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STUDENT LOANS COMPANY LIMITED

ANNUAL REPORT

2011-12

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CHAIRMAN'S STATEMENT

The environment within which the Student Loans Company operates is being transformed. Changes to further and higher education funding models have ensured that the past year has been anything but 'business as usual'. The challenge has been to not only develop strategies, capabilities and capacity that prepare us for change, but to do this whilst striving to deliver a continually improving service to our customers within the constraints of our current systems and regulations.

Whilst the factors that influence us are shifting, our fundamental mission remains the same to provide the financial support that customers need to access further and higher education.

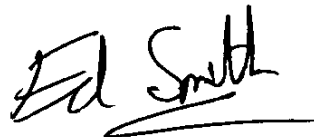
The Student Loans Company could not, and should not, aim to deliver all that is demanded of it alone. We have been building and strengthening relationships with stakeholders, including the Devolved Administrations, the Department for Business, Innovation and Skills (BIS), further and higher education institutions and our customers. Combining this with greater use of public and private sector expertise, we are creating a company that has the intelligence, agility and resilience to adjust rapidly to changing circumstances and higher demand for our services.

Externally driven structural change is just one side of the coin and we have been using the opportunities it presents to further refine and improve what we provide. Alongside our preparations for a new funding model, we have improved customer services by, for example, improving access to, and the delivery of, information, and making the end to end process more accessible and relevant.

There is much more to do to meet our own exacting standards and those demanded of us as a critical organisation in the context of the Government's HE and FE reforms. Financing higher education will again be in a different place as I write my statement for the 2012-13 Annual Report. In the coming year, the needs of the Devolved Administrations are likely to diversify further, the technologies open to us and our customers will evolve, and a number of other demands will impact upon us. This is what makes our work so important and so exciting.

We can be proud of the past year and confident about our future. The efforts of our staff are paramount in delivering what is expected of us. I would like to take this opportunity, on behalf of the Board, to thank each and every one of them. I would also like to thank our CEO, Ed Lester and our executive leadership team. They have been both building the future and delivering today — and in that endeavour will create a far more robust and flexible organisation.

Whilst the phrase, "we have achieved much, but still have much to do" may appear clichéd, it is true for us all at the Student Loans Company. This year has thrown up many challenges, and by tackling them head on, we will continue to improve in 2012-13.



Ed Smith
Non-executive Chairman,
Student Loans Company

CHIEF EXECUTIVE'S FOREWORD

Statistics alone cannot tell the whole story of the Student Loans Company in 2011-12, but they are an important part of the narrative. We paid out more than £8 billion in loans, grants and tuition fees to colleges, universities and 1.32 million students, and recorded collections of £1.6 billion in repayments. In the process we dealt with well over 1.5 million individual pieces of customer mail.

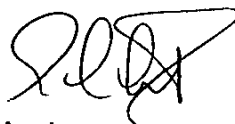
By any objective measure, these are large numbers, but as Government and the varying policies of the Devolved Administrations make themselves felt, they are set to become even larger. Our customer base grew by 300,000 in 2011-12 — to reach a total of 3.2 million customers in repayment.

In the past year we have been aligning our business capabilities to our new remit. This has been no small task. Our IT department is a very different organisation from that of just 12 months ago. The management team has commenced the renewal of our infrastructure, systems and processes to start creating an entity that can manage the changes we anticipate — such as an expansion in numbers and more complex repayment mechanisms — whilst being even more flexible and agile to deal with any unforeseen challenges that may face us in the future.

Refreshing our internal systems is helping us to introduce improvements to our external services. This year has seen improved customer communications with additional functionality for our website, new knowledge management, adviser quality control and automated call systems which are all helping to deliver even more efficient and effective access that our customers have every right to expect.

In building a sophisticated customer focused organisation, we are also acutely aware that we must deliver value for money. We are making investments in counter-fraud with an expanded Special Investigation Unit, additional tools that reduce the scope for fraudulent activities, and by becoming members of specialist bodies that are focused on sharing information to defeat on and offline criminals. Efforts in this area are paying dividends, with losses incurred by our customers from phishing scams falling significantly. It is just one of the ways we are working to ensure that every penny of public investment goes to those who need it most.

Finally, I would like to echo the Chairman's praise of our employees and their tireless efforts over the past year. They have been the driving force behind a year of progress, and in understanding that we should always strive to do better and continue to deliver improvements to our customers. On a personal note, I have thoroughly enjoyed the opportunity to work with our stakeholders, the Main Board and everyone working within the organisation this year to create a solid and stable foundation for us to provide an even better service in the forthcoming year.



Ed Lester
Chief Executive, Student Loans Company

MANAGEMENT COMMENTARY

Key achievements in 2011-12:

- In 2011-12 we supported around 1.32 million students (1.25 million in higher education), up from 1.26 million (1.19 million in higher education) in 2010-11
- We paid £5.6 billion in maintenance loans and grants
- We paid £3.1 billion in tuition fees direct to universities and colleges
- We recorded collections of £1.6 billion from around 1.7 million customers
- Even at our busiest times we met targets to answer calls and overall throughout the year 92 per cent were answered
- We re-launched the Student Loans Company website, with improved functionality to help customers access the information and services they need
- We have realigned the business to take into account significant changes to Higher and Further Education funding in 2012-13

Key Challenges for 2012-13

- Implement the strategies, systems and processes developed in the past year to integrate changes to Further and Higher Education funding successfully
- Provide a seamless crossover from the old and new funding models for students in England and Wales, coping with higher demand and more diversified products
- Continue to develop and streamline systems that simplify the student loans process, both for our customers and ourselves, to deliver high levels of service quality and value for money

PURPOSE AND PERFORMANCE

About the Student Loans Company

The Student Loans Company was set up in 1989 and is owned by BIS and the Secretary of State for Scotland. We are a non-profit, public sector organisation that employs more than 1,920 people across four sites in the UK. Since 1996 we have been classified as an executive non-departmental public body.

What we do

- Determine and assess eligibility and entitlement to grants and loans for students and potential students in England and EU residents intending to study in England, Northern Ireland or Wales.
- Pay grants to eligible students from England, Northern Ireland and Wales and loans to eligible students from across the UK.
- 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 (HEIs) 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 HEIs in Wales, allowing students to be assessed for and receive bursaries alongside their statutory student support entitlement.

