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STUDENT LOANS COMPANY LIMITED

ANNUAL REPORT

2010-11



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This report refers to the time period prior to the machinery of the Welsh Government changes which saw the Department for Children, Education and Lifelong Learning (DCELLS) replaced by the Department for Education and Skills (DFES). Accordingly, only reference to DCELLS is made throughout.

CHAIRMAN'S STATEMENT

As a strong advocate of Higher Education, I was delighted to have been asked to take on the role of Chairman by the Department for Business, Innovation and Skills (BIS) and Scottish Ministers in late October taking over from Professor Sir Deian Hopkin. On behalf of the Board, I should like to thank Sir Deian for his excellent stewardship as interim chair during the first six months of the year.

Over the last year, the whole organisation has worked to generate a new sense of purpose – sharply focused on customer service. The areas in which we performed well, for example, in the collection of Income Contingent Repayment and mortgage-style loans across the UK, and our improved customer communications, have been consolidated. There have been radical improvements in other areas, for example in call handling and application processing times. This year's annual report highlights the progress that has been made, but reflects our awareness that there is still much to do.

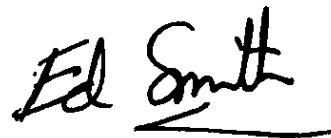
What is important for the Student Loans Company (SLC) now is that we improve our delivery of service during the next year and invest significantly in our operations to ensure that we have the streamlined processes, robust infrastructure and effective IT systems that are required to continue to build the quality of our service and to adapt to changing demands.

Most importantly we must continue to build our capacity to meet new requirements and to ensure that our people are skilled, supported and motivated to deliver high quality, efficient services focused on our customers.

The work we do is important for students, their sponsors, institutions and governments. The organisation has an essential part to play in the changing landscape of higher education funding. We have to help make sure that any changes to arrangements for student funding are introduced on time and without disruption. Delivering this in an increasingly complex higher education landscape, with growing differences between the student funding policies in England, Scotland, Wales and Northern Ireland will be our principal challenge. We are committed to making it happen with the support of BIS and other stakeholders.

At a time of public spending restraint the Student Loans Company has concentrated on delivering more for less and this continues to be the theme in AY 2011/12. We will drive efficiency in our core services but investing in the many new requirements placed on us will also be necessary.

I am very impressed by the energy and enthusiasm of the new permanent executive team and grateful to all of our people for their hard work and commitment. We have a big job to do but with increasing confidence in our processes and our people, we expect to deliver



Ed Smith
Non-executive Chairman,
Student Loans Company

CHIEF EXECUTIVE'S FOREWORD

The Student Loans Company has a key delivery role to play within Higher Education and an increasingly pivotal part to play in the future of student finance.

This is a testament to the commitment of our staff who have worked hard to address the difficulties of 2009 and who rose to the challenge to deliver a much improved service to students and their families over the last year

When I joined as the interim Chief Executive in June 2010, the company had faced considerable change with the departure of its Chairman and Chief Executive, but since that time we have created a new Senior Executive leadership team that has been responsible for driving forward a comprehensive programme of improvements to ensure that we create a customer focused quality driven organisation

In the last year the Student Loans Company has made significant procedural and operational improvements to respond to the needs of students and deliver the appropriate level of financial support to which they are entitled

We need to build on this foundation by upgrading the IT infrastructure and working with Directgov, the organisation that provides the online application process, to redesign our website to meet the needs of customers to access finance information, advice and guidance in an efficient way. We are also committed to looking at new and different ways to communicate, for example via our Facebook and Twitter pages which have had considerable positive feedback

Our relationships with key partners such as the Department for Business, Innovation and Skills, the devolved administrations, and stakeholders in the higher education sector HEFCE, UCAS, UUK, Guild HE and the NUS have helped us with this outreach to students and I want to thank them for their support

Over the last year, I committed to reviewing our customers experiences with us, to improve our customer service offering and address areas of complaint. One such area related to the issues faced by our vulnerable students and those who have special needs. They told us about some of the barriers and difficulties they faced when dealing with us and as a result we have tried to strengthen our performance in this area, and I am pleased to report that we have now established dedicated services for these students. There is still undoubtedly more to do, but this remains a key focus for us

We gave evidence to the Public Accounts Committee regarding our delivery in AY 2009/10 and our improving performance in AY 2010/11, and explained what we had implemented to stabilise and improve our performance

In AY 2010/11, the Student Loans Company received 1,277,507 student finance applications, compared to 1,244,956 in AY 2009/10. The majority of applications were dealt with quickly and efficiently, which meant that a much higher number of students received their loans when they needed them. We also collected £1.3 billion from 1.3 million graduates. With a customer base that is growing by 300,000 a year we are streamlining our business processes to cope with demand

Many more challenges lie ahead for the Student Loans Company but with a stable and effective leadership team now in place, and along with dedicated staff, I am confident that we can build on last year's gains. I believe the organisation is moving in the right direction so that we can confidently play our part in supporting a changing higher education landscape



Ed Lester
Chief Executive, Student Loans Company

MANAGEMENT COMMENTARY

Key achievements in 2010-11

- In 2010-11 we supported more than 1.3 million students and paid £5.5 billion in maintenance loans and grants
- In 2010-11 we paid £2.7 billion in tuition fees directly to universities and colleges
- We recorded collections of £1.3 billion from around 1.3 million customers
- With a new leadership team in place, we significantly improved our service to customers
- We improved on targets on dealing with calls. Increased staffing levels meant that at our busiest time, 95.9% of calls were answered, and overall throughout the year 93.5% were answered
- We are making more use of social media, such as Facebook and other social networking sites, to inform people about our services and to keep in touch with customers
- We have introduced a new online application system for England which is improving efficiency in processing applications

Key Challenges for 2011-12

- We need to reduce the number of complaints and resolve them more quickly
- We need to improve our online service for customers
- We need to ensure the Company is prepared for the significant changes proposed for higher education in England and for future changes in the Devolved Administrations

PURPOSE AND PERFORMANCE

About the Student Loans Company

The Student Loans Company, which was set up in 1989, is owned by the Department of Business Innovation and Skills and the Secretary of State for Scotland. We are a non-profit, public sector organisation.

We employ more than 1,800 people across four sites in the UK and, since 1996, we have been classified as an executive non-departmental public body.

What we do

- Pay grants and loans to eligible students
- Pay tuition fees to universities and colleges
- Work with HMRC to collect repayments for income contingent repayment loans
- Manage the direct collection of payment for mortgage style loans (loans available before 1998)
- Carry out specific tasks for devolved administrations, such as payment of Educational Maintenance Allowances in Northern Ireland and Wales for those continuing past their compulsory schooling, until they go to university or college
- Manage the Higher Education Bursary and Scholarship Scheme (HEBSS) which last year supported 150 higher education institutions in England and Northern Ireland, allowing students to apply for and receive bursaries alongside their statutory student support entitlement
- Administer the Welsh Bursary Scheme which last year supported 18 higher education institutions in Wales, allowing students to be assessed for and receive bursaries alongside their statutory student support entitlement
- Offer a Higher Education Management Information Service which provides valuable management information to HEIs

We work in partnership with the four UK Government administrations, with local authorities in Wales, the Education and Library Boards in Northern Ireland and the Student Awards Agency for Scotland (SAAS). We work closely with colleges and universities, with the Universities and College Admissions Service (UCAS) and with HMRC.

PRODUCTS AND SERVICES

Our core function is to provide financial support to students across the UK, but there are differences in the way this is administered in the four countries of the UK. This is because England, Northern Ireland, Wales and Scotland have separate policies on student finance. We also support students from European Union countries studying in the UK and who are eligible for the same fee support as residents of the country where they study.

England, Northern Ireland and Wales

We provide

- **Main support for full-time students:** We pay loans and grants for maintenance support, some of which may depend on people's individual circumstances. We also administer a number of supplementary grants.
- **Tuition fees:** We provide loans for tuition fees, paying the money directly to universities and colleges on behalf of students who apply for this support.
- **Dependants' grants for full-time students:** Special grants and allowances may be available for full-time students who have dependants of any age and need help with extra costs while they're studying. These are the Adult Dependants' Grant, the Parents' Learning Allowance and the Childcare Grant.
- **Travel Grant:** We pay grants to help cover the cost of travel for people studying abroad and also for people on clinical training for medical or dentistry courses.
- **Disabled students' allowance:** We pay disability allowances for eligible students, whether they are full-time, part-time or postgraduate.
- **Support for part-time students:** We pay grants to help part-time students with their tuition fees and course costs, these depend on household income.
- **Support for postgraduate students:** We fund eligible students for full-time, part-time and flexible post graduate courses leading to the Postgraduate Diploma in Education (PGDE).
- **Bursaries and scholarships:** We administer bursaries and scholarships on behalf of over 160 institutions across England, Northern Ireland and Wales through the Bursaries Administration Service. This includes assessment and payment of awards to students on behalf of each institution.

Scotland

- **Main support for full-time students:** The Student Awards Agency for Scotland assesses students and pays grants to those who are eligible. We pay maintenance loans as identified in the student award assessment.

Northern Ireland and Wales

- **Support for school pupils and college students:** We administer the Education Maintenance Allowance (payments made to eligible people who stay in education beyond the age of 16) in Wales and Northern Ireland. We also pay grants to eligible mature further education students in colleges in Wales.

European Union/European Economic Area

- Students from EU and EEA studying in the UK are not eligible for general maintenance or any other more specific statutory support. We do, however, pay loans for tuition fees to students from EU and EEA countries. These are repayable once the person has left higher education.

OPERATING ENVIRONMENT

Key points:

- Demand for higher education continues to rise
- Government decisions have an impact on our organisation, e.g. allowing universities to raise tuition fees
- We are constantly working to improve the way we collect money from graduates

Social, Political and Economic Environment

To ensure we deliver on our core business of providing student finance support, the Student Loans Company has to take into account the circumstances in which we are operating, including social and economic factors. The policies of the four UK political administrations also have an impact on what we do and how we do it. For example, the decision by the Westminster Government to allow universities in England to raise their fees will obviously have an effect on the amount of money which students wish to borrow in the future.

Demand for Higher Education

In AY 2010/11, the Student Loans Company received 1.22 million student finance applications, compared to 1.19 million in AY 2009/10.

Last year, we saw increasing demand for our services because the number of people applying to go to college or university increased considerably. From the figures so far, it looks likely that demand will increase this year too. In March 2011, UCAS reported that it had received 618,116 applications, up 13,352 (or 2%) on the previous year.

The organisation provides the following student finance services across the UK:

Student Finance England

Student Finance England assesses students' eligibility for loans and grants and provides finance for customers in England.

Student customers are able to manage their student finance account online, and can find out what bursaries may be available at their university or college. We work with partners to provide high quality information and guidance for all customers, with more personalised support available for those who need it.

Student Finance Wales

Our bilingual customer service centre in Colwyn Bay works with the Department for Education and Skills and with local authorities in providing Welsh Government financial support to eligible students from Wales. We provide the student finance administration systems and publicity and make payments to students and HEIs.

Further education in Wales

In AY 2010/11 we worked effectively with schools and colleges to make payments in respect of the Education Maintenance Allowance, Adult Learning Grant product and Pathways to Apprenticeship in Wales.

The Further Education administration service was successfully developed and delivered, achieving our service levels and implementing customer service enhancements and Welsh Assembly Government policy requirements.

Student Finance ni

Our customer service centre in Glasgow works with the Department for Employment and with local Education and Library boards in providing Northern Ireland Assembly financial support for eligible students in Northern Ireland. We provide the student finance administration systems and publicity and make payments to students and HEIs.

We continue to work with partners in Northern Ireland to support customers, and to assist the Northern Ireland assembly with their aims of ensuring that student finance is made available for students to continue in their education.

Further education in Northern Ireland

In AY 2010/11, we worked effectively with schools and colleges to assess students and make payments in respect of the Education Maintenance Allowance.

The Further Education administration service was successfully developed and delivered the Education Maintenance Allowance in Northern Ireland.

Student Awards Agency for Scotland

The Student Awards Agency for Scotland (SAAS) is an executive agency of the Scottish Government, responsible for the administration and assessment of higher education student support in Scotland and the payment of tuition fees and bursaries.

We work closely with SAAS and made loan payments to eligible students in receipt of support from SAAS. We are committed to developing and improving, with SAAS, the service for our shared customers and stakeholders in Scotland.

CUSTOMER SERVICE

Contact Centre

This year a number of key changes were made to ensure that the telephone helpline service offered to our customers was substantially improved over that offered in AY 2009/10. The required number of advisors available to answer queries was carefully modelled, and the staffing put in place to answer 90% of the calls forecast. This saw the level of advisors in the peak month of September rising to 818, compared to 517 in AY 2009/10. As a result, at that busiest time 95.9% of calls were answered, and overall throughout the year 93.5% were answered.

There was also a focus on the quality of advice provided by the advisors, with the duration of induction training for new advisors doubling to four weeks for in-house advisors and two weeks for those at our outsourced service delivery partners. This new training covers customer service skills as well as extensive product and process knowledge.

Changes were made to letters and emails that request information, to make them clearer, and we continued to expand our use of the Directgov website, Facebook, Twitter and the voice based menu systems that people hear when they call. These provide prompt and easy to access answers to the most common queries, and allow contact centre staff to focus on handling the more complex questions that require telephone assistance.

In AY 2011/12 we are continuing to build on these initiatives. Our new contact centre technology solutions will be fully implemented this year. This will include a new system for our advisors that presents them with all the information they need to answer customer queries, improved contact management that will allow us to effectively deal with both calls and emails, and a voice recognition system that removes the need to listen to long lists of options when calling us. All of these changes improve the customer experience and maximise the efficiency of our advisors. A new set of contracts has been put in place with outsourced service delivery partners to ensure we have the required level of advisors available at all times.

“Our most important focus for the coming year is continuing to improve the accuracy and consistency of the advice provided by our advisors and there are a number of initiatives on quality and knowledge management that will enable us to achieve this.”

David Thomson,
Head of Customer Contact.

Student Finance England Application Processing

The experience of applying for support for students in England in AY 2010/11 was substantially improved on the previous year thanks to a number of key changes

These included employing more people to support our drive to reduce the time it takes to process an application – for example, the end to end processing time for Disabled Students Allowance customers is now approximately six weeks shorter than in AY 2009/10

In addition

- an electronic link has been set up with the Identity and Passport Service allowing UK passport holding customers' identity and eligibility to be checked without the need for the Student Loans Company to see a physical passport. Last year we matched 95% of customers using this system. We only had to request to check the physical passport for the other 5% of passport holders who provided their details
- this year, we introduced an electronic link with HMRC to check the household income of new applicants without their sponsor having to send paper evidence. Early results are encouraging and around three quarters of new applicants' sponsors have not had to send financial evidence in support of their application

- our service was quicker for returning non means tested students this year, as a new automated system was introduced which eliminated the need for them to re-apply - we did it for them automatically

Other steps have included doubling the length of training for new staff and relaunching our scanning system, which has now scanned over 1.2 million files and is able to be accessed by over 750 staff on a daily basis

"We will continue to build on the solid foundation set out in AY 2010/11 to further improve the experience of customers. This includes introducing more automation within the assessment process and making good use of our links with HMRC which will reduce the amount of evidence which means tested students and their sponsors have to provide. This will speed up the processing times as well as making the system easier for customers to deal with. We will continue to focus on driving up quality, delivering more training and targeted coaching to staff to ensure a culture of continuous improvement."

**Mark Cassidy,
Head of Processing**

Customer Communication

At the Student Loans Company, we use different forms of media – from printed leaflets to Facebook and other social media websites – to communicate effectively with our customers and potential customers

For the first time this year we produced 'How to Videos' which we promoted via social media channels. The short instructional films give practical tips on, for example, how to create an online account.

Here are a few examples of steps taken in AY 2010/11 to improve the efficiency of the system and the service experienced by our customers:

- Revised online declaration and entitlement letter created and sent to over 150,000 Student Finance England returning students to radically speed up their re-application for student finance
- Information and Guidance improvements made to the EU application forms affecting more than 30,000 EU students
- Creation of new customer-focused 'Little Books of EMA' for more than 70,000 Welsh and Northern Ireland FE students. This is a new guidance summary book replacing policy-heavy text previously held in guidance notes and individual leaflets. The concept and design was informed directly from customer feedback.

Websites

As well as regularly updating our dedicated practitioner website we also carried out a comprehensive content review of the Directgov website that provides the online platform for student finance applications to ensure that the best, up-to-date and most relevant information was easily accessible.

We have also improved our Student Finance Wales website which now features a homepage slideshow banner to promote key messages, colour-coded sections to match the colours of the printed forms and guides, an integration of social networking which enables students to share useful pages with their friends on Facebook and Twitter and an improved Frequently Asked Questions section.

This project was a joint effort between the Student Loans Company and the Department for Education and Skills in the Welsh Government and all the changes were driven by customer feedback.

Marketing Campaign

The campaign for AY 2010/11 launched in March 2010 and for AY 2011/12 in March 2011. Both use a variety of platforms to inform, students, advisers, and student sponsors of the launch of the service. Key messages included a drive to promote online applications and early applications.

Yougo web chats

A series of Yougo web chats were identified throughout the year and took place in spring and summer 2010, then again in March 2011 to promote key messages during the AY 2010/11 and the 2011/12 academic cycle

Facebook and Twitter

We now have stronger links in place with key partners, such as UCAS and NUS, to enable our messages to reach a wider audience

The Student Finance Wheel (as seen in the AY 2011/12 main guide to financial support) has been devised to guide students through the steps they should take when looking to find out what financial help is available to them and how they go about applying for it. In addition to using it in a graphical form in the main student print guide, a facebook application was also devised and implemented. The 'wheel's' design means it is easily transferable from academic year to academic year and therefore was further used as a digital 'touch screen' application at the recent UCAS 12/13 events

UCAS Conventions

The Student Loans Company took part in all 31 of the UCAS Conventions from March 2010 to July 2010, and another 10 events in March 2011, reaching over 200,000 potential students from across the country. The events are aimed primarily at 16-18 year olds who are considering their future and the role of higher education in helping them fulfil their potential

Making Better Use of Technology

Online application system

Our online system allows students to apply for support, track the progress of their application, keep up with correspondence and change personal details

For AY 2010/11, 77% of new students and 85% of returning students applied online for their finance as at the end of March 2011. Additionally, 51% of sponsors have provided their financial information to us online compared to just 32% in AY 2009/10

In AY 2010/11, the online application has seen a major revamp

- We've made the application smarter
Customers now only see questions that are relevant to them
- The application can now be completed in any order. It was previously a linear step-by-step process
- Customers can now save their application at any time and come back to it later. Previously they needed to complete a whole section before being able to save

We have simplified the online process for sponsors this year by removing the need for an ALIAS ID to link their account to the student they are sponsoring. Instead, the student chooses whether their sponsors complete their part of the application at the same time as them or separately. If they decide to do it separately, we collect some of the sponsor's information from the student up-front, so that when the sponsor logs in they are automatically linked to the correct student

We also introduced a new online change of circumstance process. This allows customers to change their university and course details and their loan amounts by logging into their online account rather than having to complete and return a paper form

Relationships/Stakeholder Engagement

Working with stakeholders

Working closely with our colleagues in the higher education sector was hugely important in helping deliver our services in AY 2010/11. Developing and improving relationships with stakeholders is a key focus for us in AY 2011/12 and we are taking this forward in a number of ways.

