising from errors in assessment (post-payment) was 1.1% (no target).

04.7 Performance

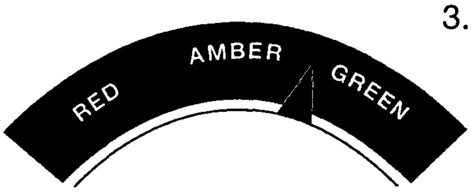
Objective 3: Managing Our People

3.1 Sourcing and Resourcing

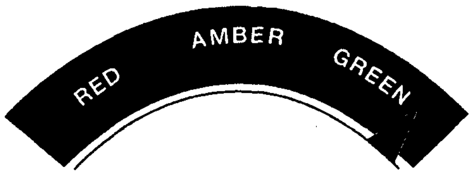


3.2 Skills and Capability

3.3 Recognition and Reward



3.4 Accommodation Strategy



3.5 Equality, Diversity and Inclusion

3.1 Sourcing and Resourcing (Amber/Red)

Changes to IR35 rules caused resourcing pressures on in-flight projects.

Annual staff turnover was 16% (against a target of between 10% and 14%). Sickness Absence was 5.6% (against a target of 6%).

3.2 Skills and Capability (Green/Amber)

SLC successfully implemented a new digital Learning Management System during FY16-17, and delivered an extensive portfolio of learning and development, with focus on Agile methodology, leadership development and LEAN.

3.3 Recognition and Reward (Green)

During FY16-17 SLC launched total reward statements, additional non-cash benefits, a number of recognition schemes and a reward exception process.

3.4 Accommodation Strategy (Green/Amber)

Negotiations progressed on SLC's plans for new office accommodation in Glasgow. Premises were secured early in FY17-18.

3.5 Equality Diversity and Inclusion (Green)

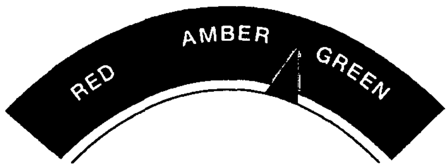
SLC has developed an action plan based on the results of a National Centre for Diversity survey.

04.7 Performance

Objective 4: Managing Public Money

4.1 Budget Variance & Forecasting

4.2 In-Year Savings



4.3 Fraud Prevention

4.4 Commercial Capability

4.5 Corporate Governance

4.6 Loan Book Sales

4.7 Company Pension

4.1 Budget Variance & Forecasting (Green)

SLC managed its expenditure within the agreed budget, the Financial Review on page 28 provides further detail.

During the year, SLC provided accurate forecasts to Government on the cash requirement for loans and grants, based on applications received. SLC disbursed £16.6 billion (£14.4 billion loans and £2.2 billion grants) during FY16-17, excluding payments made on behalf of SAAS.

4.2 In-Year Savings (Green)

Savings of £10.5m through operational efficiencies were achieved, against a target of £5.2m.

4.3 Fraud Prevention (Green/Amber)

SLC Counter Fraud Services prevented losses of £16.3m from attempted fraud - an overall ROI of 13 to 1, just short of the 14 to 1 target. SLC also established a Repayment Evasion team in 2016 which recovered £773,000 from overseas customers.

4.4 Commercial Capability (Green)

SLC achieved validated in-year savings of £3.3m as a result of initiatives against our Commercial strategy (against a target of £1.1m), and also invested in the Commercial Team, making significant improvement in commercial capability.

4.5 Corporate Governance (Green)

Following a review of all SLC policies, SLC has embarked on updating all HR and Employment Law policies.

4.6 Loan Book Sales (Green)

SLC was on track to support the UKGI sale in December 2017.

4.7 Company Pension (Green/Amber)

SLC is progressing the potential transfer of SLC Retirement and Death Benefits Scheme to the Civil Service Scheme.

05. Remuneration and Staff Report

The Remuneration and Staff Report contains information on Non-Executive Directors and Executive Leadership Team's remuneration and provides details of the remuneration policy for the year ending 31 March 2017.

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

This report is prepared in accordance with the Companies Act 2006, the Large and Medium -sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 as appropriate and the Government Financial Reporting Manual (FReM).

Remuneration and Nominations Committee

The Board delegates certain responsibilities to the Remuneration and Nominations Committee.

The Remuneration and Nominations Committee determines and agrees with the Board, the framework for the selection, appointment and remuneration of the Executive Leadership Team including the Chief Executive Officer (CEO) and such other senior managers as it is requested by the Board to consider. The Committee and Board work closely with the Department for Education (prior to the machinery of Government change on 9 November 2016, the Department for Business, Innovation and Skills), 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 Department for Education.

In consultation with the Chairman 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 Executive Leadership Team in consultation with the Chairman and the CEO.

The members of the Remuneration and Nominations Committe who served during the year to 31 March 2017 were:

	From	To
Michael Yuille Chairman April 16 to June 16	April 16	June 16
D Gravells Chairman July 16 to March 17	April 16	March 17
S Jones-Evans	April 16	March 17
A Cox	Nov 16	March 17
R Kennedy	April 16	April 16
G Breakwell	April 16	April 16

M Curnock Cook joined the Committee in December 2017.

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

Membership of the Committee changed during the year as the term of appointment for existing members came to an end.

Management Changes

During the year to 31 March 2017, D Wallace continued as Interim CEO until 31 May 2016. S Lamey joined as the permanent CEO on 1 June 2016 whereupon D Wallace returned to his substantive role within the Executive Leadership Team. D Ross and M Cassidy also returned to their previous substantive roles on the same date. A new Executive Director post was established for Change and Programme Management on 1 October 2016 to which B McNaught was appointed.

On 11 July 2017, S Lamey was suspended from his duties as CEO and D Wallace was appointed as Acting CEO. On 7 November 2017, S Lamey's contract as CEO was terminated and D Wallace continued as Acting CEO until P Lauener joined as Interim CEO on 29 November 2017.

Remuneration Policy

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

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

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

All salaries, including the CEO's, are reviewed annually. Salary levels are established after taking into account external market levels and internal comparisons as well as individual responsibilities.

All Executive Leadership Team members who are permanent employees are on standard Student Loans Company contracts of employment and have notice periods of six months. The Acting CEO was and remains a permanent employee. Members of the Executive Leadership Team who are not permanent employees (apart from the current Interim CEO) are on standard contracts via the Crown Commercial Service's Contingent Labour One framework. The current Interim CEO is on SLC's payroll.

If a member of the Executive Leadership Team's employment with the Company 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 Chairman) 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 the Company, may attract further remuneration.

Other benefits and expenses

The Company meets taxable travel costs for Board Members and members of the Executive Leadership Team.

Where required for the role, the Company may provide a car to members of the Executive Leadership Team and other staff within the Company. The Executive Director for Customer Services and Operations has a company car within this scheme.

Performance related payments

Each member of the Executive Leadership Team has personal performance objectives, including specific measures that are required to be met and which have a significant impact on the performance of the organisation.

These targets and the CEO's appraisal of their performance against them are subject to review by the Remuneration and Nominations Committee.

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

The terms of appointment of SLC's previous permanent CEO provided for an annual performance related payment of up to a maximum of £20,000 per annum.

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

Performance related payments are not awarded to Non-Executive Directors.

Pension

Executive Leadership Team members (excluding the previous permanent CEO and the current Interim CEO) have the option of joining the Student Loans Retirement and Death Benefits Scheme. As ordinary members, they contribute 6% of pensionable salary and the Company currently contributes 27.1% of employees' pensionable salary, in line with the 2013 actuarial valuation and recovery plan agreed with the Trustees of the Scheme.

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

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

Fees and Remuneration

The following information is subject to audit.

Fees paid to the Chairman and other Non-Executive Directors who served in the year to 31 March 2017 were:

	Remuneration		Other Expenses		Total	
Chairman and Non-Executive Directors	**2017**	2016	**2017**	2016	**2017**	2016
C Brodie (Chairman)	**50**	50	**4**	5	**54**	55
A Cox (from 31 March 2016)	**17**	-	**2**	-	**19**	-
S Devonshire (from 31 March 2016)	**17**	-	**2**	-	**19**	-
N Elphicke (from 31 March 2016)	**17**	-	**2**	-	**19**	-
D Gravells (from 31 March 2016)	**17**	-	**4**	-	**21**	-
S Jones-Evans (from 31 March 2016)	**17**	-	**2**	-	**19**	-
G Breakwell (left 28 February 2017)	**11**	9	**1**	1	**12**	10
R Kennedy (left 24 June 2016)	**4**	9	**-**	-	**4**	9
M Yuille (left 30 June 2016)	**4**	9	**-**	-	**4**	9
W Gallagher (left 30 March 2016)	**-**	9	**-**	2	**-**	11

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

The Company made no payments to past Non-Executive Directors in the year to 31 March 2017.

Remuneration paid to the Executive Leadership Team who served in the year to 31 March 2017 was:

Executive Leadership Team		Salary		Other benefits and expenses		Performance related pay		Pension contribution		Total	
		2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
S Lamey	Chief Executive (from 01/06/16)	171	-	**11**	-	-	-	17	-	199	-
D Wallace (i)	Interim Chief Executive (from 01/11/15 to 31/05/16)	**27**	68	-	-	**4**	10	5	15	36	93
	Deputy Chief Executive and Executive Director of Finance, Strategy and Corporate Services (to 31/10/15 and from 01/06/16)	**114**	79	-	-	**3**	-	30	20	147	99
	Total	**141**	147	-	-	**7**	10	35	35	183	192
D Ross (ii)	Interim Executive Director of Finance, Strategy and Corporate Services (from 01/11/15 to 31/05/16)	**22**	57	**1**	2	**1**	1	5	13	29	73
	Executive Director of Customer Services and Operations (to 31/10/15 and from 01/06/16)	**103**	70	**5**	3	**2**	2	26	18	136	93
	Total	**125**	127	**6**	5	**3**	3	31	31	165	166
P Mason (iii)	Executive Director of Repayments, Counter Fraud and Commercial	**124**	121	-	-	**3**	3	32	31	159	155
B McNaught (iv)	Executive Director of Change and Programme Management (from 01/10/16)	**63**	-	-	-	**2**	-	16	-	81	-
C O'Connor (v)	Interim Chief Information Officer (from 16/02/17)	**45**	-	-	-	-	-	-	-	45	-
J Steed	Chief Digital Officer (to 10/02/17)	**119**	136	**3**	1	-	3	31	35	153	175
M Cassidy	Interim Executive Director of Customer Services and Operations (from 01/11/15 to 31/05/16)	**20**	51	**1**	2	-	1	3	8	24	62

The Company made no payments to past members of the Executive Leadership Team in the year to 31 March 2017.

