



# SLC Strategy 2020 Update

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## SLC Strategy 2020

### SLC Board

January 24<sup>th</sup> 2017

#### 1. *New Vision*

- 1.1 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.

#### 2. *Mission*

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

#### 3. *Summary*

- 3.1 Over the last few years, SLC has had a track record of successful and improved year on year service delivery. However, the company is facing a series of significant and growing challenges in terms of its legacy systems and historic underinvestment. This has resulted in continued growth in terms of its cost base as it has become less efficient over time. In addition, the organisation is facing some serious organisational health challenges. Recent performance is not sustainable and the organisation must change if it is to continue to deliver on its Mission and deliver against its new Vision.
- 3.2 Indeed, a 2015 McKinsey Report which had been commissioned by BIS, noted that *“It is critical that SLC is set up for success in the coming five years. Student finance is essential for Government and there are no ready alternative providers to SLC. SLC already has comparable size and complexity to a small retail bank on several measures, and is expected to grow the loan book by 40% to 2020. Going forward it will likely need to deliver on policy changes, repayments, and efficiencies while maintaining customer satisfaction.*

*SLC has made several notable achievements in recent years, including successfully delivering the annual change portfolio since 09/10, becoming the first Government Agency to achieve GDS accreditation for two exemplar services, and improving customer and operational performance metrics. Overall, the state of SLC today is characteristic of a company that has been under several years of change and has not taken, or been able to take, the space to re-establish a steady-state way of working.”*

- 3.3 In order to respond to the current position an ambitious new strategy has been developed. It will be delivered through 3 waves phased over the next 3-4 years. It will need rigorous capacity planning with additional partner support but success is considered realistic and achievable with the right prioritisation, investment and shareholder support. Formal governance arrangements are being established with the Chief Executive as SRO and a discrete steering group providing the necessary decision making and control. To provide further assurance, an external review is planned for the digital elements of the programme.

#### **4. Key Features of Strategy**

##### **4.1 People**

- Improved basic hygiene factors such as pay, grade progression and total reward (this has been agreed by DfE to be incorporated into the APRA process)
- Improved absence management, performance management processes and management rigor (supported by a new ERP system)
- Stronger SLC leadership to include new behaviours driven by an Operational Excellence philosophy and good practice within the revised Develop, Deliver, Assure (DDA) Operating Model with a much greater emphasis on the role and effectiveness of managers
- Insourced capability primarily retained for delivering the mission and selectively outsourced services ensuring value for money

##### **4.2 Digital Customer**

- Product simplification and modularisation will be driven in consultation and agreement along with earlier and more effective engagement on policy-to-product development with DfE/DAs
- Commence drive towards supporting generation Z customers with insight-led service redesign which will include an increased use of mobile applications and leveraging RTI to reduce over-repayments
- Develop a digital glide path which will reduce avoidable contact through a range of digital enablers e.g. online password reset, electronic signatures, etc.

##### **4.3 Digital Architecture**

- Current legacy platforms (CLASS and LA Portal) disaggregated to create a new 4-Tier infrastructure. There are no plans to replace the current banking system within the strategy but future requirements as either a service or a new platform will be developed

- As part of the new architecture, a set of modular components will be developed to improve both speed of implementation and reduce development and operating costs
- Continued strengthening of cyber protection and a new enterprise wide encryption capability implemented to further protect SLC data through additional layers of defence
- Digital product development and architecture retained in-house. New digital capabilities will continue to be delivered by the current body-shop model but additional capacity will be required and sourced through the use of structured partners for discrete packages of work

#### **4.4 Operations**

- New Operational Excellence philosophy driven by right first time LEAN processes
- Front line services organisation model reshaped to drive shift from being vertically transaction based to an end-to-end product management approach
- The digital glide path will drive reductions in the level of contractor and outsourced services required to manage peak demand

#### **4.5 Repayments**

- Data driven analytics will continue to improve SLC's capability to trace, verify and collect
- Improved working relationship with HMRC to drive to increased collections through reduced leakage and ensure RTI is fully leveraged
- New mixed sourcing model implemented to drive improved repayments and collections
- A new overseas collections and repayments service implemented

### **5. Strategic Objectives**

5.1 In terms of setting out a new strategy for SLC, the following strategic objectives have been proposed by the SLC Board:

- Through each academic cycle, deliver existing products securely, effectively and [sustainably and] efficiently
- Implement new policy in a timely manner and at lowest practicable cost, primarily through reusable modular products
- Deliver an outstanding digital customer experience and reduce avoidable contact

- Ensure SLC has a highly productive, skilled, emotionally resilient and properly rewarded workforce
  - Increase repayments and safeguard the proper administration of the loan book
- 5.2 The strategy 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.