These include

- Engaging and developing strategic relationships through the Stakeholder Forum and Working Groups. These have been highly active in challenging the Student Loans Company in its delivery, providing insights and specialist knowledge, assisting in the development of improvements to service processes and undertaking wider HE sector consultation and providing feedback.
- Working with key influencers and developing strategic allies, to provide support with the media, the Department for Business, Innovation and Skills and Ministers.
- Improving customer communications through stakeholder channels – such as university websites. This plan ensures consistency and joined-up messaging on Student Finance to pre-applicants and students at key milestones during the cycle.

“The service last year was an enormous improvement on the previous year. There’s further to go, but the direction of travel is the right one. It is evident that the Student Loans Company leadership are determined to provide a quality experience for their customers.”

Michael Gilmore,
Chairman of the Operations Stakeholder Group.

“The Disabled Students Advisory Group has worked well with staff at the Student Loans Company, contributing to staff training and to assisting greater understanding of the challenges disabled students face. This has contributed to a better understanding and improved performance of procedures for the payment of Disabled Students Allowances.”

Barbara Walters,
chairman DSA Stakeholder Group.

Annual Events

The annual events programme is vital for keeping student finance professionals in touch with changes and developments at the Student Loans Company. Popular and well-attended, they bring us in direct contact with around 5,000 delegates a year, from universities and other institutions all across England, Wales and Northern Ireland.

During AY 2010/11 we continued to expand the number of events we hold at colleges of further education. We are increasingly involving partner organisations and stakeholder groups in events. This means they are excellent forums where people can hear speakers, or attend workshops, about many different aspects of student finance and the needs of particular groups, like those with disabilities.

“These events are a superb way for us to get feedback about our services, allowing us to make changes and adapt them to suit people’s changing needs.”

Laura Carcary,
Student Loans Company Events Manager.

Loan Repayment

Last year we recorded collections of £1.3 billion. Our core team continued to improve the way we collect repayments, making it simpler for graduates and more efficient for us. Our customer numbers grow by 300,000 a year, and we deal with the increase through improved efficiencies and smarter working practices. Here are some examples of initiatives which are bringing positive results.

Direct Debit Scheme

In December 2009, SLC introduced a new Direct Debit Scheme to help prevent customers overpaying their ICR loan. The new system allows customers to repay directly to the Student Loans Company, rather than continuing to pay through PAYE, which works on an annual cycle, meaning payments can continue for a period after the debt is cleared. Last year we contacted 78,000 customers, giving them the option of joining the Direct Debit Scheme or paying their loan off via PAYE.

Joint Unit with HMRC

This Joint Unit makes life easier for customers by allowing them to have repayment enquiries dealt with more quickly. Established in 2007, it is a highly effective cross-functional team comprised of staff from the Student Loans Company and HMRC. It means that callers can have their repayment enquiry processed and resolved by calling one unit, rather than having to contact two separate organisations. Last year, our team in the Joint Unit handled 30,000 enquiries.

Online repayment

Our secure repayment website – www.studentloanrepayment.co.uk – gives customers the ability to repay their student loans online. Customers can access an online calculator that provides a balance for their accounts and calculates interest so the customer can choose to pay either in instalments or one lump sum.

The site also provides general information and detailed guides, including advice about how to defer repayments for Mortgage style loan customers and where to get help if in difficulty.

We have enhanced the functionality of the site to allow customers to set up Direct Debits and automatic monthly card payments online. These have proved to be very popular additions.

We have collected almost £195 million via the repayment website since June 2008.

European Union Students

Loans for tuition fees have been available for EU students studying in the UK since 2006/07. The majority of the first cohort of graduates started repaying their loans from April 2010. A small number who had left their courses early were already repaying the loans.

The Student Loans Company enforcement strategy for EU students which focuses on the collection of arrears and, where appropriate, involves legal action, follows the same process as home students.

“Our loan repayment system is well-established and successful, but we are always looking for new ways to make it more efficient, like our Direct Debit scheme. Even though we have 300,000 extra customers a year, our aim is to continue to provide an improved service for new and existing customers alike.”

Jackie McGale,
ICR Manager - Repayment Services.

The Future for Loan Repayment

The Student Loans Company loans collection team has also been preparing for the challenges of the future. Due to changes in the UK Government policy, these will see changes in the sizes of student loans, the repayment thresholds and interest rates. Repayments will be spread over a longer period, which means our customer numbers will increase further. Our aim is to introduce these changes as smoothly as possible and to continue to improve the efficiency of our customer services.

Fighting Fraud

“Preventing fraud is a vital part of our work – after all many students are managing their own finances for the first time, which can make them vulnerable.”

Heather Laing,
Fraud Prevention and Detection Manager.

During FY 2010-11 we continued to look at ways to reduce our exposure to fraud. At the same time we were active in both detection and investigation. The Student Loans Company also works with education institutions, and through direct links with students, to offer valuable advice on how to keep their loans and grants safe, for example through recognising internet scams.

Our approach is to identify the areas where the public money we provide to students is most exposed to organised or opportunistic crime, then identify and implement ways to improve security. Most attempted fraud in our sector relates to applications for funding and eligibility.

We are also aware that the transfer of physical documents can also be an area of risk. One example of how we counter these threats is the introduction of an electronic identity checking system which means students no longer have to send us their passports. They now simply have to put in their passport number using a secure online system.

The six-strong Special Investigations Unit, which deals with fraud and error, recognises the need to scrutinise every area of the organisation's work. Current and future areas for special emphasis include Disabled Student Allowance and Childcare Grant. With the need to deliver efficiency savings, and the obligation to ensure that public money reaches those in most need and with genuine entitlement, fraud prevention activity offers the opportunity to deliver savings in line with the Government's spending review, without reducing services.

Phishing

Phishing scams use fake e-mails supposedly from trustworthy sources, to persuade people to give out information like passwords and account details.

The Student Loans Company uses Twitter and other social media, and works with higher education institutions, to help students keep their loans safe from criminals. Ahead of each of the three main times in the year when large numbers of loans are paid, we put out warnings ourselves, and through the press, to make people aware of possible scams.

We have also worked with Get Safe Online to produce a “phishing guide” giving tips for online student safety against scam emails.

ORGANISATIONAL CAPABILITY

Key points*

- Our staff are our main asset
- We have refined the way we recruit and train staff to improve efficiency and our service to customers
- We have streamlined our management structure and our new leadership team is now in place

People

At 31 March 2011 we had 1,857 full-time equivalent employees

Employees at the Student Loans Company rose to many challenges in FY 2010-11, and ended the year with a new leadership team in place, which will ensure that the company focuses on its core activities, including quality and customer service

At the start of the financial year in 2010, the organisation, and its employees, were under a great deal of scrutiny from a number of external reviews. At the same time, some key recommendations had to be delivered in advance of the new academic year. Staff worked hard to implement these recommendations while experiencing high levels of turnover within the leadership team, with key roles on the Student Loans Company executive team filled on an interim basis.

Challenges for employees

We listen to our employees' concerns and, where possible, act on them. The latest Best Companies survey results, published in November 2010, reflect the tough environment in which the Student Loans Company has been operating in the last 12-18 months. Staff called for the progress and achievements of everyone at the Student Loans Company to be recognised and have said there is a need for more development opportunities – all of which the leadership team is taking on board with the development of an employee engagement strategy and plan.

Moving ahead

As well as improving our customer service in AY 2010/11, the Student Loans Company also built solid foundations with our people so we can continue to deliver for AY 2011/12 and beyond. This includes working with the Union PCS to change the way we do things, including being flexible with our staffing models to meet customer demands where necessary, and, importantly, engaging with our people to ensure we continue to benefit from a motivated and appropriately skilled and developed workforce.

Learning and Development

The main challenge for the Learning and Development team in the early part of the year AY 2010/11 was ensuring that staff, both new and existing, were equipped with the skills and knowledge necessary to deliver a good service to our customers.

We recruited new staff to meet demand, and also made sure that the skills and knowledge of existing staff were optimised ahead of peak periods. This involved improving knowledge across frontline staff, including management, so that all had information, advice and guidance for students at their fingertips.

We also supported our managers by providing support in coaching and developing staff throughout the peak period to improve productivity, with a focus on quality.

Corporate Social Responsibility

As an organisation, we want to have a positive impact in everything we do, and that's where corporate social responsibility comes in. Corporate Social Responsibility (CSR) can involve anything from individual employees or groups of staff raising money for charity, to ensuring that everything we do is as "green" and sustainable as possible.

Our CSR strategy is driven by a steering group of employees from across the business, each bringing ideas and their own area of expertise.

Last year, we put in place a new CSR policy, which is simpler and better focused, and which organises our activities into three main areas. Here are some examples of what we've been doing under each heading:

• Making a Difference to Others

In 2010/11, our employees across all sites have given support to raising funds nominated by members of staff. This includes activities in Glasgow to benefit Tak Tent, the Scottish cancer support charity, and The Beatson Institute (which provides cancer treatment in the West of Scotland). In Darlington, the chosen charities have been the Sir Bobby Robson Foundation and the armed forces support organisation Help for Heroes. In Colwyn Bay (in Wales), lifeboat charity the RNLI and children's charity the NSPCC have been in the spotlight.

So far our staff have raised thousands of pounds for our chosen charities.

• Making a Difference to Our World

Minimising wasted energy and maximising our recycling are important to the Student Loans Company's business strategy.

In 2010/11 our facilities department put new arrangements in place which effectively monitor what happens to all our waste, allowing us to cut the quantities that end up in landfill and continue pushing up the amount that is reused. Across our sites we now recycle more than 70% of waste – with our Darlington office achieving 97%.

The Student Loans Company has been exploring and implementing ways of saving energy. Some of the measures are small, but they all add up. For example our security staff ensure that lights are switched off at night, and we have now switched over our 2,400 sq ft office in Wales to energy saving light bulbs. The advances made over the past year are allowing us to continue reducing our carbon footprint for the future.

"All the waste paper generated by the Student Loans Company is for recycling into new products. That means that last year we saved the equivalent of 2,319 trees."

Mark Brennan,
Facilities Support Manager

• Making a Difference to Ourselves

The Student Loans Company takes the wellbeing of employees very seriously. We recognise the importance of a healthy work-life balance and our policies and practices reflect this. We also provide our employees with access to support and advice through our employee assistance programme and occupational health providers. We have been working towards the NHS employer health accreditation schemes in both England and Scotland, and this has involved a number of initiatives from health checks to no-smoking activities. In recognition of the pressures of working in our peak period, last summer we provided our frontline staff with access to an onsite programme called "maintaining resilience through the peak" which was developed and delivered by our employee assistance partners, AXA-ICAS.

Business Centres

We deliver student finance support from four business centres across the UK. These are

- Glasgow – our head office. This includes one of our customer service centres, information and communications technology department and corporate offices
- Hillington, near Glasgow – Our large-scale printing and mailing centre at Hillington handled millions of items of correspondence last year
- Darlington – Student Finance England is based here, and is responsible for giving information, advice and guidance through all stages of the process for from application to repayment for students in England
- Colwyn Bay – Student Finance Wales delivers fully bilingual student financial support to customers in higher education and to other learners on behalf of the Welsh Assembly

Equality

Introduction

SLC takes equality very seriously. Our revised Single Equality Scheme and action plan has ensured that we are well-placed to meet the demands of the Equality Act 2010, which came into force in April 2011.

In particular in 2010/11, we made significant progress in improving our service to customers with disabilities and other specific needs. We also moved forward as an employer to ensure that we promote equality of opportunity for all our employees and that we value diversity. SLC publishes an annual equality report, which can be found on the company's website.

Here are just a few highlights from 2010/11

Equality Act 2010

The Equality Act 2010 replaces previous legislation and creates one new public service equality duty, covering the protected characteristics of age, disability, gender, gender reassignment, pregnancy and maternity, race, religion or belief, and sexual orientation. As a public sector body, SLC has a duty to demonstrate that we are taking action on equality in our policy, in delivery of services and as an employer.

SLC Single Equality Scheme

Although the current three-year Single Equality Scheme was drafted before the Equality Act came into force, it fits very well with the act's aims. In summary, it commits SLC to have due regard to

- Eliminating unlawful discrimination, harassment and victimisation and other conduct prohibited by the act
- Advancing equality of opportunity between people who share a protected characteristic and those who do not
- Fostering good relations between people who share a protected characteristic and those who do not

Student Loans Company also commits to continuing to be an equal opportunities employer, making customer access to SLC's services easier and ensuring that those who provide us with services meet our procurement criteria for all equality areas.

Equality Forum

In 2010/11, the SLC Equality Forum reviewed its terms of reference and membership to ensure it met equality needs across the organisation. The group meets quarterly and continues to give focus to SLC's efforts to develop a culture of continuous improvement across equality and diversity matters.

Service improvements in 2010/11

SLC suffered well-documented processing problems in AY 2009/10, which had an unintended impact on those in receipt of the Disabled Students Allowance (DSA) and the Child Care Grant (CCG). We took action across the board to improve our performance in these areas, including providing specialist training to advisors and ensuring that there were enough staff available to deal with customers at peak times. We have also improved mail handling processes and streamlined the work of our specialist teams.

DSA operations Review for 2010/11

Targets for DSA applications and Needs Assessment Reports were tightened from 15 days to 10 days for 2010/11. A recruitment drive took place in May, June and July to ensure we had enough staff in place, and that they were appropriately trained.

Interim results for the year suggest that the end-to-end process for students applying for DSA has been improved significantly and is, on average, more than six weeks shorter than last year.

Other key improvements in 2010/11:

- A quality assurance officer role was introduced in May 2010
- A dedicated payments team was implemented in July 2010
- DSA motivational workshop held in June 2010
- Vulnerable stakeholder group set up in April 2010
- There has been a renewed emphasis on training and development for specialist advisors and on improving communication with all stakeholders

PUBLIC ACCOUNTS COMMITTEE REPORT

The response by the Department for Business, Innovation and Skills (BIS) to a report by the Public Accounts Committee reflects the progress by SLC in 2010/11. The Department states that new leadership and better performance management resulted in marked improvements.

In most cases, the company met, and sometimes exceeded, Government performance targets. It also issued a Customer Promise outlining the level of service customers could expect. The Customer Promise remains in place for AY 2011/12 to continue raising standards.

Management information has been improved since 2009 and now covers all loans, grants and allowances, as well as the full process from application to approval and payment. This helps the company, and the Department, to monitor progress and identify where interventions are needed.

The Department stated that the Student Loans Company has improved its relationship with stakeholders, in particular with groups representing students with disabilities. Services for disabled students have improved with better training and the allocation of more staff.

Better management led to dramatically improved performance at the company's contact centre in 2010/11. Work is taking place to improve services further by moving more contact online, minimising the need for phone calls. Training and equipment for contact centre advisers is also being improved.

Robust contingency plans were developed for last year to deal to ensure the minimum disruption in the event of problems – these included effective ways to tackle backlogs in application processing. The company moved its scanning equipment to Darlington where processing is based. This ensures it can react quickly to any technology failures. Scanning operated successfully throughout 2010/11.

Management arrangements are in place between the Department and the company to allow closer scrutiny and better management of costs. A Student Finance Policy and Delivery Programme has been established to support full, open communication between the company and the Department and all tiers of management. The Department states that relationships are now much improved with programme managers from the Department and the company working together collaboratively. This is supporting a shared understanding of risk and of the service to be delivered.

MANAGING RISK

A number of improvements to the risk management process were made during the year in order to meet the recommendations made by various external reviews during FY 2009-10. We have now established

- An improved structural **framework** for risk management (including a new database, restructured risk registers, a revised risk scoring matrix and a revised risk appetite)
- Improved **processes** to enable operational delivery of day-to-day risk management activities facilitated by a strengthened risk management team, through the appointment of a full-time permanent risk manager and risk analyst, working closely with the strengthened Programme Management Office
- Improved **behaviours** and application of risk management, including clearer risk ownership at executive and senior management levels, proactive management and an increased level of challenge of the completeness of risk registers, the effectiveness of planned mitigations & contingency plans and the closer monitoring of planned actions

The main driving force for making the improvements was the SFE Programme Board and its Risk Sub-Committee. The improvements were achieved through co-ordinated efforts of the SLC Executive Team, the new SLC risk management team and the SLC Programme Office.

During FY 2010-11 the Main Board's Risk Committee, which was established in May 2010, has been the principal forum to govern and oversee the company-wide development of the risk management framework, as well as receiving updates on the key business risks. The improvements are reflected in an updated risk management policy which was approved by the Risk Committee in February 2011. This Risk Committee has now become an Executive sub-committee in FY 2011-12, although up to two non-executive directors will usually be in attendance.

Based on our experience over the last year or so, we believe that the key risks facing the company are found within the following themes:

- Risks to delivering effective services to customers, such as funding restrictions, delays in agreeing and communicating policy change, and revised Government procedures for procurement & contract approvals
- Risks relating to resources to manage development, design, build, test, acceptance and delivery of system and business process changes
- Risks to developing and improving delivery capability, such as employee engagement, testing of ICT disaster recovery arrangements, and concerns over the resilience of current technology

Going forward, we will report risks against the corporate priorities and objectives as set out in the SLC annual Business Plan for FY 2011-12.

PERFORMANCE MEASUREMENT

The SLC Balanced Scorecard consists of measures derived from the SLC's Delivery Strategy 2008-2011, and covers both the 'Strategic Aims' and 'Strategic Enablers'. All Government Administrations agreed the targets for the Strategic Aims (set out in the Annual Performance & Resource Agreement (APRA)). Targets for the Strategic Enablers were agreed by the SLC Main Board.

The Balanced Scorecard has been the Main Board's formal vehicle for monitoring progress on a monthly basis against all of the performance targets. In addition, Ministers and BIS Senior Officials have conducted formal quarterly reviews of SLC's performance on the measures that underpin the Strategic Aims.

At the end of this financial year, we are confident that performance in both application processing and customer contact services will be seen as a substantial improvement over the previous year. We processed over 99% of applications that were submitted by the deadline dates before the start of term. The key measure for the Contact Centre - Percentage of Calls Answered has been above target throughout the year.

However, despite our success in meeting these core targets, the perception of our customers has not always been so positive. There were high volumes of complaints throughout the year, in some months double the number from the same period last year. Consequently, we were not able to process complaints within the target timescales. Customer satisfaction scores were below target throughout the year. There is therefore a recognition that we need to improve quality for the AY 2011/12 cycle, with the key themes being the need to improve:

- Consistency of advice given over the telephone
- Accuracy of assessments
- Escalation processes (to prevent identified issues becoming formal complaints)

We are aligning performance measures and targets with the annual Business Plan for FY 2011-12. For the coming year we have sought to simplify and reduce the set of performance targets, whilst retaining the key core measures.