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 Colleges Admissions Service (UCAS) and with Her Majesty's Revenue and Customs (HMRC).

OPERATING ENVIRONMENT

Key points:

- Demand for student finance continues to grow
- Government decisions on policy have a significant impact on our organisation
- We are constantly working to improve assessment, payment and collections

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 Government to allow universities in England to raise their fees has had an effect on the amount of money which students borrow.

Demand for Higher Education

In Academic Year (AY) 2011/12, the Student Loans Company received 1.34 million higher education student finance applications, compared to 1.31 million in AY 2010/11. Last year we saw a small increase in demand for our services, consistent with the trend for the number of people applying to go to college or university. In April 2012, UCAS reported that it had received 587,687 applications (excluding non EU students who are generally not entitled to student support), down 54,166 (or 9.2 per cent) on the previous year. Hence, demand looks likely to decrease this year for full time study, although this will be more than offset by the introduction of loans for part time higher education study in England.

Student Finance across the UK

We provide 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 Welsh Government Department for Education and Skills and with local authorities in providing financial support to eligible students from Wales. We provide the student finance administration systems, information and guidance while making payments to students and HEIs.

Further education in Wales

In AY 2011/12 we worked effectively with schools and colleges to assess students and make payments in respect of the Education Maintenance Allowance, the Assembly Learning Grant for Further Education 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 Government policy requirements.

Student Finance ni

Our customer service centre in Glasgow works with the Department for Employment and Learning and with Local Education and Library boards in providing 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 2011/12, we worked effectively with schools and colleges to assess students and make payments in respect of the Education Maintenance Allowance in Northern Ireland. The Further Education administration service was successfully developed and delivered the Education Maintenance Allowance in Northern Ireland in line with Northern Ireland Assembly policy requirements.

Student Awards Agency for Scotland

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 make loan payments to students who are eligible for support. We are committed to developing and improving, with SAAS, the service for our shared customers and stakeholders in Scotland.

Examples of the products and services we provide are

England, Northern Ireland and Wales

- **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 and in some cases grants 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 are 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:** from September 2012 we will pay tuition fee loans for students who begin their course from September 2012. For students who start a course prior to September 2012, 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 certain teaching qualifications.
- **Bursaries and scholarships:** we administer bursaries and scholarships on behalf of over 175 universities and colleges across England, Northern Ireland and Wales through the Bursaries Administration Service. This includes assessment and payment of awards to students on behalf of each university/college

Scotland

- **Main support for full-time students:** SAAS assesses students and pays grants to those who are eligible. We pay maintenance loans as identified in the assessment carried out by SAAS.

Further Education — 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 and up to the age of 19) in Wales and Northern Ireland. We also pay the Assembly Learning Grant for Further Education to eligible mature further education students, aged 19 or over, in colleges in Wales

European Union

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

CUSTOMER SERVICE

The year 2011-12 has continued to present challenges in terms of increasing customer demand, but it is one that we have risen to with systems and processes that provide good levels of service to our customers

Staffing levels have been carefully planned to ensure that the maximum number of advisers is available at peak times to meet customer demand. This has seen 390 employees available during low intensity periods, rising to 930 during times of high intensity activity. This is up from the maximum 2010-11 peak figure of 818.

To ensure that we have this flexible staffing available when we and our customers need it, we have introduced new outsourced contracts for external providers. These are also proving effective in delivering substantial improvements in the quality of service that we provide.

This is working well, with the numbers of calls answered coming in above our targets – overall in 2011-12, we have answered 92 per cent of the calls made to our contact centres, against a target of 90 per cent. This reflects a consistent service with most customers reaching an adviser the first time they call us.

The level of service we offer to customers is as important to us as the volume of enquiries we handle.

- In 2011-12 we introduced a new knowledge management solution that helps our advisers to find the information they need to answer enquiries quickly and efficiently. The system is also used to identify areas that are causing confusion, allowing us to amend the information we provide pro-actively. It means that our advisers are more effective, calls are dealt with efficiently and customers consistently get the information they need.

- In addition to this, we have introduced centralised Quality Management Teams. Their role is to oversee and manage the quality of service delivered by individual advisers and support them to provide better services.
- Work continues to simplify and streamline contact mechanisms. Using a range of contact management solutions we are speeding up the automated phone system and putting systems in place to allow us to accept email in the future.
- Induction training for advisers has been enhanced and now takes four weeks to ensure high levels of knowledge and customer-focus.
- Social media is increasingly important to our customers and so it is increasingly important to us. We continue to expand services using channels such as Facebook and Twitter.

“Quality of advice remains our focus and we will continue to refine and improve our services. Ultimately it is a virtuous circle because, by making it an easier process for our customers, we make it a more efficient process for the Student Loans Company.”

David Thomson,
Head of Customer Contact

Student Finance England Application Processing

In 2011-12 we have been further refining and improving our application processing systems to deliver ever-better services to customers — whilst coping with high ongoing levels of demand.

In terms of volume, we dealt with over 1.5 million separate pieces of mail in calendar year 2011 and 60,000 pieces of mail a week during peak periods — over 21,000 letters were received in one day alone in June. We have received 99,000 UK birth certificates and an additional 46,000 other forms of identity documentation from non-UK nationals.

Work to improve our customers' experience has included

- Flexible staffing and improved training that delivers more people on the ground at peak periods to reduce bottlenecks in processing.
- Enhancements for customers such as disabled students, with applications now processed within 10 days
- Working with the Immigration and Passport Service, electronic checks of UK nationals mean that identity can be established without the need to send the passport itself — speeding up and simplifying this critical part of the process for 95 per cent of our customers

- Partnership with HMRC introduced in March 2011 that delivers, for example, a much improved service for means-tested students. An electronic link to establish household income shifts the burden of proof away from the sponsor, with information checked at source. Now, 76 per cent of sponsors no longer have to provide proof of the stated income amount, and the time taken to make these checks has fallen from four weeks to a single day

The move towards more automated systems in 2011-12 will continue in 2012-13, with the aim of reducing the number of documents and interactions we need from our customers and the amount of paper that we have to deal with

“Whilst the numbers of applications we deal with are high and throughput important, it is the experience of individual customers that has driven improvements in 2011-12. Our definition of success is achieving a balance between automated efficiency and personal service to ease customers through the process, whilst maintaining the highest levels of accuracy”

**Mark Cassidy,
Head of Processing**

Customer Communication

At a time of unprecedented change to the financing of higher and further education, the need to keep our customers, their parents, sponsors and advisers informed of how it will affect them is critically important. The past year has presented significant challenges — and this section looks at examples of the projects that we have to meet them.

