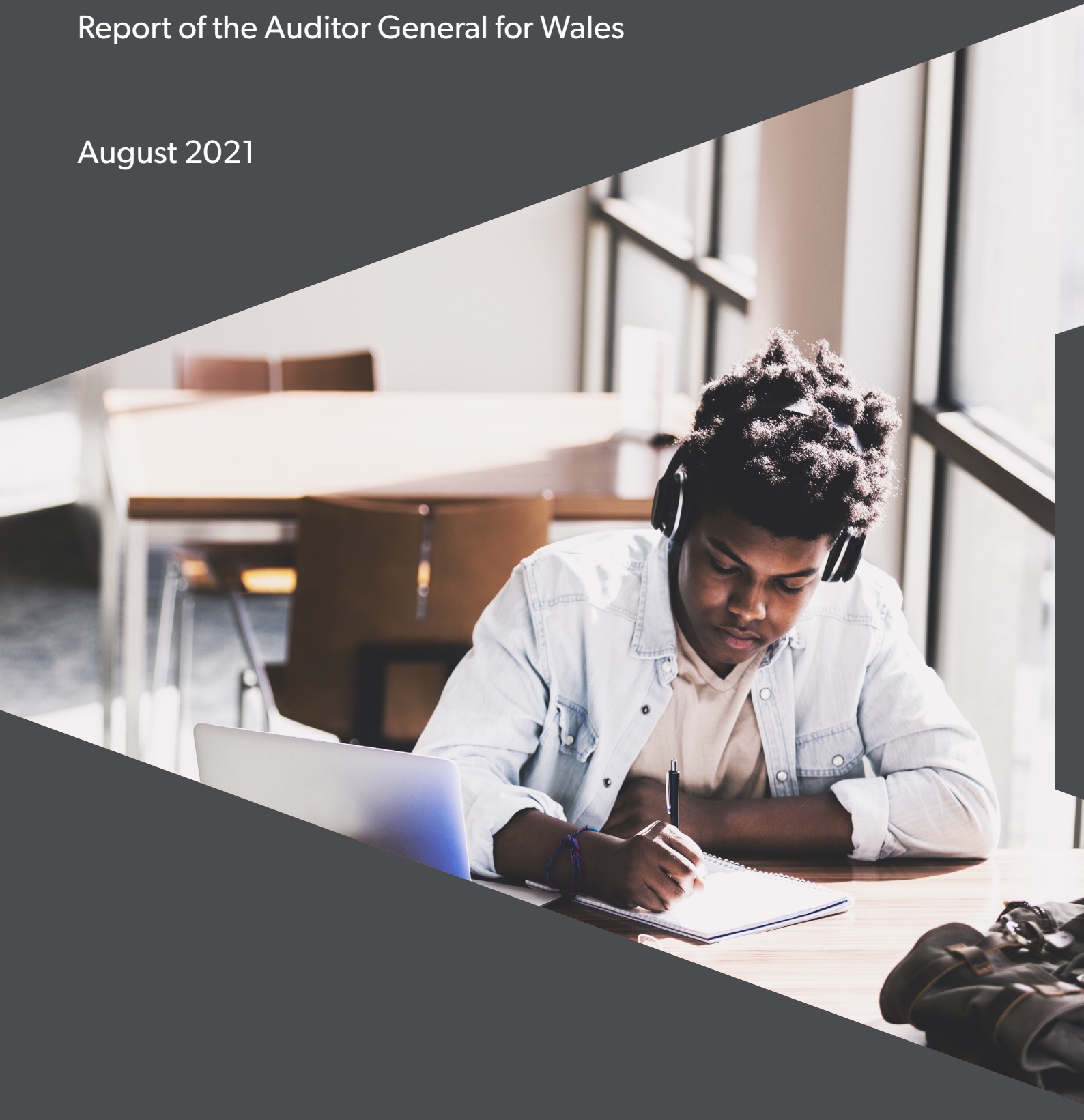


Student finances

Report of the Auditor General for Wales

August 2021



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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Key messages

- 1 The Welsh Government provides financial support to students in higher education through loans and grants. Eligible students receive support to cover living costs and tuition fees. After their studies, former students begin to repay loans once their earnings reach a certain threshold.
- 2 The Welsh Government pays the Student Loans Company (SLC) to administer student finances on its behalf. SLC manages the end-to-end process of 'apply, assess, pay and repay' and Student Finance Wales (SFW) is a brand that SLC uses to describe its services for students normally living in Wales. Universities and Her Majesty's Revenue and Customs (HMRC) also play a part in the wider system.
- 3 This report explains how the system of student finances works for Welsh students and considers how the Welsh Government oversees the system. **Appendix 1** explains our audit approach and methods.

The Welsh Government's day-to-day management of student finances is effective but, given the costs involved, there is a need for more scrutiny at a strategic level

- 4 The cost of student finances in Wales has increased over recent years. The Welsh Government paid out almost £1.1 billion in student loans and grants in 2019-20, 35% more than in 2015-16. Over the same period, the total value of student loans owed to the Welsh Government has increased from £3.2 billion to £5.3 billion.
- 5 The Welsh Government will not get back everything it is owed in loan repayments. In 2019-20, the Welsh Government estimated it would recover 65p for every £1 it was owed through student loans. This is less than the 81p it estimated it would recover in 2015-16, mainly because changes to the financial support package have resulted in more students taking out larger loans that are less likely to be repaid in full.
- 6 It is important that the Welsh Government controls its spending on student finances, particularly given the large sums involved. It is also important that the Welsh Government effectively oversees the services provided by SLC and SFW. Since the start of 2018-19, the Welsh Government has been paying SLC a little over £20 million a year to administer student finances.

- 7 The Welsh Government is a minority shareholder in SLC, with a 5% shareholding. Northern Ireland and Scotland each hold 5% while the controlling 85% share is held by the UK Government's Department for Education. The Welsh Government gets some assurance from participating in SLC's overall governance arrangements, scrutinising SLC's performance, risks and financial position.
- 8 The Welsh Government is satisfied that it has an equal say in setting policy objectives for SLC, although this has not always been the case. The scale of the service for Wales, as a proportion of SLC's overall activity, has sometimes limited the Welsh Government's ability to implement change quickly. However, there are no real sanctions for non-delivery. If the Welsh Government penalised SLC financially, it would likely impact directly on the services delivered to Welsh students.
- 9 The Welsh Government's day-to-day management of the administration of student finances works well but relies heavily on a small number of individuals. There are risks associated with succession planning and vacancies in the Welsh Government team that liaises with SFW.
- 10 There are some limitations to the Welsh Government's overall scrutiny of SLC. While the Welsh Government has improved its use of Wales-specific data to identify performance issues particular to Wales, it could make further improvements by reporting data upwards through its governance structures to consider whether SLC is delivering value for money. In addition, there is scope to involve students more meaningfully in planning and monitoring the administration of student finances.
- 11 The Welsh Government has given some consideration to alternative models for the administration of student finance. At the current time, it is largely satisfied with the service it receives from SLC and there are no plans to move away from the model of SLC administering student support on its behalf.



We are publishing this report when many of our young people will be preparing to enter higher education for the first time. Ensuring that students understand and can easily access the financial support on offer is vital. The overall sums involved and the need to forecast loan repayments mean that student finances are an important feature in the Welsh Government's annual accounts.

Our findings about the way the Welsh Government is managing student finances are therefore good to see. But given the sums involved, it should strengthen its scrutiny of the performance of SLC and the overall value for money of the services it provides, ensuring that the needs and experiences of Welsh students are at the heart of its decision-making.

Adrian Crompton
Auditor General for Wales



Key facts

£5.3 billion

Owed to the Welsh Government by former students at 31 March 2020

259,600

Number of Welsh former students with a student loan balance at 31 March 2020



65p in the £1

In 2019-20, the Welsh Government estimated it would recover 65p for every £1 it issued in loans



£699 million

Paid out by the Welsh Government to students in loans in 2019-20

£386 million

Paid out by the Welsh Government to students in grants in 2019-20

£27,600

Average debt for former students with a loan balance at the end of 2020-21



£27,295

The amount a former student needs to be earning before they begin to pay back their loan in 2021-22

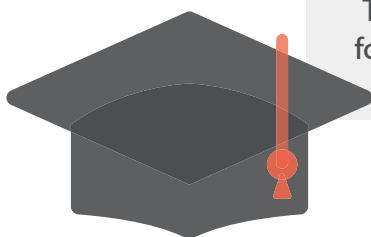
30 years

The period after which most former students' outstanding debt is written off



£23.4 million

Paid by the Welsh Government to SLC in 2020-21 to administer student finances





Recommendations

Recommendations

Performance monitoring

R1 We recommend the Welsh Government improves its monitoring of SLC performance by regularly reviewing Wales-level data relating to all annual measures, and by routinely reporting a comprehensive picture of SLC performance upwards through the Welsh Government's governance structure. This should inform broader considerations of whether the package of financial support is achieving its long-term aims for students and higher education.