A summary of performance against the Strategic Aims measures for FY 2010-11 is described in the tables that follow.

N.B. The GREEN, GREEN/AMBER, AMBER/RED, RED, (RAG) indicators in the tables below are assigned based on data ranges or subjective criteria as agreed in the measurement definitions. The RAG criteria are different for each measure and there is no 'general rule'. Only the GREEN limits (i.e. the 'targets') are included in the tables.

Aim 1: Meet the needs and expectations of our customers**1.1 Customer Satisfaction**

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	Overall Satisfaction - Sponsor	20%	≥ 73 6%	65 3%	RED	Aggregated target of 70 1% ¹
2	Overall Satisfaction - Receiver	50%	≥ 77 2%	70 5%	RED	
3	Overall Satisfaction - Repayer	30%	≥ 69 9%	67 2%	RED	
4	Implementation Plan – Targeted Support Survey	0	A survey of customers receiving targeted support will be conducted	Survey completed	GREEN	n/a
OVERALL RAG STATUS					RED	

COMMENTARY:

Customer satisfaction targets were missed for all three customer groups – sponsors, receivers and repayers – resulting in an overall RED status

The top reasons for dissatisfaction, as expressed by receivers and their sponsors over the year were

- Slow service and response
- Poor communication
- Late payments

The top reason for dissatisfaction amongst those repaying was poor or lack of communication

¹ Target based on an increase of 1 6% over the FY2010-11 outturn. In the APRA, There is also a zero-weighted "stretch" target of 75 1%, based on an agreed formula of annual increments over the target set in FY 2009-10

Aim 2: Deliver an operationally excellent service**2 1 Application Assessment Accuracy**

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	Assessment Accuracy (from internal QA checks)	50%	≥ 95%	90 4%	GREEN/ AMBER	Newly defined measure – “predicted payment accuracy”
2	Customers' Financial Entitlement Variance (from Compliance Auditor checks)	50%	≤ 0 5%	1 3%	AMBER/ RED	Target ≤ 0 5%
OVERALL RAG STATUS					GREEN/ AMBER	

COMMENTARY:

The need to improve assessment accuracy was a recurring theme at performance reviews by the Main Board throughout the year. A GREEN-AMBER status reflects the position averaged throughout the year.

The year end audit of the accuracy of student support payments made on behalf of the Department of Business, Innovation and Skills has now been completed, and has been reported both to the SLC Audit Committee and to the Department. While the company is pleased to note that the results indicate that the FY 2010-11 position has improved over that reported in FY 2009-10, it will strive to improve the result further in the year ahead through a range of initiatives.

2 2 Timeliness of Core Applications processing

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	% of core applications, new and continuing, received before the deadline processed before the start of term	25%	≥ 99%	99 3%	GREEN	≥ 99%
2	% of applications, [new and continuing,] received before and after the deadline, assessed for eligibility within 2 weeks	25%	≥ 95%	97 0%	GREEN	70% within 20 days 95% within 30 days (in consideration of the new VHI process)
3	% of evidence assessed to confirm full entitlement within 4 weeks of eligibility for student finance being confirmed, or within 4 weeks of the evidence being received where it is not provided with the application	50%	≥ 95%	72 6%	RED	≥ 95%
OVERALL RAG STATUS					GREEN/ AMBER	

COMMENTARY:

99.3% of applications received before the deadline were processed before the start of term

97% of applications were assessed for eligibility checked within 2 weeks

Assessment of evidence was adversely affected by the lead time in training assessment staff earlier in the financial year. Due to the timing of funding, we did not have in place sufficient numbers of trained staff to support the target until the end of June 2010. So while performance was on target since August, the year-end out-turn for this measure missed the target.

Overall, the RAG status for this measure was GREEN-AMBER

2.3 Timeliness of Targeted Support Applications processing

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	DSA applications processed within 2 weeks of receipt	35%	≥ 95%	78.7%	RED	≥ 95%
2	DSA needs assessment reports processed within 2 weeks	35%	≥ 95%	87.2%	AMBER/RED	≥ 95%
3	CCG applications with estimated costs processed within 4 weeks	15%	≥ 95%	96.4%	GREEN	≥ 95%
4	CCG applications with actual costs processed within 4 weeks of receipt	15%	≥ 95%	99.7%	GREEN	≥ 95%
OVERALL RAG STATUS					AMBER/RED	

COMMENTARY:**DSA**

Assessment of DSA applications was also adversely affected by the timing of the funding and the lead time in training assessment staff earlier in the financial year. Performance was on target since August, until March, when there was a dip in performance, due to diversion of resources to handling of an increased number of DSA invoices resulting from the transition to SLC of the student finance assessment service administered by Local Authorities in England, whereby some Local Authorities had stockpiled invoices in the run-up to transition and some DSA suppliers had held off from submitting invoices until the transition process was complete.

CCG

Targets met

2.4 Contact Centre Performance

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	% Calls answered	70%	≥ 80.0%	93.5%	GREEN	≥ 90.0%
2	Customer experience – overall rating of advisor	10%	≥ 76.8%	81.7%	GREEN	≥ 80.0%
3	Customer experience – outcome of call rated	10%	≥ 64.9%	72.8%	GREEN	≥ 74.0%
4	Customer experience – first contact resolution rate	10%	≥ 41.4%	51.6%	GREEN	≥ 55.0% (non-APRA target)
OVERALL RAG STATUS					GREEN	

COMMENTARY:

All targets met

2.5 Effective Communications with Customers

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	Customer Satisfaction with IAG	33.3%	≥ 75.2%	72.6%	GREEN/AMBER	Aggregated target of ≥ 73.0%
2	Effectiveness of IAG	33.3%	≥ 69.0%	65.6%	GREEN/AMBER	
3	Reducing Avoidable Contact	33.3%	≤ 51.4%	56.9%	GREEN/AMBER	≤ 46.9% (non-APRA target)
OVERALL RAG STATUS					GREEN/AMBER	

COMMENTARY:

Customer satisfaction with IAG finished the year 1% point above FY 2009-10

Effectiveness also finished nearly 1% point up on FY 2009-10

Over 80% of evidence queries (10% of calls) are deemed “avoidable”, for example through clear online guidance about required evidence on the application, well timed evidence-chasers, clear written communications requesting further evidence and an online facility to view what has been received

2.6 Customer Complaints

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	% complaints acknowledged within 5 working days	5%	≥ 97%	97.9%	GREEN	N/A
2	Substantive replies % parliamentary correspondence within 5 days	10%	≥ 85%	48.8%	RED	N/A
3	Substantive replies % turnaround correspondence within 5 days	10%	≥ 85%	50.6%	RED	N/A
4	Substantive replies % complaints within 10 days	30%	≥ 85%	44.2%	RED	≥ 85% (within 15 days of receipt)
5	Substantive replies % complaints within 15 days of acknowledgement	10%	≥ 95%	70.7%	RED	≥ 95% (within 20 days of receipt)
6	% complaints resolved at Stage 1 (Complaints Resolution Team)	25%	≥ 90%	97.2%	GREEN	N/A
7	% complaints resolved at Stage 1 (Head of Service)	10%	≥ 93%	82.1%	RED	N/A
OVERALL RAG STATUS					AMBER/ RED	

COMMENTARY:

Increased complaint volumes this year adversely impacted performance in processing them. The reason for increased complaint volumes is primarily that this year saw the completion of the transition to SLC of the student finance assessment service administered by Local Authorities in England. Complaints that would previously have been dealt with by the Local Authorities are now dealt with by SLC.

The main complaint reason concerned "evidence" issues, with customer confusion and vagueness around what documentation they should submit - exacerbated by mistimed evidence-chasing communications and delays in processing applications.

2.7 On-line take-up

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	New students (i.e. the proportion of 1st year students applying for student finance online)	33.3%	≥ 85%	79.6%	GREEN/ AMBER	Aggregated target of ≥ 90%
2	Returners (i.e. the proportion of non-1st year students applying for student finance online)	33.3%	≥ 80%	79.7%	GREEN/ AMBER	
3	Sponsors (i.e. the proportion of parents/guardians etc submitting financial details online)	33.3%	≥ 45%	50.7%	GREEN	≥ 60%
OVERALL RAG STATUS					GREEN/ AMBER	

COMMENTARY:

Targets for new and returning students were narrowly missed. Some delays in implementing technical improvements to the on-line service contributed to the shortfall.

2.8 Fraud / Error

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	Improvement to measuring systems	50%	Methodology established and 2 quarterly measurements made	Methodology has been established and 2 quarterly measurements were made	GREEN	N/A
2	Outcome of detective controls	50%	An increase over the 2009-10 baseline in the number of fraud cases identified	123%	GREEN	≥ 5% increase in the number of cases reported in FY10-11
OVERALL RAG STATUS					GREEN	

COMMENTARY:

Targets met

2.9 Repayment of Mortgage Style Loans

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	% Loan accounts in arrears	100%	≤ 8.3%	8.5%	GREEN/ AMBER	≥ 91.7% of Loan Accounts NOT in arrears
2	% Loan accounts <24 months in arrears who are repaying	0	≥ 32.2%	30.2%	GREEN/ AMBER	N/A
3	% Scheduled Repayment Amount (SRA) repaid	0	≥ 39.2%	32.2%	AMBER/ RED	N/A
OVERALL RAG STATUS					GREEN/ AMBER	

COMMENTARY:

The target for reducing accounts in arrears was just missed. This was due to a period of six weeks in August / September 2010 when the majority of the Collections department was drafted in to take ICR calls to help the Contact Centre during SFE peak call time.

2.10 Repayment of Income Contingent Repayment Loans

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	% Borrowers in repayment – UK & EU incoming cohort	40%	≥ 95.3%	96.6%	GREEN	≥ 96.3%
2	% UK resident borrowers in repayment channel – past cohorts	40%	≥ 97.0%	98.4%	GREEN	≥ 98.0%
3	% Overseas resident borrowers in repayment – past cohorts	20%	≥ 70.0%	71.5%	GREEN	≥ 70.0%
OVERALL RAG STATUS					GREEN	

COMMENTARY:

Targets met

2.11 Repayment of Grant Overpayments

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	% of overpaid accounts not in repayment	100%	≤ 37.0%	39.1%	GREEN/ AMBER	Re-defined measure – % overpaid accounts making a payment ≥ 21.7%

COMMENTARY:

The target for reducing overpaid accounts not in repayment was just missed. This was due to a period of six weeks in August / September 2010 when the majority of the Collections department was drafted in to take ICR calls to help the Contact Centre during SFE peak call time.

2.12 Services for Devolved Administrations and other Stakeholders

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	LLD/SAAS (Scotland)	No weighting	Only minor elements of the service agreement not met	Only minor elements of the service agreement not met	GREEN	Only minor elements of the service agreement not met
2	DEL (NI)				GREEN	
3	DCELLS (Wales)				GREEN	
4	England HEIs				GREEN	
5	NI HEIs				GREEN	
6	Wales HEIs				GREEN	
OVERALL RAG STATUS					GREEN	

COMMENTARY:

Targets met

Aim 3: Provide operational delivery insight and expert advice to Government Administrations**3.1 Business Intelligence & Management Information**

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	Performance against Management Information Office Service Level Agreement	60%	≥ 95%	97.0%	GREEN	N/A
2	In-year forecasting accuracy YE Outturn v Mid-Year forecast	20%	≤ ± 2.75%	0.4%	GREEN	≤ ± 2.25%
3	In-year forecasting accuracy YE Outturn v 9 month forecast	20%	≤ ± 1.0%	-0.7%	GREEN	≤ ± 1.0%
OVERALL RAG STATUS					GREEN	

COMMENTARY:

Targets met

Aim 4: Provide Government Administrations with a student finance delivery capability that is flexible and fit for purpose

4.1 Value for Money

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	Delivery within agreed budget	75%	Variance between +2.5% and -5% for Resource DEL, Capital DEL and Ring-fenced DEL on an individual stakeholder basis	See commentary	GREEN	Year end outturn between -5% underspend and zero overspend against the agreed budget
2	Year-on-year improvements in unit costs	25%	Measurement methodology and target level to be agreed by 30 May 2010	This measure is no longer required. It has been agreed that the reporting of this measure will be within the monthly stakeholder reports rather than the Balanced Scorecard	N/A	Non-APRA measure

OVERALL RAG STATUS

GREEN

COMMENTARY:

The overall status for this measure on a UK basis is assessed as GREEN

Although a number of detailed measures are assessed as RED or AMBER-RED against the APRA, the organisation is of the view that the final year position is a positive one. The forecast outturn has been regularly reported to stakeholders and there has been minimal change in the final quarter.

4.2 Change Programme Delivery

No	Title	Weighting	10-11 Target	10-11 Actual	RAG	11-12 Target
1	Delivery of change programme, measured against time cost and quality	100%	GREEN	GREEN-AMBER	GREEN/AMBER	GREEN against re-defined evaluation criteria
OVERALL RAG STATUS					GREEN/AMBER	

COMMENTARY

The overall score for the year was GREEN-AMBER as determined by the agreed formula that considers time, cost and quality performance for all projects for all Administrations

- the 'Time' measurement for England & Wales was GREEN-AMBER for the year
- the 'Cost' measurement for England was AMBER-RED for the year due to the impact of a number of deliverables being delayed or over / under spending
- Internal projects was AMBER-RED due to delivery delays
- Northern Ireland projects were AMBER-RED due to delivery delays
- Quality measurement for Internal, Northern Ireland & Wales was Green overall for the year with England being GREEN-AMBER

FINANCIAL COMMENTARY

Sources of Funds and Process for Agreeing Funding

The Student Loans Company is funded primarily by Grant-in-Aid. In accordance with HM Treasury Consolidated Budgeting Guidance for FY 2010-11, this is now all received directly from Department for Business, Innovation and Skills covering England which is our sponsor department. They receive the relevant apportionments from the other devolved authorities for whom we perform work as listed below.

- Department for Education and Lifelong Learning - Scotland
- Department for Employment and Learning - Northern Ireland
- Department for Children, Education and Lifelong Learning - Wales

Grant-in-Aid funding is provided to cover expenditure on ongoing operational activities, capital expenditure and programme development expenditure.

In FY 2010-11, income was also received from universities and colleges which have elected to have the Student Loans Company administer their bursaries and scholarship payments under our Higher Education Bursary and Scholarship Scheme.

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

We apply for funding through an annual corporate financial planning cycle which forecasts funding requirements and we receive an Annual Performance and Resource Agreement (APRA) letter confirming Grant-in-Aid available and income from other sources.

Financial Management

For FY 2010-11 our APRA allocation, which determines the total revenue and capital expenditure we can incur as measured by Government expenditure classifications, as opposed to Companies Act treatment as disclosed in the accounts, was initially set as £101.7 million. However in May 2010 this was revised downwards by £5 million to £96.7 million following the Government announcement on required efficiency savings. Our final outturn against this net £96.7m allocation was £96.4 million so operating expenses and programme development expenditure were both successfully contained within the allocated funding. Given the level of efficiencies required and level of change this was an excellent financial outcome in FY 2010-11. This outcome was achieved by implementing a variety of savings across the business including performance related pay scheme reductions, a recruitment freeze and achieving efficiency savings in areas such as travel and ICT licences.

In addition to these identified savings, underspends also arose within information, advice and guidance costs due to the Government wide marketing freeze and the later than originally planned launch date of the AY 2011/12 application cycle which deferred some expenditure into FY 2011-12. There was also an underspend in the Programme budget of £2.2m, mostly in relation to Wales and Northern Ireland stakeholders, due to initiatives either not progressing as originally planned or through savings in delivery methods by packaging work together, thereby achieving economies of scale.

Offsetting these underspends and efficiency savings were a number of budget pressures that arose during the year. The most significant of these were incurred to ensure a successful academic year cycle including consultancy costs for support for the launch and an increase in our outsourced telephone handling capacity.

The funding position is reported on a monthly basis to the Executive and Main Board. Detailed analysis of expenditure at funding authority level is provided, split by operating, programme development and capital spend. In addition, detailed variance analysis is performed at divisional level and by expenditure type. Monthly re-forecasts are performed throughout the year. This reporting is supplemented by detailed analysis at a product and service level, by funding authority, from the Company's activity-based management system. Such analysis is used to ensure products and services are delivered within the agreed pricing, and to provide costings for business cases for future developments.

The Student Loans Company is subject to the efficiency review within the public sector. We actively seek opportunities to change current practices to maintain customer service at a reduced unit cost.

Tax Status

For FY 2010-11, the Company is registered for VAT and is able to recover part of our input VAT, those services relating to mortgage style activities being exempt.

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

Financial Statements

The financial statements for year ended 31 March 2011 are presented on pages 64 to 99.

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

Statement of Comprehensive Income

This statement is presented on page 64.

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

The Company's administration expenses of £91.709 million are to fund both the operational expenses and the expenses associated with the development programme. The fall in expenditure this year principally reflects the reduction in staff costs following the one-off redundancy costs incurred last year to ensure the company was in a streamlined position to reduce future ongoing running costs in light of the Government pressures to reduce public sector expenditure. These reductions were partially offset by an increase in outsourced call handling costs and expenditure on specialist support for the application cycle to ensure an improved customer service was provided.

Funding of those expenses is provided from the income generated from servicing contracts for third parties (£1,006,000) and other income (£320,000), with the balance of funding supplied in the form of Grant-in-Aid (£90,207,000). Other income consists mainly of administration and legal charges recovered from third parties in relation to customers in default.

The actuarial gain arising on the Company's defined benefit pension scheme (£904,000) has largely arisen due to the volatility in the markets against the initial assumptions.

Statement of Financial Position

This statement is presented on page 65.

The net liability of £21,466 million on the balance sheet principally consists of £8,245 million in relation to dilapidations provisions and £13,299 million of pension liabilities. These liabilities may only be met by future grants or Grant-in-Aid from the Company's sponsoring departments because, under the normal conventions applying to the parliamentary control over income and expenditure, such grants may not be issued in advance of need.

The major change from last year is the reduction in provisions as the redundancy costs were all settled in the current year.

There has also been a shift from non-current to current liabilities due principally to the reallocation of deferred capital receipts.

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

Statement of Cash Flow

This statement, presented on page 67, presents the cash flows of the Company. These cash flows relate to ongoing operating activities, including the development programme of the Company. The cash flows relating to the payment of funding to students as loans, grants or allowances and the repayments received from those customers who have entered repayment are not included in the Company's cash flow statement. These monetary transactions are conducted through bank accounts held "in trust" for the relevant funding authority and do not appear on the Company's balance sheet.

LOOKING FORWARD/FUTURE DEVELOPMENTS

Future developments are referred to throughout the rest of the annual report. The key developments are summarised.

As we look ahead to AY 2012/13 we are working with Government and other stakeholders to determine how the planned changes to student finance in England will be implemented. We also await the planned Government White Paper which will set out future proposals for higher education in England. As Government policy relating to future academic years develops, SLC will work closely with Government and stakeholders across the higher and further education sectors to ensure that implementation plans are in place and that we continue to provide effective student finance services to our customers.