## **6. *Investment Case***

- 6.1 The investment required will provide value for money over the next three years and beyond in terms of de-risking on-going service delivery by addressing unsustainable ICT platforms and an underperforming organisation. It will provide increased certainty for Ministers and policymakers across the UK that SLC will continue to meet their respective policy demands and provide a high quality, cost effective, low risk, secure and sustainable digital service to students, sponsors, repayers and education providers.
- 6.2 The resulting benefits will be achieved by reducing the operational (primarily outsourced and contractor) workforce through automation of many of the current manual processes and by reducing avoidable contact. Other people-driven measures will make the resulting SLC workforce more efficient and better engaged.
- 6.3 By 2020 the investment case will show running cost savings of circa £49m per year, increased repayments of c. £500m per annum (with £887m across the strategy period), improved customer experience, quicker and more reliable policy implementation and a more engaged and professional workforce.

## **7. *External Environment***

- 7.1 SLC's current position is made even more challenging given the external environment which includes on-going HMG funding pressures, the current and potentially continuing loan book sales and the uncertainty created by Brexit, which could further reduce the ability of SLC to pursue borrowers in other EU member states. SLC will continue to closely monitor progress of the Teaching Excellence Framework in particular the variable fee structure and the potential impact of the regulatory regime changes through the establishment of the Office for Students.
- 7.2 In the meantime, and as part of on-going strategic thinking, SLC will remain alive to how student finance evolves both globally and within the United Kingdom.

## **8. The Current Situation – what are we trying to fix?**

Over the next three to four years SLC needs to resolve the issues detailed below.

### **8.1 Leadership**

8.1.1 Over the last few years, there has not been an effective relationship between senior BIS officials and SLC resulting in BIS officials introducing excessive controls and creating a disproportionately high degree of control over SLC. This situation also extended to the influence of GDS, eroding autonomy and leadership away from SLC's primarily interim contractor led IT department. One of the key manifestations of this is an out-dated (2009) Framework Agreement.

### **8.2 Organisational Health**

8.2.1 Organisational health indicators show SLC as bottom quartile in 36 out of 37 indicators with overall health in the bottom decile of the database (McKinsey organisational health study, September 2015). Historically, SLC has had a low pay position relative to the sector, further eroded due to austerity measures and a 1% pay bill cap. Pay scales at all levels are below lower quartile with the majority of staff below lower decile with equality and gender pay gaps. The introduction of the new National Living Wage (NLW) presents further challenge as lower pay scales, uplifted by 1% will be overtaken by the published intended NLW rates in 2018. This is not compatible with a business that has become considerably more complex over recent years. SLC is already witnessing loss of experienced staff to Greggs, Asda etc. and also to other public sector employers. Typically, the replacements are of a poorer quality with a massive loss of experience and relevant knowledge.

8.2.2 Today, SLC is unsurprisingly not viewed as an attractive employer in general but faces significant challenges in recruiting key digital and leadership resources. The Public Sector constraints over pay and reward together with a highly competitive market landscape within the Edinburgh/Glasgow corridor and now Darlington, has led to a situation where SLC struggles to compete for, or retain, suitably skilled and talented employees.

8.2.3 Staff are demonstrably disengaged as evidenced by the organisational health indicators referred to above and high levels of long and short term sickness and absence (averaging at circa. 14 days per person per annum) along with high levels of unpaid absence. The paucity of basic management/leadership skills is evident across the organisation, with ineffective/immature industrial relations practices. HR practices are unsustainable and outdated, with poor and inconsistent working practices evident throughout the organisation.

### **8.3 *Operating Model***

- 8.3.1 The current operating model does not drive the delivery and assurance of SLC's complex services through the lens of customers or products/services but rather through separate vertical operational processes, creating handoff issues for customers with complex applications. Rework and multiple contact is currently subjectively estimated at between 10-30% of all applications.
- 8.3.2 An example of this is how current transactional processes do not sufficiently differentiate between customers with complex needs and those with straightforward needs resulting in poor outcomes for customers. These include delays (of up to five months), high levels of repeat contact, conflicting advice, complaints and typical escalations to senior Executives and MPs.
- 8.3.3 There is no clear separation of Develop, Deliver and Assure (DDA) functions and accountability with critically, no clear ownership of end to end customer processes. This is most evident in the Operations directorate where 'Assure' functions of complaints management and performance reporting sit within the same teams responsible for delivery. Good practice would have the assurance function separated and more aligned to the development and improvement of the products and services.