Sustainable development

R2 We recommend the Welsh Government reflects on whether it can do more to apply the five ways of working expected under the Well-being of Future Generations (Wales) Act 2015, to improve the administration of student finances and its oversight of SLC. For example, the Welsh Government should consider how it can involve students earlier in the decision-making process, and how it will keep its relationship with SLC under review to ensure the model of administration remains sustainable in the long-term.

Succession planning and resilience

R3 We recommend the Welsh Government reviews working practices, succession planning and vacancies within its SLC Sponsorship Team, to manage risks associated with the reliance on a small number of staff.



Overview of the student finances system

01

Several organisations are involved in student finances

- 12 The Welsh Government provides financial support to students in higher education through loans and grants. This support aims to break down barriers and allow students to enter university irrespective of their household income.
- 13 Student finance works slightly differently across the UK. Each government decides the amount and type of financial support available. The Welsh Government claims its financial support is the most generous in the UK.
- 14 **Exhibit 1** summarises the roles of several organisations in the system of student finances. It is important that these organisations work together to ensure students can access timely and accurate financial support according to their circumstances, and that this support is repaid as appropriate. While the Welsh Government provides the funding for student finance, SLC manages the application, assessment and payment process.

Exhibit 1: organisations involved in the system of student finances

Welsh Government	<p>The Welsh Government sets education policy for Wales and decides the financial support package provided to Welsh students at university. It provides support for living costs and tuition fees through loans and grants.</p>
Student Loans Company (SLC) and Student Finance Wales (SFW)	<p>SLC is a non-profitmaking, non-departmental public body sponsored by the UK Government's Department for Education (85% shareholder) and the governments of Wales, Scotland and Northern Ireland (5% each).</p> <p>SLC manages the end-to-end process of 'apply, assess, pay and repay' for students normally living in Wales. SFW is a brand that SLC uses to describe its services for Welsh-domiciled students. On behalf of the Welsh Government, SFW provides maintenance loans and grants directly to the students and pays tuition fees directly to universities.</p>

Universities	<p>Financial support for tuition fees covered by student loans is paid directly to the university by SFW. Postgraduate students receive the support directly.</p> <p>When students complete their university registration, the university sends an electronic confirmation to SFW, triggering the release of funding.</p>
Her Majesty's Revenue and Customs (HMRC)	<p>HMRC facilitates repayments from former students who have found employment. Those in the UK tax system make loan repayments through the Pay As You Earn system or through self-assessment tax returns. Former students employed outside the UK are also required to make repayments, although these payments are made to SLC and not HMRC.</p> <p>HMRC sends repayment information to SLC. Repayments collected by HMRC from Welsh students are passed to the Welsh Government.</p>

Source: Audit Wales

Only eligible students receive financial support

- 15 Students are only eligible to receive financial support if they meet certain criteria. These criteria differ depending on the level (undergraduate or postgraduate) and pattern of study (full or part-time). **Exhibit 2** outlines the main criteria for new, full-time undergraduates.

Exhibit 2: main student finance eligibility criteria for new, full-time undergraduates in 2021/22

Nationality and residency	<p>A student can apply if they meet the following conditions:</p> <ul style="list-style-type: none"> • they are a UK national, Irish citizen or have settled status; • they are living in Wales on the first day of the first academic year of their course; and • they have been living in the UK and Islands for 3 years before starting their course. <p>If the above conditions are met students are classed as Welsh students. Funding is also available for EU students studying in Wales (full details are available on the SFW website).</p>
Course	<p>A student's course must be in the UK and lead to a qualification in one of the following:</p> <ul style="list-style-type: none"> • First degree, eg Bachelor of Arts, Science or Education; • Foundation degree; • Certificate of Higher Education; • Diploma of Higher Education; • Higher National Certificate; • Higher National Diploma; • Postgraduate Certificate in Education; or • Initial Teacher Education.
University or college	<p>A student's university or college must be:</p> <ul style="list-style-type: none"> • publicly funded (paid for by the government); or • privately funded but running a course approved for funding by the Welsh Government.
Age	<p>To qualify for a maintenance loan, a student needs to be aged under 60 on the first day of the first academic year of the course.</p> <p>There is no upper age limit for grants or a tuition fee loan.</p>

Note: Other financial support packages are available for part-time undergraduate and postgraduate students. SFW has the full details of support available and eligibility criteria for Welsh students and EU students studying in Wales on its website.

Source: Audit Wales, using information from the [SFW website](#)

Each student can access a mix of loan and grant support

- 16 To apply for support, most students use the SFW website although they can submit paper application forms. SFW assesses the application based on evidence of eligibility and, if accepted, provides a notification of entitlement detailing the type and level of support they have been awarded.
- 17 The support available to a student depends on their household income as well as their place and type of study. **Exhibit 3** explains the tuition fee and living cost support available to new, full-time undergraduates.

Exhibit 3: main sources of financial support available to new, full-time undergraduates in 2021/22

Tuition fee support

- tuition fees are set by universities. In Wales these are capped at £9,000 per year for full-time undergraduates but in other parts of the UK can be up to £9,250.
- tuition fee loan support is provided to cover the course fees, paid directly to the university by SFW.
- this support does not vary according to household income.
- the loan has to be repaid and interest accrues from the first day.

Living cost support

- paid into the student's bank account at the start of each term, after registration has been confirmed by the university.
- two elements: the Welsh Government Learning Grant and the Maintenance Loan.

Welsh Government Learning Grant

- to help with costs such as food, books and rent.
- amount depends on household income and place of study.
- students will get a grant of at least £1,000.
- the maximum grant is £10,124.
- this grant does not need to be repaid.

Maintenance Loan

- intended to cover living costs while at university.
- amount depends on household income.
- the maximum loan is £11,930.
- the loan has to be repaid and interest accrues from the first day.

Note: The figures relate to new, full-time undergraduate students, for 2021/22. Other financial support packages are available for part-time undergraduate and postgraduate students. There is also additional support if a student has a disability, a long-term health condition or has dependents. SFW has a full list of all support packages on its website.

Source: Audit Wales, using information from the [SFW website](#)

- 18 The amount of living cost support available ranges between £8,790 and £12,930 depending on whether a student lives with parents or away from home, and those studying in London are entitled to more support. Household income does not affect the total amount of living cost support available, but it does affect the balance between the loan and grant support. **Exhibit 4** is an illustration of the support available and shows how lower income households receive more in the form of a grant and less in the form of a loan.

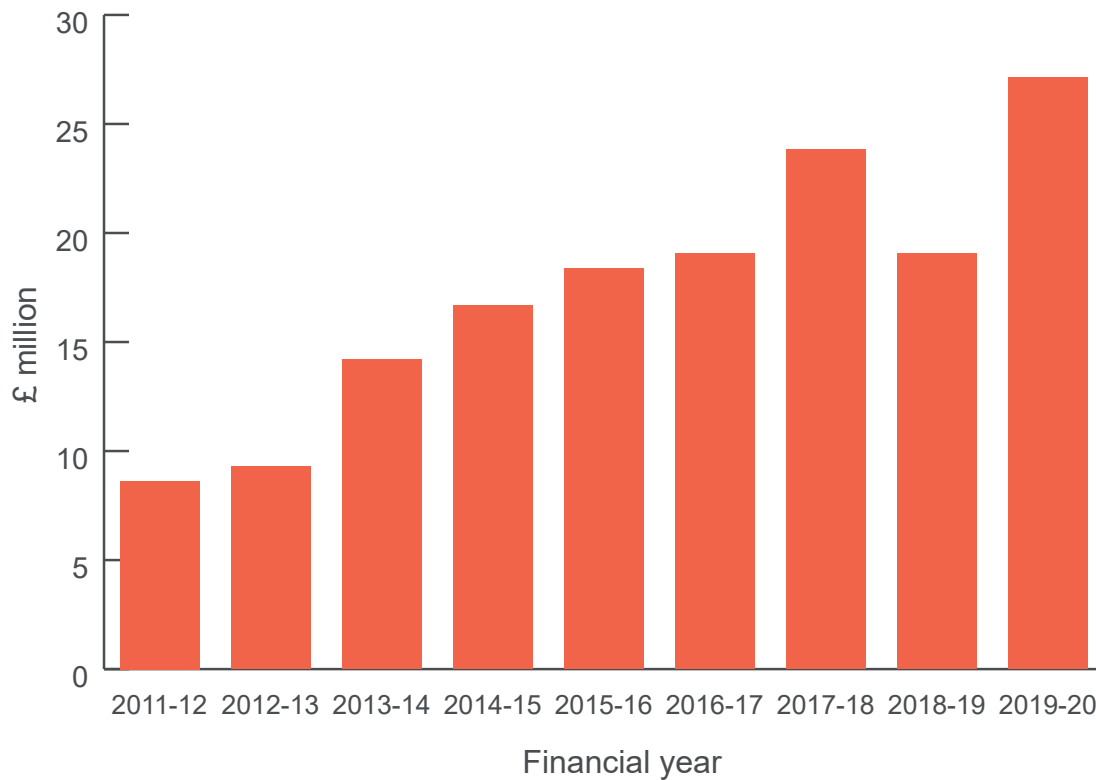
Exhibit 4: living cost support – learning grant or maintenance loan – for full-time undergraduates in 2021/22