Demand for our services will continue to increase which means we have to streamline our systems to provide the best experience possible for greater numbers of customers. In particular, we are moving more contact online to minimise the need for phone calls.

We recognise that we must improve the accuracy and consistency of the advice provided by our advisors and are implementing initiatives on quality and knowledge management to achieve this.

We also know that although we have improved our service to students who have particular needs – such as those in receipt of the Disabled Students Allowance – more has to be done. Advisers are now receiving specialist training and our staffing levels have been adjusted to make sure there are enough people with the appropriate skills available to deal with customers at peak times.

We are also taking further action to become more environmentally friendly and reduce our carbon footprint.

Although our core customers are rightly an important focus for us, we are also continuing to build better relationships and co-operative working with stakeholders across the higher and further education sector and in Government at all levels.

REMUNERATION REPORT

For the year ended 31 March 2011

This report explains the remuneration policy of Student Loans Company for Board Members and for the senior management team and provides details of their remuneration for the year ended 31 March 2011. The senior management team refers to members of the Executive who are not formal Board members.

Student Loans Company Board

Student Loans Company Board Members are appointed by the Secretary of State for Business Innovation and Skills and Scottish Ministers. Their employment contracts are not with Student Loans Company and are for a fixed period of three years with the exception of the Chief Executive, whose arrangements are described below.

The Chairman was appointed in November 2010 for a period of three years. The Secretary of State in conjunction with Scottish Ministers sets the level of remuneration for the Chairman and informs Student Loans Company on an annual basis of any increase to be awarded.

The members of the Board are appointed from a variety of backgrounds on the basis of their knowledge and experience gained in both the public and private sectors in industry, commerce and academic fields.

Board members are paid a basic fee to cover all their work for Student Loans Company and are separately reimbursed for expenses incurred. Remuneration is set by the Secretary of State in conjunction with Scottish Ministers and is reviewed annually.

Executive Board

The Executive Board is responsible for the day to day management of Student Loans Company's activities and operations.

The Chief Executive is a member of both the Board and the Executive Board. Ed Lester was appointed as the Chief Executive by the Board with the approval of the Secretary of State in conjunction with Scottish Ministers in February 2011. He had operated as interim Chief Executive from May 2010 until this appointment. The services of the Chief Executive are provided under the terms of a contract between the Company and Penna Interim (a division of Penna plc), while all other Executive Board members are now on standard Student Loans Company contracts of employment. For part of the year some of the Directors operated under separate arrangements, as set out in the table on remuneration of Executive Board members. Their contracts provide for a notice period of six months. The Chief Executive has a separate bonus scheme from the other staff members. Chris Andrew is Company Secretary to the Student Loans Company Board and is also a member of the Executive Board.

If an Executive Board member's employment with Student Loans Company is terminated on the grounds of redundancy, or in the interests of the efficiency of the organisation, severance payments will apply based on age and on length of service. This basis is identical to that applied for all other employees.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee determines, and agrees with the Board, the framework for the selection, appointment and remuneration of the organisation's Executive Directors, including the Chief Executive, and such other members of the executive management as it is designated by Board to consider. All policies are set within the context of applicable Government guidelines.

In consultation with the Chairman, the Committee agrees the performance framework and the proposed annual bonus for the Chief Executive, which is subject to approval by the Secretary of State in conjunction with Scottish Ministers. In consultation with the Chairman and the Chief Executive it determines the total individual remuneration package of members of the Executive Board.

The members of the Remuneration Committee who served during the year to March 2011 were -

- Sally Smedley (Chair)
- David Edelman
- Willie Gallagher

Each Executive Board member agrees with the Chief Executive personal performance objectives, together with specific measures that are required to be met and which will have a significant impact on the performance of the organisation.

These targets and the Chief Executive's appraisal of performance against them, are subject to review by the Remuneration Committee.

A bonus of up to 20% of salary is available for Executive Board members, excluding the Chief Executive, which can be awarded based on the assessment of the achievement of personal performance objectives. Bonus arrangements for the Chief Executive are described below.

Executive Board Remuneration Policy

Student Loans Company aim to ensure that the remuneration packages offered to Executive Board members -

- enable Student Loans Company to attract, retain and motivate high calibre executives,
- remunerate individuals fairly for individual responsibility and contribution, while providing an element of performance related pay reflecting the overall performance of the Company, and

- take account of salary policy within the rest of Student Loans Company and the relationship that should exist between the remuneration of the Executive Board and that of other employees

Elements of Remuneration of Executive Board Members

Basic salaries are reviewed annually on 1 October, with the exception of the Chief Executive whose arrangements are described further below. Salary levels are established after taking into account external market levels and internal comparisons as well as individual responsibility and performance. Annual salary reviews are conducted in line with the pay remit requirements of the HM Treasury. Salary payments are made monthly. When paid, bonus amounts are related to the performance year in which they refer, but actual payments are made in the following June.

The Director of Operations retains a Distance Allowance in addition to salary in order to compensate for the requirement to be based in Darlington for the majority of the working week, he also has access to a company hired car in order to assist with travel to/from and within Darlington.

Except for the Chief Executive, Executive Board members have the option of joining the Student Loans Retirement and Death Benefits Scheme. As ordinary members, they contribute 6% of pensionable salary and Student Loans Company contributes 15.6% of employees' pensionable salary. This is a final salary scheme that provides benefits at the retirement age of 65. These benefits consist of an annual pension, based on a final pensionable salary and pensionable service, and a tax-free lump sum, payable on retirement, equivalent to three times the annual pension. Pensions increase in line with the Consumer Price Index for deferred members and by Retail Price Index for pensions in payment.

The following information within the Remuneration Report is subject to audit.

Fees paid to the Chairman and other non-executive Board Members who served in the year to 31 March 2011 were -

		2011	2010
		Remuneration	
		£000	£000
E Smith	Chair (from 01/11/2010)	21	-
D Hopkin	(from 25/05/2010 to 31/10/2010)	36	-
J Goodfellow	(to 25/05/2010)	8	50
G Breakwell	(from 01/03/2011)	1	-
I Dickson	(to 28/02/2011)	8	5
D Edelman		9	5
W Gallagher		9	-
R Kennedy	(from 25/06/2010)	*-	-
S Smedley		9	5
M Yuille		9	-

* By arrangement, R Kennedy has currently waived his entitlement of £9,000 and takes no personal remuneration for his work with the Company

Remuneration of Executive Board members who served during the year to 31st March 2011 were:-

Executive Board		2011				2010			
		Salary	Other benefits and expenses	Bonus	Total	Salary	Other benefits and expenses	Bonus	Total
		£000				£000			
E Lester (i) (from 28/05/10)	Chief Executive	195	14	41	250	-	-	-	-
R Seymour -Jackson (ii) (to 25/05/10)	Chief Executive	22	89	-	111	145	-	-	145
C Andrew	Company Secretary	100	-	-	100	100	-	-	100
L Campbell	Director of Finance and Administration	127	-	-	127	127	-	-	127
D Ross (iii)	Director of Operations	120	17	-	137	120	4	-	124
G Simpson (from 14/03/11)	Chief Information Officer	5	-	-	5	-	-	-	-
J Stirton (from 09/02/11)	Director of Marketing and Communications	14	-	-	14	-	-	-	-
H Taylor (iv) (from 29/04/10 to 30/07/10)	Director of Marketing and Communications	55	-	-	55	-	-	-	-
D Wallace (v)	Deputy Chief Executive and Director of Strategic Development	231	-	-	231	7	-	-	7
T Zahran (vi) (from 27/04/10)	Director of People and Transformation	146	-	-	146	-	-	-	-

- (i) As noted above, Ed Lester was appointed as interim Chief Executive from 28 May 2010 to 31 January 2011 and then as Chief Executive from 1 February 2011. Under the terms of these appointments, Penna Interim received £194,950 in respect of standard services (of which they retained £23,650) and £41,340 in respect of bonus payments (of which they retained £20,670).

The new contract from 1 February 2011 allows for payment to Penna Interim of £168,000 per annum.

The terms of Mr Lester's appointment as Chief Executive provide for eligibility to a bonus of up to a maximum of £14,000 for each of the two years ending on 31 January 2012 and 2013, respectively. Any bonus payment made will be paid through Penna Interim.

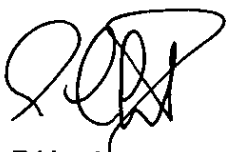
Reimbursement of expenses incurred by Mr Lester in the course of business of £13,750 for the period 28 May 2010 to 31 March 2011 for accommodation and home to work travel have been paid to Penna Interim.

- (ii) Ralph Seymour-Jackson received a payment of £72,000 as a contractual entitlement of six months' notice and a pension contribution of £9,000 was also made in respect of that period. He was also paid £8,000 for annual leave accrued but not taken.
- (iii) Derek Ross received other benefits and expenses which relate to an annual leave buy-out plus a distance allowance and car benefit to compensate for the requirement to be based in Darlington the majority of the working week.
- (iv) Under the terms of Harry Taylor's appointment £55,000 was paid to Harry Taylor Consulting Ltd as an interim member of the Executive Board in the period to 30 July 2010.
- (v) Includes payments made to MacDonald Wallace Ltd of £223,000 for services provided by David Wallace as an interim member of the Executive Board in the period to 7 March 2011 (15 March 2010 to 31 March 2010 £7,000).
- (vi) Includes payments to Taroub Zahran of £77,825 for the period 27 April 2010 to 17 September 2010 and to TZ Partnering Ltd of £67,925 for services provided by Taroub Zahran from 20 September 2010 to 13 March 2011 as an interim member of the Executive Board in the period to 13 March 2011.

Retirement Benefits of the Executive Board members who served during the year to 31st March 2011

Executive Board	Accrued pension and related lump sum at 31 March 2011 £000	Increase during the year to 31 March 2011 in accrued pension and related lump sum net of inflation. £000	Cash equivalent transfer value		
			At 31 March 2011 £000	At 31 March 2010 £000	Increase net of inflation
C Andrew	10 – 15 plus lump sum of 30 – 45	0 – 2.5 plus lump sum of 1 – 2.5	188	169	13,807
L Campbell	5 – 10 plus lump sum of 15 – 30	0 – 2.5 plus lump sum of 2.5 – 5	90	63	25,457
D Ross	15 – 20 plus lump sum of 45 – 60	0 – 2.5 plus lump sum of 2.5 – 5	213	186	21,564

J Stirton, D Wallace and T Zahran did not have sufficient service within the scheme to accrue any benefits in the period to 31st March 2011



Ed Lester
Chief Executive and Accounting Officer

28 June 2011

MAIN BOARD, EXECUTIVE MANAGEMENT AND ASSESSORS

John Goodfellow

Non-Executive Chairman

Stood down 25th May 2010

John Goodfellow was Non-Executive Chairman of SLC from December 2008 until he stood down from his position in May 2010

Professor Sir Deian Hopkin

Interim Non-Executive Chairman

Appointed 25th May 2010, term ended 31st October 2010

Professor Sir Deian Hopkin was Non-Executive Chairman of SLC from May 2010 until his term ended in October 2010

Ed Smith

Non-Executive Chairman

Appointed 1st November 2010

Ed Smith joined SLC as the Non-Executive Chairman on 1 November 2010. He was formerly a senior partner with PricewaterhouseCoopers and Deputy Chair of the Higher Education Funding Council for England, as well as Chair of their Leadership, Governance and Management Strategic Advisory Committee. Ed is Pro Chancellor and Chair of the Council at the University of Birmingham, Chair of WWF-UK, a member of the Competition Commission and a Non-Executive director at the Department of Transport.

NON EXECUTIVE DIRECTORS

Glynis Breakwell

Professor Glynis Breakwell joined SLC in March 2011. She is a psychologist with an academic background specialising in research on leadership, identity processes, risk communication and military cultures. She is currently the Vice-Chancellor of the University of Bath, having been appointed in 2001. As Vice-Chancellor, she is both the academic leader and chief executive of the university. Professor Breakwell has served as a director, chair or board member for a number of organisations including the Higher Education Career Services Unit. She has also acted as an advisor to a range of Government departments, multinational corporations and not-for-profit organisations.

Ian Dickson

Ian Dickson was appointed a Non-Executive Director of SLC in March 2005 and was appointed as Chairman of the Audit Committee which sits quarterly throughout the year. He was previously Finance Director and Principal Finance Officer for the Export Credit Guarantee Department, where his Board responsibilities included finance, strategic operational and project risk, internal audit and IT. Prior to that Ian worked in the insurance industry in Scotland with Scottish Provident. He served 6 years on the Board until his term ended in February 2011.

David Edelman

David Edelman joined SLC in August 2008. He is currently the Managing Director of a niche consultancy and training organisation in consumer credit risk management, specialising in credit scoring. Previously he had been an academic statistician and had also spent 17 years in retail banking ending in a Risk Director role of the Royal Bank of Scotland's Own Brand Businesses.

Willie Gallagher

Willie Gallagher joined SLC on 1 April 2010. Willie has a career in customer services and change management within the UK energy and transport sectors as Executive Chairman of tie ltd and Customer Services Director at Scottish Power plc where he dealt with volume processing for 3 million customers. For the past 10 years Willie has been the Director of his own consultancy business Touchdown Services Ltd. He has developed a portfolio of non-executive roles and is also currently appointed to the Board of the Scottish Qualification Authority and the Court of Edinburgh Napier University.

Rob Kennedy

Rob Kennedy joined SLC on 25 June 2010. He is a qualified chartered accountant, with experience in both the public and private financial sectors. Rob is also a member of the Association of Corporate Treasurers. He is currently Director of Finance at Dundee University and a Director of APUC (Advanced Procurement for Universities and Colleges). Prior to this, Rob held senior finance director positions within both large private companies and international plcs. He also spent three years working for PricewaterhouseCoopers as a management consultant.

Sally Smedley

Sally Smedley joined SLC in August 2008. She has had a career mainly in HR, ending as HR and Communications Director with British Energy from 1999 to 2006, following similar appointments with East Midlands Electricity and BOC Group. She is currently a consultant and a member of the National Trust Appointments Committee and the Doctors and Dentists Review Board, and has recently completed two terms as Non-Executive Director with Remploy Ltd where she was Chairman of the Remuneration and Appointments Committees.

Michael Yuille

Michael Yuille joined SLC on 1 April 2010. Michael is a qualified chartered accountant with 23 years experience as Director of Finance in the Higher Education sector. He has also worked in the private sector with PricewaterhouseCoopers and KPMG in accounting, audit, and consultancy roles. Michael has served as Chair of the British Universities Finance Directors Group, and is currently Chair of the board of Clydebank College of Further Education and Chair of UM Association (Special Risks) Ltd, a discretionary mutual company that provides cover to HEIs in the event of damage to property due to terrorism. He was a non-executive director of the Alder Hey Children's NHS Foundation Trust where he chaired the audit committee.

MAIN BOARD AND EXECUTIVE BOARD MEMBERS

Ralph Seymour-Jackson

Chief Executive

Resigned 25th May 2010

Ralph Seymour-Jackson was Chief Executive from July 2003 until he resigned from the Company in May 2010

Ed Lester

Chief Executive

Appointed as Interim CEO 28th May 2010, and as CEO 1st February 2011

Ed Lester was appointed as Chief Executive of the Student Loans Company in February 2011, having joined the Company as Interim Chief Executive in May 2010. Prior to his appointment, Ed worked as an independent consultant for the Government, specialising in procurement and strategic reconfigurations

He has a long history of leading both private and public sector organisations, having served as Chief Executive of NHS Direct and Motability Finance Limited, as well as holding senior financial positions within HSBC and Marathon Oil

EXECUTIVE MANAGEMENT TEAM

David Wallace

Deputy Chief Executive and Director of Strategic Development

David Wallace was appointed Deputy Chief Executive and Director of Strategic Development in March 2011, having worked with the Company as an independent consultant in the role of Interim Chief Operating Officer since March 2010. David is responsible for service development and student finance strategy and policy development with BIS and Devolved Administrations, Change and Programme Management and assisting in creating and developing SLC's role in the wider Higher and Further Education landscape post Browne and the impending White Paper

A Chartered Accountant, David has previously held a number of senior positions within Abbey National plc and was Chief Operating Officer for Santander's Insurance and Asset Management Division. He was also CEO at one of the UK's largest domestic outsourced contact centre and business process outsourcing service providers and a founding member of the Scottish Government's Financial Services Advisory Board and its precursor, the Financial Services Strategy group. David is currently a Governor of Court at Glasgow Caledonian University

Chris Andrew

Company Secretary

Chris Andrew has been Company Secretary since February 2004. He provides a secretariat to the Company's Board of Directors, ensuring that all necessary Corporate Governance requirements are complied with. Chris joined SLC in 1999 as Head of Audit, having previously worked at KPMG as a Senior Audit Manager. In addition to his responsibilities as Company Secretary, Chris is responsible for Assurance Services, which encompasses the areas of corporate assurance, internal audit, fraud management and legal & compliance. He became a member of the Chartered Institute of Public Finance and Accountancy (CIPFA) in 1990

Les Campbell

Director of Finance and Administration

Les Campbell joined as Director of Finance on 15th May 2007. He is responsible for all aspects of Finance, including Financial and Corporate Services. Before joining SLC, Les was the Director of Finance at Glasgow Housing Association for three and a half years. Prior to that, he was the Group Financial Controller at British Energy plc for seven years, having previously worked with Scottish Power plc and PricewaterhouseCoopers. He is a board member of the Scottish Legal Aid Board, the non-departmental public body responsible for managing legal aid in Scotland. He is also a council member of Quarriers, the charity dealing with the disabled, people with epilepsy and young people. Les is a member of the Institute of Chartered Accountants of Scotland

Derek Ross

Director of Operations

Derek Ross was appointed Director of Operations in February 2011 having previously held a variety of executive roles since joining SLC in 1999. In this role he is responsible for operational delivery of student finance payment and repayment services for the four UK Governments and Higher Education Institutions. Before joining SLC he was a practising solicitor for 15 years in private legal practice and in-house. He is a member of the Law Society of Scotland and, in addition to his legal qualifications, Derek holds a Masters degree (MBA) from the University of Glasgow. Derek also sits on the Board of the Darlington Local Strategic Partnership and is a Trustee of Darlington Citizens Advice Bureau.

Gordon Simpson

Chief Information Officer

Gordon Simpson joined SLC as Chief Information Officer in March 2011. Gordon is responsible for all aspects of ICT service delivery at SLC, including developing an operating plan for ICT investment at SLC that will fully align to the emerging Government ICT Strategy. Before joining SLC, Gordon was UK IT Director for Iberdrola, a major International Utility Company. Prior to this Gordon was Operations Director at ScottishPower, one of the top 6 Utility companies in the UK, with responsibility for all back office functions and ScottishPower's Metering Business. During his time at ScottishPower, Gordon successfully led the implementation of many change initiatives including a major Billing Systems Transformation programme to support market deregulation. Gordon is also a graduate of ScottishPower's leadership programme sponsored by Wharton University.