### **8.4 *Operational and Systems Performance***

- 8.4.1 The annual academic year cycles are underpinned by complex policy demands and IT systems that were established prior to devolution. This has resulted in systems that have organically evolved over the years rather than being designed. As such, they are increasingly becoming unfit to meet the growing student base, with increasing variety and complexity of new policy/product requirements. The continuing divergence of policy across the devolved administrations is placing additional and significant pressure on both SLC staffing resources and legacy IT solutions and generally contributing to higher levels of shareholder dissatisfaction.
- 8.4.2 The degree of policy complexity and lack of digital capability has resulted in a significant amount of manual processing, leading to errors, complaints and considerable expensive rework. This evolution, as opposed to design, has led to a fragmented and part digital offering without a clear, sustainable or resilient roadmap and an ICT estate that is inflexible. The ICT landscape is becoming more and more challenging and expensive to support and upgrade.
- 8.4.3 Despite the above, following recent considerable effort, these legacy systems are generally operationally stable with investment in improving levels of disaster recovery. All systems are fully backed up, with data replication between data centre sites with all of the debt sale systems covered by disaster recovery. Business continuity is more rigorous, with contingency plans in place and tested using the two work place recovery sites in Hamilton and

Gateshead. Security measures have been implemented across the estate providing a good level of cyber security threat protection. Due to the nature of cyber threats, this area is under constant review and will require ongoing investment, in the short term including multi-layer data encryption.

## **8.5 Customer Experience**

8.5.1 SLC continues to operate in a reasonably steady state but does not provide all of its customers and stakeholders with a good, and in some cases acceptable, service nor one that reflects the need for an interface with the capability expected by its typically digitally fluent customer base. The organisation is experiencing declining customer satisfaction levels (currently around 80%) with the number of complaints (circa. 1400 per month) trending upwards from previous years.

8.5.2 In a digital age, many of SLC's services do not offer the capability to meet even the basic needs of our largely generation Z customers. This, coupled with the increased value of individual customer loan balances and a corresponding higher number of over-repayment situations, has led to significant dissatisfaction with the current service. SLC handles an excessive number of avoidable, high duration, complex calls that often require high evidence requirements for the customer, and in turn further processing by SLC. This additional call volume is exacerbated by an extremely seasonal demand profile over the summer months where SLC need to contract two outsourced contact centre service providers to help meet the demand during this five month peak period. Despite best efforts, given the short term nature of the work and the very steep ramp in resourcing (both up and down) it is not surprising that these third party providers deliver lower levels of service than SLC's own permanent and experienced staff. The level of customer satisfaction delivered by these providers ranges between 50% - 80%. These quality/customer satisfaction scores in reality causes a greater number of additional telephone calls. Customers re-contact SLC to seek further clarification which typically results in additional processing work to deal with the inconsistencies and complexity introduced by the original contact not getting it right first time. This level of rework has not yet been fully quantified, but anecdotally can lead to 5 to 10 more customer contacts than required.

## **8.6 Policy Development**

8.6.1 The organisation currently provides a 'bespoke/tailored' service uniquely created for each new product through an opaque (to SLC) policy development process with limited re-use of business rules and IT components. Engagement and ways of working between SLC, DfE and the devolved administrations has been improving but all parties still recognise there is scope for further improvement.

- 8.6.2 It is also recognised and accepted that through devolution, each of the administrations will continue to develop their own policies. This creates a constant challenge with the competing demands of each respective shareholder/administration requiring SLC to constantly monitor and address emerging pressures while attempting to respect the relative size of each shareholding and their share of SLC's ultimately finite 'change' capacity.
- 8.6.3 At present, SLC is not involved early enough in policy development which can be argued has led to sub-optimal product design and delivery. SLC is not collectively maximising the opportunities to develop and combine expertise across SLC and government administrations to support the development of policy that is designed for delivery. SLC is strong in translating policy into deliverable products, but does not currently have, nor has historically been required to possess, the pure policy capability to further support DfE and/or the devolved administrations.
- 8.6.4 The line between policy development and product design has historically not been well defined leading to sub-optimal delivery implementation. As a result, products may not be deployed effectively and consequently may result in a poor end to end experience for SLC's customers and add further burden to operational areas, with manual workarounds introducing complexity, errors and additional cost. This is delivered largely on legacy infrastructure (dating back to 2004), most of which is inflexible and time consuming upon which to adapt and build new products in addition to being costly to operate.
- 8.6.5 Each year SLC has delivered increasing volumes of policy requirements typically introducing more complexity and variability in eligibility criteria and assessment rules. It is recognised that timescales for delivery can be challenging due to the need to align with the academic year cycle and this is often exacerbated by late commissioning.