- Student Finance Matters Campaign

Building on the BIS 'Make Your Future Happen' information initiative, the Student Loans Company created the 'Student Finance Matters' campaign. The aim was to offer detailed communications about the new student finance package. The campaign has been delivered across multiple platforms to ensure maximum reach and impact and support the effective delivery of the service in England for AY 2012/13.

Our objectives were to provide an information resource that was simple and accessible, relevant and tailored to our audiences and ready when they needed it. The campaign encompassed

- a strong visual identity that reinforced the importance of student finance,
- information, advice and guidance that personalised the finance package to the customer,
- a communications toolkit for schools, colleges, HEIs, other stakeholders and delivery partners.
- a wide range of online and offline activities and tactics to deliver maximum reach and impact amongst target audience groups,
- the dissemination of materials to partners and stakeholders before the launch of the campaign to ensure widespread buy-in to, and understanding of, key messages for cross-agency consistency.

- Online Services

Reflecting changes in wider society, the Student Loans Company's Online Services have grown from three people in 2007 to 12 in 2012. We are responsible for eight publicly facing websites as well as our internal intranet site, working closely with colleagues in IT to deliver accessible and customer friendly online tools and resources.

This has led to the delivery of one of the first 'platform reactive' Government hosted websites in the UK. It provides a cost effective and state-of-the-art platform for our Student Loans, Practitioners and HEI Services websites, giving our customers and stakeholders the flexibility to access our information and services wherever they may be, using their smartphones and tablets.

AY 2011/12 has seen continuing growth in online applications, increasing from just 6 per cent in 2005 to 92 per cent in 2011.

Building on work completed in AY 2011/12, our focus in 2012/13 is

- to ensure all online services are continuously monitored, analysed and improved, to deliver the most accessible and usable customer experiences possible,
- to continue to provide a safe and reliable online service while supporting service transformation, and
- to support full delivery of the UK Government's 'Digital by Default' agenda.

- Social Media

Social media is an increasingly important means of communication with our customers and other stakeholders and it is a channel that we have been investing in. It is a particularly efficient medium, both in terms of cost and reach.

In 2011-12 our following on Facebook and Twitter has increased by around 700 per cent, proving its popularity and the success of our approach has been recognised externally – the Student Loans Company was shortlisted for its use of social media by the Chartered Institute of Public Relations and the Institute of Internal Communications awards.

We have used social media to communicate many of our key announcements, including our early application launch date for AY 2011/12, which led to 20,000 student finance applications being received in the first day alone.

As well as flagship announcements, we have been hosting regular 'student finance surgeries' on our social media channels, where our customer advisers respond to real-time enquiries from new and returning students in England, as well as their parents. We have also identified the most frequent reasons why customers call us to seek advice through social media and updated our 'Frequently Asked Questions' web pages to help students get the information they need quickly and reduce the burden on our call centres.

Social media is, intrinsically, a medium that promotes dialogue and we have been receiving excellent feedback from our customers. Whilst gratifying, it also allows us to find out how our customers view and interact with the Student Loans Company and constantly refine our services to meet their needs.

Feedback from customers includes

"If you want to see a good example of a company using twitter for good see @SF_England – you ask a question and get an answer. Brilliant."

"Keep up this excellent use of Twitter, very helpful, saves me phoning you! Win Win."

"Thanks for the quick reply! Well impressed!"

"Thank you guys. Very happy to see SFEngland using social media platforms. Thanks and keep the good work going."

- UCAS Conventions

Our attendance at UCAS conventions between March and June reached a potential audience of over 150,000 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.

We invest in these conventions, with a presence based on a stand in the main hall (student facing) and a stand within the teachers' lounge area (practitioner facing).

In 2011-12, these stands were refreshed to reflect our 'Student Finance Matters' campaign branding and feature our new strap line, 'Your student finance journey starts here'.

The main stand boasts the latest advances in technology, specifically giant iTabs, iPads, a diary room and plasma screens to attract and engage students, and to provide us with crucial data and intelligence at this important pre-applicant stage. This intelligence is used to inform future campaign activity.

- Relationships and Stakeholder Engagement

Partnership is critical to the Student Loans Company achieving its objectives and outreach activities in the Higher Education (HE) field have been an important aspect of our work in 2011-12

We continue to strengthen these relationships in a number of ways, including

- Engaging and developing strategic relationships through a high level Stakeholder Forum and a number of specialist Working Groups. These have been highly active in 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, BIS and the Devolved Administrations
- 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 communications environment is changing fast and our goal is to keep pace, providing the right messages at the right time using the right channels. This is imperative if we are to engage with customers and stakeholders in ways that are relevant and reflect new ways of living.”

**Katrina Nevin-Ridley,
Head of External Affairs**

Loan Repayment

Changes to Government policy around HE funding are having a major impact on the future of loan repayment. Preparing ourselves for the changes has been a major body of work during 2011-12.

The terms and conditions of the loans for new English and Welsh customers from 2012 are changing significantly. Most notably

- the repayment threshold will be £21,000,
- outstanding balances will be written off after 30 years, and
- interest is variable. Retail Price Index (RPI) plus 3 per cent until the borrower is liable to repay. From that date interest is variable depending on income.

With repayments due over a longer period and more students taking out loans, our customer numbers are set to rise further and our IT systems are adapting to cater to increased complexity.