Household income (£)	Living with parents (£)			Away from home, studying outside London (£)			Away from home, studying in London (£)		
	Grant	Loan	Total	Grant	Loan	Total	Grant	Loan	Total
18,370 or less	6,885	1,905	8,790	8,100	2,250	10,350	10,124	2,806	12,930
25,000	5,930	2,860	8,790	6,947	3,403	10,350	8,643	4,287	12,930
35,000	4,488	4,302	8,790	5,208	5,142	10,350	6,408	6,522	12,930
45,000	3,047	5,743	8,790	3,469	6,881	10,350	4,174	8,756	12,930
59,200 or more	1,000	7,790	8,790	1,000	9,350	10,350	1,000	11,930	12,930

Source: SFW, [New students - What financial support is available?](#)

- 19 The Welsh Government also operates a Partial Cancellation Scheme, which sees up to £1,500 of a former student's maintenance loan balance cleared after their first repayment¹. All former students that took out maintenance loans since 2010/11 are eligible, provided they are not in breach of their loan agreement. This arrangement is not available in other parts of the UK.
- 20 **Exhibit 5** shows how the annual cost of the Partial Cancellation Scheme has increased since its introduction in 2011-12, rising to £27 million in 2019-20. The total cost of the scheme to 2019-20 is £156 million.

¹ The Welsh Government pays £1,500 of a former student's debt, or less than £1,500 in certain circumstances, including when the student has not taken out the full loan available to them.

Exhibit 5: Partial Cancellation Scheme costs, 2011-12 to 2019-20

Note: these figures reflect the amounts written off by SLC in students' accounts.

Source: SLC, [Student Loans in Wales series](#) and Welsh Government working papers supporting various years' Consolidated Accounts

Repayments begin once former students earn above a certain threshold

- 21 At the end of 2019-20, there were 259,600 Welsh former students with a student loan balance². Full-time students will start repaying in the April after they leave their course, if they are earning above the relevant repayment threshold.
- 22 Repayments are collected through the UK tax system, through Pay As You Earn if former students are employed, or through the self-assessment process if they are self-employed. If their pay is above the repayment threshold for the loan, the employer will take repayments and pass them to HMRC. HMRC sends information to SLC to update the former student's record and their outstanding debt.
- 23 Interest is added to the loan from the date of the first loan payment made to the student until the final repayment. The interest rate is linked to the Retail Price Index. Repayments must be made until either the debt (plus accrued interest) is paid off in full, or until the debt is written off which, under current rules, is 30 years after the student is due to begin making repayments. If a former student never gets a job earning over the repayment threshold, none of the loan will be repaid.
- 24 Changes to the student finance package have resulted in different repayment plans depending on when the former student took out their loan and the type of study (undergraduate or postgraduate). **Exhibit 6** summarises the three main plans. Each varies in terms of interest rate, repayment threshold and debt write-off.

2 SLC, [Student loans for higher education in Wales financial year 2020-21 Tables, Table 5A \(i\)](#)

Exhibit 6: summary of student finance repayment plans and repayment thresholds for 2021/22

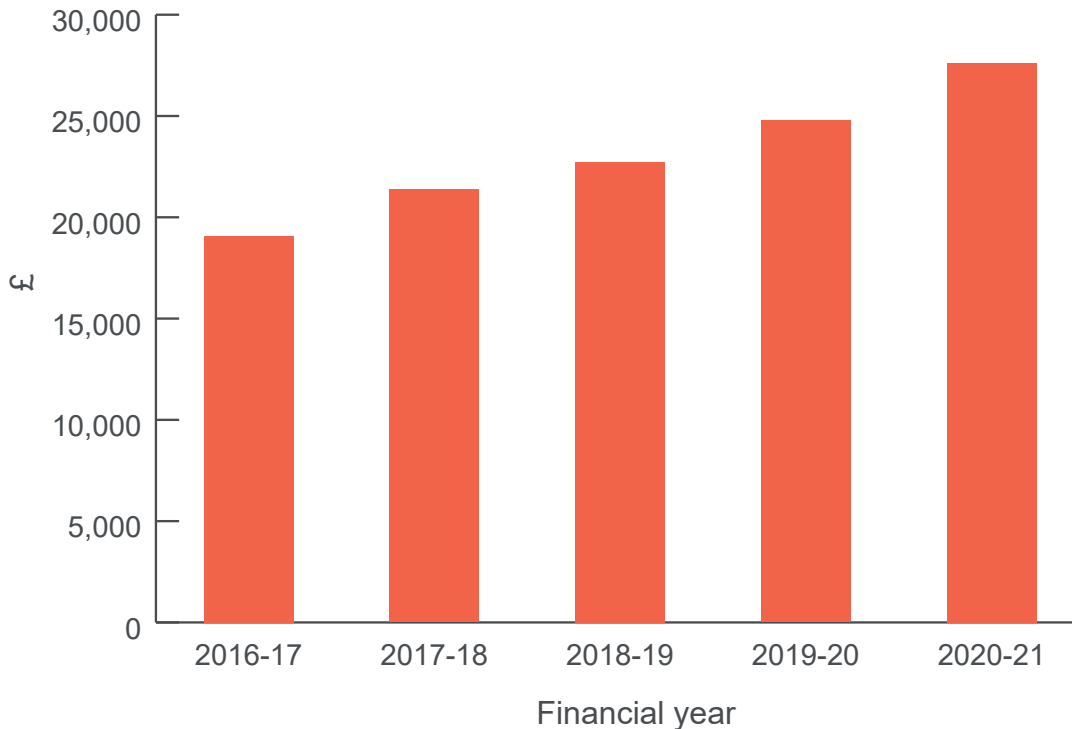
Repayment plan	Repayment threshold for 2021/22	Repayment rate above threshold	Interest charged	When is the debt written off?
<p>Plan 1</p> <p>Students who started a course before 1 September 2012</p>	£19,895	9%	<p>Lower of:</p> <ul style="list-style-type: none"> RPI in the previous March 1% above the Bank of England base rate 	<p>For loans taken out before 1 September 2006, the outstanding loan balance plus any interest will be cancelled when the former student reaches 65.</p> <p>For loans taken out on or after 1 September 2006 but before 1 September 2012, the outstanding loan balance plus any interest will be cancelled after 25 years.</p>
<p>Plan 2</p> <p>Students who started an undergraduate course on or after 1 September 2012</p>	£27,295	9%	<p>While studying: RPI +3%</p> <p>After studying: Interest is based on income:</p> <ul style="list-style-type: none"> £27,295 or less = RPI between £27,295 and £49,130 = RPI plus up to 3%, depending on income over £49,130 = RPI plus 3% 	<p>Any loan plus interest remaining 30 years after the former student is due to start making repayments will be cancelled.</p>

Repayment plan	Repayment threshold for 2021/22	Repayment rate above threshold	Interest charged	When is the debt written off?
Plan 3 Students who started a postgraduate Master's or Doctoral course on or after 1 August 2018	£21,000	6%	RPI + up to 3%	Any loan plus interest remaining 30 years after the former student is due to start making repayments will be cancelled.

Source: SFW, [Student Loans - a guide to terms and conditions 2021 to 2022](#)

- 25 At the end of 2020-21, the average loan debt for former students with a loan balance was £27,600. This includes part-time students and those who have withdrawn before completing studies, which reduces the average. **Exhibit 7** shows how the average debt has grown by 45% since 2016-17 when it was £19,070

Exhibit 7: average debt per former student with a loan balance, 2016-17 to 2020-21



Note: for former students that have reached the repayment threshold, the Partial Cancellation Scheme deduction (**paragraph 19**) has been made from their debt where appropriate. Where former students have not reached the threshold, the deduction has not been made.

Source: SLC, [Student loans for higher education in Wales financial year 2020-21 Tables, Table 5A \(iii\)](#)

26 Changes to the student support package over time, including those introduced in September 2018 following the ‘Diamond Review’³, have contributed to the increased average debt. The Welsh Government commissioned the Diamond Review for several reasons, including an intention to widen access to higher education. The previous Tuition Fee Grant⁴ was withdrawn and fee support moved towards a more loan-based system. The new package is intended to provide more support for living costs and support that is equivalent to the National Living Wage at its maximum level. As the new package is more generous in terms of total financial support available to students it has also contributed to the increased average debt.