## **8.7 *Repayment Services***

- 8.7.1 Following the NAO report and PAC hearing of 2014, highly critical of both BIS and SLC, it was recognised that repayments had historically been a low priority for BIS and SLC. Subsequently a new BIS, SLC and HMRC Repayments Strategy was created and an SLC Repayments Directorate established. Previously SLC had managed repayments at a junior level with a small team within the Customer Operations function.
- 8.7.2 As a result, a significant technical and capability deficit has developed which impacts borrowers in terms of poor customer service and public finances through repayment leakage.
- 8.7.3 SLC and HMRC systems are not integrated meaning the repayments taken from borrowers pay are not visible to SLC until six months after the end of the relevant tax year and can therefore be up to 18 months out of date. Customers find this both difficult to comprehend and frustrating, with

increasing levels of adverse press coverage. The way in which the HMRC PAYE system and how it interfaces to SLC works, means that borrowers (without intervention) will automatically over repay their loans, causing distress and financial hardship, as referred to in the Customer Experience section above.

- 8.7.4 There are over four million borrowers in repayment with a total balance of £62bn, and this is forecast to double over the next five years and reach £236bn by 2026. At this scale, small inefficiencies equate to material sums and represents significant financial risk. Over the last twelve months a number of areas have been identified where there is opportunity for SLC to improve its financial performance including reducing overseas repayment evasion, application fraud, reducing overpayments and improving the collection of arrears.
- 8.7.5 There are also several areas within the HMRC PAYE collection process where SLC and HMRC are not as efficient or effective in terms of identifying those due to repay or the subsequent collections. This includes repayments due in respect of multiple employments and employer compliance in commencing repayment deductions timeously.
- 8.7.6 Furthermore, the data that SLC receives from HMRC makes it very difficult to determine if all borrowers who should be repaying are actually repaying. These issues along with moving from annual to monthly reconciliation of repayments data (the implementation of RTI) will require stronger collaboration and willingness from HMRC to resolve.
- 8.7.7 At present, DfE manages the relationship with HMRC and SLC separately and while all three parties enjoy a good working relationship, there are examples where this structure introduces unnecessary inefficiency into the system. The issues outlined in this paper could be resolved faster and at a reduced cost if the HMRC relationship and commissioning were delegated to SLC.

## **9. *Future SLC – How does SLC 2020 Strategy address these?***

- 9.1.1 SLC is facing a series of challenges which must be addressed in order that it can continue to deliver its core mission in a way that is more effective for all its stakeholders and customers. The strategy seeks to address each of the areas noted and these are described in turn below. In the following section of this paper, the specific enablers are listed that, subject to resourcing, funding and shareholder prioritisation, will be predominantly delivered over the next three years.

- 9.1.2 The current ministerial direction, supported across the devolved administrations, is that SLC will remain within the public sector and continue to be funded through departmental budgets with no change of legal entity. As such, this is a key assumption underpinning this strategy.
- 9.1.3 To demonstrate that SLC has learned from previous transformation programmes, it recognises it has to create the space/capacity (*ref. McKinsey*) to establish a steady state of working to protect delivery of the core purpose whilst ensuring successful implementation of the strategy.
- 9.1.4 At the outset, six strategic components (Structure, People, Operations, Digital, Customer/Product and Repayment) were created to reflect the critical elements requiring focus and change. Each was led and sponsored by an Executive Team member and supported by a Non-Executive Director. These components were reviewed and recommendations agreed through successive SLC Board meetings.
- 9.1.5 To ensure SLC's staff were engaged and involved in the development of the strategic components and the overall strategy, a Strategy Steering Group was created, comprising of the Executive and sixteen members of the Senior Management Team. Engagement levels within the organisation were enhanced through structured communications and a number of staff workshops held with up to 150 people in attendance. These efforts to develop the strategy in an open and transparent manner have ensured all directorates have been closely involved in the creation of the strategy and are well placed to develop business cases and implementation plans.
- 9.1.6 In order to balance the competing demands of business as usual and strategy implementation, SLC has adopted a phased approach over three waves coupled with a focus on resource planning, including the engagement of external third party partners. This will be supported by a stronger focus on outcomes and an early benefit release programme that services the customer and stakeholders.