We have implemented a number of improvements in 2011-12 that are helping the Student Loans Company to recoup, and our customers to repay, loans

- **Joint Unit with HMRC:** we have established a joint unit with HMRC that, in the past five years, has ensured that our customers receive a more effective and efficient enquires service. Employees from the Student Loans Company and HMRC work together and provide a single, seamless service to customers who contact us with questions about their loans and repayments. It proved to be a very popular one-stop-shop in 2011-12 with 27,000 enquiries made during the year
- **Online repayment:** we are spending an increasing amount of time online and the Student Loans Company recognises this with our secure repayment website — www.studentloanrepayment.co.uk. It is a web based resource that will be familiar to our customers who appreciate the convenience of online banking, with a calculator that gives account balances and estimated interest payments — and customers greater control over their loan repayments

Information, advice and guidance is available on, for example, ways to defer repayments for mortgage style loan customers and where to get help if in difficulty. Further 'online banking' style improvements include the ability to manage Direct Debits and set up automatic card payments

Increasing use of the web is delivering new levels of convenience to our customers and allowed us to record collections of around £270 million through this channel in the past four years

- **European Union Students** loans for tuition fees have been available for EU students studying in the UK since 2006/07. The Student Loans Company enforcement strategy for borrowers who move abroad focuses on the collection of arrears and, where appropriate, involves legal action

"We understand that delivering a simple and streamlined system for loan repayments makes life easier for customers, helps us to maintain optimum efficiency and ultimately benefits the public purse. Our work over the past year has been to ensure that we retain this simplicity in a more complex repayment environment."

Jackie McGale,
ICR Manager - Repayment Services

Fighting Fraud

Fraud prevention in the student loans application process is critical to a sustainable Higher Education system. It safeguards public funds, ensures that every penny of public investment goes to those it is intended for and helps to provide access to education for millions of people.

Consequently, it is an area that we have focused on, strengthening our existing activities and keeping pace with rapidly evolving criminal activity. In 2011-12 we have:

- Enhanced our approach to fraud prevention by engaging in partnerships with public and private bodies to learn from their experience and coordinate efforts. We have become a member of the UK fraud prevention service, CIFAS, which gives us access to a wealth of information, helping us to anticipate and react to different forms of criminal activity.
- Harnesses some of the latest technical solutions to prevent fraud. We are cooperating more extensively with government departments — using electronic and automated systems to check information provided to us for National Insurance numbers. In the past, these checks required paper documents that were open to abuse.
- Strengthened our anti-fraud Special Investigations Unit, working with colleagues across the business and externally to identify and mitigate risk.

Whilst there might appear to be a contradiction between strengthened security and 'ease of access' we believe strongly that fraud prevention can go hand in hand with an improved customer journey. Not only can they co-exist, they are often co-reliant.

If we take increased use of technology, for example, the ability to check for National Insurance numbers and household income at source allows us to remove paper from the system. This cuts out the possibility of forged documents, whilst also removing the burden of providing proof from our customers.

- Phishing

The Student Loans Company also works with education institutions and students to offer advice on how to keep their loans and grants safe from social engineering scams, such as 'phishing'.

Phishing scams use fake emails supposedly from trustworthy sources, to persuade people to give out information like passwords and account details, which can then be used for fraudulent purposes. We use communications channels such as Twitter and online guides to educate customers about the dangers of these frauds, particularly at times when loans have just been paid and the risks are greater. We have also learned from the online banking industry, proactively monitoring accounts for suspect activity and sending customers text messages if any of their financial details are changed.

Using these tools and partnering with organisations such as the Metropolitan Police is proving effective in the fight against phishing, with losses incurred by our customers reducing consistently over the past year.

"The ingenuity of fraudsters demands that we are always alert to threats and use the latest tools and technology to prevent losses. In so doing, we help to safeguard and simplify the path to education for millions of students."

Heather Laing,
Fraud Prevention and Detection Manager

ORGANISATIONAL CAPABILITY

Our Organisational Environment

The landscape in which we operate is changing significantly and in 2011-12 we have been working to ensure that the Student Loans Company and its 1,920 employees are well placed to deliver on a new and challenging set of priorities for 2012-13 — and beyond.

Major reforms to the funding of higher and further education demand that we grow in capability. Alongside this, the increasingly dynamic, complex and diverse needs of the four home country administrations mean that we are changing to become more agile. In the past year we have been building capacity to ensure that we have the organisational flexibility to respond, both to current demands and additional priorities as they emerge.

The Target Operating Model

To help us achieve this, we have developed our Target Operating Model. This describes the dimensions of our business, the people, processes and technologies we need, how we interact with our customers, suppliers and stakeholders, and how we interact with each other. These are the first steps of a programme spanning three to five years that will transform the way our organisation works, for the good of our customers, stakeholders and the Student Loans Company as a whole. The replacement of our core IT systems is a major component of our Target Operating Model.

Change is giving us the opportunity to become a truly excellent service delivery organisation.

Leading the Way

We are investing in our people to deliver the best service for customers. This investment will help us to achieve a more collegiate and striving culture, where mediocrity is not accepted, people work together to do what is best for our customers, challenge is welcomed and colleagues are trusted to do what is right.

We are working to promote the development of our people, working practices and culture, and our ability to achieve our strategic goal of becoming a customer-centric, agile organisation and trusted partner. We are

- building a clear, compelling, shared future vision for SLC that sets out the agreed direction and priorities for the organisation and wins the full commitment of our people,
- translating and communicating our strategic direction to employees, clearly setting out how each person contributes,
- explaining how, as well as what, we expect people to deliver,
- developing organisational capacity and capability by accelerating resource planning and creating a long-term framework for personal development, so that the organisation is positioned to meet future as well as short-term demands, and
- building management capability and addressing performance issues proactively, challenging mediocrity.

To achieve this we will:

- Implement 'Leading the Way', our behavioural blueprint of how we deliver business goals, priorities and objectives. Our Leading the Way commitments are fundamental to the change we need to make and will improve customer focus. These commitments will be embedded in all of our processes from recruitment to leadership and management practice through to performance development.
- Communicate the Business Plan from executive priorities and accountabilities through to individual objectives, creating awareness of shared objectives. We will create awareness through structured communication and engagement of these priorities and objectives, our progress against them and how every employee contributes to the overall success of the organisation.

- Understand shared and directorate business requirements, creating an organisation design that focuses on both current and future plans. This will create structures with the right skills, knowledge and design supported by effective succession planning.
- Provide consistent and timely employee communications which articulate our business performance and our change and transformation agenda.
- Establish a Learning Academy that will provide a dedicated facility to create skills and promote a culture of excellence that supports the priorities and goals of SLC.

Healthy Working Lives

The Student Loans Company's Healthy Working Lives Group is currently working towards the Healthy Working Lives Silver Award, which looks at implementing initiatives related to Healthy Eating, Physical Activity, Mentally Healthy Workplaces, Staff Attendance and Avoiding Accidents at Work. The Group is now working towards co-ordinating activity that is aligned with national awareness events.