³ Welsh Government, [Review of Higher Education Funding and Student Finance Arrangements in Wales](#), September 2016

⁴ The Tuition Fee Grant was a non means tested award that formed part of the previous student finance package in Wales to the value of £4,954 for full-time students starting in 2017/18.

- 27 The total amount that a former student must repay, and the time they will take to pay off their debt, depends on how much they earn. **Exhibit 8** shows four hypothetical examples of former students, with the same level of debt but different starting salaries. It provides a rough indication of the different amounts that each person might repay, and the time it would take to pay off their loans.

Exhibit 8: examples of how much people with an average amount of debt might repay, based on different starting salaries

	Person 1	Person 2	Person 3	Person 4
Starting salary	£25,000	£30,000	£40,000	£50,000
Assumed debt	£27,600	£27,600	£27,600	£27,600
Total amount repaid including interest (approximate nominal value)	£0	£15,000	£50,000	£41,000
Loan fully repaid?	No	No	Yes – 27 years	Yes – 16 years

Note: these are indicative estimates based on specific assumptions. We have assumed that: salaries and repayment thresholds increase in line with average UK earnings growth, as forecast by the Office for Budget Responsibility (OBR) in March 2020; interest is applied annually and RPI is as forecast by the OBR; there are no breaks in repayment; there are no additional voluntary repayments made to the loan; and the Welsh Government has paid off the maximum £1,500 off each loan through the Partial Cancellation Scheme.

Source: Audit Wales calculations

- 28 **Exhibit 8** shows that while Person 4 is the highest earner, they end up paying less overall than Person 3. Person 4 makes higher monthly repayments and pays off the debt quicker. With less time to accrue interest, Person 4 ends up paying less than Person 3 over the lifetime of the loan.
- 29 The exhibit also indicates how the repayment period – the length of time that a former student makes repayments – is impacted by their starting salary. At lower starting salaries (persons 1 and 2), the repayment period reaches the 30-year limit and the remaining debt is written off. The higher salaries of persons 3 and 4 see them paying more off their loan each month, so they pay off their debt before the 30-year limit.



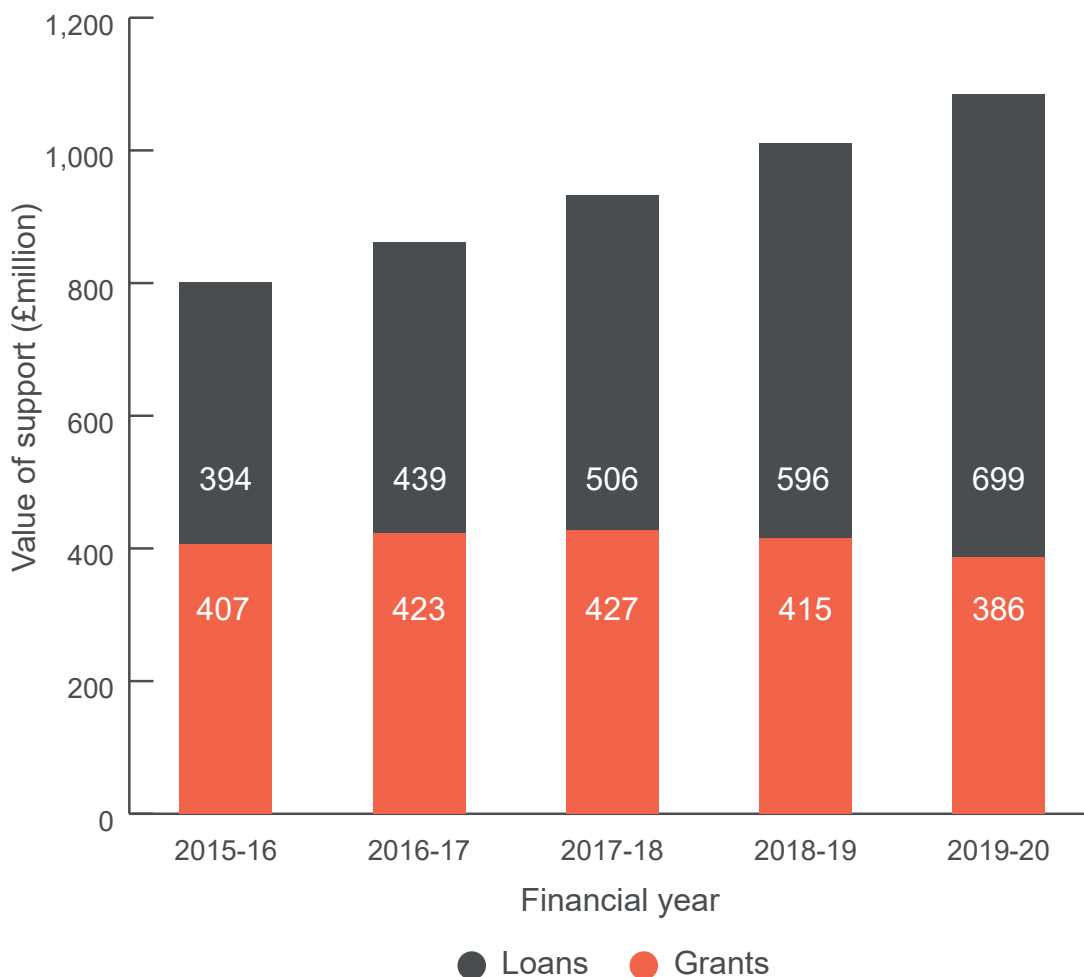
The Welsh Government's spending on student loans and grant

02

The cost of student finances in Wales has increased over recent years

30 The total annual financial support provided by the Welsh Government to students in higher education has increased by 35% since 2015-16, reaching almost £1.1 billion in 2019-20 (**Exhibit 9**). When inflation is considered, this represents a 24% increase.

Exhibit 9: grant and loan support provided to Welsh students, 2015-16 to 2019-20



Source: Audit Wales analysis of data supplied by the Welsh Government (excludes further education grants)

- 31 In September 2017, the Welsh Government committed to ‘significantly increase the maintenance grants available to Welsh higher education students, breaking down barriers to university and ensure that across grants and loans all students have the equivalent of the National Minimum Wage’⁵. To achieve this commitment, the Welsh Government introduced the Welsh Government Learning Grant (**Exhibit 3**), although it also withdrew the Tuition Fee Grant.
- 32 Over the five-year period shown in **Exhibit 9**, there has been a reduction in the amount that students receive in grants, as a proportion of the total financial support. In 2015-16, grant support accounted for 51% of total financial support and by 2019-20 this had fallen to 36%. This fall results from changes following the Diamond Review (**paragraph 26**). **Exhibit 9** also shows a reduction in the total amount spent on grants. When inflation is considered, this represents a 13% decrease⁶.
- 33 It is important that the Welsh Government controls its expenditure, particularly given the large sums involved. However, planning this expenditure is complicated because it is largely demand led. In the four-year period between 2016/17 and 2019/20, the number of Welsh undergraduates has been between 81,760 and 83,800. During the same period, the number of postgraduate students increased from 15,355 to 18,865⁷.
- 34 In June 2020, the Senedd’s Children, Young People and Education Committee discussed concerns about the risk of a drop in student numbers because of the COVID-19 pandemic⁸. However, published data indicates that the pandemic has not had the impact on student numbers that the Committee feared, at least not yet.

5 Welsh Government, [Prosperity for All: the national strategy](#), September 2017

6 To calculate these real terms changes we have used the [HM Treasury deflators](#) published in March 2021.

7 Stats Wales, [Enrolments of students from Wales by year, level and mode of study](#), January 2021

8 Children, Young People and Education Committee, [COVID-19: Evidence Session on the Impact of COVID-19 on Higher and Further Education with Higher Education Representatives](#), June 2020

- 35 Information from the Universities and Colleges Admissions Service (UCAS)⁹ showed that at the end of June 2020 there were more UK-wide university applicants holding a firm offer to start a course in Autumn 2020 than at the equivalent point the previous year. For Wales alone, the number of applicants was largely unchanged (21,470 at June 2019 and 21,330 at June 2020) and in January 2021 the number of applications had increased when compared with the previous year (18,430 at January 2020 and 21,120 at January 2021). In planning student finances, the Welsh Government uses a range of scenarios for trends in student numbers and is not currently predicting or planning for any fall in overall student numbers in future years¹⁰.