## **9.2 Leadership**

- 9.2.1 A new Chief Executive was appointed in June 2016 and a new leadership programme based upon Operational Excellence is being developed to address capability gaps evident at all levels of the organisation.
- 9.2.2 In essence, Operational Excellence will require a much more visible leadership team who adopt recognised open and transparent leadership techniques, such as Management by Walking Around (MBWA) and two-way structured communications driven by the five key components of Operational Excellence:
- All staff know the key purpose and objectives of SLC and how they contribute to them

- End to end processes are understood from a customer perspective
- Staff know what their job is and its impact (particularly the role of our managers)
- Staff have the training, tools and basic hygiene factors to perform their jobs
- Measure the right KPIs that are aligned to the strategic objectives and flow from the front line to the boardroom

9.2.3 This Operational Excellence implementation will be supported by a foundation of Lean principles, tools and techniques together with active senior leadership and sponsorship. A new behavioural framework and performance management system will be developed to support the new SLC Operational Excellence/Lean working environment.

9.2.4 In order to address the outdated 2009 governance framework, a new framework has been developed and has already been submitted for Ministerial approval.

9.2.5 As SLC does not operate under any regulatory framework, it is proposed that consideration is given to the development of a Customer Charter (scheduled for wave 3), formally setting out SLC's responsibilities and those of its students, sponsors, repayers and education providers (including how exceptions will be remedied).

### **9.3 *Organisational Health***

9.3.1 To support the new operating model and an organisational shape and headcount that reflects the impact of the digital glide path, an important change in culture will be required along with new ways of working to make SLC a better place to work. An Operational Excellence management philosophy will be adopted, providing clarity and focus around the role of managers and the leadership environment. This will be supported by 'Lean' tools and techniques as discussed above.

9.3.2 A review of the sourcing approach for SLC's front line operations has confirmed that despite the current organisational health issues which on many fronts would encourage an outsourced delivery model, SLC is recommending it retains a primarily in-house sourcing model. Subjectively, SLC believes this will provide the highest degree of flexibility to react to policy and ministerial requests. This view is driven by the need to retain absolute flexibility and responsiveness to the high levels of policy development/change, often in highly constrained timescales. This factor alone disadvantages an outsource model. In the long term, it is believed that a primarily insourced model will be the most cost effective for the level of service quality required. This approach also addresses concerns raised by

devolved administrations if SLC were to outsource its core processing services.

- 9.3.3 In line with the digital glide path and sourcing strategy, SLC's vision is for a leaner workforce but one that is properly rewarded with higher skills than at present, versatile, motivated and capable of handling complex work.
- 9.3.4 To support an in-house sourcing model, SLC will need to introduce a new culture/ways of working, and improve our basic hygiene factors, such as total reward, including pay rates and grade progressions. New HR policies will be required to address absence management, performance, use of flexitime and to reduce the number of shift patterns.
- 9.3.5 SLC intends to build a business case to initially move to the Rowntree Foundation Living Wage in line with DfE policy and the vast majority of the rest of the UK public sector. This will still leave many of SLC's staff in the bottom decile in terms of pay and disadvantaged against more competitive employers in the primary locations of Darlington and Glasgow. As a result, further analysis will be required over the next three years to look at the competitiveness of SLC's offer and how some of the savings being made could be recirculated to help move pay levels to the 25<sup>th</sup> percentile or to the median for particularly scarce skills.
- 9.3.6 The reducing size and changing shape/role of the operational teams will actually reduce the overall size of the pay bill. These proposals will ensure staff are paid a more appropriate salary to improve hygiene factors, support engagement and aid recruitment and retention.
- 9.3.7 New apprenticeship and graduate schemes will be introduced to continue to improve the quality of SLC's staff and provide an improved level of succession planning and career progression.

#### **9.4 *Operating Model***

- 9.4.1 A new operating model will be implemented, underpinning a move away from the current process driven approach to one that is a digitally driven customer/product organisation.
- 9.4.2 The new operating model will include a new Customer/Product executive directorate responsible for policy interface, digital product design and development together with assurance of key outcomes.
- 9.4.3 This will create a clear separation of Develop, Deliver and Assure (DDA) functions and accountability with clear ownership of end to end customer processes.