The Executive Leadership Team members were eligible for consideration for a performance related payment:

(i) The terms of D Wallace's appointment as Interim CEO provided for a performance related payment of up to £25,000 each year (pro-rated). In 2017, D Wallace was awarded a performance related payment of £4,117 (2016: £10,417) as Interim CEO for the 2 months to 31 May 2016. He was also awarded a performance related payment of £2,750 as Deputy CEO and Executive Director of Finance, Strategy and Corporate Services for the remaining 10 months to 31 March 2017.

(ii) D Ross was awarded a performance related payment of £3,300 as Interim Executive Director of Finance, Strategy and Corporate Services and Executive Director of Customer Services and Operations for the year to 31 March 2017.

(iii) P Mason was awarded a performance related payment of £3,300 as Executive Director of Repayments, Counter Fraud and Commercial for the year to 31 March 2017.

(iv) B McNaught was awarded a performance related payment of £1,650 as Executive Director for Change and Programme Management, for the six months to 31 March 2017

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

Retirement benefits of the Executive Leadership Team who were members of the SLC Retirement and Death Benefits Scheme, who served during the year to 31 March 2017 were:

Executive Leadership Team	Accrued pension and related lump sum at 31 March 2017 £000	Increase during the year to 31 March 2017 in accrued pension and related lump sum net of inflation.	CETV		
			At 31 March 2017 £000	At 31 March 2016 £000	Increase net of inflation £000
D Wallace	5 – 10 plus lump sum of 25 - 30	0 – 2.5 plus lump sum of 5 – 7.5	283	183	99
D Ross	20 – 25 plus lump sum of 70 – 75	0 – 2.5 plus lump sum of 2.5 – 5	830	644	180
P Mason	0 - 5 plus lump sum of 5 - 10	0 - 2.5 plus lump sum of 0 - 5	85	32	53
B McNaught	0 - 5 plus lump sum of 0 - 5	0 - 5 plus lump sum of 0 - 5	39	n/a	39
J Steed	0 - 5 plus lump sum of 10 - 15	0 – 2.5 plus lump sum of 2.5 - 5	118	59	59
M Cassidy	5 - 10 plus a lump sum of 20 - 25	0 - 2.5 plus a lump sum of 2.5 - 5	204	134	70

Notes

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

(ii) Inflation over the year was 1%.

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

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

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

(vi) The accrued pension benefits and cash equivalent transfer value for M Cassidy allow for total pensionable service from the date he joined the scheme (30 October 2008). M Cassidy held a temporary Executive Leadership Team role between 1 November 2015 and 31 May 2016. The increase in accrued pension and increase in related lump sum during that period are both less than £7,000.

Median Remuneration

The total annualised remuneration of the Company's previous permanent CEO was £228,073 (2016: £185,865), based on the information in the table and footnotes on page 45. This was 11.9 times (2016: 9.9 times) the median remuneration of the workforce, which was £19,139 (2016: £18,901).

The increase in total remuneration from 2016 was due to the appointment of a new permanent CEO during the financial year.

	2017	2016
CEO total remuneration	£228,073	£186,865
Median total remuneration	£19,139	£18,901
Ratio	11.9	9.9

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

In 2016, the highest paid member of the Executive Leadership Team was the CEO. In 2017, the highest paid member of the Executive Leadership Team was the Interim Chief Information Officer (CIO), contracted through Capita Business Services in February 2017. This interim appointment was made to allow further consideration to be given to appropriately supporting the organisation going forward.

The total annualised remuneration of the Interim CIO payable to Capita Business Services would be £302,400 equivalent to 15.8 times the median remuneration of the workforce.

	2017
Annualised remuneration of the Interim CIO payable to Capita Business Services	£302,400
Median total remuneration	£19,139
Ratio	15.8

No employees received remuneration in excess of the highest paid member of the Executive Leadership Team in 2017.

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

The Company was subject to continuing pay restrictions and distributed a consolidated pay uplift of 1% to all staff members during the year to 31 March 2017.

Staff Report

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

	2017	2016
Full time equivalent employees	**2,787**	2,649

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

	2016-17			2015-16
	Permanently employed staff £000	**Others £000**	**Total £000**	**Total £000**
Wages and salaries	64,931	2,947	67,878	63,484
Social security costs	5,813	-	5,813	4,116
Pension costs	5,554	-	5,554	6,270
Direct Staff Costs	76,298	2,947	79,245	73,870
Indirect staff costs	298	-	298	552
Total Staff Costs	76,596	2,947	79,543	74,422

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

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

Payment of severance is excluded from the above. Severance payments made are explained on page 49.

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

Consultancy

Expenditure on consultancy in the year ended 31 March 2017 amounted to £18,000.

Sickness Absence

Sickness absence is monitored on a rolling twelve month, full time equivalent basis and is a monitored scorecard measure. Sickness absence for the year ended 31 March 2017 amounted to 5.55% (2016: 5.54%).

Severance

The Company agreed and paid 10 (2016: 21) severance payments in the year. The relevant details are disclosed in the table below.

Total number of severance payments		
	2017	2016
Cost band	**No.**	No.
< £10,000	**1**	-
£10,001 - £25,000	**4**	6
£25,001 - £50,000	**2**	14
£50,001 - £100,000	**3**	1
Total number of severance payments	**10**	21
	£000	£000
Total cost on a cash basis	**349**	666

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

06. Governance Statement

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

The role of the four Government Shareholders is to:

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

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

Except for the matters summarised below in respect of my Accounting Officer's responsibilities and matters giving rise to a qualified external audit opinion (on page 71), the Company has complied with 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance), which underpins provision C2 of the UK Corporate Governance Code, where possible. It has also complied with the guidance contained within Managing Public Money, issued by HM Treasury.

06.1 The Accounting Officer's Responsibilities

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

On 7 November 2017, the former CEO and Accounting Officer's contract was terminated following investigations into allegations about aspects of his management and leadership. These investigations, together with subsequent work conducted by the external auditor have identified weaknesses which are summarised on page 61.

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

The Board, Board Committees and Assessors		
Board Members	**From**	**To**
Christian Brodie, Non-Executive Chairman	February 2014	January 2020*
Willie Gallagher, Non-Executive Director	April 2010	June 2016*
Rob Kennedy, Non-Executive Director	June 2010	April 2016*
Michael Yuille, Non-Executive Director	April 2010	June 2016*
Professor Dame Glynis Breakwell, Non-Executive Director	March 2011	February 2017*
Natalie Elphicke, Non-Executive Director	March 2016	March 2019
Antonia Cox, Non-Executive Director	March 2016	March 2019
Sally Jones-Evans, Non-Executive Director	March 2016	March 2019
David Gravells, Non-Executive Director	March 2016	March 2019
Simon Devonshire, Non-Executive Director	March 2016	March 2019
Mary Curnock Cook, Non-Executive Director	December 2017	December 2020
Andrew Wathey, Non-Executive Director	January 2018	January 2021
Steve Lamey, CEO (suspended 11 July 2017, left 8 November 2017)	June 2016	July 2017
David Wallace, Interim CEO	November 2015	May 2016
David Wallace, Acting CEO	July 2017	November 2017
Mike Blackburn, Interim Chief Financial Officer	July 2017	Current
Peter Lauener, Interim CEO	November 2017	Current
Gary Womersley, Company Secretary	December 2015	Current
Executive Leadership Team		
David Wallace, Interim CEO until 31 May 2016 then Deputy CEO and Executive Director for Strategy, Finance and Corporate Services from 1 June 2016 to 31 March 2017; Deputy CEO and Chief Customer Officer from 1 April 2017 to 10 July 2017; Acting CEO and Chief Customer Officer until 28 November 2017; and then Deputy CEO and Chief Customer Officer from 29 November 2017		
Peter Lauener, Interim CEO (from 29 November 2017)		
Mike Blackburn, Interim Chief Financial Officer (from 26 July 2017)		
Paul Mason, Executive Director of Repayments, Counter Fraud and Commercial		
Jacqueline Steed, Chief Digital Officer (left 10 February 2017)		
Chris O'Connor, Interim Chief Information Officer (from 11 February 2017 until 1 December 2017)		
Adrian Tucker, Interim Chief Information Officer (from 4 December 2017)		
Bernice McNaught, Executive Director of Change and Programme Management		
Derek Ross, Executive Director of Customer Services and Operations		
Assessors		
Matt Toombs, Department for Education (DfE)		
Ruth Elliott, Department for Education (DfE)		
Chris Jones, Welsh Government		
Neil Surman, Welsh Government (left 17 January 2017)		
Stephen White, Scottish Government (left 21 September 2017)		
Sian Kerr, Department for the Economy, Northern Ireland		
Independent External Member of the Audit and Risk Committee		
Ian Lee	September 2011	August 2018**

* second term appointment **extension to second term appointment

06.2 The Company's Governance Framework

Non-Executive Directors are appointed by the Secretary of State for Education. They are appointed from a variety of backgrounds on the basis of their knowledge and experience gained in both the public and private sectors in industry, commerce and academic fields. They are all independent of management and we are not aware of any business or other relationships which could interfere with the exercise of their independent judgement. The Independent External Member of the ARC is appointed directly by the Company.