A pilot for Mentally Healthy Workplaces training for managers has been carried out and received good feedback from those in attendance. Over the coming months our trainers will be rolling this out to managers across the company — aligning with both our Leading the Way commitments and our Respect at Work policy.

Employee Feedback

The Student Loans Company benchmarks itself against the best companies in the UK and we participate in the 'Sunday Times Best Companies to Work For' survey. In 2011-12 two thirds of our employees responded to the survey — over 1,300 people — and our overall score has improved over that recorded in 2010-11.

We work with each directorate to interpret and learn from the results of the survey, changing what is not working well and strengthening what is. To ensure that these results are aligned with and help to drive our organisational objectives, we link the results of the Best Companies to Work For Survey to our Leading the Way initiative. We use this and other feedback mechanisms to help support the Business Planning and objective setting process for each directorate, director and department.

Corporate Social Responsibility

We know that the Student Loans Company does not exist in a vacuum and that actions we take, large and small, can make a big difference to our employees and the communities in which we operate. We support employees in charity activities, for example, and strive to operate an organisation that is as environmentally responsible and sustainable as possible.

These initiatives must be owned and supported by employees, so our Corporate Social Responsibility (CSR) policy is steered by employees from every part of the company. It is a system that works well, with commitment, enthusiasm and expertise bringing fresh perspectives and ideas to our activities.

We work in three core areas: **Making a Difference to Others**, incorporating work that we undertake in our local communities, **Making a Difference to Ourselves**, incorporating our staff; and **Making a Difference to Our World**, incorporating our sustainability efforts.

Communities: we support the charities nominated by staff through various fund-raising activities, from 'Pink Parties' in Glasgow, car park auctions in Darlington, cake sales and coffee mornings in Hillington and Christmas baps in Colwyn Bay. In 2011-12, this has raised more than £9,000 across our four Business Centres.

We support a range of charities that reflect the issues that are close to our employees and these have included:

- Tak Tent (Scottish cancer support charity),
- The Beatson Institute (cancer treatment),
- The Sir Bobby Robson Foundation (cancer treatment),
- Help for Heroes (armed forces support),
- The NSPCC (children's charity), and
- RNLI (lifeboats)

In addition, we reach out into our local communities by, for example, partnering with local schools to provide work experience placements, supporting an apprentice scheme in Darlington and giving practical help and advice to school-leavers who are about to embark on new careers.

Staff: people are our primary resource and we understand that if our employees are to deliver the best services to customers, we have to invest in them. We work to

- deliver a healthy work-life balance,
- provide access to support and advice through employee assistance programmes and occupational health providers,
- partner with the NHS on employee well-being initiatives to promote healthier lifestyles, and
- recognise the changing demands on employees at different periods during the year and provide support and advice accordingly.

Sustainability: we understand that by making changes, large and small, the 1,920 individuals who work for the Student Loans Company can play their part in delivering a business that contributes to local, national and ultimately global sustainability initiatives.

- all non-essential lighting is switched off when not in use,
- lighting sensors have been fitted in rest rooms,
- we are adopting the use of low energy light bulbs in Darlington and Colwyn Bay, with analysis underway to extend the roll out to our other sites,
- air conditioning is being upgraded to deliver more energy efficient systems,
- we recycle around 70 per cent of all our waste and additional recycling facilities are being added to increase this level further,
- we only use products approved by Forestry Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification scheme (PEFC) to encourage sustainable forest management,
- by being more efficient in sending letters, we have saved 1.5 million envelopes, and
- paper saving initiatives have saved more than 550 trees.

Further information on the Student Loans Company's approach to Sustainability is available from our website.

Business Centres

The Student Loans Company operates from four Business Centres, located across the UK to ensure that we can deliver the services that students need

- Glasgow our headquarters where we base a customer service centre, our information communications technology (ICT) and our corporate functions;
- Hillington (near Glasgow) where our large scale printing and mailing operations are based and where we process applications for Further Education support in Wales and Northern Ireland,
- Darlington hosts our Student Finance England operations, providing help and advice to students as they pass through the student loans process — from initial application all the way through to final repayment, and
- Colwyn Bay is home to Student Finance Wales, with services in English and Welsh to provide financial support to students on behalf of the Welsh Assembly

Equality

The Student Loans Company continues to strive to place equality and diversity at the core of everything we do. In April 2012 the Equality Act 2010 (Specific Duties) Regulations 2011 came into force, with the regulations giving us a framework for demonstrating compliance with the Public Sector Equality Duty. Our Single Equality Scheme and action allows us to meet the needs of the Equality Act, protecting characteristics of age, disability, gender, gender reassignment, pregnancy and maternity, race, religion or belief, and sexual orientation

This Duty requires that we

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act,
- advance equality of opportunity between people who share a protected characteristic and those who do not, and
- foster good relations between people who share a protected characteristic and those who do not

This year we have worked to integrate the equality duties into the Leading the Way framework ensuring that senior managers champion these values explicitly. In addition, we have developed 50 new equality objectives, enhanced the membership and scope of our equality forum and steering groups, developed new ways of capturing and analysing data on equality performance and appointed an Equality and Diversity Manager to give strategic advice to the business on compliance with equalities legislation

Work developed internally is designed to have an impact externally, we have worked hard to ensure that all customers are able to have access to our products and services, introducing, for example, better services for customers with disabilities. As well as equality for customers, we also deliver equality for staff, recognising and valuing the diversity that they bring to our work

The Student Loans Company is also committed to equal opportunities, making customer access to our services easier and ensuring that those who provide us with services meet our procurement criteria for all equality areas

Our annual Equality Report, which can be found on our website, provides more information about our approach to equality.

PERFORMANCE MEASUREMENT

The Student Loans Company Balanced Scorecard consists of measures set out in the SLC Business Plan for 2011-2012, and covers three over-riding areas of priority. All the Government Administrations agreed the measures and targets for the first two areas of priority, as set out in the Annual Performance and Resource Agreement (APRA). The measures and targets for the third priority area (Business 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 defined in the APRA.

At the end of this financial year, we are confident that performance will again be seen as having improved over the previous year.