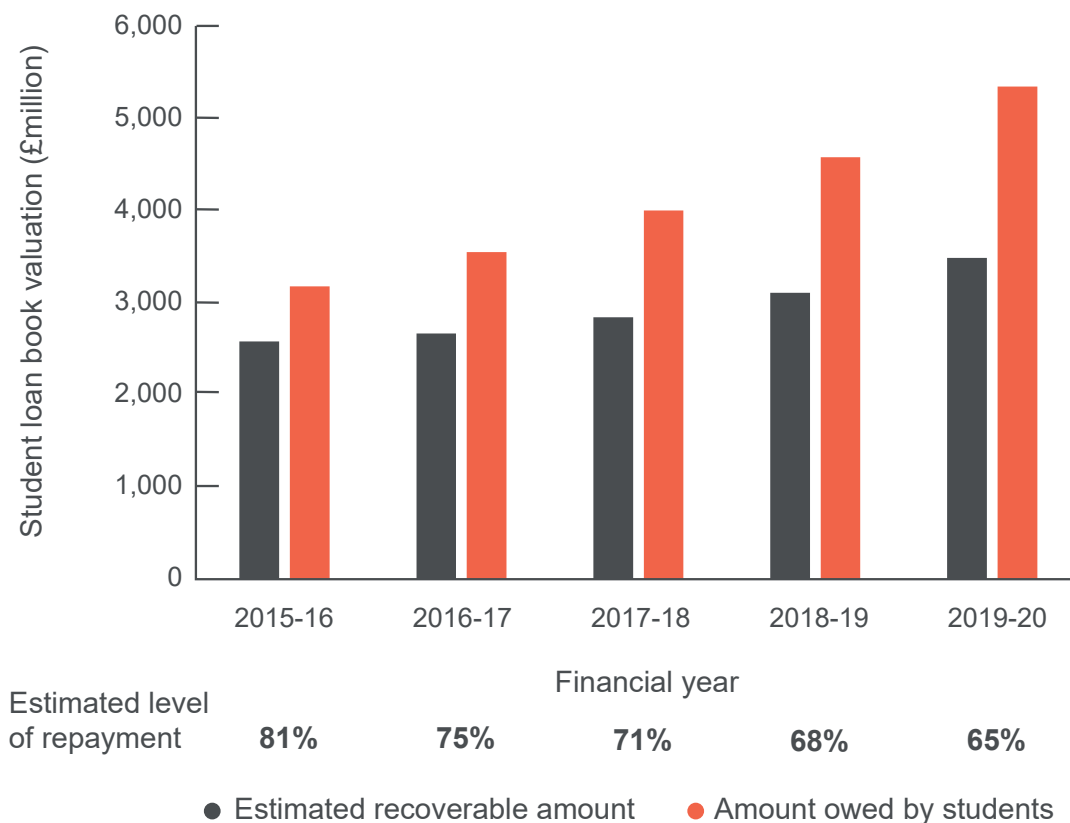
The Welsh Government will not get back everything it is owed in loan repayments

- 36 **Exhibit 10** shows that the total value of loans owed to the Welsh Government has steadily increased from £3.2 billion in 2015-16 to £5.3 billion in 2019-20. This is because new loans and interest have outweighed repayments and write offs.
- 37 However, the recoverability – the proportion that the Welsh Government estimates it will recover – has been decreasing over the same period. The main reason for this decrease is that the Diamond Review changes have resulted in more students taking out larger loans that are less likely to be repaid in full. At the end of 2015-16, the Welsh Government estimated it would recover around 81% of the loans outstanding. By the end of 2019-20, this had fallen to 65%, meaning for every £1 outstanding to the Welsh Government, it estimated it would recover 65p.

9 UCAS, [2020 cycle applicant figures – 30 June deadline](#)

10 The Welsh Government forecasts the number of students that will apply for university, using data from UCAS, the Higher Education Statistics Agency and SLC. It takes a prudent approach to ensure forecasts have enough flexibility to be able to fund unexpected increases in demand for student finance.

Exhibit 10: amounts owed by former students and estimated level of repayment, 2015-16 to 2019-20



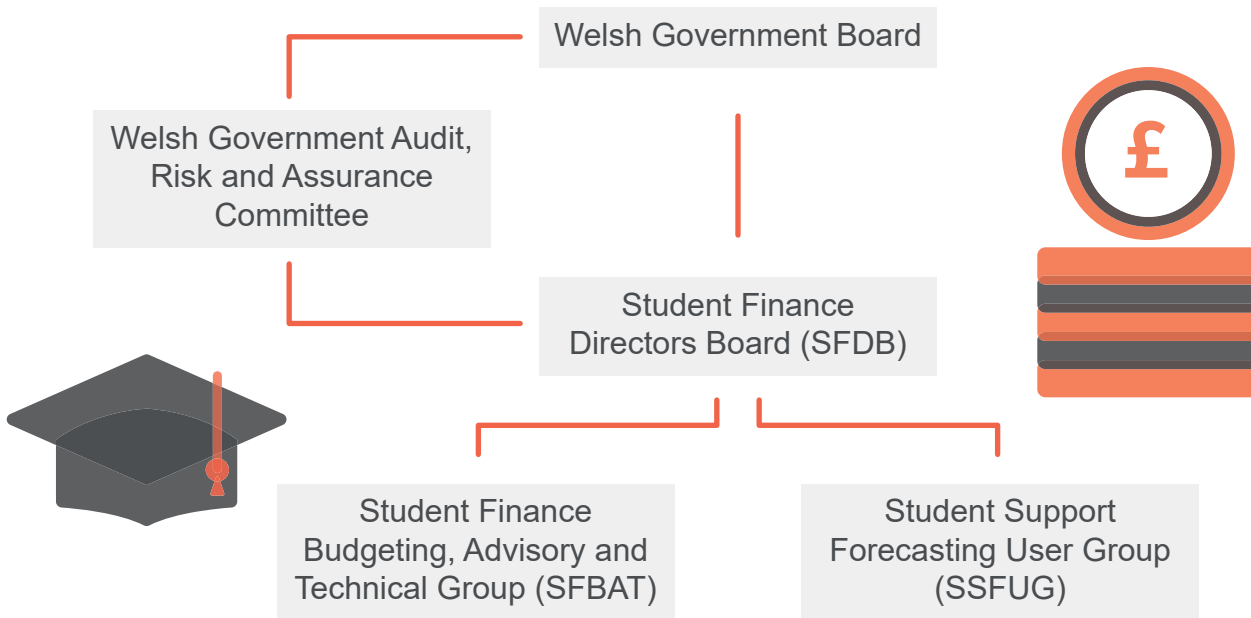
Source: Welsh Government Consolidated Accounts, Note 6 and supporting working papers

38 The student loan balance that the Welsh Government estimates to recover – £3.5 billion in 2019-20 – is one of the largest assets recorded in the Welsh Government accounts. It represents approximately 15% of the total Welsh Government assets balance of £24 billion. Given the size of this asset, it is important that the Welsh Government’s estimates are as robust as possible.

- 39 The Welsh Government has written previously to the Senedd Public Accounts Committee providing further detail about its approach to estimation and modelling¹¹. In summary, the Welsh Government calculates a statistical estimate of the money it expects to be paid back, based on a complex set of assumptions about borrower demographics, future earnings, and economic growth for decades into the future. The calculations are derived from a financial model provided to the Welsh Government by the UK Government's Department for Education. The Welsh Government adjusts the model to ensure its suitability to Wales.
- 40 Audit Wales undertakes a high-level assessment of the model as part of our annual audit of the Welsh Government accounts. Our last audit in 2019-20 concluded that the estimate used by the Welsh Government was reasonable in all material aspects.
- 41 **Exhibit 11** shows the governance structure for student finances in the Welsh Government, which includes two groups tasked with forecasting and modelling future costs. The Student Support Forecasting User Group (SSFUG) discusses issues affecting the student support forecasts, including student numbers and higher education policy changes. The Student Finance Budgeting, Advisory and Technical Group (SFBAT) carries out detailed work regarding changes in policy, modelling and accounting. The Student Finance Directors Board (SFDB) reviews and approves recommendations from the SSFUG and SFBAT as well as discussing issues affecting student finance budgets, expenditure and financial reporting. The Terms of Reference for SFDB state that it should meet every quarter, or more frequently at the discretion of the Chair, although in the last year it only met twice.

11 Welsh Government, [Letter from the Permanent Secretary to the Public Accounts Committee](#), 7 January 2021

Exhibit 11: the governance structure for student finances in the Welsh Government



Source: Audit Wales, based on information from the Welsh Government



**The Welsh
Government's
oversight of the
administration of
student finances**

03

The Welsh Government has been paying a little over £20 million a year to SLC to administer student finances

- 42 While the Welsh Government does not make payments directly to students, it must oversee the work of SLC and SFW to ensure the system is administered effectively and that it is securing value for money. Between 2018-19 and 2020-21, the Welsh Government paid SLC a little over £20 million a year – and £68.8 million in total – to administer student finances on its behalf (**Exhibit 12**).