Jenifer Stirton

Director of Marketing and Communications

Jenifer Stirton joined SLC as Director of Marketing and Communications in February 2011. Jenifer is responsible for all communications including media, publications, customer feedback and customer experience, communications with stakeholders and Public Affairs. Before joining SLC, Jenifer was Director of Communications at NHS Lothian. Prior to that Jenifer worked for NHS Scotland and the Scottish Office where she was responsible for leading and implementing a number of major change projects. Jenifer is Treasurer of the Chartered Institute of Public Relations (CIPR) and an executive member of the UK board of the CIPR. Jenifer was made a Fellow of the CIPR in 2008.

Taroub Zahran

Director of People and Transformation

Taroub Zahran was appointed Director of People and Transformation at SLC in February 2011, having worked with the Company as an independent consultant in the role of Interim Director of Human Resources and Organisational Development since April 2010. She is responsible for all aspects of organisational change and development, human resources and learning and training. Her career to date has been in public service organisations working in a range of human resources, organisational development and general management roles in the voluntary sector, NHS and then as Director of Organisational Development and Chief Executive of Glasgow Housing Association, Europe's largest housing provider. Taroub was a Board member of Quality Scotland and won the Chartered Institute of Personnel and Development ASA HR Excellence Award six years ago.

ASSESSORS

Michael Hipkins

Director, Financial Support for Learners

Represented the Secretary of State for Business, Innovation and Skills

His period as Assessor ended in January 2011

Matthew Hilton

Director, Higher Education Student Funding

Represents the Secretary of State for Business, Innovation and Skills

Matthew Hilton has been the Director of Financial Support for Learners at the Department for Business, Innovation and Skills since February 2011. His period as Assessor commenced in February 2011.

Stephen Kerr

Head of Higher Education and Learner Support

Represented Scottish Ministers

His period as Assessor ended in May 2010

Martin Boyle

Head of the Higher Education and Learner Support Division

Represents Scottish Ministers

Martin Boyle has been head of funding for Learners at the Scottish Government since March 2009, having previously held posts in Transport and Skills. His period as Assessor commenced in May 2010.

Notes

Board Attendance

Twelve Board meetings were held between April 2010 and March 2011.

Audit Committee

Five Audit Committee meetings were held between April 2010 and March 2011. The Company's External Auditors were present at all Audit Committee meetings, with the exception of 29th June 2010 which was held solely to approve the Company's annual report and accounts, which had been considered in full at the meeting on 15th June 2010. Internal Audit was represented at all Audit Committee meetings by the Senior Internal Audit Manager.

Remuneration Committee

Two Remuneration Committee meetings were held between April 2010 and March 2011.

Policy Insight Committee

Two Policy Insight Committee meetings were held between April 2010 and March 2011.

Risk Committee

Three Risk Committee meetings were held between April 2010 and March 2011.

Operational Strategy Committee

Twelve Operational Strategy Committee meetings were held between April 2010 and March 2011.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Student Loans Company Limited

Registered number 2401034

31 March 2011

Directors' Report and Financial Statements

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DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and the financial statements of the Company for the year ended 31 March 2011. The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as augmented, where appropriate, in respect of additional information as directed by the Secretary of State for Business, Innovation and Skills. This has been done with the consent of the Treasury, as set out in the Accounts Direction given by the Secretary of State for Business, Innovation and Skills, with the approval of the Treasury, in accordance with the Framework Document dated 22 April 2009.

Statutory background and history

The statutory background of the Company is provided within the Management Commentary at page 6.

Business Review

The information in the section entitled 'Management Commentary' on pages 5 to 38 has been provided in accordance with section 417 of the Companies Act 2006.

Dividends

The Company has no accumulated reserves and accordingly the directors do not recommend the payment of a dividend (2010 £Nil).

Directors and their interests

The directors of the Company serving during the FY 2010-11 were as follows:

John Goodfellow

Non-Executive Chairman – to 25 May 2010

Professor Sir Deian Hopkin

Non-Executive Chairman – from 25 May 2010 to 31 October 2010

Ed Smith

Non-Executive Chairman – from 1 November 2010

Ralph Seymour-Jackson

Chief Executive – to 25 May 2010

Ed Lester

Chief Executive – from 28 May 2010

Ian Dickson

Non-Executive – to 28 February 2011

David Edelman

Non-Executive – full year

Sally Smedley

Non-Executive – full year

Willie Gallagher

Non-Executive – full year

Michael Yuille

Non-Executive – full year

Rob Kennedy

Non-Executive – from 25 June 2010

Professor Glynis Breakwell

Non-Executive – from 1 March 2011

All non-executive directors are considered to be independent.

None of the directors had any interest in the shares of the Company throughout either the year ended 31 March 2011 or 31 March 2010. The Company is wholly owned by the Secretary of State for Business, Innovation and Skills and Secretary of State for Scotland.

The Chief Executive is also the Accounting Officer for the Company.

The Secretary of State for Business, Innovation and Skills was a shadow director of the Company under Section 251 of the Companies Act 2006 throughout the year.

Non current assets

Full details of the movement in non current assets are given in notes 9 and 10 to the financial statements

Employees

It is the Company's aim to keep employees informed about its affairs and in particular about those matters that affect them directly. The Company regularly issues all staff emails, operates a cascade information giving and feedback sessions, maintains a comprehensive Intranet site and makes use of recorded messages using "SLCtv". The Company has formed a Partnership Forum with its recognised trade union PCS and these meetings offer the opportunity to discuss and resolve employment matters.

The Company is an Equal Opportunities Employer and was awarded the Double Tick, Disability standard demonstrating our commitments to disabled individuals and the Bronze Award for Healthy Working Lives.

Retirement Benefits Scheme

Reference is made in Note 18 to the accounts to the operation and performance of the Student Loans Company Retirements and Death Benefit Scheme. The Remuneration Report contains specific disclosures relating to senior management.

Charitable donations

During the year the Company made no charitable donations (2010 £ Nil)

Creditor payment policy

The Company aims to pay suppliers within 30 days of receipt of invoice or in accordance with agreed terms and conditions. The Company adheres to the principles of the Better Payment Practice Code.

Throughout the year, 98% (2010 98%) of invoices were paid within agreed terms.

(NB The figure above is for year on year comparative purposes and is in line with the contractual terms and conditions. In line with Government policy the Company endeavours to pay all suppliers within 5 days from receipt)

At the year end our trade payables balance owing to our suppliers was £1,456,000. Comparing this balance with the aggregate amount invoiced by suppliers in the year (£44,654,000) and expressing this as a number of days gives an indication of the average time we take to pay our bills. For the year ended 31 March 2011 our figure for 'creditor days' was 11.9.

Information Losses

During the FY 2010-11 we reported one data loss to the Information Commissioner. This resulted from a CD containing call recordings being released to a customer in response to a Subject Access Request that also contained other customer calls with personal information being disclosed. The other customers were contacted immediately in order to reconfigure security settings on their accounts and we have now introduced measures to ensure all Subject Access Requests are checked by an appropriate team leader.

We have recorded the loss of 3 blackberrys and 1 laptop, all devices were encrypted and not carrying personal information.

Corporate Governance

As an Executive NDPB, the Company's control framework is set out in the SLC Framework Document. The Framework Document refers to the appropriate Government guidance on Corporate Governance, including Managing Public Money issued in October 2007.

As a matter of good practice the Company has, since 1995, adopted published corporate governance guidelines and has reported accordingly in the annual directors' reports. This is despite the fact that the Company is not a listed Company of the type to which these requirements were directed. However, with the publication of the Combined Code in 1998, and subsequently the revised Code in 2003 and then in 2006, there are a number of matters with which, due to its status as a NDPB, the Company cannot comply. The following exceptions from its provisions should therefore be noted:

- All appointments at Board level are made by the shareholders; consequently there is no Nominations Committee responsible for these appointments, although a Nominations Committee is in place for appointments to the Executive Management Team,
- There is no provision for re-election of executive directors,
- Remuneration of the Chairman is determined by the shareholders including arrangements relating to loss of office,
- Remuneration packages of executive directors do not include a significant performance-related element,
- Remuneration of non-executive directors is set by the shareholders.

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

The Accounting Officer's Statement on Internal Control for the year ended 31 March 2011 is provided on pages 57 to 60.

SLC Main Board

The SLC Main Board should ensure that effective corporate governance arrangements are in place that set out how SLC is directed and controlled and provide assurance on risk management and internal control. The Board should demonstrate high standards of corporate governance at all times and ensure that best practice is followed consistent with the *Combined Code on Corporate Governance* and appropriate adaptations of *Corporate Governance in Central Government Departments Code of Good Practice*.

The Board is specifically responsible for

- overseeing the development and implementation of the Delivery Strategy of SLC ensuring it is consistent with the overall strategic direction and the policy and resources framework determined by the Departments, and that the Delivery Strategy is underpinned by supporting strategies and robust delivery plans,
- ensuring that it receives and evaluates regular and timely information about SLC's performance against its aims, objectives, performance targets and plans, ensuring appropriate action is in hand to address any areas of underperformance,

- ensuring that the Departments are kept informed of any changes which are likely to affect the strategic direction of SLC or on the attainability of its targets, and determining the steps needed to deal with such changes,
- ensuring that any statutory or administrative requirements for the use of public funds are complied with, that the Board operates in accordance with company law and within the limits of any delegated statutory authority as set out in the Register as amended from time to time, and in accordance with any other conditions relating to the use of public funds, and that, in reaching decisions, the Board takes into account guidance issued by the Departments and ensures it receives adequate information regarding the stewardship of funds disbursed by SLC on behalf of the Departments,
- assuring itself of the effectiveness of the internal control and risk management systems and that they are actively monitored and regularly reviewed,
- setting up an Audit Committee chaired by an independent non-executive member to provide independent advice,
- ensuring that the Board receives and reviews regular information concerning the management of SLC, is informed in a timely manner about any concerns about the activities of SLC, and provides positive assurance to the Departments that appropriate action has been taken on such concerns,
- ensuring that SLC's responsibilities towards its staff are satisfactorily discharged,
- appointing, with the Responsible Minister's approval, a Chief Executive and, in consultation with the Departments, setting his or her performance objectives which are aligned with the SLC Delivery Strategy, performance targets and Annual Business Plans and the specific responsibilities of the Chief Executive ensuring that remuneration terms are linked to these objectives and give due weight to the proper management and use of public resources,
- setting up a Remuneration Committee which approves the objectives, performance measures and remuneration terms for the Executive Management Team and senior staff ensuring these are aligned with the agreed Delivery Strategy, performance targets and Annual Business Plans,
- appointing an Executive Management Team to conduct the day to day business of SLC, ensuring an appropriate balance of skills and experience

Remuneration

The remuneration for the Chairman and Non-Executive Board Members is determined by the Secretary of State for Business, Innovation and Skills and Scottish Ministers. Remuneration of the Chief Executive is determined by the Board, subject to approval by the Secretary of State for Business, Innovation and Skills and Scottish Ministers.

The Non-Executive Board members are appointed by the Secretary of State for Business, Innovation and Skills and Scottish Ministers for a fixed term appointment of three years, which can be renewed once.

Remuneration Committee

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

Assessors have the right to attend all Committee meetings on behalf of the shareholders. The Board determines the membership and terms of reference. The Chair of the Remuneration Committee will report back to the Board after each meeting as required, and the minutes of Committee meetings will be provided to the Board for information. Remuneration Committee meetings will normally be attended by the Chief Executive and the Director of People and Transformation.

For further information, please see the Remuneration Report on page 39.

Going forward, the Remuneration Committee will be called the Remuneration and Nominations Committee, since it has oversight of and makes recommendations to the Board for appointments to the Executive Management Team.

Audit Committee

The membership of the Audit Committee normally consists of at least three non-executive directors who are independent of management and free of any business or other relationships (including cross-directorships or day-to-day involvement in the management of the business) which could interfere with the exercise of their independent judgement. Going forward, with the approval of the Board, the Audit Committee will be empowered to co-opt members for a period of time (not exceeding a year), to provide specialist skills, knowledge and experience that the Committee needs at a particular time. The Board may also decide to appoint an independent external member of the Audit Committee, who would be appointed to the Committee but not to the Board. If appointed, they would be chosen because of the particular skills, knowledge or experience that they hold which would be beneficial to the Audit Committee.

During 2010/11, the Audit Committee advised the Accounting Officer and Board on:

- the strategic processes for risk, control and governance and the Statement on Internal Control, including the supporting assurance framework,
- the accounting policies, the accounts, and the annual report of the Company, including the process for review of the accounts prior to submission for audit, levels of error identified, and the Board's letter of representation to the External Auditors,
- the planned activity and results of both internal and external audit,
- the adequacy of management responses to issues identified by audit activity, including external audit's management letter,
- assurances relating to the Company's corporate governance requirements (e.g. compliance with the Financial Memorandum, Managing Public Money, etc),
- proposals for procuring internal computer audit services and external audit services (if appropriate), or for the purchase of non-audit services from firms who provide audit services,
- the External Auditor's remuneration, in conjunction with the Finance Director,
- fraud management policies and practices and whistle-blowing processes.

Assessors have the right to attend all Committee meetings on behalf of the shareholders. The Board determines the terms of reference of the Committee. The Chair of the Audit Committee will report back to the Board after each meeting as required, and the minutes of Committee meetings will be provided to the Board for information. Audit Committee meetings will normally be attended by the Chief Executive, the Finance Director and the Company Secretary.

The Audit Committee will also periodically review its own effectiveness and report the results of that review to the Board.

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

Other Board Committees

Three new committees of the Board were established with effect from 1 April 2010, and were subsequently subject to a further review in the first part of 2011

Operational Strategy Committee

The Board established an Operational Strategy Committee as a Committee of the Board to support them in their responsibilities for looking ahead at future operational delivery options for the whole range of the Company's services, with the associated requirement to identify service and efficiency improvements. The Committee also seeks to identify improvements to how the Company communicates with, and utilises, key stakeholders and partners in delivering its services

Policy Insight Committee

The Board established a Policy Insight Committee as a Committee of the Board to support them in their responsibilities for effectively utilising the wealth of data and management information (MI) held by the Company to help identify potential future strategies for policy development, acting as an 'intelligent supplier' to the Government Administrations

Risk Committee

The Board established a Risk Committee as a Committee of the Board to support the Board in its responsibilities for reviewing and satisfying itself as to the adequacy of the Company's risk management arrangements for effectively managing corporate risks and issues

As a result of the further review of its committees, the Board has now agreed that the Operational Strategy Committee and the Risk Committee will become Executive sub-committees in FY 2011-12, although up to two non-executive directors will usually be in attendance, and the work of the Policy Insight Committee will be reabsorbed by the Board

Going concern

The balance sheet at 31 March 2011 shows net liabilities of £21,466,000 (2010 £21,003,000). These liabilities arise as a result of the inclusion of pension fund liabilities falling due in future years in accordance with the accounting treatment required by IAS19 Employee Benefits, and a provision in respect of dilapidations arising from the Company's leasehold commitments. To the extent that they are not to be met from the Company's other sources of income, these liabilities may only be met by future grants or grants-in-aid from the Company's sponsoring departments. This is because, under the normal conventions applying to the parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for FY 2011-12, taking into account the amounts required to meet the Company's liabilities falling due in that year, has already been included in the Department's Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The net liability position presented in the balance sheet is entirely a result of the recognition of pension liabilities and dilapidations provisions. There is no impact on the Company's ability to provide its services to either its customers or key business partners and, therefore, no changes are required to the way in which the Company operates.

Statement of disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

A resolution regarding the reappointment of auditors to the Company was approved at the June 2011 Main Board meeting

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

By order of the Board



Ed Lester

Chief Executive and Accounting Officer

21 St Thomas Street

Bristol

BS1 6JS

Registered Company Number 2401034

28 June 2011

STATEMENT ON INTERNAL CONTROL

This statement is provided by the Accounting Officer in line with corporate governance guidance issued by HM Treasury

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Company's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me by the Department for Business, Innovation and Skills (The Department), as described within the Student Loans Company Financial Memorandum, and in accordance with relevant Treasury guidance, in particular the Treasury Financial Reporting Manual (FREM 2011), and Managing Public Money (2007)

I was formally appointed as Accounting Officer in May 2010. As I was appointed during the accounting period for the FY 2010-11 Statement on Internal Control, my Chairman of the Audit Committee, and Head of Internal Audit, have advised me on the control environment that operated in the Company prior to my appointment.

The Student Loans Company is a non profit making publicly funded private limited company. From its inception in 1989, the Company has been wholly owned by the Secretary of State for Business, Innovation, and Skills, and the Secretary of State for Scotland. Since 1996, the Company has also been an executive non-departmental public body (NDPB). As an NDPB the Company is required to adhere to public sector standards, as outlined within Managing Public Money (2007) in all its operations and activities, except where alternative HM Treasury approved contractual standards are in place. It is also required to comply with the requirements of the Companies Act 2006, and meet the requirements of good governance.

The role of the two Government Shareholders includes

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

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

In accordance with guidance, and consistent with permission given by the London Stock Exchange to the Boards of listed companies, the Company has complied with 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance), which underpins provision C2 of the Combined Code, where possible. It has also complied with the guidance contained within Managing Public Money (2007), issued by HM Treasury.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Company policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Company for the year ended 31 March 2011 and up to the date of approval of the annual report and financial statements, and accords with Treasury guidance.

Internal Management Structure – Executive Board & Sub Boards

In response to the increasing size and complexity of the business, I have delegated responsibility for controlling and monitoring the Company's operational and financial management to an Executive Board with primary responsibility for setting the Company's strategic and business priorities and objectives, in line with the strategies set out by its stakeholders, as well as overseeing the Company's capacity and capability to deliver in terms of available resource. The Board also leads in promoting Company standards of values and behaviour. The Executive Board has been supported by a number of Sub Boards dealing with specific areas of company business. Decisions taken by the Sub-Boards on reserved matters are subject to approval at Main Board and/or Executive Board level, as appropriate.

During FY 2010-11, there have been a number of changes to Company Governance, of particular note are the appointment of a new Chair and CEO / Accounting Officer, as well as a number of Executive and Non Executive Directors, appointed to widen and deepen organisational capacity.

The Risk and Control framework & Capacity to Handle Risk

The risk and control framework for the Company has been developed over the course of the year. In FY 2009-10, following a number of reviews into the failures of the Company to manage the risks around the Customer First Change Programme, the Board recognised that significant changes were needed to the Company approach to risk. Good progress has been achieved in embedding risk management into the business, and I am now satisfied that all issues raised have now been dealt with.

- company and customer assets are safeguarded,
- an environment is produced where all employees will recognise and assume responsibility for managing risk,
- a "no surprises culture" is created, where disclosure of the state of controls and risk being accepted is encouraged,
- a continuous improvement/learning culture is promoted,
- the cost of control failures is minimised,
- relevant regulatory requirements, Government guidance, laws and codes of practice are observed,
- the Board's annual statement on the effectiveness of the system of internal control is supported,
- risk management processes are aligned with accepted best practice, standards and methods and integrated with business performance measurement including the performance measurement process (balanced scorecard) and the information security management system.