## 9.5 *Operational and Systems Performance*

- 9.5.1 A core component of the strategy will be to continue to develop a safe, secure, scalable, cost effective digital architecture and delivery platform. There will be continued focus on security to ensure that robust and effective measures are in place to protect against cyber threats including state of the art, 4 level standing data encryption. This is a constantly evolving and challenging environment and one in which vigilance will always be needed.
- 9.5.2 SLC will implement a redesigned IT architecture to enable new modular digital products and digital services. A new 4-tier IT architecture will be implemented, consolidating key technical components of the architecture which will support agile enabled digital development i.e. micro services, open source etc. A flexible and modular platform for SLC's digital products will allow reusable functional components to be created to support the digitisation of processes and products. This will be an important element of SLC's strategy and will be enhanced through product/policy simplification and reform. This modular approach to product design and development will assist devolved administrations with their policy build, development and deployment.
- 9.5.3 SLC will build a series of new digital services. Examples of service improvements supported by digital enhancements include the triaging of complex cases through enhanced systems identification/IVR capabilities, introduction of closed-loop complaints monitoring to drive continuous improvement, improvements to on-line password reset functionality, the ability for customers to provide digital signatures, upload evidence electronically and providing re-payers online access to PDF versions of their annual statements. Such activities will help reduce contact, minimise failure demand and allow SLC to reduce the number of staff servicing the equivalent non-digital activities.
- 9.5.4 The reduced operations workforce will be up-skilled and focused on processing and supporting customers with complex cases or individuals who need assistance in completing their applications or accessing other services.
- 9.5.5 Within the internal, operations facing layer, the strategy is not proposing to replace the current banking platform. Instead, the re-design will result in the disaggregation of all payment related activities from our current CLASS system, supporting and de-risking any future decision to be taken around its eventual replacement, upgrade or alternative sourcing.
- 9.5.6 Internal systems will be re-engineered to improve the effectiveness and reduce the costs of back office corporate services. Outside of the Strategy investment case, a replacement ERP service will be deployed alongside HR/Finance process simplification. This will remove unsupported systems and reduce operational costs but importantly is also an enabler to other activities, such as HR service reform and improved performance reporting.

## **9.6 Customer Experience**

- 9.6.1 SLC's generation Z customers expect services to be delivered digitally, as they currently receive from other financial institutions. SLC will transition to future digital delivery channels, driving channel shift from a model which relies heavily on telephone and written service (with some online services) to provide a fully integrated digital multi-channel service. This will deliver an increased number of right first time outcomes along with an outstanding customer experience.
- 9.6.2 SLC has identified the need to differentiate how it supports customers with more complex circumstances through early identification of needs and by providing a triage service to ensure those needs are addressed without constant levels of errors and rework which currently lead to a high number of complaints.
- 9.6.3 To potentially streamline the student/HEPs customer experience and reduce operating costs, it is the intention to explore further opportunities to work with other partner/sector organisations (e.g. UCAS).

## **9.7 Policy Development**

- 9.7.1 To future proof existing products, build new products quicker, cheaper, more resiliently, reduce error rates and support the reduction of operating staff due to increasing digitisation, SLC will work with Ministers and policy colleagues to reform and simplify the current policy landscape.
- 9.7.2 A modular approach will be taken to the design of SLC's product range (with high levels of reuse) to provide greater flexibility and cost effectiveness going forward. In conjunction with policy colleagues, SLC will systematically work through the existing product 'catalogue' with a priority focus on the highest complexity/value legacy products.
- 9.7.3 This modular approach to product design combined with a modern digital architecture will also provide much greater flexibility. Devolved administrations will continue to leverage SLC's economies of scale but SLC will be better equipped to support policy divergence, reducing the devolved administrations' capacity concerns.
- 9.7.4 To further support this, SLC will implement a new gated process to ensure all policy requests are provided in a timely and structured fashion. To support this process, new escalation routes have been defined with the devolved teams with escalation to the Joint Quadrilateral Committee (chaired by an SLC Executive) and ultimately through DfE and the devolved administrations to the relevant Minister.

## **9.8 Repayment Services**

- 9.8.1 SLC is working closely with DfE colleagues to implement the repayments strategy agreed in early 2016 based upon a trace, verify and collect model. Some progress has been made, primarily in the trace through data mining, and verify using third party data and services. This has helped support SLC's understanding of those who are in repayment, those not in repayment and importantly, those who are not in repayment but are in fact due to repay.
- 9.8.2 In order to develop these trace and verify capabilities further, SLC will need to invest in improvements to core analytical capabilities. The current analytics capability will be uplifted to ensure that those who should be repaying are repaying both within the UK tax system and abroad. The use of analytics will be expanded to improve the detection of application error and fraud.
- 9.8.3 In order to accelerate implementation of all aspects of trace, verify and collect into an industrialised service, the SLC repayments directorate will need to restructure and extend the use of private sector delivery partners, enabling access to the technology platform and expertise which will ensure improvements are delivered faster to the repayments service and at a reduced cost.
- 9.8.4 SLC will need to change its relationship with HMRC from the indirect (via DfE officials) to a direct SLC/HMRC relationship with the relevant controls over funding in order to improve the level of focus on SLC related issues. An improved relationship and future collaboration will be required to fully leverage both the HMRC PAYE collection process and RTI. This will help SLC identify and improve collections for those in multiple employment and will improve the visibility of non-compliance of employers commencing repayment deductions timeously. RTI in particular has customer benefits in terms of the visibility of their loan balance and has benefits to SLC in reducing the occurrence of problematic over-repayments.
- 9.8.5 SLC's analysis suggests that fully implementing the measures outlined in the strategy, with full DfE and HMRC support, will yield circa. £500m per annum in additional repayments.