Exhibit 12: funding provided by the Welsh Government to SLC to administer student finances, 2018-19 to 2020-21

2018-19	2019-20	2020-21	Total
£23.6 million	£21.8 million	£23.4 million	£68.8 million

Note: the amount that Welsh Government pays to SLC to administer student finances is not a fixed amount and changes each year in line with what SLC is asked to deliver. The funds listed cover the cost of day-to-day administration and the cost of change projects requested by the Welsh Government. The funds listed do not include any payments made through loans or grants to students.

Source: Welsh Government

The Welsh Government gets some assurance from participating in SLC's overall governance arrangements

- 43 As a shareholder of SLC, the Welsh Government participates in SLC's governance arrangements with the other government shareholders. In common with the other UK governments, the Welsh Government appoints an 'assessor' to attend SLC board and committee meetings. The assessor is not a full board member, but they are more than an observer and act as the Welsh Government's representative. The assessor has access to all internal governance information that SLC uses to oversee delivery and inform decision making, for example in respect of finances, service performance and risk management.

- 44 The National Audit Office is the external auditor of SLC. There was also a substantial assessment of SLC in 2019 through a UK Government 'Tailored Review'¹². The Tailored Review looked at the 'operational health' of SLC, whether it was fit for purpose, well governed and run effectively and efficiently. The review found SLC was meeting the majority of its targets but highlighted an efficiency gap and that IT systems were outdated and driving complexity and cost. The review also highlighted various staffing issues. It pointed to opportunities to improve customer service and the value for money SLC provides and highlighted plans for a transformation programme, which is now in the latter stages of implementation. The Welsh Government is satisfied that the transformation programme has already delivered some improvements to the system.
- 45 The Government Internal Audit Agency (GIAA) provides another source of assurance. In 2020-21, the GIAA provided a 'moderate' opinion on the framework of governance, risk management and control within SLC. And in July 2021, the GIAA reported the results of its annual review of the accuracy of support payments made to students in 2020-21. The exercise looks at a sample of student support payments made by SLC on behalf of the Welsh Government during a financial year and provides an estimated error rate for the regularity of SFW approved payments. The estimated net error rate based on the sample testing in 2020-21 was 2.23%, of which 2.02% was considered fraud and 0.21% was SLC error¹³.

The Welsh Government is satisfied that it has an equal say in setting policy objectives for SLC but there are no real sanctions for non-delivery

- 46 As a shareholder, the Welsh Government works with the other UK governments to develop SLC's policy objectives, taking account of any changes to relevant legislation and policy across the different parts of the UK. Together, the governments also determine the annual resources that SLC requires and develop key performance indicators for monitoring SLC's effectiveness. The governments work together to deliver these responsibilities through a Joint Quadrilateral Committee (JQC).

12 UK Government Department for Education, [Tailored Review: Student Loans Company](#), July 2019

13 The 2020-21 net error rate was calculated from a sample of 200 transactions at a total sampled value of approximately £400,000. This figure was extrapolated against the £1.2 billion in payments made by SFW for higher education student support of behalf of the Welsh Government, resulting in an overall estimated error overpayment of £25.9 million.

- 47 The JQC meets monthly to discharge its functions which include, wherever possible, ensuring that policy development aligns across all four governments and that no shareholder is given undue preference. The JQC is chaired by the Deputy Director of the UK Government's Department for Education, who acts as an 'honest broker', a role introduced to ensure fairness and neutrality in decision making. The honest broker does not attend as a representative of the UK Government, this function is discharged by another representative.
- 48 The Welsh Government collaborates effectively with the other UK governments, and feels it is treated as an equal member despite being a relatively small shareholder. Welsh Government officials told us that there have been instances in the past when the Welsh Government has felt that that it was not treated as an equal member, but that the situation has improved over time as arrangements have matured and through building positive relationships with the other UK governments and SLC.
- 49 On behalf of all four UK governments, the Department for Education issues to SLC an Annual Performance and Resource Agreement. The agreement sets out what SLC is expected to deliver. It outlines the shareholders' priorities for the year, the confirmed resources delegated to SLC and the agreed performance measures and any associated targets.
- 50 The JQC receives a dashboard that considers delivery of the priorities and policy changes agreed in the Annual Performance and Resource Agreement. The dashboard provides an understanding of whether priorities are on track for timely delivery and any underspend that may occur due to delays in project delivery. The JQC has a process for deciding on how to use any in-year underspend on emerging priorities.
- 51 However, the Welsh Government has no real sanctions that it can take if SLC was to underperform or not deliver the agreed priorities. This is because the Welsh Government is a shareholder of SLC and therefore withholding payments or other financial sanctions would be likely to have direct impacts on SLC's ability to deliver services to Welsh students.

The Welsh Government's day-to-day oversight of the administration of student finances works well but relies heavily on a small number of officials

- 52 The Welsh Government's SLC Sponsorship Team oversees the day-to-day management of student finances. The team works with SFW to monitor real time delivery and performance and deal with quality issues and complaints from students.
- 53 The Welsh Government and SFW have fortnightly 'keeping in touch' meetings where they review the number of calls received, the percentage of calls answered, the number of applications received, approved and paid, the speed of processing applications and action to mitigate backlogs forming, student complaints and any emerging issues that could impact on service delivery. These meetings used to be weekly. The Welsh Government decided in November 2020 to have less frequent meetings because it was largely satisfied with the performance of SFW. The Welsh Government has regular communication with SFW outside the fortnightly meetings and both parties report good relationships and effective communications to deal with issues as they arise.
- 54 The Welsh Government told us that its Higher Education Division is well established with longstanding team members who hold considerable knowledge and experience. However, much of the responsibility for maintaining the relationship with SLC and SFW falls to a small number of staff. This presents a risk that a staff absence or departure could disrupt the work of the team and could mean that budgetary and performance issues would not be considered in a timely manner. Cover arrangements have previously worked well but long-term vacancies in the team due to secondments have added pressure on other team members.
- 55 While not directly engaged in the day-to-day relationship with SLC, the Welsh Government also has a Student Support Policy and Subordinate Legislation Team overseeing policy changes and regulatory implementation, along with a Higher Education Statistics and Finance Team that considers forecasts and trends. Indirect support is also provided through wider departmental governance teams overseeing the management of internal budgets and reporting requirements.

There are some limitations to the Welsh Government's overall scrutiny of SLC performance

Formal scrutiny of SLC performance focuses on UK-wide data but the Welsh Government has improved its use of Wales-specific data at an operational level

- 56 **Appendix 2** sets out the full list of key performance indicators and associated measures that SLC is required to report against. The main expectations of SLC set out in the 2020-21 Annual Performance and Resource Agreement are:
- deliver a great customer service based on an increased digital offering, decreasing avoidable contact, and ensuring compliance with data protection regulations and cyber-security best practice.
 - through each academic cycle, deliver existing products securely, effectively, sustainably, and efficiently.
 - increase repayment compliance, administer the loan book effectively and efficiently; as well as deliver post loan sale obligations and support future sales.
 - manage change projects in a timely manner, balancing lowest practical cost with the need for achieving quality outcomes and agreed benefits.
 - improve financial management and compliance with government and other controls, through a well-managed, skilled, engaged and properly rewarded workforce.
- 57 The SLC board considers performance against the Annual Performance and Resource Agreement measures on a quarterly basis. The information considered is for SLC as a whole and the board is not provided with Wales-specific data to consider whether performance for Wales is good and compares favourably with other parts of the UK. SLC has acknowledged that, with the majority of student finance activity relating to English students, there is a risk that the impact of data for England on the overall picture could mask issues in the delivery arrangements elsewhere. Improvements are planned, with SLC developing a new dashboard to provide more detail for each of the four UK nations.

- 58 The process for monitoring SLC performance continued in 2020-21. However, the JQC decided to suspend the formal performance arrangements outlined within the Annual Performance and Resource Agreement due to the additional pressures of COVID-19 and the potential impacts on delivery. As such, no formal targets were set for the 2020-21 measures (**Appendix 2**), although SLC continued to monitor its performance against a set of internal targets. **Appendix 3** provides a summary of SFW performance based on the data provided to us.
- 59 In addition to the formal reporting and scrutiny of performance that takes place through the SLC's governance arrangements, the Welsh Government has other operational meetings with SFW and other stakeholders, which regularly make use of Wales-specific data. The two main meetings are:
- a) fortnightly keeping in touch meetings – the Welsh Government meets with SFW to receive a verbal update on performance issues and to consider and respond to any emerging concerns. Until December 2020, this data was presented at meetings without the Welsh Government receiving a formal data report. A report is now provided to the Welsh Government in advance of the meeting.
 - b) monthly Stakeholder Operational Group meetings – the Welsh Government meets SLC, the UK Government's Department for Education and other key stakeholders to discuss things such as application volumes, processing times and number of complaints for Wales. SLC provides data and graphs to show performance over time. By analysing Wales-specific data on complaints, the Welsh Government has been able to highlight Wales-specific issues and implement improvements, including the introduction of a new complaints handling function specific to Wales.