Risks are harvested from any one of four mechanisms

- attendance at Boards, Committees, etc,
- formal Risk Identification workshops,
- ad hoc liaison between managers and Risk Team (including escalation, informal discussion, email correspondence and intranet updates),
- assessment following an incident / event (including realisation of risk consequence)

SLC Risk Appetite

The Company adopts a "cautious" risk appetite, as its normal position, unless otherwise specified. This means that SLC has a preference for safe delivery options that have a low degree of residual risk and may only have a potential for limited reward. However, there is scope for specific risk categories to apply a different risk appetite with agreement and approval as required. This is agreed by the Executive Team and the Risk Committee (see page 55) as the acceptable tolerance level to the Main Board and is representative of the environment and circumstances within which the Company operates.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Executive Board / Finance & Governance Board within the Company who have the responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, the Risk Committee, the Executive Board, and its Sub-Boards, and plans to address weaknesses and ensure continuous improvement of the system are in place.

The key elements of the system of internal control are as follows:

- regular meetings of the Board of Directors which has a schedule of matters which are specifically reserved for its approval and which are the subject of regular standard reports as required,
- arrangements under the constitution for an Audit Committee of the Board to meet regularly and receive from management and internal and external auditors, inter alia, reports on the system of internal control, and provide an overview on risk, alongside reasonable assurance that control procedures are in place and are being followed,
- arrangements under a constitution for a Remuneration Committee of the Board to determine the remuneration and terms and conditions of service for senior staff posts, and to support me in making recommendations to the Board on the appropriate pay award for staff,
- an organisational structure within the Company to support business processes and with clear lines of responsibility, comprising an Executive Board, supported by Sub-Boards covering a variety of business areas,
- an Internal Audit function working to Government Internal Audit standards, with an annual internal audit plan and producing an annual internal audit opinion on internal control, risk, and governance,
- an additional Sub Committee of the Board was created during FY 2010-11. This Sub Committee dealt with Operational matters, and played a key role in holding the Executive to account as the Company faced the twin challenges of delivering the AY 2010/11 application cycle successfully, while preparing for the launch of the AY 2011/12 cycle. Looking forward to FY 2011-12, the Sub Committee will now operate at executive level.

Significant internal control issues are detailed in the paragraphs below. In each case a summary of the issue is provided, along with the mitigating actions.

Significant Internal Control Issues

Financial Year 2009-10

In FY 2009-10 a number of significant control issues arose around the Company's failure to deliver an acceptable level of service to customers. The issues related to failures arising within service provision, and risk management. Consequently, a number of external reviews were undertaken, firstly the Hopkin Review, published December 2009, commissioned by the Department, followed by a National Audit Office (NAO) Value for Money review, culminating in a Public Accounts Committee (PAC) hearing, in July of 2010.

The Department appointed PricewaterhouseCoopers in April 2010 to track progress in addressing NAO recommendations, while the PAC published a follow on review in December of 2010.

I have continually monitored actions taken to implement recommendations, and am now satisfied that NAO, PwC, and Hopkin outstanding actions have been resolved, remaining Department-led issues affecting the Company arising from the PAC / OGC reviews should be addressed through the successful delivery of the AY 2011/12 cycle.

Financial Year 2010-11

In FY 2010-11, the main control issues arising are discussed below.

1 Security of personal data

The Company is currently working towards the requirements of the HMG Information Security Policy Framework, which has become mandatory to SLC as a tier 1 NDPB.

A detailed submission has been made as part of the Corporate Spending Review to obtain the necessary funding to address the issues arising.

2 Disaster Recovery

Work is underway to establish an overarching Business Continuity programme, with supporting ICT Disaster Recovery (DR) plans.

Business requirements will drive priority of restoration, and will form part of the DR plan.

3 Data Centre Capability

Data centres are operating at, or above, capacity. Mitigating action has been implemented to make more efficient use of current resources, however, residual risks remain.

We are working with the Department for Business, Innovation, and Skills to address the underlying resource issues, and the situation is being continually monitored.

4 Protection of Customer Data against online Fraud and Phishing

The Company, in common with much of the financial services industry, has experienced increasing attempts to target student finance fraudulently during FY 2010-11.

We take our responsibility to protect customer data very seriously, and continue to take robust action to strengthen our control environment where necessary in line with best practice across both Government and the financial services sector.

Appropriate steps have either been taken, or mitigations appropriate to the risks have been identified, and recommendations have been presented to remedy the situation.

By order of the Board



Ed Lester
Chief Executive and Accounting Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE DIRECTORS' REPORT AND

THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under the Framework Agreement with the Department of Business Innovation and Skills, they are required to follow the principles of HM Treasury's Financial Reporting Manual 2010-11. Consequently they have elected under the Companies Act 2006 to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law and to provide the additional disclosures required by the Financial Reporting Manual 2010-11 where these go beyond the requirements of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STUDENT LOANS COMPANY LIMITED

We have audited the financial statements of Student Loans Company Limited for the year ended 31 March 2011 set out on pages 64 to 99. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. Where appropriate, the Company also discloses that it has followed the principles of HM Treasury's Financial Reporting Manual 2010-11 and has provided the additional disclosures required by the Financial Reporting Manual 2010-11 where these go beyond the requirements of the Companies Act 2006.

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the directors have prepared (in addition to that required to be prepared) in order to comply with the requirements of HM Treasury's Financial Reporting Manual 2010-11 to include the information requirements of Schedule 8 to the The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No 410) to the extent that they are relevant.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and, in respect of the separate opinions in relation to financial regularity and the Directors' Remuneration Report, on the terms that have been agreed. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and, in respect of the separate opinions in relation to financial regularity and the Directors' Remuneration Report, those matters that we have agreed to state to them in our report, for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 61, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STUDENT LOANS COMPANY LIMITED

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on regularity prescribed by the terms of our engagement

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

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

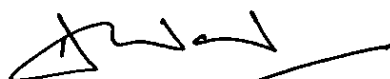
In our opinion

- the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to the The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to the extent that they are relevant, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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



DJ Watt (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

191 West George Street

Glasgow

G2 2LJ

1 July 2011

Statement of comprehensive income*for the year ended 31 March 2011*

	<i>Note</i>	2011 £000	2010 £000 (Restated)
Revenue	<i>3</i>	91,533	94,264
Expenditure			
Staff costs	<i>5</i>	(51,867)	(53,438)
Restructuring costs	<i>5</i>	(136)	(4,989)
Depreciation and amortisation		(4,473)	(4,305)
Other administrative expenses		(34,530)	(30,770)
Operating profit		527	762
Finance income	<i>6</i>	23	7
Finance costs	<i>7</i>	(743)	(769)
Net financing expense		(720)	(762)
Loss on ordinary activities before taxation		(193)	-
Tax on result of ordinary activities	<i>8</i>	17	(44)
Loss on ordinary activities after taxation		(176)	(44)
Other comprehensive income			
Actuarial gain/(loss) recognised in gains and losses	<i>18</i>	904	(9,106)
Total comprehensive income/(loss) for the period		728	(9,150)

In both years, the Company made no acquisitions and had no discontinued operations

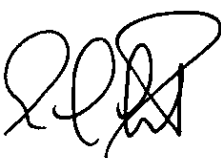
The notes on pages 68 to 99 form an integral part of these financial statements

Statement of financial position
as at 31 March 2011

	Note	2011 £000	2010 £000
Non-current assets			
Property, plant and equipment	9	10,018	11,043
Intangible assets	10	933	1,348
Total non-current assets		10,951	12,391
Current assets			
Trade and other receivables	12	9,204	9,741
Cash and cash equivalents	13	2,245	1,576
Total current assets		11,449	11,317
Total assets		22,400	23,708
Current liabilities			
Trade and other payables	14	(15,393)	(8,565)
Financial liabilities	16	(368)	(87)
Provisions	17	(13)	(3,976)
Income tax		(3)	(9)
Total current liabilities		(15,777)	(12,637)
Non-current assets plus net current assets		6,623	11,071
Non current liabilities			
Trade and other payables	14	(6,365)	(9,596)
Financial liabilities	16	(180)	(1,334)
Provisions	17	(8,245)	(8,132)
Retirement benefit obligations	18	(13,299)	(13,012)
Total non current liabilities		(28,089)	(32,074)
Net liabilities		(21,466)	(21,003)
Capital and reserves			
Called up share capital	21	-	-
General reserve		(21,466)	(21,003)
Total equity		(21,466)	(21,003)

The notes on pages 68 to 99 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 28 June 2011 and were signed on its behalf by



Ed Lester
Chief Executive and Accounting Officer
Registered company number 2401034

Statement of changes in equity*for the year ended 31 March 2011*

	<i>Note</i>	Capital £000	General Reserve £000	Total Equity £000
Balance at 1 April 2010		-	(21,003)	(21,003)
Net loss		-	(176)	(176)
Total pension cost recognised in statement of comprehensive income	18	-	(4,389)	(4,389)
Employer contribution in respect of retirement benefit	18	-	3,198	3,198
Actuarial gain in retirement benefit obligations	18	-	904	904
Balance at 31 March 2011		<u>-</u>	<u>(21,466)</u>	<u>(21,466)</u>

Statement of cash flow

for the year ended 31 March 2011

	Note	2011 £000	2010 £000
Cash flow from operating activities			
Loss on ordinary activities after tax		(176)	(44)
<i>Adjustments for</i>			
Depreciation	9	4,058	4,060
Amortisation	10	415	245
Amortisation of deferred capital receipts			
- Property, plant and equipment	15	(2,580)	(1,746)
- Intangible assets	15	(415)	(245)
Loss on disposal		16	-
Taxation	8	(17)	44
Finance costs	7	743	762
Finance income	6	(23)	(7)
Operating cashflows before movements in working capital		2,197	3,113
(Increase) in trade and other receivables		(143)	(1,433)
Decrease in trade and other payables		3,543	(5,009)
(Decrease)/increase in provisions		(3,850)	4,089
		(450)	(2,353)
Cash generated from operating activities		1,571	716
Corporation tax paid		(2)	(116)
Corporation tax received		13	215
Net cash generated from operating activities		1,582	815
Cash flow from investing activities			
Finance income	6	23	7
Acquisition of property, plant and equipment	9	(3,049)	(3,457)
Acquisition of intangible assets	10	-	(621)
Proceeds from sales of property plant and equipment		-	3
Net cash generated from investing activities		(3,026)	(4,068)
Cash flow from financing activities			
Capital funding received from funding bodies		3,049	3,878
Decrease in financial liabilities		(873)	(2,531)
Finance interest paid		(63)	(156)
Net cash used from financing activities		2,113	1,191
Net increase/(decrease) in cash and cash equivalents	13	669	(2,062)
Cash and cash equivalents at 1 April	13	1,576	3,638
Cash and cash equivalents at 31 March	13	2,245	1,576

Notes to the financial statements

1 Accounting policies

Student Loans Company Limited is a company incorporated and domiciled in the UK. The Company is wholly-owned by the Secretary of State for Business, Innovation and Skills and the Secretary of State for Scotland.

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

For the year ended 31 March 2011 the Company is no longer required under the FReM to include a notional cost of capital. The notional cost of capital was calculated on the arithmetic average of assets less liabilities, in the Statement of comprehensive income in prior financial periods. As an NDPB which is also a company, this cost of capital charge was then reversed before arriving at the loss on ordinary activities before taxation. There was therefore no impact of this change on the corporate financial information and the Statement of comprehensive income has been restated only to remove the disclosure of the lines relating to the cost of capital charge.

In these financial statements, there are no adopted IFRSs which are effective for the first time which have had a material effect on the financial statements therefore there has been no restatement of comparatives with the exception of the removal of notional cost of capital as detailed above.

The following Adopted IFRS's have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements.

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
- Amendments to IFRIC 14 IAS 19 "The limit on a defined benefit – assets, minimum funding requirements and their interaction"
- Revised IAS 24 "Related Party Disclosure"

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

The financial statements were authorised for issue by the Directors on 28 June 2011.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through profit or loss or as available for sale.

Going concern

The terms of the framework document between the Secretary of State for Business, Innovation and Skills, the Lifelong Learning Directorate of the Scottish Government, the Department of Employment and Learning in Northern Ireland, the Department for Children, Education, Lifelong Learning and Skills in the Welsh Assembly and the Company require that the Company shall conduct its affairs so as to remain solvent within the total resources made available to it by the funding bodies. These financial statements have been prepared on this basis.

The Company has negative equity at the statement of financial position date of £21,466,000 (2010 £21,003,000), arising from its obligations in respect of the inclusion of retirement benefit obligations falling due in future years in accordance with the accounting treatment required by IAS 19 Employee Benefits, and a provision in respect of dilapidations arising from the Company's leasehold commitments. To the extent that they are not to be met from the Company's other sources of income, these liabilities may only be met by future grants or grant in aid from the Company's sponsoring departments. This is because, under the normal conventions applying to the parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant in aid for FY 2011-12, taking into account the amounts required to meet the Company's liabilities falling due in that year, has already been included in the Departments' estimates for that year, which have been approved by Parliament. There is no reason to believe that the Departments' future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Unsold loans

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

- (a) in accordance with the terms of the Company's framework document any interest earned on funds made available for making loans to students and on money repaid to the Company by borrowers under the scheme shall be returned to the funding bodies, and
- (b) Under section 16.5 of the framework document, there is an agreement between the Company and the funding bodies that the Company is liable to transmit to these bodies only those repayments which are actually made to the Company. As a consequence, the Company is not liable for repayments due which ultimately may not be recovered.

Use of estimates and judgement

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is as follows:

- **Finance leases**

Finance leases are recognised in accordance with SIC 27, "Evaluating the Substance of Transactions involving the legal form of a lease", with an assumed interest rate of 6%

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

- **Allowance on customer administration charges**

Due to the nature of both the charges involved and the customer portfolio, determining the level of bad debt allowance needed against the administration and legal charges for customers in default requires significant judgement. The allowance is based on past portfolio performance and assumes there will be no negative impact from legal challenges elsewhere in the industry to the levying of such charges. Were these judgements to prove incorrect the worst case scenario is that the full customer administration debtor of £2,285,000 (2010 £2,413,000) would prove irrecoverable and require an equivalent reduction in income.

- **Provisions**

The legal claims provision is based on the expected outcome from ongoing court actions as at 31 March 2011.

The dilapidations provision is based on external valuations provided by the Company's property consultants. The latest formal valuation was provided at April 2007 for the premises at Glasgow, Hillington and Colwyn Bay and July 2009 for the premises at Darlington, however the Company has obtained confirmation from the property consultants in March 2011 that these valuations remain relevant for the year ended 31 March 2011. Key assumptions are based on the lease expiry date, and lease stipulations on the property condition, upon that expiry date.

- **Retirement benefit obligations**

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

Income

a) Revenue recognition

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

Revenue represents the grant-in-aid funding receivable from the funding bodies for the purpose of administering loan funds, administration fees earned by the Company from third parties and administration and legal charges applied in relation to customers in default. A review of legal charges levied is carried out annually and a specific allowance provided for where appropriate.

Grant in aid is recognised on an accruals basis, this treatment is defined by the funding agreement which the Company has with its funding authorities.

The Directors have concluded that it is appropriate to account for grant in aid as revenue on the basis that the grant in aid receivable by the Company is required in order to carry out a function which its owners have asked it to perform. On that basis, the Directors consider grant in aid to be an exchange transaction which as such requires to be accounted for in the Statement of comprehensive income. This is a departure from the requirements of the FReM, disclosures required by the FReM are given as supplementary information in note 25.

b) Finance income

Finance income comprises interest income on funds invested, and is recognised as it accrues in the Statement of comprehensive income

Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at Statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at the foreign exchange rate ruling at the time of the transaction. The financial statements are presented in 'Pound Sterling' (£), which is the Company's functional and presentation currency. The Company does not ordinarily enter into foreign currency transactions.

Property, plant and equipment**Recognition**

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

Measurement

Items of property, plant and equipment are initially measured at cost, representing the costs directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use.

All assets are measured subsequently at fair value as follows:

Assets under construction are valued at current costs. This is calculated by using the expenditure incurred to date. These are subject to impairment review.

Completed assets are stated at depreciated replacement cost, as a proxy for fair value as specified in the FReM.

Revaluation and impairment

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the date of each Statement of financial position

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

Depreciation

Depreciation is provided on all property, plant and equipment calculated so as to write off the cost of each asset, other than assets under construction which are annually reviewed for impairment, less estimated residual value, evenly over its expected useful life, as follows

Short leasehold improvements	-	over the unexpired period of the lease
Computer and other electronic equipment	-	over 3 years, or the lease period where applicable
In-house computer development	-	over 5 years
Furniture, fixtures and fittings	-	over 8 years
Motor vehicles	-	over 3 years

Intangible assets

Recognition

Intangible assets are recognised where the costs can be measured reliably and there is a clear future economic benefit attributable from the asset that will flow through to the Company

Expenditure on research is not capitalised

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

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

Measurement

Intangible assets are internally generated assets without physical substance. All intangible assets recognised have finite useful lives, and are measured at cost less accumulated amortisation. Cost is defined as the direct labour and other costs directly attributable to the development of the intangible asset.

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

Amortisation

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

Websites that deliver services	-	5 years
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Amortisation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Deferred capital receipts

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

Financial instruments**a) Financial assets****Classification**

Financial instruments fall into the following categories: at fair value through Statement of comprehensive income, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

As at the date of the Statement of financial position, the Company has only the following financial assets:

Financial assets included in current assets, comprise 'trade receivables', 'prepayments and accrued income' and 'cash and cash equivalents'.

Recognition and measurement

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

Financial assets are assessed for indicators of impairment at each Statement of financial position date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. Objective evidence of impairment of our trade and other receivables includes significant financial difficulty of the counterparty or delinquency in payment. For certain types of receivable an assessment for impairment is also performed on a collective basis where objective evidence of impairment includes past experience of payment collection and the impact of legal challenges on enforceability.

Trade and other receivables principally represent the outstanding balances due in relation to customer administration charges. The carrying amount of trade receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in other administrative expenses within the Statement of comprehensive income. When a trade receivable is considered irrecoverable it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to other administrative expenses within the Statement of comprehensive income.

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

b) Financial liabilities

Classification

Financial liabilities fall into the following categories: at fair value through Statement of comprehensive income, and other financial liabilities. The classification depends on the purpose for the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

As at the date of the Statement of financial position, the Company has only the following financial liability:

Other financial liabilities included as current liabilities comprise 'trade payables' in the Statement of financial position.

Recognition and measurement

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

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

Other financial liabilities are recognised at fair value through the Statement of comprehensive income.

Provisions

Provisions are recognised when:

- There is a present legal or constructive obligation as a result of past events
- It is more likely than not that an outflow of resources will be required to settle the obligation, and
- The amount can be reliably estimated

Employee benefits

Short term benefits

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

Defined benefit plan

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

Other obligations

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

Leases - Finance

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

Interest on finance leases has been assumed at a rate of 6%, and is charged to the Statement of comprehensive income in the period to which the lease payment relates.