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

Board

The Board is specifically responsible for:

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

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

A Board Effectiveness Review was completed during FY15-16, including a review of the skills and experience mix required by the Board. Five new Non-Executive Directors took up post in March 2016, replacing retiring Board members and strengthening and widening the Board's expertise and experience. Two more Non-Executive Directors took up post in December 2017. Further reviews of Board and Committee effectiveness are planned in the next year.

Audit and Risk Committee (ARC)

The ARC supports the Board on matters relating to internal control and governance and associated assurance matters, in accordance with Public Sector Internal Audit Standards. During the FY16-17, membership comprised of Non-Executive Directors Michael Yuille (Chair) and Rob Kennedy, who both retired in year. New members are Natalie Elphicke (Chair), Sally Jones-Evans and Andrew Wathey, Non-Executive Directors. Ian Lee continues as the Independent External Member of the Committee.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee supports the Board on the appointment and remuneration of members of the Executive Leadership Team, including the CEO. During the FY16-17, membership comprised Non-Executive Director Michael Yuille, (Chair), who retired in-year.

New members are Antonia Cox, Sally Jones-Evans, Mary Curnock Cook and David Gravells (Chair), who are Non-Executive Directors, while the Company Chair attends by invitation.

Internal Governance Framework

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

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

Attendance at the Board and Board Committees during FY16-17

	Number of meetings attended / out of possible attendances		
	Board	**Audit and Risk Committee**	**Remuneration and Nominations Committee**
Board Members			
Christian Brodie, Non-Executive Chair*	10/11	3/5	4/5
Willie Gallagher, Non-Executive Director	-	-	-
Rob Kennedy, Non-Executive Director	2/2	2/2	1/1
Professor Dame Glynis Breakwell, Non-Executive Director	7/10	-	1/3
Michael Yuille, Non-Executive Director	3/3	2/2	2/2
Natalie Elphicke, Non-Executive Director	11/11	5/5	-
Antonia Cox, Non-Executive Director	11/11	-	2/3
Sally Jones-Evans, Non-Executive Director	11/11	5/5	5/5
David Gravells, Non-Executive Director	11/11	-	5/5
Simon Devonshire, Non-Executive Director	11/11	-	-
David Wallace, Interim CEO	2/2	2/2	3/3
Steve Lamey, CEO	9/9	3/3	3/3
Gary Womersley, Company Secretary**	11/11	5/5	5/5
Independent External Member of the Audit and Risk Committee			
Ian Lee	-	5/5	-

Number of meetings held during the year:
Board – 11
Audit Committee - 5
Remuneration and Nominations Committee – 3

*The Chair has a standing invite to both the Audit and Risk Committee, and Remuneration and Nominations Committee, and attends when required.
**The Company Secretary attends the Audit and Risk Committee and Remuneration and Nominations Committee by invitation and as a non-member.

Board

Matters considered by the Board during FY16-17 included:

- New Board members recruitment and induction, and Executive Leadership Team redesign;
- Discussion and approval of the Company's new SLC2020 Strategy, including supporting Investment and Business Cases;
- Oversight of operational services, including application numbers, delivery capacity and capability, and Customer satisfaction;
- Oversight of the Company's change programme on behalf of the Government Administrations;
- Regular review of the Company's operational and financial performance, and its key corporate risks via the monthly CEO's report, and the supporting balanced scorecard summary report;
- Review of the Company's pension scheme arrangements;
- Consideration of the Annual Report and Accounts for FY15-16;
- Consideration of the business plan, budget, and Annual Performance and Resourcing Agreement (APRA) for FY17-18, and monitoring of the same for FY16-17;
- Consideration of summary reports from the chairs of the Remuneration and Nominations Committee and ARC;
- Oversight of the Company's Counter-Fraud arrangements;
- Oversight of the Company's Health and Safety requirements;
- Consideration of the provisions for the ICR Debt Sale;
- Consideration of the provisions of the Diamond Review on funding arrangements for Welsh students;
- Monitoring implementation of the Postgraduate Loan Programme;
- Corporate Governance matters, including revisions to and the in principle approval of the Company's Framework Document;
- Approval of the Company's Repayment Strategy;
- Approval of the Company's People Strategy; and,
- Approval of major contracts and business cases.

Eleven Board meetings were held between April 2016 and March 2017.

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

Audit and Risk Committee (ARC)

Matters considered by the ARC during FY16-17 included:

- The audit of the Annual Report and Accounts for FY15-16, incorporating the Company's accounting policies, which was recommended by the ARC for approval by the Board;
- Review of the Internal Audit Annual Report, including the Internal Audit Opinion FY15-16;
- Review of the Company's Governance Statement;
- Approval of the external audit strategy, interim reports and fees for FY16-17;
- Approval of the internal audit strategy and audit plan for FY17-18;
- Review of quarterly internal audit progress and performance reports, highlighting areas of weakness and good practice;
- Review of updates on significant legal matters;
- Review of Corporate Risk Management arrangements, and key risks and issues;
- Consideration of revisions to the ARC's Terms of Reference;
- Consideration of progress over, and terms of, the proposal to transfer the Company's Audit Service to the Government Internal Audit Agency (GIAA);
- Review of the arrangements and timetable for agreeing Company budgets and performance targets (APRA), and financial delegations arrangements;
- Review of the annual audits of the accuracy of student support payments for Student Support Payments in England, and in Wales; and,
- Reviewing the arrangements for Information Security, including review of SIRO reports, and the Departmental Security Healthcheck.

Five ARC meetings were held between April 2016 and March 2017.

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

Remuneration and Nominations Committee

Matters considered by the Remuneration and Nominations Committee during FY16-17 included:

- Setting and assessing the CEO's pay, objective setting and performance review;
- The Executive Leadership Team's pay, bonus and reward terms;
- Consideration of the performance and performance reviews of the Executive Leadership Team;
- Consideration of the Company performance related pay assessment;
- The SLC 2016 Pay Remit;
- Consideration of the severance arrangements of senior staff;
- The SLC2020 Strategy;
- The Company Executive Leadership Team restructure proposals;
- Consideration of the Company's pension scheme arrangements; and
- Input to the production of the Company's Annual Report and Accounts, focusing on the Remuneration and Staff Report.

The Remuneration and Nominations Committee terms of reference include approving settlement agreements in respect of members of the Executive Leadership Team. One such agreement was reached in 2016-17 which was not considered by the Committee. Arrangements have been put in place to make sure this does not happen again.

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

Five Remuneration and Nominations Committees were held between April 2016 and March 2017.

06.4 The Company's Risk Management Arrangements

Risk Profile

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

Risk Management Process

The system for providing assurance is built on managing flows of information to and from risk owners, the Corporate Risk Team, the Executive Leadership Team, the ARC, and the Board. A number of regular forums are in place within directorates which allow the escalation of risks to the Corporate Register or the re-scoring of an existing risk. A separate process is in place to manage and escalate risks within the programme environment, ensuring a structured approach to decision making and a clear route of escalation through project, programme and portfolio levels to the Corporate Risk Register. Senior Management have full sight of all risks or issues within their own area of responsibility, as well as high level (red RAG status) Corporate risks.

Risk Reporting

Reports detailing high level risks and issues with underlying risk themes are submitted to the Executive Leadership Team fortnightly. A report is submitted to the Board each month, as well as quarterly to the ARC.

Following the appointment of a new Chair and Non-Executive Member of the ARC, a deep dive into risk was undertaken at the September 2016 ARC meeting. This fresh perspective has driven a change in risk focus, and the ARC now considers all aspects of risk management, assisting the Board in its oversight of risk, with particular focus on risk appetite, profile and effectiveness of the risk management framework.

Key risks / themes arising in FY16-17

The key risk themes under consideration at the end of FY16-17 are discussed in the Strategic Report on pages 25 to 27 of this report.

06.5 The Company's corporate governance and internal control arrangements

Internal Control System

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors (who review all material risks and business areas), my Executive Leadership Team, the Company Secretary, and comments made by the external auditors in their management letter and other reports. These sources of assurance are supplemented where required by checkpoint reports on major programmes undertaken by the Major Projects Authority, and specialist accreditors. I am provided with additional assurances from each of my Executive Leadership Team over the controls they have put in place over the activities where they have delegated responsibility, as well as by the Company's Senior Management, who certify compliance with key controls biannually.

The Company's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise risks to the achievement of Company policies, aims and objectives, to evaluate the likelihood of those risks occurring, their impact and the need to manage them effectively. The system of internal control has been in place in the Company throughout the year ended 31 March 2017, and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

I am advised on my review of the effectiveness of the system of internal control by the Board, the ARC, the Executive Leadership Team, and the Company Secretary. Where appropriate, plans to address weaknesses and improvements in the system of internal control are put in place, and these are tracked to completion. The paragraphs below update on control issues and mitigations arising in preceding years, followed by information on control issues arising within FY16-17.

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

1. Improvements to the Control Framework to address issues arising in FY15-16

In order to address known issues, in FY16-17 we implemented our Infrastructure Uplift Programme, migrating key Company systems to a new Assure platform. This strategic initiative has provided a modern, resilient, and secure platform, and significantly enhanced the Company's disaster recovery capabilities. We have also developed and tested our IT Disaster Recovery plan for IT resilience to a major incident. Investment continues with migration of all live systems due to be completed in FY17-18.

During FY16-17, the Company has further strengthened the control framework to prevent and detect error and fraud. Remediation includes additional fraud prevention and detection checks, in partnership with Ofsted, while in house systems have been enhanced to ensure students are allocated to the correct plan type.

Having agreed common approaches to attendance and withdrawal notifications in FY16-17, we have implemented robust performance monitoring and attendance management processes over this key payments driver, to identify and address any issues as they arise.

2. Post-Tigere claims/ applications

The Student Support Regulations were amended in May 2016 to add a new long residency eligibility category, which came into force in June 2016 and which applied to AY16/17 onwards; this addresses the Supreme Court decision in The Queen on the Application of Beaurish Tigere -v-Secretary of State for Business, Innovation and Skills.