The Welsh Government could make better use of the information it receives by reporting data upwards through its governance structure to consider whether SLC is delivering value for money

- 60 While the Welsh Government makes use of performance information to identify issues and address areas of concern, it does not currently report on the performance of SLC or SFW through the governance arrangements described in **paragraph 41** and **Exhibit 11**. Nor does it include such performance information through the Welsh Government's Skills, Higher Education and Lifelong Learning quarterly reports.

- 61 This means there is little wider scrutiny within the Welsh Government's governance structures of whether SLC is meeting the KPIs within the Annual Performance and Resource Agreement and whether SLC is delivering value for money. There is also little consideration given to whether the administration of the system of student finances in Wales is contributing effectively towards the Welsh Government's wider ambitions for higher education.

There is scope to involve students more meaningfully in planning and monitoring the administration of student finances

- 62 Considering the needs and experiences of service users is vital to the planning and monitoring of any public service. As such, student involvement and engagement should be fundamental to the operation of SFW.
- 63 SLC undertakes a UK-wide, quarterly student satisfaction survey and report on students' experience of applying for financial support, their interaction with SLC staff and their satisfaction with the payments and repayments process. SLC and the Welsh Government have been discussing how best to re-design this survey to better capture students' experiences. Currently, the students are surveyed at the end of a phone call or email enquiry, which risks only capturing the experiences of students that have suffered an issue or have a complaint to make. A broader approach, to gather a larger number of responses, would provide a better picture of students' experiences of the end-to-end process of applying for and receiving financial support. We note that SLC has recently taken the positive step of setting up a Student Finance Customer Panel with three representatives from Wales.
- 64 More broadly, the Welsh Government has arrangements to engage with special interest student groups and consult them on proposed changes to the financial support package. However, the Well-being of Future Generations Act (Wales) 2015 requires public bodies to rethink how people are involved in shaping public services. There is scope to involve students earlier in the decision-making process to provide the Welsh Government with better insight about students' opinions and experiences, rather than consulting later in the process when proposals to change the support package have already been drafted.

The Welsh Government has no current plans to move away from the model of SLC administering student support on its behalf

- 65 The UK Government's Tailored Review (**paragraph 44**) raised many recommendations for improvement in SLC. It also noted that the Welsh Government was considering alternatives to the current delivery model of SLC administering student support on its behalf.
- 66 The Welsh Government carried out scoping work as part of a 'Discovery Review' to map out the services that SLC provides on its behalf and to set out potential next steps for exploring alternative models. However, at the current time, with the Welsh Government largely satisfied with the service it receives from SLC, there are no plans to give further consideration to alternative models.



Appendices

- 1 Audit approach and methods**
- 2 Student Loans Company performance indicators, 2019-20 and 2020-21**
- 3 Student Finance Wales performance**

1 Audit approach and methods

Our review aimed to provide a high-level overview of student finances in Wales, and to consider whether the Welsh Government is effectively overseeing the administration of student finances. We have built on some of the financial analysis in our commentary on the Welsh Government's Consolidated Accounts 2019-20¹⁴. **Exhibit 13** sets out our audit methods.

We focused on the Welsh Government's role. We have not sought to draw our own conclusions about the effectiveness of SLC and SFW's work, although we have reflected in our report performance information provided by SLC and we have referenced the Tailored Review that provided an overall assessment of SLC performance in 2019. SLC is audited by the National Audit Office, with whom we have kept in touch during our work.

We have not evaluated whether the financial support that the Welsh Government is providing to students is securing value for money in the context of the Welsh Government's wider objectives for higher education participation.

Exhibit 13: audit methods

<p>Document and data review</p>	<p>We reviewed documents relating to the higher education policy background in Wales, the minutes of relevant forums, risk registers, the Annual Performance and Resource Agreement, monitoring reports, internal audit reports etc.</p> <p>We also reviewed data relating to demand for student finance, the Welsh Government's expenditure, and the performance of SLC and SFW on behalf of the Welsh Government.</p>
<p>Interviews and observations</p>	<p>We carried out a small number of interviews with staff involved in administering and overseeing the system of student finances, including staff from the Welsh Government, SLC and SFW.</p> <p>To better understand the experiences of students and universities, we spoke to representatives of the National Union of Students (Wales) and Universities Wales. We also discussed the themes of past complaints in relation to student finances with officers from the Public Services Ombudsman for Wales.</p> <p>Finally, we observed a small number of meetings related to the oversight, governance and management of student finances in Wales.</p>

14 Auditor General for Wales, [Commentary on the Welsh Government's Consolidated Accounts 2019-20](#), November 2020

2 Student Loans Company performance indicators, 2019-20 and 2020-21

This appendix sets out the agreed key performance indicators and associated measures for SLC in 2019-20 and 2020-21. On behalf of all four UK governments, the Department for Education issues to SLC an Annual Performance and Resource Agreement.

In 2019-20, the Annual Performance and Resources Agreement set out a suite of measures and related targets for SLC to achieve in delivering student finance, some of which were identified as specific key performance indicators. The 2020-21 Agreement also set out a suite of measures, but none were identified separately as key performance indicators and no targets were set due to the additional pressures of COVID-19 and the potential impact on delivery.

Some of the measures do not apply to Scotland and Northern Ireland because SLC does not provide a full, end-to-end service for student finances in these nations.

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

2019-20		2020-21	
Measure	Target	Measure	Target
Average number of incoming calls per application (KPI)	Target: 2.42	Percentage of satisfied apply to pay customers	No target
Percentage of satisfied apply to pay customers	Target: $\geq 85\%$	Percentage of satisfied repayment customers	No target
Percentage of satisfied repayment customers	Target: $\geq 73.54\%$		
Number of accepted complaints per 10,000 apply to pay customers	Target: ≤ 1		
Number of accepted complaints per 10,000 repayments customers	Target: ≤ 0.2		
Percentage of undergraduate applications completed without incoming phone call	Target: $\geq 66\%$		

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

2019-20		2020-21	
Measure	Target	Measure	Target
Percentage of undergraduate applications processed within 70 calendar days from application submission to customer receiving first offer of loan/grant entitlement (KPI)	Target 91%	Percentage of undergraduate applications processed within 70 calendar days from application submission to customer receiving first offer of loan/grant entitlement	No target
Percentage of calls answered	Target: 90%	Call Timeliness: Percentage of calls answered within 180 seconds	No target
Percentage of applications processed correctly the first time without rework required	Target: monitoring during 2019-20 for this to be a KPI in 2020-21	Processing Quality / Right first time:	No target
		Call Quality / Right first time: Percentage of applications processed correctly the first time without rework required	No target

Increase repayment compliance, administer the loan book effectively and efficiently; as well as deliver post loan sale obligations and support future sales.

2019-20		2020-21	
Measure	Target	Measure	Target
Percentage of borrowers in the correct repayment channel (KPI)	Target: $\geq 89.5\%$	Percentage of borrowers in the correct repayment channel	No target
Percentage of incoming cohort repayment customers matched successfully with HMRC records	Target: $\geq 97\%$ by year-end	Percentage of incoming cohort repayment customers matched successfully with HMRC records.	No target

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

2019-20		2020-21	
Measure	Target	Measure	Target
Percentage of change projects on schedule (KPI)	Target: 80%	Percentage of Evolve change projects on schedule	No target
Percentage of change projects on budget (once delivery business plan approved)	Target: $\geq 80\%$	Percentage of Policy change projects on schedule	No target
Percentage of total agreed benefits realised to be reported to shareholders on a monthly basis	No target		

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

2019-20		2020-21	
Measure	Target	Measure	Target
Year-end outturn to be within the approved budgets, subject to the following tolerances (KPI)	Target: +0% / -10% for Administration Departmental Expenditure Limit (DEL) and +/- 5% for Programme and Capital DEL	Year-end outturn to be within the approved budgets, subject to the following tolerances.	Target: +0% / -10% for Administration DEL and +/- 5% for Programme and Capital DEL
Number of leavers as a percentage of the overall workforce (turnover rate) (KPI)	Target: $\geq 18\%$	Percentage of workforce responding positively to engagement and / or pulse surveys	No target