## **9.9 Programme Implementation, Prioritisation and Phasing**

- 9.9.1 The above actions will be delivered through an integrated strategy portfolio, comprising a series of four high level programmes with supporting projects. These will be prioritised over the three to four years to 2021 and will be subject to individual business case approvals at project level. The portfolio consists of four programmes of work in wave 1 which are detailed in the next section of this document.

9.9.2 The existing in-flight and known future academic year change programmes, which are largely policy driven, will continue to consume the vast majority of SLC's current change capacity. The portfolio and programme management team is actively recruiting additional resources, but even taking this into consideration, it is recognised that the delivery landscape will remain considerably congested for the next three to four years.

9.9.3 Learning from the previous Transformation programme, it is acknowledged that SLC will not be able to do all of this with its current or forecasted additional resources. To mitigate this, SLC is planning to supplement its traditional body-shopping style of resource pool management which has worked well for policy driven work, with partner contracts for discrete elements of work.

9.9.4 Due to the scale and complexity of the portfolio, an external assurance partner will be engaged in a four week review commencing in March 2017 to review:

- Are the overall solutions delivering the right functionality to the business?
- Does a credible plan exist and is sequencing and timing reasonable?
- Are business cases sufficiently robust and will they stand up to scrutiny?
- Do SLC have the capabilities, capacity and operating model to deliver with the right approach to sourcing?
- Do the Digital Customer and Architecture designs align to current best practices?

Note: As the Repayments strategy has already been approved, this review will exclude Repayments from its scope, apart from any digital or operating model overlap.

## ***10. Strategy – Delivery and Execution Risk***

10.1.1 Top risks to the delivery and execution of this strategy include:

- Operational stability during what will be a period of significant change
- Ability to reprioritise SLC's change programme to enable balanced delivery (policy and business change)
- Availability of funding (including potential availability of seed funding if required)
- Slippage due to approvals process for each business case/wave

- Ability to secure partners to take responsibility for the delivery of discrete pieces of work
- Failure to agree and take forward policy simplification and reform may constrain benefits

10.1.2 A portfolio level risk register will be maintained for the strategy implementation with programme level risks being maintained within each work stream and identified within the relevant business case.

## **11. Strategy Business Cases**

11.1 To enable SLC to deliver the strategy, an overarching portfolio structure has been developed. Three waves are proposed, each starting in the April of the next three financial years but not necessarily ending within the relevant financial year.

11.2 It should be noted that many of the initiatives identified do not appear in the business cases below as they will be covered under business as usual budgets or the 2016/17 APRA or 2017/18 APRA submission e.g. revised operating model, complex customers, etc. (see Appendix 1 for further details).

11.3 In wave 1 starting April 2017, four business cases are proposed as follows:

### **1. Operational Excellence**

This will focus on the implementation of operational excellence and lean core practices across the organisation through:

- Lean ways of working, including principles, tools, techniques and a competency centre
- Role of the manager training developing capabilities in our leaders and managers
- Leadership development
- Supporting OPEX / DDA organisation design
- Continuous improvement in localised operational areas of the business from a customer/processes perspective

This programme of work also includes elements delivered through BAU and/or existing HR teams, namely:

- Development of a revised business performance framework (MI), linked to strategic objectives with a supporting cascade communications process
- Absence management / overtime / on-call / unpaid leave etc.
- Performance management

- Recruitment programme (including employee value proposition)
- Development of an apprenticeship / graduate programme

## **2. Digital Architecture**

This will focus on providing a more resilient and cost effective operations layer with faster and secure policy deployment and a discrete and coherent core banking platform. In addition it will provide customer enterprise management and data analytics.

- Disaggregating CLASS (phase 1)
- Building a 4-Tier service based architecture (phase 1), payments and repayments
- Modular product structures and precursor for mobile application
- RTI preparation

This programme of work also includes elements delivered through BAU and/or 2017/18 APRA, namely:

- Data encryption
- MS-Outlook / SharePoint / Board pack
- Complete DR/DCC and infrastructure uplift
- Expansion of Data Warehouse and analytics
- Grant and loan overpayments service based architecture
- Expansion of assessment micro-services capability e.g. SFE part time, PGL doctoral and Welsh PGL

## **3. Digital Customer**

Encourage more people to interact with us through digital channels which are both appealing and intuitive and thus reduce cost by generating less manual transactions and customer initiated calls.