Issues that have arisen during Financial Year 2016-17

During the current financial year the following issues have arisen:

1. Financial Systems

During FY16-17 we recognised that some modernisation and improvements were required to SLC's financial systems. Projects to implement replacement systems with enhanced security and superior controls/functionality are approved and underway.

We expect that these improvements will deliver better value, and streamlined processes to support the Company achieve our vision as part of the SLC2020 Strategy.

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

The audit work and overall Audit Opinion are undertaken in accordance with Public Sector Internal Audit Standards 2016. The Head of Internal Audit's (HIA) Opinion is a key element of the assurance framework, which the Accounting Officer needs to inform his annual Governance Statement. This opinion detracts in no respect from the Accounting Officer's responsibility for risk management, governance and control processes.

The annual Opinion is based upon planned reviews undertaken in year, confirmation of recommendation implementation, compliance with key controls by senior management, and key reviews on customer payments, repayments, and ICT and business systems controls. The HIA also places reliance upon assurances undertaken by the Information Security and Risk Teams, and external assurance providers where relevant.

Based upon the work undertaken to 31st March 2017, the HIA Opinion for the financial year 2016-17 is that the internal control framework overall is adequate, albeit some weaknesses remain as a result of ageing financial systems. We also note that administration of the regulatory framework over more complex student support products requires further attention, to avoid customer dissatisfaction.

Projects to replace affected financial systems are agreed or underway, while a number of mitigating controls have been put in place to reduce residual risks. Management are firmly committed to addressing the issues noted, and to reducing errors in assessment to the lowest possible level.

3. Matters giving rise to a qualified external audit opinion

After the year end, two investigations were conducted into allegations about aspects of the management and leadership of the then permanent CEO which led to the termination of his contract on 7 November 2017. The findings of those investigations included potential financial irregularity or propriety resulting from having spent money that did not comply with relevant guidance and controls.

In response to identified potential financial irregularity or propriety, the external auditor undertook specific additional procedures before concluding on their audit opinion.

External auditor's opinion

It was not possible for the external auditors to undertake their additional work until after the conclusion of the above investigations and termination of the former CEO's contract so the Annual Report and Accounts have been subject to a delay in completion.

The additional audit work was focused on two areas to assess whether SLC had applied income and expenditure for the purposes intended by Parliament and whether financial transactions conformed to the authorities which govern them, specifically:

a) Whether settlement agreements signed with ex-staff were compliant with DfE, Cabinet Office and HM Treasury controls.

b) Whether third party contracts let to three suppliers had been let in accordance with the DfE, Cabinet Office and HM Treasury controls and had received all the necessary approvals from the Cabinet Office for digital and technology spend.

The Auditors conclusions are shown on pages 71 to 73.

Settlement agreements with redundant staff should include the specific wording in the confidentiality clauses required by Annex A in the Cabinet Office's Settlement Agreements Civil Servants Guidance, which applies to SLC. In addition, one of the agreements included a payment in lieu of notice which was not approved by HM Treasury, as DfE required. None of the settlement agreements resulted in any payments to redundant staff in excess of their contractual entitlements.

SLC could not provide sufficient evidence that contracts let to three suppliers were in accordance with procurement rules (where the G-Cloud framework was used) and nor had they received (or could demonstrate) all the necessary approvals from the Cabinet Office for digital and technology spend.

The Company's response to identified weaknesses in internal control and governance

The permanent CEO's contract was terminated and I was appointed as the interim CEO. I have just retired from my post as CEO of the Education and Skills Funding Agency (a DfE Arms' Length Body) so I am fully aware of the control and governance requirements in SLC. The recruitment of a new permanent CEO has now commenced.

The Company has created the post of Chief Financial Officer (CFO) to be filled by a professionally qualified member of the Board with status equivalent to the other Board members. The CFO is also a member of the Executive Leadership Team and reports directly to the CEO. As a result, SLC is fully compliant with HM Treasury's Managing Public Money with regard to the role of the senior financial officer in a central government body. The CFO brings together the financial and procurement management of the Company under a single Board member for the first time in a number of years. Whilst the post is currently occupied by a suitably experienced and qualified external interim appointee approved by the Board and the Shareholders, the recruitment of the permanent CFO has now commenced.

SLC has strengthened the controls around the approval processes and content of settlement agreements with redundant staff as well as the preparation and maintenance of the audit trail of the use of the G-Cloud framework contract to remove the identified weaknesses in internal control and governance. A number of other improvements to governance have also already been implemented by SLC and more are planned for 2018.

The Audit and Risk Committee will consider these improvements and any additional related control recommendations made by external auditors in respect of the above matters during FY17-18.

An extension to the statutory Companies House filing deadline from 31 December 2017 to 31 March 2018 for the Annual Report and Accounts was requested because of the exceptional circumstances SLC faced in November 2017. This approval was received on 13 December 2017 from Companies House.

Summary

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

Peter R. Lauener

Peter Lauener
Interim Chief Executive Officer
and Accounting Officer

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07. Directors' Report and Financial Statements

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07.1 Directors' Report

The Directors submit their annual report including financial statements of SLC for the year ended 31 March 2017.

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 (formerly the Secretary for State Business, Innovation and Skills) where the disclosure requirements of these go beyond the Companies Act 2006. The financial statements have been prepared and approved by the Directors in accordance with the International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) and International Financial Reporting Interpretations Committee Interpretations.

Principal activities

The principal activities of the Company are provided within the Strategic Report at page 18.

Dividends

The Company has no accumulated reserves and accordingly the Directors do not recommend the payment of a dividend (2016: £Nil).

Directors and their interests

Christian Brodie
Non-Executive Chairman

Steve Lamey
CEO
(from 1 June 2016)

David Wallace
Interim CEO
(to 31 May 2016)

Antonia Cox
Non-Executive Director

Simon Devonshire
Non-Executive Director

David Gravells
Non-Executive Director

Sally Jones-Evans
Non-Executive Director

Natalie Elphicke
Non-Executive Director

Professor Dame Glynis Breakwell
Non-Executive Director
(to 28 February 2017)

Michael Yuille
Non-Executive Director
(to 30 June 2016)

Rob Kennedy
Non-Executive Director
(to 24 June 2016)

For further information please see the Governance Statement on pages 50 to 63.

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 2017 or 31 March 2016. 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.

The CEO is also the Accounting Officer for SLC.

The Secretary of State for Education was a shadow director of SLC under section 251 of the Companies Act 2006 throughout the year.

Non Current Assets

Full details of the movement in non current assets are given in Notes 10 and 11 to the financial statements.

Employees

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

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

The Company is an Equal Opportunities Employer and was awarded the Double Tick, Disability standard (demonstrating our commitments to disabled individuals) and the Bronze Award for Healthy Working Lives. More information on employees is contained in the Strategic Report on pages 18 to 39.

Retirement Benefits Scheme

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

Information Losses

In the year ended 31 March 2017 the Company reported no information losses to the Information Commissioner's Office.

The Company recorded the loss of ten items of equipment. All devices were encrypted and carried no personal information.

Corporate Governance

As an Executive NDPB, the Company's control framework is set out in the SLC Framework Document. The Framework Document refers to the appropriate HM Government guidance on corporate governance, including Managing Public Money.

As defined within Managing Public Money, the Accounting Officer is charged, in the Accounting Officer Memorandum, with maintaining a sound system of internal control that supports the achievement of the Company's policies, aims and objectives; and regularly reviewing the effectiveness of that system. He is also responsible for the Governance Statement.

The Company is bound by the 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance). It is also bound by the guidance contained within Managing Public Money, issued by HM Treasury. The Accounting Officer's Governance Statement for the year ended 31 March 2017 is provided on pages 50 to 63.

SLC Board

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

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

07.1 Directors' Report

Remuneration

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

Remuneration and Nominations Committee

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

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

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

Remuneration and Nomination Committee meetings will normally be attended by the CEO and the Human Resources Director.

For further information, please see the Remuneration and Staff Report on page 40 and the Governance Statement on pages 50 to 63.

Audit and Risk Committee

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

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

Further details regarding the Audit and Risk Committee and their responsibilities can be found in the Governance Statement on page 50.

Statement of disclosure of information to the External Auditor

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

External Auditor

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

A resolution regarding the reappointment of Auditor to the Company was approved at the May 2017 Board meeting.

By order of the Board

Peter R Lauener

Peter Lauener,
Interim Chief Executive Officer
and Accounting Officer

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

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under the Framework Agreement they are required to follow the principles of HM Treasury's Financial Reporting Manual 2016-17. Consequently they have elected under the Companies Act to prepare the Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and to provide the additional disclosures required by the Financial Reporting Manual 2016-17 where these go beyond the requirements of the Companies Act 2006.

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

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

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

The Directors have decided to prepare a Directors' Remuneration and Staff Report in order to comply with the requirements of the Government Financial Reporting Manual 2016-17 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.

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

We have audited the financial statements of Student Loans Company Limited for the year ended 31 March 2017 set out on pages 74 to 105. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. Where appropriate, the Company also discloses that it has followed the principles of HM Treasury's Financial Reporting Manual 2016-17 and has provided the additional disclosures required by the Government Financial Reporting Manual 2016-17 where these go beyond the requirements of the Companies Act 2006.

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Directors' Remuneration and Staff Report that is described as having been audited, which the directors have decided to prepare (in addition to that required to be prepared) in order to comply with the requirements of the Government Financial Reporting Manual 2016-17 to include the information requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006, to the extent that they are relevant.

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

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 70, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion on regularity

The Company is required to obtain Cabinet Office approval for confidentiality clauses which deviate from standard wording, included in proposed settlement agreements with employees whose employment is being terminated. This requirement was breached in respect of all settlement agreements in the year ended 31 March 2017.

The Company is also required to obtain HM Treasury approval through the Department for Education for proposed settlement agreements which include pay in lieu of notice. This requirement was breached in respect of one agreement in the year ended 31 March 2017.

With respect to one call-off contract which included digital expenditure and one call-off contract which included technology expenditure, the company did not obtain Cabinet Office or Department for Education approval.