3 Student Finance Wales performance

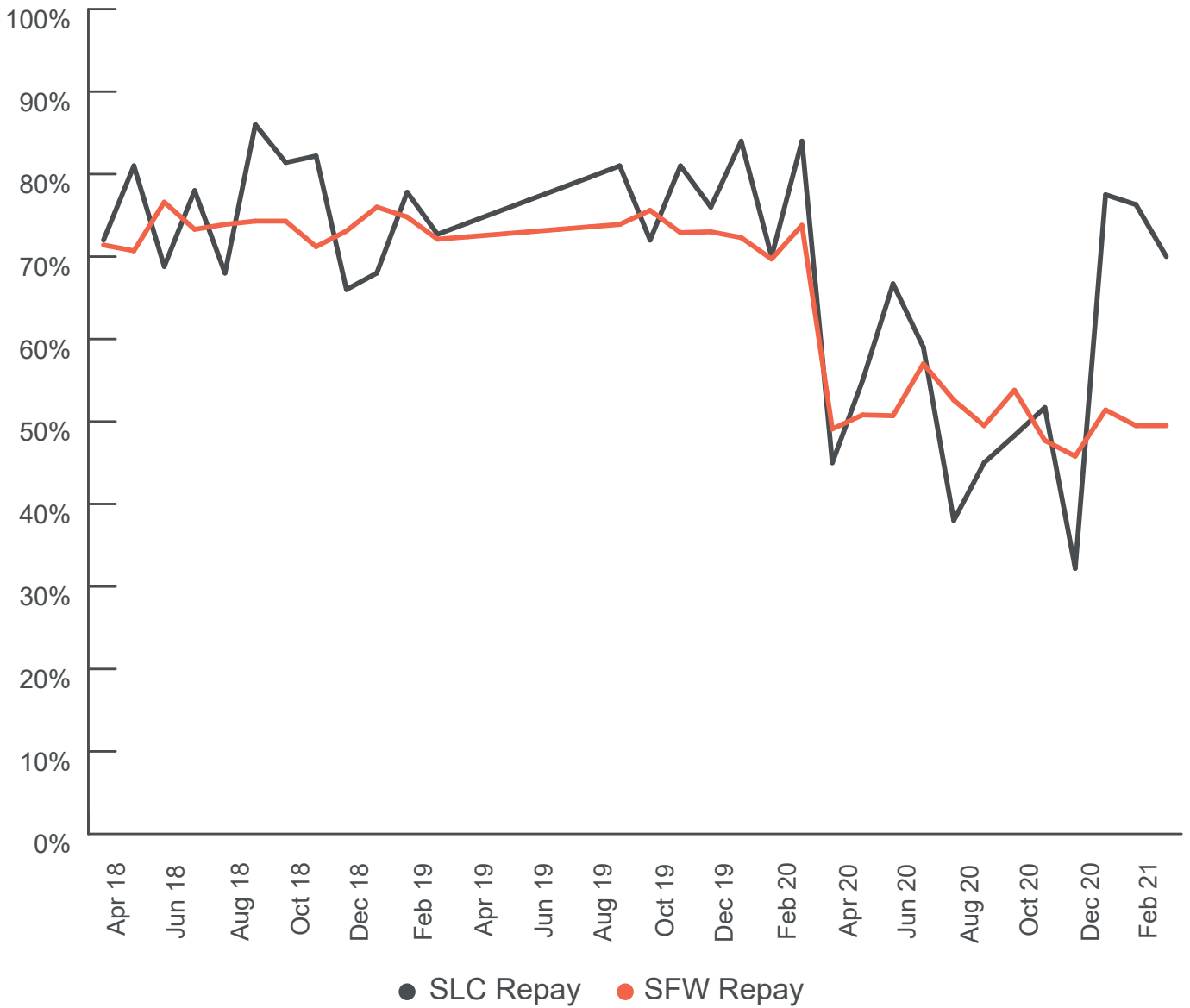
Our high-level analysis of SFW performance data suggests that Welsh students are making more avoidable phone calls to support their application than English students. In 2019-20 and 2020-21, SFW consistently received a higher number of phone calls from students per application than received by Student Finance England (SFE) and SFW combined. Each month during 2020-21, SFW did not achieve its internal target for this indicator. Performance also dipped during 2020-21 in relation to the percentage of calls answered by SFW, with SFW achieving its internal target in only 6 of the 12 months in 2020-21.

However, the data shows that undergraduate applications are processed more quickly in Wales than in the rest of the UK. In 2019-20 and 2020-21, the percentage of applications processed in 70 calendar days¹⁵ has been consistently higher in SFW than in SFE and SFW combined. SFW achieved its internal target for this indicator in 8 of the 12 months in 2020-21.

Exhibit 14 shows that customer satisfaction with the repayment service in 2018-19 and 2019-20 was quite high, reaching a peak of 86% in September 2018. However, there was a marked decline from April 2020 through to December 2020 when satisfaction fell to a low of 32%, before the position improved in early 2021. **Exhibit 15** shows that there was a slight overall decline in satisfaction with the Apply to Pay service in Wales between 2018-19 and 2020-21, which ranged between 71% and 90%.

15 From application submission to customer receiving first offer of loan/grant entitlement.

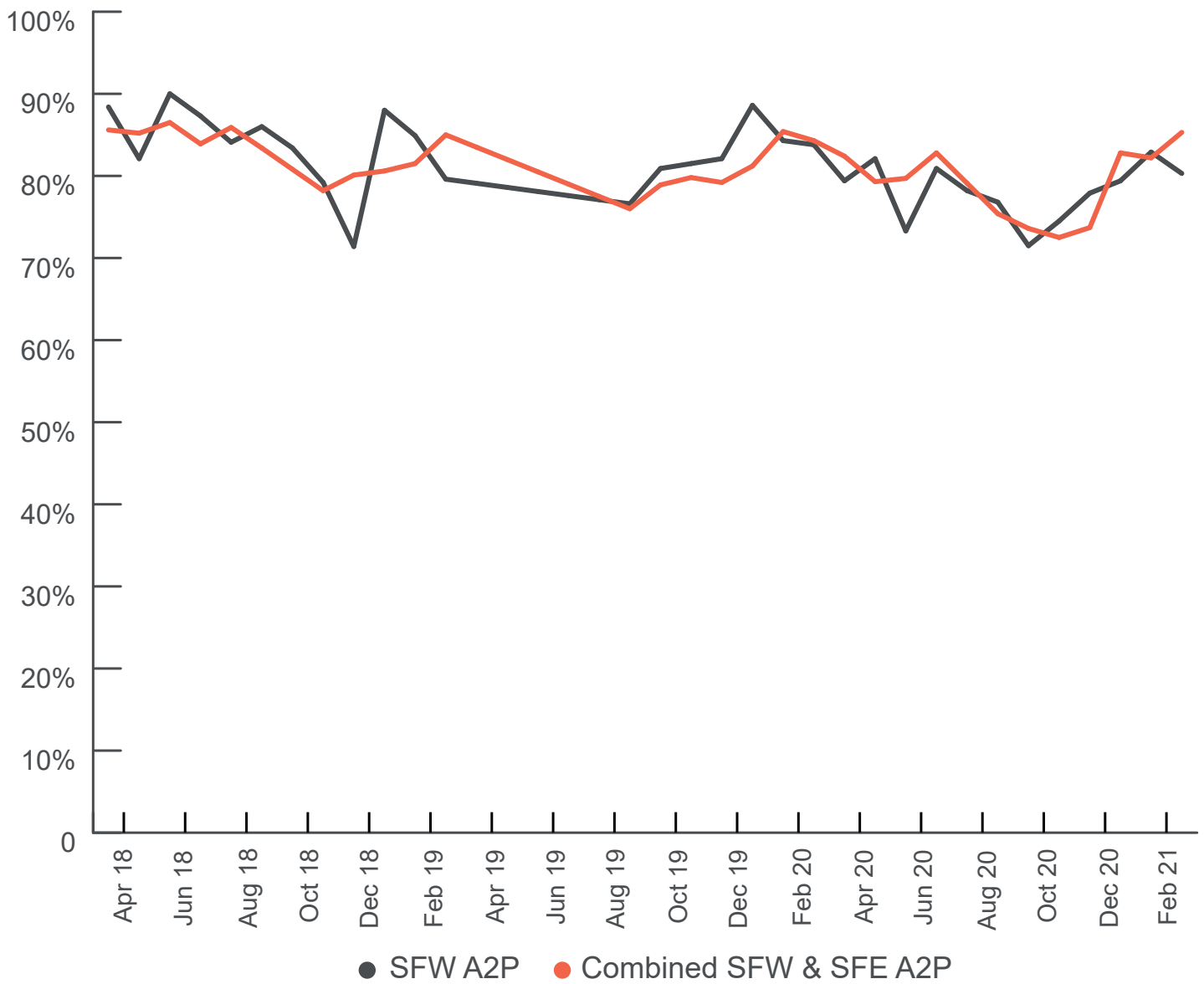
Exhibit 14: customer satisfaction with the repayment service



Note: the SLC repayment service relates to former students who have begun to repay their student loans.

Source: SLC

Exhibit 15: satisfaction with the Apply to Pay service



Note: the SLC Apply to Pay (A2P) service relates to all student finance applicants, successful and unsuccessful.

Source: SLC



Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in
Welsh and English.

E-mail: info@audit.wales

Website: www.audit.wales