Leases - Operating

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

Segmental reporting

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

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

Analysis of the income and costs by segment are deemed according to the activity based model utilised by the company. This model allocates costs and income to products provided by the Company to the Department for Business, Innovation and Skills (England), the Department of Employment and Learning in Northern Ireland, the Lifelong Learning Directorate of the Scottish Government and the Department for Children, Education, Lifelong Learning and Skills in the Welsh Assembly.

2 Segmental reporting

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

2011	Operating budget £000	Programme budget £000	Other £000	Total £000
Segmental revenue				
Grant in aid*	82,904	6,512	791	90,207
Administration fees received from third parties	-	-	1,006	1,006
Other Income	-	-	320	320
Total revenue	82,904	6,512	2,117	91,533
Segmental expenditure				
<i>Expenditure</i>				
England				
- Mortgage Style Loans	(6,234)			
- Income Contingent Repayments	(12,199)			
- Student Finance Loans / Grants	(55,490)			
- HEI Services Products	(83)			
Total England	(74,006)	(4,644)	(902)	(79,552)
Northern Ireland				
- Mortgage Style Loans	(312)			
- Income Contingent Repayments	(523)			
- Student Finance Loans / Grants	(814)			
- Further Education Services	(830)			
- HEI Services Products	(3)			
Total Northern Ireland	(2,482)	(346)	(37)	(2,865)
Scotland				
- Mortgage Style Loans	(1,211)			
- Income Contingent Repayments	(1,241)			
- Student Finance Loans / Grants	(600)			
Total Scotland	(3,052)	-	-	(3,052)
Wales				
- Income Contingent Repayments	(890)			
- Student Finance Loans / Grants	(1,455)			
- EMA	(1,235)			
- ALG	(373)			
- PTA	(53)			
- HEI Services Products	(7)			
Total Wales	(4,013)	(1,464)	(60)	(5,537)
Total expenditure	(83,553)	(6,454)	(999)	(91,006)

Net income before interest and taxation

527

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

An analysis of segmental assets has not been provided as this is not a measure which is reported to management, on the basis that any allocation would be purely artificial and would not add value

* All Grant in Aid funding in 2011 has been received from England the main funding body who subsequently reclaim the costs from Northern Ireland, Scotland and Wales

2 Segmental reporting (Cont)

2010	Operating budget £000	Programme budget £000	Other £000	Total £000
Segmental revenue				
<i>Grant in aid</i>				
England	46,165	32,967	-	79,132
Northern Ireland	3,131	737	-	3,868
Scotland	3,962	157	-	4,119
Wales	4,089	1,868	-	5,957
Administration fees received from third parties	-	-	960	960
Other Income	-	-	228	228
Total revenue	57,347	35,729	1,188	94,264
Segmental expenditure				
<i>Expenditure</i>				
England				
- Mortgage Style Loans	(8,577)			
- Income Contingent Repayments	(16,364)			
- Student Finance Loans / Grants	(20,916)			
- HEI Services Products	(73)			
Total England	(45,930)	(32,799)	(858)	(79,587)
Northern Ireland				
- Mortgage Style Loans	(442)			
- Income Contingent Repayments	(758)			
- Student Finance Loans / Grants	(1,222)			
- Further Education Services	(689)			
- HEI Services Products	(4)			
Total Northern Ireland	(3,115)	(733)	-	(3,848)
Scotland				
- Mortgage Style Loans	(1,509)			
- Income Contingent Repayments	(1,657)			
- Student Finance Loans / Grants	(776)			
Total Scotland	(3,942)	(157)	-	(4,099)
Wales				
- Income Contingent Repayments	(1,006)			
- Student Finance Loans / Grants	(1,604)			
- EMA	(1,141)			
- ALG	(309)			
- HEI Services Products	(8)			
Total Wales	(4,068)	(1,858)	(42)	(5,968)
Total expenditure	(57,055)	(35,547)	(900)	(93,502)
Net expenditure before interest and taxation				762

3 Revenue

	2011	2010
	£000	£000
Grant in aid	90,207	93,076
Administration fees receivable from third parties	1,006	960
Other income	320	228
	91,533	94,264

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

Bursary and scholarship schemes

The company supports Higher Education Institutes (HEIs) in England, Northern Ireland and Wales, in providing mandatory and discretionary bursaries and scholarships to students by providing an administration service. HEI's may choose to subscribe into either Full Administration service which includes payment of the bursary or scholarship to the student or subscribe to the Information Only service.

Financial objective

The main aim set by the funding bodies is to at least break even on both Information Only and Full Administration bursary schemes. Any net surplus that is achieved will be reinvested to ensure continued systems enhancement to improve efficiencies in the end to end process.

	2011	2010
	£000	£000
Revenue	963	960
Expenditure	(798)	(700)
	165	260

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

4 Net expenditure before interest and tax

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

	2011	2010
	£000	£000
Dilapidations provision	113	113
Depreciation and amortisation – owned assets	2,564	2,033
Depreciation and amortisation – leased assets	1,909	2,272
Loss on disposal of fixed assets	16	984
Amortisation of deferred capital receipts	(2,995)	(1,991)
Directors' remuneration	474	239
Auditors' remuneration, including expenses		
Audit of these financial statements	39	38
Other assurance services	13	18
Other services relating to taxation	14	6
Operating lease rentals		
Land and buildings	2,719	2,939
Computer and other equipment	1,232	1,017
	<u>474</u>	<u>239</u>

(b) Directors' remuneration

	2011	2010
	£000	£000
Fees	45	27
Executive emoluments (including benefits in kind)	87	195
Compensation for loss of office	89	-
Amounts paid to third parties in respect of directors' services	250	-
Pension contributions	3	17
	<u>474</u>	<u>239</u>

The remuneration of each individual director is analysed in the remuneration report

5 Staff numbers and costs

The average number of full time equivalent employees of the Company (including directors) during the year was as follows

	2011	2010
Number of employees	1,857	1,801

All staff were employed by the Company for the purposes of administration and operation of student support schemes

The aggregate payroll costs were as follows

	2011	2010
	£000	£000
Wages and salaries	40,206	44,401
Social security costs	3,270	3,531
Pension service costs	3,709	1,189
	47,185	49,121
Restructuring costs	136	4,989
Other staff costs	4,682	4,317
	52,003	58,427

Other staff costs represent the additional cost to the company for contractors, and other indirect staff costs, as well as the provision for severance as stated in Note 17

Exit Packages

The Company agreed 105 exit packages in the year. The relevant details disclosed in the table below

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2011 No	2010 No	2011 No	2010 No	2011 No	2010 No
< £10,000	1	-	13	13	14	13
£10,001 - £25,000	-	-	30	7	30	7
£25,001 - £50,000	1	-	36	11	37	11
£50,001 - £100,000	1	-	22	4	23	4
£100,001 - £150,000	-	-	1	-	1	-
Total number of exit packages by type	3	-	102	35	105	35

Total resource cost on a cash basis	<u>£0 1m</u>	<u>£-</u>	<u>£3 5m</u>	<u>£0 9m</u>	<u>£3 6m</u>	<u>£0 9m</u>
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Note 1 details the Company's policy on termination benefits under the heading employee benefits

The majority of the other departures were conducted through a voluntary redundancy scheme

Redundancy costs have been paid in accordance with the Company's Redundancy Scheme, the provisions of which are approved by HM Treasury. The main severance terms of the scheme offer 1 month's salary for up to 5 years service and 2 months' salary for service thereafter, up to a maximum of 24 months' salary.

6 Finance income

	2011 £000	2010 £000
Bank interest	23	(11)
Corporation tax repayment interest	-	18
	23	7

7 Finance costs

	2011	2010
	£000	£000
Finance lease interest charges	63	156
Pension interest charge	680	613
	743	769

8 Tax on result of ordinary activities

	2011	2010
	£000	£000
Current taxation (credit)/charge for the period at the small companies rate of 21% (2010 21%)	(17)	44
	(17)	44

Tax is chargeable at 21% of the taxable profits arising on administration fees receivable from third parties, after charging the costs associated with the administration of that business, plus bank and corporation tax repayment interest

The tax assessed for the period varies from the standard rate of corporation tax in the UK (21% in 2010 and 2011) The differences are explained below

	2011	2010
	£000	£000
Loss on ordinary activities before taxation	(193)	-
Loss on ordinary activities at small companies UK corporation tax rate	(40)	-
Effects of		
Losses not utilised in the current period	-	-
Adjustment re prior year assessments	22	22
Amounts not subject to corporation tax	1	22
Current taxation (credit)/charge for the period	(17)	44

9 Property, plant and equipment

	Short Leasehold improvements	Computer and other electronic equipment	Furniture, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2010	7,481	23,080	2,722	23	33,306
Additions	208	2,643	198	-	3,049
Disposals	(15)	(1,863)	(44)	-	(1,922)
At 31 March 2011	7,674	23,860	2,876	23	34,433
Depreciation					
At 1 April 2010	2,871	18,627	752	13	22,263
Charge for year	890	2,842	318	8	4,058
On disposals	(10)	(1,856)	(40)	-	(1,906)
At 31 March 2011	3,751	19,613	1,030	21	24,415
Net book value					
At 31 March 2010	4,610	4,453	1,970	10	11,043
At 31 March 2011	3,923	4,247	1,846	2	10,018

Included in computer and other electronic equipment are items held under finance leases with a carrying value of £736,004 (2010 £2,238,456), net of accumulated depreciation of £9,774,938 (2010 £10,146,345)

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

10 Intangible assets

	2011
	£000
<i>Cost</i>	
At 1 April	1,764
Additions	-
At 31 March	1,764
<i>Amortisation</i>	
At 1 April	416
Charge for year	415
At 31 March	831
<i>Carrying Value</i>	
As at 1 April	1,348
As at 31 March	933

The intangible asset represents the internal development costs incurred for the creation of the repayment website which was brought into service in June 2009

Amortisation for the website is recognised as a charge in the Statement of comprehensive income
The website has a remaining life of 2 years 3 months

11 Financial instruments

As the cash requirements of the Company are met through grant in aid provided by the Department for Business, Innovation and Skills, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Company's expected purchase and usage requirements and the Company is therefore exposed to little liquidity or market risk. Credit risk exists for trade and other receivables, as detailed in Note 12.

Credit risk

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

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

Credit risk is the risk of financial loss to the Company if a customer fails to meet their contractual obligations, and arises principally from the Company's receivables from customers' administration charges. The Company operates an allowance account to minimise the amount of credit risk that it is exposed to, with any movements being credited to the net expenditure. As there is no fixed repayment date for customer administration charges it is not possible to provide an ageing of this debt, allowance has been made for credit risk based on historical portfolio performance.

Other trade receivables principally comprise the sums due from third party portfolio administration and higher education institutions for the bursary administration service. 98% of other trade receivables are not older than 3 months and do not represent any credit risk.

The Company's maximum exposure to credit risk as at 31 March 2011 is £11,435,000 (2010: £11,553,000).

Liquidity risk

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

Analysis of when trade and other payables fall due is provided in note 14.

Market and currency risk

The Company does not borrow or invest funds. Financial assets and liabilities are generated by day to day activities and are not held to manage the risks facing the Company in undertaking its activities.

The financial statements are presented in 'Pound Sterling' (£), which is the Company's functional and presentation currency. The Company does not ordinarily enter into foreign currency transactions.

	2011 Book Value £000	2011 Fair Value £000	2010 Book Value £000	2010 Fair Value £000
Trade receivables	9,204	9,204	9,741	9,741
Cash and cash equivalents	2,245	2,245	1,576	1,576
Trade payables due within 1 year	(15,393)	(15,393)	(8,565)	(8,565)
Trade payables due after 1 year	(6,365)	(6,365)	(9,596)	(9,596)

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

12 Trade and other receivables

	2011		2010	
	£000	£000	£000	£000
Customer administration charges	10,085		10,091	
Allowance on customer administration charges	<u>(7,800)</u>		<u>(7,678)</u>	
Customer administration charges		2,285		2,413
Balances with central government bodies		-		686
Other trade receivables		1,245		1,443
VAT		765		-
Prepayments and accrued income		4,909		5,199
		<u>9,204</u>		<u>9,741</u>

Customer administrative charges have no fixed repayment date and so it is not possible to identify how much of the balance is expected to be recovered in the next 12 months

13 Cash and cash equivalents

	2011	2010
	£000	£000
Balance at 1 April	1,576	3,638
Net increase/(decrease) in cash and cash equivalents	669	(2,062)
Balance at 31 March	<u>2,245</u>	<u>1,576</u>
The balances at 31 March were held at		
Commercial bank accounts	(117)	754
Government banking scheme accounts	2,362	822
Balance at 31 March	<u>2,245</u>	<u>1,576</u>

At 31 March 2011 £52,918k (2010 £83,175k) was held in trust on behalf of third parties

14 Trade and other payables

	2011 £000	2010 £000
Amounts falling due within one year:		
Balances with central government bodies`	6,050	-
VAT	-	1,023
Other taxation and social security	1,059	1,210
Trade payables	1,456	1,253
Accruals and deferred income	3,490	5,026
Deferred capital receipts	3,338	53
	<u>15,393</u>	<u>8,565</u>
Amounts falling due after more than one year:		
Deferred capital receipts	6,365	9,596
	<u>6,365</u>	<u>9,596</u>

15 Deferred capital receipts

	2011		2010	
	Intangible assets £000	Property plant and equipment £000	Intangible assets £000	Property plant and equipment £000
At 1 April	1,348	8,301	972	7,773
Receivable for the year	-	3,049	621	2,274
Credited to statement of comprehensive income	(415)	(2,580)	(245)	(1,746)
At 31 March	<u>933</u>	<u>8,770</u>	<u>1,348</u>	<u>8,301</u>

16 Financial liabilities

	Note	2011 £000	2010 £000
Amounts falling due within one year:			
Finance leases	20	368	87
		<u>368</u>	<u>87</u>
Amounts falling due after more than one year:			
Finance leases	20	180	1,334
		<u>180</u>	<u>1,334</u>

17 Provisions

	Severance £000	Legal Claims £000	Dilapidations £000	Total £000
At 1 April 2010	3,626	350	8,132	12,108
Arising in year	-	-	113	113
Amounts utilised in year	(3,626)	(7)	-	(3,633)
Amounts reversed unutilised	-	(330)	-	(330)
At 31 March 2011	<u>-</u>	<u>13</u>	<u>8,245</u>	<u>8,258</u>

The provision for severance in the year to 31 March 2010 represented the estimated redundancy costs arising in the year to 31 March 2011. During the year to 31 March 2011 £3,762k was paid in severance costs, resulting in a full release of the severance provision of £3,626k and a restructure cost of £136k being recognised in the Statement of comprehensive income.

The provision for legal claims represents the estimated settlement cost to the Company for ongoing legal actions against the Company. The provision has been made on the basis of the best estimate, based on the value of the claims made and the circumstances surrounding the claims. The claims are still ongoing, although it is anticipated that they will be settled by 31 March 2012.

The provision for dilapidations represents the estimated settlement cost to the Company of the dilapidations clauses included in its property leases. These costs are expected to be incurred on the termination of the property leases as follows: in December 2013, £6,855,000, August 2014, £432,000 and April 2018, £958,000. The provision has been made on the basis of the best estimate using independent professional assessments.

18 Retirement benefit obligation

The Company operates the Student Loans Company Limited Retirement & Death Benefits Scheme for all permanent staff which is a defined benefits scheme that provides benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Company, being invested by the Trustees of the scheme.

	2011 £000	2010 £000
Change in benefit obligation		
Benefit obligation at beginning of year	42,406	23,680
Service cost	3,709	1,861
Interest cost	2,491	1,728
Plan participants' contributions	1,235	1,329
Actuarial (gain)/loss	(648)	14,932
Benefits paid	(775)	(452)
Curtailments	-	(672)
Benefit obligation at end of year	48,418	42,406
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	48,418	42,406
Plans that are wholly unfunded	-	-
	48,418	42,406
Change in plan assets		
Fair value of plan assets at beginning of year	29,394	18,102
Expected return on plan assets	1,811	1,115
Actuarial gain	256	5,826
Employer contributions	3,198	3,474
Plan participants contributions	1,235	1,329
Benefits paid	(775)	(452)
Fair value of plan assets at end of year	35,119	29,394
Amounts recognised in the Statement of financial position		
Present value of funded obligations	48,418	42,406
Fair value of plan assets	35,119	29,394
Deficit for funded plans	13,299	13,012
Net liability	13,299	13,012
Amounts in the Statement of financial position		
Liabilities	13,299	13,012
Assets	-	-
Net liability	13,299	13,012

	2011	2010
£000	£000	£000
Components of pension expense		
Current service cost	3,709	1,861
Interest cost	2,491	1,728
Expected return on plan assets	(1,811)	(1,115)
	680	613
Curtailment gain recognised	-	(672)
Total pension cost recognised in the Statement of comprehensive income	4,389	1,802
Actuarial (gain)/loss immediately recognised	(904)	9,106
Effect of paragraph S8(b) limit	-	-
Total recognised in the Statement of comprehensive income	(904)	9,106
Cumulative amount of actuarial loss immediately recognised	9,544	10,448
Plan assets		
The weighted-average asset allocation at the year-end was as follows		
Asset category	2011	2010
Equities	69%	69%
Bonds	30%	30%
Cash	1%	1%
	100%	100%
Amounts included in the fair value of asset for.	£000	£000
Equities	24,142	20,288
Bonds	10,555	8,667
Cash	422	439

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily Government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of a 6.2% assumption for the FY 2011-12 pension expense.

	2011	2010
	£000	£000
Actual return on plan assets	2,067	6,941

Weighted average assumptions used to determine benefit obligations at:

	2011	2010
Discount rate	5.40%	5.60%
Rate of compensation increase	4.75%	4.95%
Rate of increase of pensions in payment (5% LPI)	3.30%	3.70%
Rate of price inflation	3.50%	3.70%

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	2011	2010
Male member age 65 (current life expectancy)	21.6	21.5
Female member age 65 (current life expectancy)	22.1	22.0
Male member age 45 (life expectancy at age 65)	23.5	23.4
Female member age 45 (life expectancy at age 65)	23.9	23.8

Weighted average assumptions used to determine pension expense for year ended.

	2011	2010
Discount rate	5.60%	6.90%
Expected long-term return on plan assets	5.80%	5.50%
Rate of compensation increase	4.95%	5.00%
Rate of increase of pensions in payment (5% LPI)	3.70%	3.50%
Rate of price inflation	3.70%	3.50%

Sensitivity analysis:**Statement of Financial Activity**

The funded status of the Scheme and the amounts recognised as a Company Liability at 31 March 2011 are compared to the corresponding amounts with a 0.25% p.a. reduction in the discount rate, a 0.25% p.a. increase to the inflation rate and an additional 1 year of assumed life expectancy as shown in the following table. Each change is shown independently with all other assumptions held constant.