With respect to other expenditure procured through the G-Cloud framework, the audit evidence available to us was limited. We were unable to obtain sufficient appropriate audit evidence:

- that the procurement process was appropriate;
- that value for money was achieved; and
- whether the expenditure was digital, technology or consultancy related, which would have required Cabinet Office or Department for Education approval.

Qualified opinion on regularity prescribed by the terms of our engagement

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

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

Opinion on other matters prescribed by the Companies Act 2006 and under the terms of our engagement

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

28 March 2018

07.4 Statement of Comprehensive Income
for the year ended 31 March 2017

	Note	2017	2016
		£000	£000
Revenue	3	128,725	139,081
Expenditure:			
Staff costs	5	(79,543)	(74,422)
Restructuring costs	5	(317)	160
Depreciation, amortisation and impairments		(17,246)	(15,922)
Deferred capital receipts	16	17,183	15,860
Other administrative expenses		(48,142)	(63,782)
Operating profit		660	975
Finance income	6	12	28
Finance costs	7	(836)	(1,323)
Net financing expense		(824)	(1,295)
Loss on ordinary activities before taxation		(164)	(320)
Tax on result of ordinary activities	8	(2)	(6)
Loss on ordinary activities after taxation		(166)	(326)
Other comprehensive income:			
Actuarial (loss)/gain on defined benefit pension scheme	18	(29,280)	8,421
Total comprehensive (cost)/income for the period		(29,446)	8,095

In both years, the Company made no acquisitions and had no discontinued operations.
The notes on pages 78 to 105 form an integral part of these financial statements.

07.5 Statement of Financial Position
as at 31 March 2017

	Note	2017		2016	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	10	17,193		15,418	
Intangible assets	11	75,524		45,800	
Total non-current assets			92,717		61,218
Current assets					
Trade and other receivables	13	9,423		7,210	
Cash and cash equivalents	14	16,634		16,373	
Total current assets			26,057		23,583
Total assets			118,774		84,801
Current liabilities					
Trade and other payables	15	(52,295)		(42,922)	
Provisions	17	(556)		(608)	
Corporation tax		(2)		(6)	
Total current liabilities			(52,853)		(43,536)
Non-current assets plus net current assets			65,921		41,265
Non-current liabilities					
Trade and other payables	15	(67,143)		(42,562)	
Provisions	17	(4,883)		(4,642)	
Retirement benefit obligation	18	(40,907)		(15,678)	
Total non-current liabilities			(112,933)		(62,882)
Net liabilities			(47,012)		(21,617)
Capital and reserves					
Called up share capital	20		-		-
General reserve			(47,012)		(21,617)
Total equity			(47,012)		(21,617)

The notes on pages 78 to 105 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 31 January 2018 and were signed on its behalf by:

Peter R. Lauener

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

07.6 Statement of Changes in Equity
for the year ended 31 March 2017

	Note	General Reserve
		£000
Balance at 1 April 2016		(21,617)
Net loss		(166)
Total pension cost recognised in Statement of Comprehensive Income	18	(6,310)
Employer contribution in respect of retirement benefit	18	10,361
Actuarial loss in retirement benefit obligations	18	(29,280)
Balance at 31 March 2017		**(47,012)**

07.7 Statement of Cashflow
for the year ended 31 March 2017

	Note	2017		2016	
		£000	£000	£000	£000
Cashflow from operating activities					
Loss on ordinary activities after tax		(166)		(326)	
Adjustments for:					
Depreciation	10	5,733		5,404	
Amortisation	11	11,513		3,753	
Impairments – Intangible assets	11	-		6,765	
Amortisation of deferred capital receipts					
- Property, plant and equipment	16	(5,670)		(5,342)	
- Intangible assets	16	(11,513)		(3,753)	
- Intangible assets – impairments	16	-		(6,765)	
Loss on disposal of fixed assets		49		-	
Taxation	8	2		6	
Finance costs	7	836		1,323	
Finance income	6	(12)		(28)	
		772		1,037	
(Increase) in trade and other receivables		(3,049)		(1,942)	
Increase/(decrease) in trade and other payables		2,392		(7,431)	
Increase/(decrease) in provisions		189		(193)	
Cash generated from/(used in) operating activities		304		(8,529)	
Corporation tax paid		(6)		(5)	
Net cash generated from/(used in) operating activities			298		(8,534)
Cashflow from investing activities					
Finance income	6	12		28	
Acquisition of property, plant and equipment	10	(7,469)		(4,965)	
Acquisition of intangible assets	11	(41,341)		(27,963)	
Proceeds from sales of property, plant and equipment		16		-	
Net cash used in investing activities			(48,782)		(32,900)
Cashflow from financing activities					
Capital funding received from funding bodies		48,745		32,928	
Net cash generated from financing activities			48,745		32,928
Net Increase/(decrease) in cash and cash equivalents	14		261		(8,506)
Cash and cash equivalents at 1 April	14		16,373		24,879
Cash and cash equivalents at 31 March	14		16,634		16,373

07.8 Notes to the Financial Statements

1. Accounting policies

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

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

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

The most significant standards and interpretations which have been issued, although not yet endorsed, with an effective date after the date of these financial statements are as follows:

- IFRS 9 Financial Instruments – simplifies the classification, recognition and measurement requirements for financial assets, financial liabilities and some contracts to buy or sell non-financial items. This will be effective for the Company in 2018-19, if adopted.
- IFRS 15 Revenue from Contracts with Customers – specifies how and when revenue is recognised, using principles based five-step model. This will be effective for the Company in 2017-18 if adopted and is likely to have no impact on the timing of recognition of the Company's revenue.
- IFRS 16 Leases – specifies how the Company will recognise, measure, present and disclose leases using a single lessee accounting model requiring the lessee to recognise assets and liabilities for all leases. This will be effective for the Company in 2018-19, if adopted.

The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Company in future periods.

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

The financial statements were authorised for issue by the Directors on 31 January 2018.

Measurement convention

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

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

Going concern

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

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

Grant in Aid is issued on the basis of operating expenditure for the coming year. Grant in Aid for the Company's business as usual operating expenditure for FY17-18 has already been included in the sponsoring Departments' estimates for that year, which have been approved by Parliament. There is no reason to believe that the Departments' future sponsorship and future Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Unsold loans

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

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

(b) under section 16.5 of the Framework Document, there is an agreement between the Company and the funding bodies that the Company is liable to transmit to these bodies only those repayments which are actually made to the Company.

As a consequence, the Company is not liable for repayments due which ultimately may not be recovered.

07.7 Notes to the Financial Statements

Use of estimates and judgement

The preparation of the financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenditure. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

Provisions
The dilapidations provision is based on external valuations provided by the Company's property consultants. The latest formal valuations were provided in December 2016 for premises in Glasgow Hillington, September 2013 for Darlington and March 2012 for Glasgow City Centre. Key assumptions are based, in addition to management judgement, on the likely obligation at the lease expiry date and lease stipulations on the property condition upon that expiry date.

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

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

Income

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

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

Taxation

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

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

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

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

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

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

Property, plant and equipment

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

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

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. All assets are measured subsequently at fair value.

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

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

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

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

07.7 Notes to the Financial Statements

Intangible Assets

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

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 the Company or to our customers;
- the Company intends to complete the asset and use it;
- the Company has the ability to use the asset;
- the intangible asset will generate probable future economic or service delivery benefits;
- adequate financial, technical and other resources are available to the Company to complete the development and use the asset; and
- the Company can reliably measure the expense attributable to the asset during development.

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

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

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

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

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

Deferred capital receipts

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

Financial instruments

a) Financial assets

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

As at the date of the Statement of Financial Position, the Company has financial assets included in current assets, comprising of 'trade receivables', 'prepayments and accrued income' and 'cash and cash equivalents.

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

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

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

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

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

b) Financial liabilities

Classification
Financial liabilities fall into other financial liabilities and outstanding balances with central government bodies at fair value through the Statement of Comprehensive Income. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

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

Recognition and measurement
Financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument.

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

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

Provisions

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

07.7 Notes to the Financial Statements

Employee benefits

Short term benefits

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

Pension arrangements

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

Defined benefit plan

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

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

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

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

UK legislation requires the Board of Trustees to carry out valuations at least every three years and to target full funding against a basis that prudently reflects the Scheme's risk exposure. The most recent valuation was carried out as at 5 November 2013 and a recovery plan was put in place to remove the Scheme's shortfall against the Trustees' funding objective.

Defined contribution scheme

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

Other obligations

Termination benefits are payable when employment is 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. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Leases - Finance

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

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

Leases - Operating

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

Segmental reporting

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

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

Analysis of the revenue and expenditure by segment is undertaken via the activity based management model utilised by the Company. This model allocates revenue and expenditure to products provided by the Company 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.

07.7 Notes to the Financial Statements

2. Segmental reporting

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

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

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

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

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

2. Segmental reporting (continued)

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

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

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

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

07.7 Notes to the Financial Statements

3. Revenue

	2017	2016
	£000	£000
Grant in Aid	128,067	138,090
Administration fees receivable from third parties	633	976
Other income	25	15
	128,725	139,081

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

Bursary and scholarship schemes

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

Financial objective

The main aim set by the funding bodies is to break even on both the core and full services offered as part of the bursary schemes. Any net surplus will be reinvested to ensure continued systems enhancement to improve efficiencies in the end to end process. Any net deficit will be fully funded in the next financial year. Enhancements that provide future economic benefit for the scheme will be capitalised in line with Company policy as set out in Note 1. Funding received for the purpose of the acquisition of tangible and intangible assets will be held as deferred capital receipts on the Company's Statement of Financial Position and released in line with Company policy as detailed in Note 1.