- Customer satisfaction increased across all three customer groups (students up 8 per cent, sponsors up 7 per cent and re-payers up 5 per cent) reflecting an improvement in ease of contact, knowledgeable and professional staff and speed of receiving an offer of finance and payments.
- SLC processed 99 per cent of applications before the start of term (student finance core applications received before the published deadlines)

- Customer satisfaction with our Information and Guidance (IAG) and customer communications also improved, with 82 per cent of customers responding positively that they could access information about student finance and that our information was easily understood (compared with 69 per cent last year). This clearly had an impact on numbers of students applying online, which increased from 76 per cent to 91 per cent.
- In Contact, the percentage of calls answered (PCA) target was met in full. At no time throughout the year was the 'floor' target breached. We received a total of 6.9 million calls and a 'first in SLC history' was established when our customer service advisers answered over 5 million calls within the year.

For the coming year, the scorecard will retain the same structure, with the same priority areas, and the majority of the same measures. The targets for the new financial year have been agreed by the Government Administrations for the APRA measures, and by the SLC Main Board for the Business Enablers.

A summary of performance against the APRA measures for FY 2011-12 is described in the tables that follow.

N.B. The GREEN, GREEN/AMBER, AMBER/RED and 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' for the relationship between the green limit and the limits for the other RAG statuses. Only the green limits (i.e. the targets) are included in the tables.

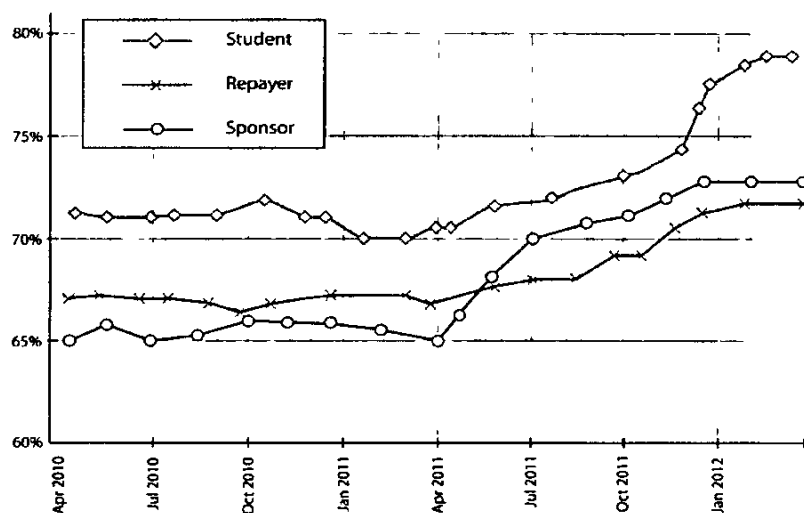
Priority A: Deliver cost-effective services that meet the needs of our customers**Objective 0: Deliver Customer Satisfaction across all services****0.1 Customer Satisfaction (UK)**

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	Overall Satisfaction - Student		≥ 72.1%	78.9%	GREEN
b)	Overall Satisfaction - Repayer		≥ 68.7%	71.8%	GREEN
c)	Overall Satisfaction - Sponsor		≥ 66.9%	72.7%	GREEN
d)	Overall Satisfaction – All groups	100%	≥ 70.1%	75.4%	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

In 2011-12 there were satisfaction increases across all customer groups compared to FY2010-11

Customer Satisfaction (over two years)



0.2 Complaints Handling (UK)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	Substantive replies to complaints within 15 working days or receipt at SLC	75%	≥ 85%	80.7%	GREEN/ AMBER
b)	Substantive replies to complaints within 20 working days or receipt at SLC	25%	≥ 95%	99.2%	GREEN
OVERALL RAG STATUS					GREEN/ AMBER

COMMENTARY:

We met the target for handling complaints within 20 working days throughout the year, but did not meet the 15-day target during October through to December (the peak months in terms of complaints volume)

Objective 1: Deliver safe, efficient and customer-focused Student Finance Services for England**1.1 Timeliness of Core Applications processing (England)**

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	Percentage of AY11/12 applications that were submitted on time that were processed by the start of term	25%	≥ 99%	99.3%	GREEN
b)	Percentage of those applications processed during FY11-12 that were processed within 20 working days (any academic year)	25%	≥ 70%	85.6%	GREEN
c)	Percentage of those applications processed during FY11-12 that were processed within 30 working days (any academic year)	25%	≥ 95%	94.0%	GREEN/ AMBER
d)	Percentage of loose evidence processed during FY11-12 that was processed within 20 working days (any academic year)	25%	≥ 95%	95.2%	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

In the previous financial year, we received 550,000 applications before the deadlines and processed 99 per cent of these by start of term. For FY2011-12 99 per cent of 865,000 applications received before the published deadlines were processed by start of term with targets met in both FY 2010-11 and FY 2011-12.

New initiatives such as the Verification of Household Income (VHI) data-share with HMRC, and also the automatic creation of online applications for non-means-tested returning students helped us make further progress with processing performance this year.

1.2 Timeliness of Targeted Support Applications processing (England)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	Percentage of Disabled Students Allowance applications (DSA1s) that were processed within 10 working days of receipt (any academic year)	35%	≥ 95%	76.6%	RED
b)	Percentage of DSA Needs Assessment Reports (NARs) that were processed within 10 working days of receipt (any academic year)	35%	≥ 95%	88.6%	AMBER/ RED
c)	Percentage of Childcare Grant (CCG) applications - (with <i>estimated</i> costs) - that were processed within 20 working days of receipt (any academic year)	15%	≥ 95%	98.8%	GREEN
d)	Percentage of CCG finalisations - (reconciliations to <i>actual</i> costs) - that were processed within 20 working days of receipt (any academic year)	15%	≥ 95%	99.3%	GREEN
OVERALL RAG STATUS					AMBER/ RED

COMMENTARY:

There was an issue with Disabled Students Allowance (DSA) in the first quarter of FY2011-12 third-party suppliers withheld and stockpiled invoices during the months leading up to the transfer of responsibility from local authorities, and we faced an unforeseen volume of manual invoice processing work relating to DSA in Quarter 1.

We handled this by balancing our resources in such a way to minimise disruption to these customers – and so while the invoice problem was brought under control during April and May 2011, we held DSA processing within 12 days rather than 10 days

The sheer volume of applications processed during these early months meant that we missed the target for the year as a whole, even though both DSA processing measures were largely on track for the remainder of the year

We reported the status of this issue to the Board every month throughout the year in the Balanced Scorecard report

Childcare Grant (CCG) Processing met the green target throughout the year.