Digitalisation of Customer Evidence:

- E-signatures
- Document upload of evidence

Digital Channel Expansion:

- Password reset

- Electronic correspondence
- On line repayment statements in PDF format

This programme of work also includes elements delivered through BAU, namely:

- Improved IVR for call handling

#### **4. Repayments**

This will focus on improving the trace, verify and collect capabilities of SLC:

- Create analytics capability / data warehouse exploitation
- Mixed and specialist sourcing model to leverage technology and expertise
- Overseas collections/repayments service
- Closer data and systems integration with HMRC/OGDs (e.g. RTI)

Note: Pay and reward and ERP programmes are being progressed through the APRA route, as these would have occurred without the SLC Strategy.

Appendix 1  
Strategy Execution – Wave 1 (FY17/18)

Theme	Enabler	BAU	BC
Governance Framework	<ul style="list-style-type: none"> <li>– New spending and controls authority and 3 year rolling budgets</li> <li>– New Governance underpinned by an up to date Framework Agreement including Board composition and skills, clear and formal lines of shareholder communication, new controls / delegated authorities</li> </ul>	X X	
Policy Development	<ul style="list-style-type: none"> <li>– Reform, simplify and modularise the existing policy landscape (subject to Ministerial agreement)</li> <li>– Improve the policy / product development process</li> </ul>	X  X	
Operating Model	<ul style="list-style-type: none"> <li>– Revised sourcing framework</li> <li>– New operating model and associated organisation design recognising the organisation’s priorities and the breadth and scale of operational risk</li> </ul>	X X	
Operational & Systems Performance	<ul style="list-style-type: none"> <li>– Adopt the principles of ‘lean’ manufacturing as an operating philosophy with a newly defined Role of the Manager</li> <li>– Implement a closed loop complaints improvement programme</li> <li>– Implement a new triage system and processes for complex customers (supported by revised IVR)</li> <li>– Develop an operations workforce sourcing plan to align with our digital glide path,</li> <li>– Design and implement a 4 tier modular IT and systems architecture</li> <li>– Complete the Disaster Recovery and Business Continuity programme</li> <li>– Implement and maintain best in class security and encryption services</li> <li>– Implement an ERP solution (HR, Finance, Procurement)</li> </ul>	X X    X X	X   X X  X
Customer Experience	<ul style="list-style-type: none"> <li>– Implement digital signatures</li> <li>– Implement digital document uploads</li> <li>– Implement a digital password reset service</li> <li>– Implement improved IVR for call handling</li> <li>– Email/SMS notification of on-line availability of annual statement PDFs</li> </ul>	X   X	X X X  X
Repayment Services	<ul style="list-style-type: none"> <li>– Implement an improved analytics service</li> <li>– Implement a mixed &amp; specialist sourcing model</li> <li>– Work with HMRC to reduce leakage</li> <li>– Develop an overseas collections / repayments service</li> </ul>	X   X	X X  X
Organisational Health	<ul style="list-style-type: none"> <li>– Implement a new customer orientated organisation in support of a new operating model</li> <li>– Develop an Operational Excellence way of working and Lean</li> </ul>	X	X



Strategy Execution – Wave 2 (FY18/19)

Theme	Enabler
Governance Framework	
Policy Development	
Operating Model	– Implement a back office and ICT operations sourcing model
Operational & Systems Performance	– Replace the LA (operations) portal – Build the RTI interfaces / Student Accounts
Customer Experience	– A review of partnership arrangements with e.g. UCAS in respect of the customer application process – Develop an SLC mobile application
Repayment Services	– Develop a programme to further safeguard the proper administration of the loan book – Develop an in-line fraud monitoring and prevention service
Organisational Health	– Develop an executive & senior management leadership cadre with full succession planning – Implement a graduate and apprenticeship scheme – Review move to a potential 25 <sup>th</sup> percentile pay model

Strategy Execution – Wave 3 (FY19/20)

Theme	Enabler
Governance Framework	– Conduct of business / Customer Charter and consideration of associated rebranding of SLC to remove the use of ‘Loans’ within the company’s name
Policy Development	
Operating Model	
Operational & Systems Performance	– Develop and implement a standard modular set of digital components – Develop new RTI driven Repayment services – Global benchmarking / best practice review – Implement RTI – Review Banking service options
Customer Experience	
Repayment Services	
Organisational Health	