Included within the Statement of Comprehensive Income	2017	2016
	£000	£000
Revenue	522	892
Expenditure	(522)	(892)
Surplus before tax	-	-

Included within the Statement of Financial Position	2017	2016
	£000	£000
Capital expenditure	560	215
Deferred capital receipts	(560)	(215)
	-	-

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

4. Net expenditure before interest and tax

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

	2017	2016
	£000	£000
Dilapidations provision	241	402
Depreciation, amortisation and impairments – owned assets	17,246	15,922
Loss on disposal of fixed assets	49	-
Amortisation and impairment of deferred capital receipts	(17,183)	(15,860)
Directors' remuneration	391	319
Auditors remuneration:		
- Audit of these financial statements	44	39
Amounts received by auditors and their associates:		
- Valuation and actuarial services	101	19
- Other services relating to taxation	3	3
- Other assurance services	5	4
Operating lease rentals:		
- Land and buildings	3,331	3,381
- Computer and other equipment	3	4

- Additional services in relation to journal and capital testing were provided during FY16-17 by the Company's External Auditors.
- Additional valuation services provided by the Auditors in 2017, included support to the Company on the proposed transfer of the SLC Retirement and Death Benefits Scheme to the Civil Service Pension Scheme.

(b) Directors' remuneration:

	2017	2016
	£000	£000
Fees	154	91
Executive emoluments (including benefits in kind)	198	185
Pension contributions	22	33
Taxable expenses	17	10
	391	319

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

07.7 Notes to the Financial Statements

5. Staff costs

The aggregate payroll costs were as follows:

	2017	2016
	£000	£000
Wages and salaries	64,931	60,736
Social security costs	5,813	4,116
Pension service costs	5,554	6,270
	76,298	71,122
Other staff costs	3,245	3,300
	79,543	74,422

	2017	2016
	£000	£000
Restructuring costs	317	(160)
	317	(160)

Pension service costs includes employer's contributions of £162,000 (2016: £137,000) to a defined contribution plan to meet the companies auto-enrolment responsibilities.

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

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

6. Finance income

	2017	2016
	£000	£000
Bank interest	12	28
	12	28

7. Finance costs

	2017	2016
	£000	£000
Pension interest charge	375	666
Pension administration expenses	461	657
	836	1,323

8. Tax on result of ordinary activities

	2017	2016
	£000	£000
Current taxation charge for the period at the small companies rate of 20% (2016: 20%)	2	6
	2	6

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

The tax assessed for the period varies from the standard rate of corporation tax in the UK (20% in 2016 and 2017). The differences are explained below:

	2017	2016
	£000	£000
(Loss) on ordinary activities before taxation	(164)	(320)
(Loss) on ordinary activities at small companies UK corporation tax rate	(33)	(64)
Effects of:		
Amounts not subject to corporation tax	35	70
Current taxation charge for the period	2	6

07.7 Notes to the Financial Statements

9. Analysis of net expenditure by programme and administration budget

	2017			2016		
	Programme	Administration	Total	Programme	Administration	Total
	£000	£000	£000	£000	£000	£000
Income:						
Grant in Aid	89,167	38,900	128,067	97,543	40,547	138,090
Administration fees received from third parties	462	171	633	712	264	976
Finance income	8	4	12	20	8	28
Other income	18	7	25	10	5	15
Total income	89,655	39,082	128,737	98,285	40,824	139,109
Expenditure:						
Staff costs	(44,092)	(35,451)	(79,543)	(46,159)	(28,263)	(74,422)
Running costs	(42,736)	(2,099)	(44,835)	(42,061)	(11,009)	(53,070)
Operating lease rentals – land & buildings	(1,819)	(1,512)	(3,331)	(1,867)	(1,514)	(3,381)
Operating lease rentals – computer & other equipment	-	(3)	(3)	(1)	(3)	(4)
Interest charges	(836)	-	(836)	(1,323)	-	(1,323)
Non-cash items:						
Depreciation & amortisation	(12,589)	(4,657)	(17,246)	(4,087)	(5,070)	(9,157)
Loss on disposal of property, plant and equipment	(49)	-	(49)	-	-	-
Amortisation of deferred capital receipts	12,543	4,640	17,183	4,060	5,035	9,095
Dilapidations provision	(241)	-	(241)	(402)	-	(402)
Impairments	-	-	-	(6,765)	-	(6,765)
Total expenditure	(89,819)	(39,082)	(128,901)	(98,605)	(40,824)	(139,429)
Net expenditure after interest	(164)	-	(164)	(320)	-	(320)

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

10. Property, plant and equipment

	Short leasehold improvements	Computer and other electronic equipment	Furniture, fixtures and fittings	Motor vehicles	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2016	11,090	39,067	3,936	23	627	54,743
Additions	4,986	2,178	258	36	11	7,469
Disposals	(1,760)	(387)	(130)	(23)	-	(2,300)
Transfers	715	-	-	-	(611)	104
At 31 March 2017	15,031	40,858	4,064	36	27	60,016
Depreciation						
At 1 April 2016	7,535	28,826	2,948	16	-	39,325
Charge for year	1,136	4,259	331	7	-	5,733
On disposals	(1,701)	(387)	(126)	(21)	-	(2,235)
At 31 March 2017	6,970	32,698	3,153	2	-	42,823
Net book value						
At 1 April 2016	3,555	10,241	988	7	627	15,418
At 31 March 2017	8,061	8,160	911	34	27	17,193

Included in computer and other electronic equipment are items held under finance leases with a net book value of £nil (2016: £nil), net of accumulated depreciation of £8,820,000 (2016: £8,880,000).

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

07.7 Notes to the Financial Statements

11. Intangible assets

	Intangible assets under development	Internally generated software	Websites	Software licences	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2016	25,931	14,273	3,671	9,954	53,829
Additions	25,497	14,249	-	1,595	41,341
Transfers	(25,447)	25,343	-	-	(104)
At 31 March 2017	25,981	53,865	3,671	11,549	95,066
Amortisation					
At 1 April 2016	-	2,344	2,526	3,159	8,029
Charge for year	-	8,744	381	2,388	11,513
At 31 March 2017	-	11,088	2,907	5,547	19,542
Net book value					
As at 1 April 2016	25,931	11,929	1,145	6,795	45,800
As at 31 March 2017	25,981	42,777	764	6,002	75,524

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

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

12. Financial instruments

As the cash requirements of the Company 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 the Company's expected purchase and usage requirements and the Company is therefore exposed to little liquidity or market risk.
Credit risk exists for trade and other receivables, which are detailed in note 13.

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

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

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

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

The Company's maximum exposure to credit risk as at 31 March 2017 is £1,737,537 (2016: £1,662,000).

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

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

Market and currency risk
The Company does not borrow or invest funds. Financial assets and liabilities are generated by day to day activities and are not held to manage the risks facing the Company in undertaking its activities.
The financial statements are presented in 'Pound Sterling' (£), which is the Company's functional and presentation currency.

The Company does not ordinarily enter into foreign currency transactions.

	2017	2017	2016	2016
	Book Value	Fair Value	Book Value	Fair Value
	£000	£000	£000	£000
Trade receivables	9,423	9,423	7,210	7,210
Cash and cash equivalents	16,634	16,634	16,373	16,373
Trade payables due within 1 year	52,295	52,295	42,922	42,922
Trade payables due after 1 year	67,143	67,143	42,562	42,562

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

07.7 Notes to the Financial Statements

13. Trade and other receivables

	2017	2016
	£000	£000
Balances with central government bodies	1,968	682
Other trade receivables	1,525	1,481
Prepayments and accrued income	5,930	5,047
	9,423	7,210

14. Cash and cash equivalents

	2017	2016
	£000	£000
Balance at 1 April	16,373	24,879
Net increase/(decrease) in cash and cash equivalents	261	(8,506)
Balance at 31 March	16,634	16,373

The balances at 31 March were held at:		
Commercial bank accounts	-	(2,557)
Government banking scheme accounts	16,629	18,925
Cash vouchers	5	5
	16,634	16,373

At 31 March 2017 £46,745,000 (2016: £679,245,000) was held in trust on behalf of third parties. The decrease in the balances held relate to the timing of cashflows to cover student payments that were paid in early April 2016.

15. Trade and other payables

	2017	2016
	£000	£000
Amounts falling due within one year:		
Trade payables	4,646	3,412
VAT	2,894	2,014
Other taxation and social security	1,492	1,286
Accruals and deferred income	16,965	16,756
Deferred capital receipts	26,298	19,454
	52,295	42,922

	2017	2016
Amounts falling due after more than one year:		
Accruals and deferred income	791	928
Deferred capital receipts	66,352	41,634
	67,143	42,562

16. Deferred capital receipts

	2017		2016	
	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
	£000	£000	£000	£000
At 1 April	45,800	15,288	28,355	15,665
Receivable for the year	41,237	7,573	27,963	4,965
Credited to Statement of Comprehensive Income:				
- Amortisation and depreciation	(11,513)	(5,670)	(3,753)	(5,342)
- Disposals	-	(65)	-	-
- Impairments	-	-	(6,765)	-
At 31 March	75,524	17,126	45,800	15,288

07.7 Notes to the Financial Statements

17. Provisions

	Severance	Legal Claims	Dilapidations	Total
	£000	£000	£000	£000
At 1 April 2016	358	250	4,642	5,250
Arising in year	326	230	416	972
Amounts utilised	(293)	-	-	(293)
Amounts reversed unutilised	(65)	(250)	(175)	(490)
At 31 March 2017	326	230	4,883	5,439
Amounts falling due within one year	326	230	-	556
Amounts falling more than one year	-	-	4,883	4,883
	326	230	4,883	5,439

The provision for severance in the year to 31 March 2017 represents the estimated severance costs from organisational redesign arising in the year to 31 March 2018.

The provision for legal claims represents the estimated settlement cost to the Company for ongoing legal actions against the Company. The provision has been made on the basis of the best estimate, based on the value of the claims made and the circumstances surrounding the claims. The claims are still ongoing and anticipated that they will be settled by 31 March 2018.

The provision for dilapidations represents the estimated settlement cost to the Company of the dilapidations clauses included in its property leases. These costs are expected to be incurred on the termination of the property leases as follows: £257,000 in August 2025, £2,827,000 in December 2023, £1,715,000 in April 2023 and £84,000 in August 2019. The provision has been made on the basis of the best estimate using independent professional assessments.