1.3 Contact (England)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	Percentage of calls answered (PCA)	35%	≥ 90%	92.03%	GREEN
b)	Floor Target breached?	35%	Was PCA < 70% for any fortnight?	No	GREEN
c)	Customer experience advisor rating	10%	≥ 80%	80.6%	GREEN
d)	Customer experience outcome rating	10%	≥ 74%	74.5%	GREEN
e)	Customer experience consistency rating	10%	≥ 80%	77.4%	GREEN/ AMBER
OVERALL RAG STATUS					GREEN

COMMENTARY:

All targets were met, even though the number of calls answered by our customer service advisers exceeded 5 million for the first time in the company's history

1.4 Effective Communications with Customers (England)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	Satisfaction with, and effectiveness of our information advice and guidance (IAG) to customers	100%	≥ 73%	78.5%	GREEN
b)	New measure of satisfaction with, and effectiveness of our information advice and guidance (IAG) to customers	0%	(No Target)	62.6%	N/A
OVERALL RAG STATUS					GREEN

COMMENTARY:

All targets were met

1.5 Online Take-up (England)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	The percentage of AY 11/12 student applications that were made online	67%	≥ 90%	90.7%	GREEN
b)	The percentage of AY 11/12 sponsor supporting evidence supplied online	33%	≥ 60%	UNKNOWN	N/A
OVERALL RAG STATUS					GREEN

COMMENTARY:

The number of student applications created online increased from 76 per cent last year to 91 per cent this year

The sponsor online take up figure is unknown owing to the fact that data is not recorded in a way that has allowed this figure to be calculated

Objective 2: Provide agreed services to Devolved Administrations and the Higher Education sector
2.1 Northern Ireland

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	EMA: Processing of Educational Maintenance Allowance to agreed service standards	Overall RAG Status = Lowest Element	Only minor elements of the service agreement not met	Green	GREEN
b)	SFNI: Administration of Student Finance Northern Ireland to agreed service standards			Green-Amber	GREEN/AMBER
OVERALL RAG STATUS					GREEN/AMBER

COMMENTARY:

All service agreements were met for Northern Ireland, with the exception of student call enquiries for Student Finance Northern Ireland (SFNI), which at 83 per cent, was below the 87 per cent answered within the 60 seconds target, and this is reflected in the green/amber RAG status

2.2 Scotland

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	Student Support (Loan Payments)	Overall RAG Status = Lowest Element	Only minor elements of the service agreement not met	Green	GREEN
b)	Courses & Attendance data			Green	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

All targets were met

2.3 Wales

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	EMA: Processing of Educational Maintenance Allowance to agreed service standards	Overall RAG Status =	Only minor elements of the service agreement not met	Green	GREEN
b)	SFW: Administration of Student Finance Wales to agreed service standards	Lowest Element		Green	GREEN
c)	ALG: Processing of Assembly Learning Grant to agreed service standards			Green	GREEN
d)	PTA: Processing of Pathways to Apprenticeship to agreed service standards			Green	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

All targets were met.

2.4 Higher Education Institutions (HEI's)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	HEBSS England (Higher Education Bursaries and Scholarship Scheme) for England	Overall RAG Status = Lowest Element	Only minor elements of the service agreement not met	Green	GREEN
b)	MI (Management Information) for HEIs			Green	GREEN
c)	English fee payments			Green	GREEN
d)	HEBSS NI (Higher Education Bursaries and Scholarship			Green	GREEN
e)	Northern Irish fee payments			Green	GREEN
f)	WBS (Welsh Bursaries Scheme)			Green	GREEN
g)	Welsh fee payments			Green	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

All targets were met.

Objective 3: Efficient and effective repayment and arrears collection**3.1 ICR (Income-contingent repayment) (UK and EU)**

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	Incoming cohort - UK & EU resident borrowers in repayment channels	40%	≥ 96.3%	96.85%	GREEN
b)	Past cohorts - UK resident borrowers in repayment channels	40%	≥ 98.0%	98.92%	GREEN
c)	Past cohorts - overseas resident borrowers in repayment channels	20%	≥ 70.0%	70.51%	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

All targets were met

3.2 MSL (Mortgage-style Loans) (England, Northern Ireland and Scotland)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	Percentage of MSL accounts that are not in arrears	100%	≥ 91.7%	91.6%	GREEN/ AMBER
b)	Percentage of loan accounts less than 24 months in arrears and are repaying	0%	≥ 33.3%	30.1%	AMBER/ RED
c)	Percentage of Scheduled Repayment Amount (SRA) repaid	0%	≥ 33.0%	32.7%	GREEN/ AMBER
OVERALL RAG STATUS					GREEN/ AMBER

COMMENTARY:

The percentage of MSL accounts not in arrears is the highest since the measure was introduced

Whilst the target for 3.2 b) was not met, SLC maintained the same number of accounts in repayment in comparison to FY 2010-11 with an increase in the average payment per account. By the end of 2011-12, there were fewer accounts within this group than in previous years, with more paying and a higher average payment per account.

3.3 RGO (Recovery of Grant Overpayment) (England and Northern Ireland)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	Percentage of RGO accounts in repayment	100%	≥ 21.7%	30.3%	GREEN

COMMENTARY:

The target was met

Priority B: Support Government Administrations' wider objectives in developing sustainable student finance delivery arrangements for the future

Objective 4: Manage public money effectively and deliver agreed Spending Review savings

4.1 Assessment and Payment Accuracy (England)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	Cumulative Annual Weighted Monetary Error Rate	100%	≤0.5%	0.74%	GREEN/ AMBER

COMMENTARY:

This is the first year where the company has had responsibility for assessing all England student support applications. Whilst the measured error rate has improved from amber-red in 2010-11 to green-amber in 2011-12, because of a change in the calculation methodology the figures are not directly comparable.

4.2 Fraud (UK)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	The % increase in the number of cases where SLC's proactive fraud search engine, SIRA prevents funds being paid out erroneously.	100%	≥ 5% increase on last year	36%	GREEN
b)	The number of cases where operational or administrative controls prevent funds being paid out erroneously.	0%	(No Target)	419 cases	N/A

OVERALL RAG STATUS

GREEN

COMMENTARY:

All targets were met.