	31 March 2011 (Preliminary)	31 March 2011 (Discount)	31 March 2011 (Inflation)	31 March 2011 (Life Expectancy)
Discount rate	5.40%	5.15%	5.40%	5.40%
Inflation	3.50%	3.50%	3.75%	3.50%
	£000	£000	£000	£000
Benefit obligation	48,418	52,104	51,095	49,621
Fair value of plan assets	35,119	35,119	35,119	35,119
Deficit / (surplus)	13,299	16,985	15,976	14,502
Effect of asset limitation and minimum funding requirement	-	-	-	-
Net liability/(asset) recognised	13,299	16,985	15,976	14,502

Statement of Comprehensive Income

The preliminary estimate of the pension expense for the financial year to 31 March 2012 is compared to the corresponding amounts with a 0.25% p.a. reduction in the discount rate, a 0.25% p.a. increase to the inflation rate and an additional 1 year of assumed life expectancy is shown in the following table. Each change is shown independently with all other assumptions held constant.

	2011/12 (Initial)	2011/12 (Discount)	2011/12 (Inflation)	2011/12 (Life Expectancy)
	£000	£000	£000	£000
Current service cost	3,848	4,330	4,332	3,954
Interest cost	2,731	2,807	2,889	2,799
Expected return on plan assets	(2,295)	(2,295)	(2,295)	(2,295)
Effect of asset limitation and minimum funding requirement	-	-	-	-
Total	4,284	4,842	4,926	4,458

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

	Financial year ending in				
	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Defined benefit obligation	48,418	42,406	23,680	30,590	27,531
Fair value of plan assets	35,119	29,394	18,102	19,364	17,514
Deficit	13,299	13,012	5,578	11,226	10,017
Difference between actual and expected return on scheme assets					
amount (£000)	(256)	(5,826)	6,179	2,310	(160)
percentage of plan assets	-1%	-20%	34%	12%	-1%
Experience gains and (losses) on scheme liabilities					
amount (£000)	(435)	354	(204)	5	70
percentage of plan liabilities	-1%	1%	-1%	0%	0%

Contributions

The company expects to contribute £3,327k to its pension plan in the financial year ending 31 March 2012

19 Financial Commitments

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

	Land and buildings		Other	
	2011	2010	2011	2010
	£000	£000	£000	£000
Operating leases which expire				
Within one year	70	15	91	738
In the second to fifth years inclusive	5,192	7,022	67	84
In over five years	6,721	7,671	-	-
	<u>11,983</u>	<u>14,708</u>	<u>158</u>	<u>822</u>

The operating leases in respect of the land and buildings are guaranteed by the Secretary of State for Business, Innovation and Skills

At 31 March 2011 the Company had placed contracts for the purchase of fixed assets totalling £Nil (2010 £1,645,430)

20 Finance leases

Finance lease liabilities are payable as follows

	2011 Minimum lease payments £000	2011 PV of minimum lease payments £000	2010 Minimum lease payments £000	2010 PV of minimum lease payments £000
Due:				
Within one year	434	368	93	87
In the second to fifth years inclusive	183	180	1,600	1,334
In over five years	-	-	-	-
	<u>617</u>	<u>548</u>	<u>1,693</u>	<u>1,421</u>
Less:				
Finance charges allocated to future periods	(23)		(65)	
Maintenance charges allocated to future periods	(46)		(207)	
Present value of minimum lease periods	<u>548</u>		<u>1,421</u>	

All finance lease liabilities relate to computer and other electronic equipment, with varying maturities between 2012 and 2013. An assumed interest rate of 6% has been used on all finance leases

21 Called up equity share capital

	2011	2010
	£	£
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
10 ordinary shares of £1 each	10	10

22 Controlling parties

The Company is wholly owned by the Secretary of State for Business, Innovation and Skills and the Secretary of State for Scotland

23 Related party transactions

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

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

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

24 Statement of loans administered by the Company

Funding for the purpose of making loans to students is received by the Company from the Department for Business, Innovation and Skills, the Student Awards Agency for Scotland, the Department for Employment and Learning in Northern Ireland and the Department for Children, Education, Lifelong Learning and Skills in the Welsh Assembly.

As at 31 March 2011 the total balance of the loan portfolio administered by the Company on behalf of the funding bodies was £41,195,331,000 (2010 £ 35,954,579,000), which excludes all non repayable student support.

25 Disclosures required by Government Financial Reporting Manual

Note 1 refers to the Company's departure from the accounting treatment required by the Government Financial Reporting Manual (FReM) with respect to Grant in Aid. The following supplementary disclosure presents a Statement of comprehensive income and Statement of financial position, Statement of changes in equity and Statement of cash flow prepared in accordance with the FReM requirements. All Grant in Aid for capital expenditure is treated as specific.

Supplementary information is also provided to enable an understanding of these statements. Where there is no change to the disclosures arising from the FReM treatment, references are to existing notes above. Revised disclosure notes are referenced alphabetically and follow the revised statements. The comparatives have been restated as there is no requirement to charge notional cost of capital.

Supplementary statement of comprehensive income*for the year ended 31 March 2011*

	<i>Note</i>	2011 £000	2010 £000 Restated
Revenue	<i>a</i>	1,326	1,188
Expenditure			
Staff costs	<i>5</i>	(51,867)	(53,438)
Restructuring costs	<i>5</i>	(136)	(4,989)
Depreciation and amortisation		(4,473)	(4,305)
Other administrative expenses		(34,530)	(30,770)
Operating loss		(89,680)	(92,314)
Finance income	<i>6</i>	23	7
Finance costs	<i>7</i>	(743)	(769)
Tax on result of ordinary activities	<i>8</i>	17	(44)
Loss on ordinary activities after tax		(90,383)	(93,120)
Other comprehensive income.			
Actuarial gain/(loss) recognised in gains and losses	<i>18</i>	904	(9,106)
Total comprehensive loss for the period		(89,479)	(102,226)

In both years, the company made no acquisitions and had no discontinued operations

a Revenue

Revenue is analysed as follows:

	2011 £000	2010 £000
Administration fees receivable from third parties	1,006	960
Other income	320	228
	1,326	1,188

Administration fees for third parties relates to income for bursary services provided to Higher Education Institutes and debt sale services

Supplementary statement of financial position

as at 31 March 2011

	Note	2011		2010	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	9	10,018		11,043	
Intangible assets	10	933		1,348	
Total non-current assets			10,951		12,391
Current assets					
Trade and other receivables	12	9,204		9,741	
Cash and cash equivalents	13	2,245		1,576	
Total current assets			11,449		11,317
Total assets			22,400		23,708
Current liabilities					
Trade and other payables	14	(15,393)		(8,565)	
Financial liabilities	16	(368)		(87)	
Provisions	17	(13)		(3,976)	
Income tax		(3)		(9)	
Total current liabilities			(15,777)		(12,637)
Non-current assets plus net current assets			6,623		11,071
Non current liabilities					
Trade and other payables	14	(6,365)		(9,596)	
Financial liabilities	16	(180)		(1,334)	
Provisions	17	(8,245)		(8,132)	
Retirement benefit obligations	18	(13,299)		(13,012)	
Total non current liabilities			(28,089)		(32,074)
Net liabilities			(21,466)		(21,003)
Capital and reserves					
Called up share capital	21		-		-
General reserve			(21,466)		(21,003)
Total equity			(21,466)		(21,003)

Supplementary statement of changes in equity
for the year ended 31 March 2011

	<i>Note</i>	Capital	General Reserve	Total Equity
		£000	£000	£000
Balance at 1 April 2010		-	(21,003)	(21,003)
Grant in aid			90,207	90,207
Net loss		-	(90,383)	(90,383)
Total pension cost recognised in statement of comprehensive income	18	-	(4,389)	(4,389)
Employer contribution in respect of retirement benefit	18	-	3,198	3,198
Actuarial gain in retirement benefit obligations	18	-	904	904
Balance at 31 March 2011		-	(21,466)	(21,466)

Supplementary statement of cash flow
for the year ended 31 March 2011

		2011	2010
	Note	£000	£000
Cash flow from operating activities			
Loss on ordinary activities after taxation		(90,383)	(93,120)
<i>Adjustments for</i>			
Depreciation	9	4,058	4,060
Amortisation	10	415	245
Amortisation of deferred capital receipts			
- Property, plant and equipment	15	(2,580)	(1,746)
- Intangible assets	15	(415)	(245)
Loss on Disposal		16	-
Taxation	8	(17)	44
Finance costs	7	743	762
Finance income	6	(23)	(7)
		<u>2,197</u>	<u>3,113</u>
(Increase) in trade and trade receivables		(143)	(1,433)
Decrease in trade and other payables		3,543	(5,009)
(Decrease)/Increase in provisions		(3,850)	4,089
		<u>(450)</u>	<u>(2,353)</u>
Cash generated from operating activities		(88,636)	(92,360)
Corporation tax paid		(2)	(116)
Corporation tax received		13	215
Net cash generated from operating activities		(88,625)	(92,261)
Cash flow from investing activities			
Finance income	6	23	7
Acquisition of property, plant and equipment	9	(3,049)	(3,457)
Acquisition of intangible assets	10	-	(621)
Proceeds from sale of property, plant and equipment		-	3
		<u>(3,026)</u>	<u>(4,068)</u>
Net cash generated from investing activities		(3,026)	(4,068)
Cash flow from financing activities			
Capital funding received from funding bodies		3,049	3,878
Operating funding received from funding bodies		90,207	93,076
Decrease in financial liabilities		(873)	(2,531)
Finance interest paid		(63)	(156)
		<u>92,320</u>	<u>94,267</u>
Net cash generated from financing activities		92,320	94,267
Net increase/(decrease) in cash and cash equivalents	13	669	(2,062)
Cash and cash equivalents at 1 April	13	1,576	3,638
Cash and cash equivalents at 31 March	13	2,245	1,576

INDEPENDENT ASSESSORS' ANNUAL REPORT

Introduction

On 6th May 2009 the Minister of State for Higher Education and Intellectual Property appointed us as Independent Assessors for Higher Education Student Finance Appeals and Complaints. These are statutory appointments made under s23(6) of the Teaching and Higher Education Act 1998. Loans transferred to the private sector, if they do not fall within the remit of the Financial Ombudsman Service, may be referred to us, as may complaints in respect of the older mortgage style loans.

During this year, our remit has been clarified by the Department for Business, Innovation and Skills ("BIS"). Our decisions are binding on the SLC unless the SLC is directed otherwise by the Secretary of State. In the event that BIS does not agree with our decisions, it makes a recommendation to the Secretary of State, who decides whether or not the decision should be implemented. During 2010/11, a number of cases relating to equivalent level qualifications (see below) and one involving an NHS bursary have not been implemented. All of our other decisions have been implemented. We now routinely explain this to every appellant or complainant referred to us.

In our terms of reference we are required to bring independent decision-making to bear on appeals and complaints cases referred to us by the Student Loans Company and to uphold the principles of public life (the Nolan Principles) in our work. As part of that accountability we are required to make a report to Ministers and to the Board of the Student Loans Company for the year ending 31 March 2011 summarising our activities over the year and making recommendations about areas for improvement arising from our casework. This report therefore deals with cases received by us prior to 31 March 2011.

Complaints and Appeals

The SLC defines a complaint as

"an expression of dissatisfaction, however made to an organisation, related to its products or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected"

And an appeal as,

"a formal request to Student Finance (England) asking us to review our decision either on whether you are entitled to financial help or on the amount of funding we have awarded you."

Caseload

During the year we resolved fourteen complaints and fifty nine appeals. A comparison with AY 2009/10 may be seen in the table below.

	SLC Decision Upheld	Appeal/Complaint Upheld	Total
Appeals			
2010/11	34	25	59
2009/10	5	1	6
Complaints			
2010/11	6	8	14
2009/10	3	9	12

Complaints

During AY 2009/10 we reported that a new complaints system had been introduced within the SLC with a view to simplifying and shortening the complaints process. The new complaints process has meant that we have seen an improvement in the speed of the process of complaints through the internal system and to us.

The level of complaints for AY 2010/11 was consistent with that of AY 2009/10. This is a very small number of complaints given the size of the SLC's customer base, and although any complaint is undesirable, this consistency at such a low volume appears to us to be positive. The majority of complaints are successfully resolved by the SLC's internal complaints procedure, and so do not escalate to the Independent Assessors.

In terms of the subject matter of the complaints, 3 related to the Repayment of Teachers' Loans ("RTL") scheme, which is no longer open, 5 related to service issues, and the remaining 6 to various other issues. Last year we saw a number of complaints relating to the interface between HMRC's systems and those of the SLC. The difficulty arises because the SLC is only informed on an annual basis of the repayments made by loan holders through payroll deductions. Accordingly, where customers wish to discharge the whole of their loan early, the SLC has difficulty in providing an accurate final redemption figure. We suggested that the SLC should explain the partnership working arrangement to customers, in order to assist in managing such situations.

In response to our recommendations last year, the SLC set up the Prevent Overpayments Scheme ("POR"), which allows customers to pay by direct debit and opt out of repayment by PAYE. This ensures that they repay only the actual balance of their loan. This year, only one complaint (in May 2010) related to this issue.

One of the problems that we identified last year and indeed during this year was that there was sometimes a problem in identifying whether a customer was making a complaint or an appeal or indeed both, as occasionally happens. At our request the SLC implemented a system whereby appeals staff would also deal with any complaint arising alongside an appeal, and complaints staff would identify an appeal and refer it as such even if the request was expressed as a complaint. This is a positive step and will hopefully lead to a swifter resolution of issues for SLC's customers.

In further response to our recommendations during the year, the SLC has improved the quality of the information relating to the complaints and appeals procedures on its website, and has put links to both procedures on its staff intranet, to enable staff to give accurate information to customers. The SFE information website is part of the Government's "Directgov" website and so must adhere to a prescribed format in terms of page build, content, colours and language. Nevertheless, the SLC has assured us that it will ensure that the content is kept as clear and informative as possible.

Appeals

This year has seen a sharp rise in the number of appeals escalated to Independent Assessors, from 6 in AY 2009/10 to 59 in AY 2010/11. This is partly due to the completion of the transfer of the assessment process from the Local Education Authorities ("LEAs") to the SLC. As part of this transfer, the SLC reviewed a sample of LEA decisions, and a number of these were reversed, to the obvious distress of the customer. This has led to a number of appeals. The table below sets out the broad categories of appeal.

Appeals FY 2010/11 by subject matter	Number of Appeals
Migrant workers	15
Equivalent Level Qualifications/Previous Study	14
Residency	15
Independent Status	3
DSA	2
Other (mainly eligibility)	10
Total	59

Of the appeals this year, in around 56% of the cases, we upheld the SLC's decision, and in 44% we recommended that the appeal be upheld.

The three largest categories of cases contributed 80% of the total appeals, and so it may be useful to consider these in more detail. In relation to applicants appealing their eligibility as **EU Migrant Workers**, the nature of the decision to be made by the SLC in terms of eligibility is very fact specific, and turns on whether the applicant's economic activity is firstly genuine, and secondly, more than marginal and ancillary. One of the difficulties in making such an assessment for the SLC is that there is (deliberately, and in our view, rightly) no benchmark earnings figure for applicants. A number of these appeals result from earlier decisions made by Local Education Authorities, which were subsequently reviewed by the SLC's migrant worker team and found to be incorrect. Given the nature of these cases, we are unable to draw any general observations from the appeals that we have considered.

The large number of appeals relating to **previous study** is mainly due to a series of cases involving students who have already acquired an Honours degree claiming student support for a medical degree (often called an MBBS). 3 of the 4 Independent Assessors found that the Student Support Regulations as they then stood gave rise to an interpretation that these students should be funded for this further course of study.

The Department of Business, Innovation and Skills ("BIS") did not agree with our interpretation of these cases and recommended to the Secretary of State that our decisions in favour of these applicants should not be implemented. The Secretary of State agreed with BIS' recommendation and our decisions in these cases were not implemented. The Regulations have now been amended to state explicitly that holders of an Honours degree will not be eligible for further funding (with some specific exceptions), and so we do not anticipate that this volume of appeals will be repeated in AY 2011/12.

The high level of **residency** appeals largely relates to non-UK/EEA students who have acquired permanent residence in the UK, usually following marriage to an EU national, and students who have acquired or are in the process of acquiring indefinite leave to remain, sometimes after a failed asylum application. A small number of residence appeals also relate to the legal concept of "ordinary residence". The quality of our decisions in these very important matters is dependent on the quality of information that the SLC (and we) receive from the Home Office. We have recommended that for AY 2011/12, this information be more detailed than the information currently provided. Again, these cases are very fact specific, and turn on individual circumstances rather than general principles.

In August 2010, the SLC restructured the appeals process slightly, so that one department handles the whole process through both stages (although, of course, a different member of SLC staff considers each stage of the appeal). Although initially this resulted in delays in cases reaching us, this now seems, in our view, to have helped the flow of the process, and has started to improve the quality of some of the appeal response letters that we see. We look forward to this improvement continuing into AY 2011/12.

Recommendations

During the course of our work we have made a number of specific recommendations with respect to giving redress to specific customers. We have been assured that (other than in the cases identified by the Secretary of State as described above) all of these have been accepted and acted upon. We have individually made a number of more general recommendations with respect to the operations of the SLC, and the SLC feeds back to us in quarterly meetings how these recommendations have been implemented.

In our annual report for FY 2009-10 we made a number of general recommendations, some of which we are pleased to see have been implemented. In particular, the problems caused by the lack of identification of a customer communication as an appeal or complaint seems to have been resolved (see above). The SLC has also continuously improved the quality of information on its website and we recommend that this is kept under constant review (see also specific recommendation below). We are also satisfied that particularly towards the end of this year, improvements have been made to the timeliness of processing appeals and complaints and escalating them to us. In terms of finding a more efficient means of ascertaining final redemption figures for SLC customers, we have dealt with one further case for this in 2010/11, and one early in AY 2011/12, so we recommend that this continues to be monitored.

Last year we recommended that applicants for Disabled Students' Allowance ("DSA") be given a named advisor to assist them through the application process for this allowance.

The SLC has said that operational constraints have not allowed it to do this for every applicant, but that such a service is now available on request. It has also opened a direct email channel for applicants, which has been very well used, and which has apparently consistently maintained a 24-48 hour turnaround time, in terms of the SLC's response. We have received 2 DSA appeals this year.

Recommendations for AY 2011/12

In addition to the recommendations made in respect of individual cases during the year, we would make the following general recommendations:

- That the quality of immigration information supplied by the Home Office to the SLC and to us as Independent Assessors should be improved.
- That the SLC website be amended to include information relating to the lawful immigration status necessary to establish "ordinary residence" be included in order to assist potential applicants.
- Appeal responses should be continuously monitored and improved, to avoid letters to customers that simply repeat the Regulations, with little or no attempt to explain their application and respond to specific points raised by customers.

Finally, we are also pleased to note that students have told us that they have found our role to be useful during the year. Perhaps inevitably, positive comments are most often found from those customers in whose favour we have found. However, even some of those who are disappointed in our decisions have expressed their gratitude in having their case thoroughly investigated and considered by an independent party.

Independent Assessors

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