18. Retirement benefit obligation

The Company operates the Student Loans Company Limited Retirement 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 the Company, being invested by the Trustees of the scheme.

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

	2017	2016
	£000	£000
Change in benefit obligation		
Benefit obligation at beginning of year	100,732	103,477
Service cost	5,474	6,296
Interest cost	3,693	3,500
Plan participants' contributions	1,437	1,387
Actuarial loss/(gain)	39,112	(12,551)
Insurance premiums for risk benefits	(238)	(291)
Benefits paid	(1,836)	(1,086)
Benefit obligation at end of year	148,374	100,732
Change in plan assets		
Fair value of plan assets at beginning of year	85,054	80,377
Interest Income	3,318	2,834
Employer contributions	10,361	6,620
Plan participants' contributions	1,437	1,387
Actuarial gain/(loss)	9,832	(4,130)
Insurance premiums for risk benefits	(238)	(291)
Benefits paid	(1,836)	(1,086)
Administrative expenses	(461)	(657)
Fair value of plan assets at end of year	107,467	85,054
Amounts recognised in the Statement of Financial Position		
Present value of funded obligations	148,374	100,732
Fair value of plan assets	107,467	85,054
Deficit for funded plans	40,907	15,678
Net liability	40,907	15,678
Amounts in the Statement of Financial Position		
Liabilities	40,907	15,678
Assets	-	-
Net liability	40,907	15,678

07.7 Notes to the Financial Statements

18. Retirement benefit obligation

	2017		2016	
	£000	£000	£000	£000
Components of pension expense				
Current service cost recognised within staff costs		5,474		6,296
Interest cost	3,693		3,500	
Interest (income) on plan assets	(3,318)		(2,834)	
Total net interest cost		375		666
Administrative expenses		461		657
Defined benefit cost included in Statement of Comprehensive Income		6,310		7,619
Remeasurements (recognised in other comprehensive income)				
Effect of changes in demographic assumptions	(5,035)		-	
Effect of changes in financial assumptions	46,333		(13,237)	
Effect of experience adjustments	(2,186)		686	
Return on plan assets (excl interest income)	(9,832)		4,130	
Actuarial loss/(gain) immediately recognised		29,280		(8,421)
Total recognised in the Statement of Comprehensive Income		35,590		(802)

Defined benefit obligation	2017	2016
	£000	£000
Actives	90,639	70,737
Vested deferrals	44,002	22,839
Retirees	13,733	7,156
Total	148,374	100,732

Plan assets	2017	2016
	£000	£000
Amounts included in the fair value of asset for:		
Equity instruments	37,945	30,696
Debt instruments	43,970	31,004
Cash and cash equivalents	1,277	1,286
Property	9,315	8,701
Diversified growth fund	14,960	13,367
Total	107,467	85,054

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

Weighted average assumptions used to determine benefit obligations at:	2017	2016
Discount rate	2.60%	3.70%
Rate of compensation increase	3.10%	2.90%
Rate of increase of pensions in payment	3.00%	2.90%
Rate of price inflation (RPI)	3.10%	2.90%
Rate of price inflation (CPI)	2.10%	1.90%
Deferred pension increase rate	2.10%	1.90%

Weighted average life expectancy for mortality tables used to determine benefit obligations at:	2017	2016
Male member age 65 (current life expectancy)	20.8	22.1
Female member age 65 (current life expectancy)	23.5	23.9
Male member age 45 (life expectancy at age 65)	22.3	23.2
Female member age 45 (life expectancy at age 65)	25.4	25.9

Weighted average assumptions used to determine pension expense for year ended:	2017	2016
Discount rate	3.70%	3.40%
Rate of compensation increase	2.90%	3.00%
Rate of increase of pensions in payment	2.90%	3.00%
Rate of price inflation (RPI)	2.90%	3.00%
Rate of price inflation (CPI)	1.90%	2.00%
Deferred pension increase rate	1.90%	2.00%

Sensitivity analysis:

Statement of Financial Position

The funded status of the Scheme and the amounts recognised as a Company liability at 31 March 2017 are compared to the corresponding amounts with a 0.25% p.a. reduction in the discount rate, a 0.25% p.a. increase to the inflation rate (RPI) and a reduced 1 year of assumed life expectancy as shown in the following table. Each change is shown independently with all other assumptions held constant.

	31 March 2017			
	Preliminary	Discount	Inflation	Life Expectancy
Discount rate	2.60%	2.35%	2.60%	2.60%
Inflation (RPI)	3.10%	3.10%	3.35%	3.10%
Inflation (CPI)	2.10%	2.10%	2.35%	2.10%
	£000	£000	£000	£000
Benefit obligation	148,374	160,167	157,639	153,965
Fair value of plan assets	107,467	107,467	107,467	107,467
Net liability recognised	40,907	52,700	50,172	46,498

07.7 Notes to the Financial Statements

18. Retirement benefit obligation

Statement of Comprehensive Income

The preliminary estimate of the pension expense for the financial year to 31 March 2018 is, compared to the corresponding amounts with a 0.25% p.a. reduction in the discount rate, a 0.25% p.a. increase to the inflation rate (RPI) and a reduced 1 year of assumed life expectancy, shown in the following table. Each change is shown independently with all other assumptions held constant.

	31 March 2017			
	Preliminary	Discount	Inflation	Life Expectancy
	£000	£000	£000	£000
Current service cost	9,536	10,502	10,462	9,906
Interest cost	3,833	3,742	4,074	3,978
Interest (income) on scheme assets	(2,921)	(2,640)	(2,921)	(2,921)
Administration expenses	475	475	475	475
Total	10,923	12,079	12,090	11,438

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

	Financial year ending in				
	2017	2016	2015	2014	2013
	£000	£000	£000	£000	£000
Defined benefit obligation	148,374	100,732	103,477	76,282	65,608
Fair value of plan assets	(107,467)	(85,054)	(80,377)	(59,685)	(51,202)
Deficit	40,907	15,678	23,100	16,597	14,406

Contributions

The Company expects to contribute £10,708,000 to its pension plan in the financial year ending 31 March 2018.

19. Financial Commitments

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

	Land and building		Other	
	2017	2016 restated	2017	2016
	£000	£000	£000	£000
Operating leases amounts falling due:				
Within one year	3,731	3,450	3	27
In the second to fifth years inclusive	5,763	4,892	-	3
In over five years	1,447	-	-	-
	10,941	8,342	3	30

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

The Company may renew operating leases for land and buildings, specifically for the premises in Glasgow City Centre, Glasgow Hillington and Darlington. Leases have been entered into where the term end date is December 2023 for Glasgow City Centre, August 2025 for Glasgow Hillington and April 2023 for Darlington, with a break option in December 2018 for Glasgow.

Contingent rent payable in the year ended 31 March 2017 totalled £nil (2016: £nil). No contingent rent is payable on any future financial commitments as at 31 March 2017.

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

At 31 March 2017 the Company had placed contracts for the purchase of fixed assets totalling £460,396 (2016: £4,530,118) and intangible assets totalling £378,717 (2016: £13,090,659).

20. Called up share capital

	2017	2016
Authorised		
200 ordinary shares of 50p each	100	100
Allotted, called up and fully paid		
20 ordinary shares of 50p each	10	10

07.7 Notes to the Financial Statements

21. Controlling parties

The Company 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

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

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

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

During the year, the Non-Executive and Executive members of the Board held positions with higher and further education institutions and related bodies which the Company transacts with for student funding.

- The Chairman, Mr Christian Brodie, holds the positions of Chair of Council and Pro Chancellor at the University of Sussex and the Chair of the Universities and Colleges Admissions Service (UCAS) Council. He was Co-Chair of both the BIS Partnership Organisations Chairs' Forum and the Regulatory Partnership Group and was a member of the Executive Committee of the Committee of University Chairs. He is a Board Member of the University, College Employers' Association and was also a Board Member of the Brighton and Sussex Medical School. He is a member of both the Financial Sustainability Strategy Group of the Higher Education Funding Council for England (HEFCE) and the Governor Advisory Forum of the Leadership Foundation for Higher Education.
- Ms Natalie Elphicke is an Independent Member of the Audit and Risk Committee at DfE.
- Ms Sally Jones-Evans holds the position of Member of the Financial and Professional Services Advisory Panel to the Welsh Government.
- Mr Simon Devonshire, OBE, is the Entrepreneur in Residence with the Department for Business, Energy and Industrial Strategy.

In addition to the above related party disclosure, a register of interest for Non-Executive and Executive Directors is held by the Company and is accessible on the Company website.

23. Statement of loans administered by the Company

Funding for the purpose of making loans to students is received by the Company from the Department for 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 2017 the total balance of the loan portfolio administered by the Company on behalf of the funding bodies was £101,231,823,000 (2016: £86,721,598,000), which excludes all non-repayable student support.

08. Independent Assessors' Report

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

The Independent Assessors provide the final, and independent stage, of SLC's complaints and appeals procedure.

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Introduction

There are currently eight Independent Assessors (IAs) appointed by the UK and Welsh Governments to consider appeals and complaints by student finance customers. This is our annual report to those Governments for the FY16-17 and covers cases on which we have reported in the twelve months to 31 March 2017. It sets out the background to our work and the role we play, describes our caseload during the year, and draws out some themes from it. The report then refers to the role of ombudsmen in considering Student Loans Company (SLC) cases and concludes with some recommendations.

Background

Four IAs were appointed in May 2009 for a three year term, which remains standard. All four were reappointed in 2012. Two temporary IAs were appointed in December 2014 to help with an increased caseload and served until June 2015. Six new IAs were appointed in May 2015 and are working alongside two of the original IAs who were reappointed for a third term.

Our appointments are statutory and are made under s23(6) of the Teaching and Higher Education Act 1998. Complaints about the older mortgage style loans, which have now been transferred to the private sector, may be referred to us if they do not fall within the remit of the Financial Ombudsman Service. In FY14/15, our remit was extended to include appeals from Student Finance Wales and this report includes our work on those cases. Student finance customers have access to an IA if they remain dissatisfied after two formal stages of appeal or complaint within the SLC.

Our recommendations are binding on the SLC unless it is directed otherwise by a Secretary of State or Welsh Minister. During the course of this year machinery of government changes have meant that responsibility for the SLC and for our appointments within the UK Government has passed from the former Department for Business, Innovation and Skills (BIS) to the Department for Education (DfE).

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

In particular, cases the SLC may supply a summary of the appeal to the relevant Department when it is referred to us. This provides officials with an opportunity to submit written comments if they consider that there are particular legal issues or policy guidance they would wish to bring to our attention. We have not been given written comments in this way in any case in FY16-17. In the event that officials disagree with our recommendations to the SLC, they advise Ministers accordingly, who then decide whether or not those recommendations should be implemented. We routinely explain the provisional status of our recommendations to every appellant and complainant. In FY16-17 recommendations by IAs were rejected in this way in four appeals.

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

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

Caseload

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

The appointment of six new IAs in 2015, bringing the total number to eight, substantially increased capacity and output. It also had a significant effect on the timescales for completion of cases.
In 2015, when the situation was at its worst, there were delays of eight months, from request for escalation at stage three, to the file being sent to an IA.
The timescale was reduced to two months but it has increased again during this year.

The timescale at the end of FY16-17 was four months and there were 46 cases awaiting allocation.

Appeals

During the year we have reviewed 108 appeals. A comparison with the preceding years may be seen in the tables below:

Year	SLC Decision Upheld	Appeal Upheld	Total
FY16-17	89	19	108
FY15-16	47	15	62
FY14-15	48	6	54
FY13-14	38	9	47
FY12-13	58	6	65 (including 1 referred back to the SLC)
FY11-12	39	10	49
FY10-11	34	25	59

Within the FY16-17 figures, four appeals were Welsh cases. In none of these cases was the appeal upheld.

The number of appeals dealt with has clearly risen markedly in FY16-17. The table below sets out the broad categories of appeal with comparable figures for previous years where available:

Subject matter	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17
Unfitted	19	13	7	15	39
Previous study/ ELQ	11	10	9	10	14
Residency	8	10	13	17	26
Overpayment/Repayment	8	1	1	1	1
Funding entitlement	5	6	12	7	7
Migrant Worker	4	2	3	2	6
Postgraduate loan	n/a	n/a	n/a	n/a	6
Other	10	5	9	10	9
Total	65	47	54	62	108

Within the FY16-17 figures 2 of the appeals in the 'residency' and 2 in the 'other' category were Welsh cases.

In considering an appeal IAs will sometimes also address service issues which have arisen in the handling of a case. In FY16-17 recommendations were made in sixteen cases for the offer of an ex gratia payment. The total amount recommended for payment in these cases was £2,320.

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

• the three year residency requirement continues to result in significant numbers of appeals. We commented last year on the way in which this can come as a surprise to some students, particularly when they may have spent much of their lives in the UK before moving overseas with their family. We are aware that the guidance on these cases has been modified during this year, but we have still come across cases, as noted last year, when the evidential requirements for demonstrating continuing ordinary residence in the UK have not been clearly distinguished from those for showing that an absence for employment abroad was temporary. There are always likely to be finely balanced decisions in these fact-sensitive cases and it is important that customers are left in no doubt of the precise basis on which decisions have been taken;

• residence requirements have also featured prominently in appeals about the new postgraduate loans which were introduced in England for the FY16-17 academic year. Students who had been ordinarily resident elsewhere in the UK prior to moving to England in order to pursue an eligible course, or who had only been in England for the purposes of taking an immediately preceding undergraduate course, are not eligible. This has not always been understood, either by students or some members of SLC staff – and inaccurate telephone advice has featured in both appeal and complaint cases. A significant issue in appeals has been an IA finding that the wording of the postgraduate loan regulations can be read as allowing some British citizens resident in other parts of the UK still to qualify under provisions which apply to EU nationals. This finding was rejected by the DfE on the basis that this was clearly not the policy intention, as set out in the explanatory memorandum for the regulations. The IAs' opinion of the specific wording of the regulations has not changed, but we have refrained from making the same recommendation in other cases since we know that it would not be accepted by the Department;

• appeals have also highlighted some difficulties in interpreting the wording of relevant regulations in another area. Amendments made to the regulations in 2014 allow some flexibility in cases where the SLC has made mistakes in applying the rules relating to previous study and equivalent level qualifications. If the SLC has given written notification on that basis that a student is eligible for support, when in fact he or she is not, there is now provision for the support to be left in place. The policy intention is that notified funding for current and previous years can readily be left in place and that future years can be honoured in exceptional circumstances. However, complications can arise because the power in the regulations is based on the point at which a determination is made that an inaccurate notification has been given (rather than the date of the notification itself). There can be particular issues in relation to courses where the student has always known that one or more years at the start of a course would need to be self-funded but was told that there would be eligibility for funding in later years;

• we also commented last year on cases where students were found to be unfitted for support following investigation of suspected fraud. The number of appeals in such cases has risen sharply this year, which may well reflect the procedural strengthening and increased activity which we noted in last year's report. It is, of course, a heavy sanction to rule that a student is ineligible for any future support and that all or some of the support already received should be treated as overpayments.

In some appeal cases this year it was clear to IAs that this heavy sanction was entirely justified by blatant fraud. Others were more nuanced. We were concerned by the approach taken with a substantial tranche of cases involving child care grant in relation to a particular crèche which had been investigated by Ofsted.

The SLC were given a blanket instruction by BIS to find the relevant students unfitted for support without detailed consideration of their specific circumstances. With these cases it became clear that the grant claims were not necessarily spurious and that some child care had been provided.

Complaints

This year we have reported on 174 complaints, including 6 from Wales. The number of complaints reported on by IAs in FY16-17 is similar to that in FY15-16. (As noted above, there is currently a backlog of cases awaiting allocation to IAs and the SLC prioritise appeals over complaints in the allocation process.) The table below shows the comparative numbers of complaints reported on each year:

FY16-17	174
FY15-16	172
FY14-15	103
FY13-14	119
FY12-13	92
FY11-12	51
FY10-11	14

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

Subject matter	FY13-14	FY14-15	FY15-16	FY16-17
Processing	55	31	97	74
Grant overpayment	20	26	3	5
Advice given	19	9	37	23
ICR	15	23	18	47
Other	10	14	17	25
Total	119	103	172	174

Within the FY16-17 figures three of the complaints in the 'processing' category and three in the 'advice given' category were Welsh cases.

In FY16-17 recommendations were made in 135 cases for the offer of an ex gratia payment. The total amount recommended for payment in these cases was £38,087.87.

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

The issues from complaints to which we want to refer this year are all ones which have been raised in earlier annual reports:

- we continue to see cases of call handlers going beyond their brief and assuring callers that funding will be available, when in fact it will not. The SLC generally warns customers not to rely on any such advice and to wait for formal written notification of their entitlement before making commitments. Unfortunately, however, call handlers sometimes go too far – often, it would seem, in a misguided attempt to reassure and to be helpful;
- there have also been continuing issues with the restarting of salary deductions sometimes a number of years after loans had apparently paid off, when mistakes belatedly come to light. We welcomed last year the procedural improvements which the SLC had made, with greater efforts made to contact customers in advance of salary deductions starting. Older cases may well still have been working their way through the system, but problems have continued to be seen and we think this is an area which merits continuing attention. Unforeseen deductions are at best an unpleasant surprise. At worst they can cause real problems for tight household budgets;
- delayed escalation of complaints has once again led some customers to feel that they have had further cause for complaint. It will sometimes be appropriate for repeated answers to be given at a particular stage of the process if discrete new points are raised. But it will often be clear that the customer remains unhappy and simply wants a more senior, or independent, view taken of the matters they have raised. In those circumstances repeated replies may well be unhelpful – as may requests for the complainant to set out in writing exactly what points they want considered at the next level. It will often be obvious and customers, and IAs, may feel that there has been unnecessary bureaucracy;
- discretion has again been an issue this year. The SLC will often be very firm in correspondence that it has no discretion to depart from the regulations. Sometimes, however, the regulations do provide for discretion, even though that discretion might not have been delegated to the SLC, or there may be clear policies in force which effectively rule out discretion in the particular circumstances of a case. A simple denial that any discretion exists may be misleading.

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

The PHSO provides an opportunity for customers who are dissatisfied with the outcome of the three stages of the complaints 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 a role in relation to the SLC's current caseload.

The PHSO has requested information from SLC in 24 cases in FY16-17 and has reported, after investigation, on 30 cases, some of which began earlier. In these reports the complaints were not upheld in 16 cases, partly upheld in 12 and upheld in two. Where the complaint was upheld in full or in part the PHSO required SLC to take further steps in the form of apologising or offering a higher ex gratia or consolatory award than the IA had recommended. We have routinely been kept informed of the reports of the PHSO by the SLC in the past year.

The PSOW has requested information from the SLC in 12 cases in FY16-17 and have investigated 1, involving 13 cases in total.

Recommendations

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

a) we recommend that a renewed effort is made to ensure that call handlers do not go too far in appearing to assure customers that funding will be available, or to guarantee that a particular level of support will be forthcoming – both staff and customers need to be clear that no such commitments can be given until applications have been properly assessed;

b) we recommend that the SLC work with DfE to ensure that the regulations have the necessary clarity and certainty in the areas we have highlighted, namely incorrect notifications relating to the impact of previous study and the availability of postgraduate loans for EU nationals;

c) we recommend that careful consideration is always given to the individual circumstances of a customer before the imposition of the heavy sanction of a finding of being unfitted for any student support;

d) we recommend that the SLC do not give a complete denial of the availability of discretion in circumstances where discretion may in fact be available, even if power to exercise it has not been delegated.

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Deborah Gibson
Joanna Grice
Michaela Jones
Naseem Malik
Jonathan Willis
Peter Wrench

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