4.3 Budget Variance (UK)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
	Budget Variance for all stakeholders	100%	≤5% underspend and <0% overspend	-5.33%	GREEN/ AMBER

COMMENTARY:

There was an underspend against target this year, partly in capital and depreciation and partly in projects for Wales and Northern Ireland

4.4 Forecasting Accuracy (UK)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	Mid-year forecast of expenditure, versus actual expenditure at end of year	50%	± 2.25%	1.34%	GREEN
b)	Forecast of expenditure after nine months, versus actual expenditure at end of year	50%	± 1.0%	-0.23%	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

The targets were met

Objective 5: Support development of Higher Education and Further Education funding policy**5.1 Stakeholder Satisfaction (England, Northern Ireland and Wales)**

3.1 Stakeholder Satisfaction (England, Northern Ireland and Wales)					
No	Title	Weighting	11-12 Target	11-12 Actual	RAG
a)	England (BIS) satisfaction with SLC's support re policy development	50%	"Met or exceeded expectations"	Green	GREEN
b)	Northern Ireland (DEL) satisfaction with SLC's support re policy development	25%		Green	GREEN
c)	Wales (DfES) satisfaction with SLC's support re policy development	25%		Green	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

Our relationship with our stakeholders continues to improve, with very positive feedback on SLC operations. Government Administrations rated SLC's engagement in policy development in England, Wales and Northern Ireland for the 2012/13 and 2013/14 academic year extremely favourably.

Objective 6: Deliver the agreed change programme and launch the 2012/13 academic year student finance cycle on time

6.1 Programme Delivery (UK)

No	Title	Weighting	11-12 Target	11-12 Actual	RAG
	SLC to manage its programme activities in a professional and proactive way	100%	Green	Green-Amber	GREEN/AMBER
OVERALL RAG STATUS					GREEN/AMBER

COMMENTARY:

The overall evaluation of Programme Delivery is conducted quarterly by the Programme Portfolio Board. Each programme is assessed against seven criteria: policy and business context, governance, business case and stakeholders, benefits realisation, definition and design, management delivery, and business readiness.

Programme delivery in 2011-12 was very challenging given the range, size and complexity of the higher education reform changes required by Government. The end of year green-amber status was achieved through concerted effort during the year and effective management and control of programme delivery.

Significant challenges for next year remain given that higher education reform changes are being delivered over two years. In parallel, the Student Loans Company is also delivering significant programmes of change in further education, digital services, business sustaining and a transformation programme which includes replacement of core ICT systems.

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 the financial year ended 31 March 2012, this is all received directly from the 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:

- Employability, Skills and Lifelong Learning Directorate - Scotland
- Department for Employment and Learning - Northern Ireland
- Department for Education and Skills - Wales

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

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.

In the year ended 31 March 2012, 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.

Financial Management

During financial year 11-12 the Company delivered the objectives as set out within the business plan and the targets as set within the balanced scorecard. This was achieved whilst remaining within the anticipated expenditure outlined to stakeholders at the Mid Year Review. For financial year 11-12 our APRA allocation, which determines the total revenue and capital expenditure we can incur as measured by government expenditure classifications, was £113.3 million.

Our funding requirements were revised as part of the Mid Year Review forecast in September at which point we anticipated spend of £109.1 million. Our final outturn against this allocation was £102.9 million, an underspend of £6.2 million.

This underspend was split as follows:

	APRA Allocation £000	Mid Year Review Forecast £000	Outturn £000	Variance (Outturn against forecast) £000
Operating Budget	93,800	93,800	94,100	300
Project Programme	19,500	15,300	8,825	(6,475)
Total Expenditure	113,300	109,100	102,925	(6,175)

Final Outturn	£000
Total expenditure per financial statements	97,728
Deferred capital receipts	2,875
Capital Additions	3,472
Other Income	(1,150)
	102,925

Operating expenses were successfully managed during the year, with an outturn of £94.1 million against the £93.8 million Mid Year Review forecast, an overspend of £0.3 million. This overspend was mostly in relation to a late movement in the dilapidations provision to reflect a new lease renewal at our Bothwell Street site. Within the operating budget a successful efficiency savings programme delivered savings from a number of initiatives, most significantly against performance related pay conditions and the drive to an online provision of Information, Advice and Guidance to students. There were also operational staff savings due to the later than planned recruitment of additional staff for the academic year cycle. Offsetting these underspends were a number of budget pressures, the most significant of these were the costs relating to reviewing our target operating model to ensure successful and efficient delivery of the future programmes and operational services. These movements were successfully communicated to stakeholders during the year.

Programme development expenditure has resulted in a significant underspend, with an £8.9 million outturn against a Mid Year Review forecast of £15.3 million. Some projects have been delayed in commencing due to the additional BIS governance approvals processes implemented to review all ICT expenditure over £1 million and some of the devolved administrations' policy decisions still being pending at the Mid Year Review, which meant that forecasts were held at a high level. These movements were successfully communicated to stakeholders during the year.

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 the year ended 31 March 2012, 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 the year ended 31 March 2012 are presented on pages 54 to 93

Statement of Comprehensive Income

This statement is presented on page 62

Grant-in-Aid is accrued to maintain the operating result for the year as "nil" with any balancing entry falling into the "Balances with Central Government Bodies" within debtors/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 £97,303,000 are to fund both the operational expenses and the expenses associated with the development programme. The increase in expenditure this year reflects the increase in operational staff and outsourced call handling costs in relation to the increased student support applications and the impact of HE reform policy changes.

Funding of those expenses is provided from the income generated from servicing contracts for third parties (£895,000) and other income (£255,000), with the balance of funding supplied in the form of Grant-in-Aid (£98,989,000). 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 (£10,137,000) has largely arisen due to a revision on the assumption for salary growth to make this more reflective of future salary policy and the volatility in the markets against the initial assumptions.

Statement of Financial Position

This statement is presented on page 63.

The net liability of £9,861,000 on the balance sheet principally consists of £3,121,000 in relation to dilapidations provisions, £2,651,000 deferred lease incentive and £4,105,000 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.

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 65, 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.

INFORMATION TECHNOLOGY

In any modern organisation, Information Technology (IT) has evolved from being a support function to a business driver. The Student Loans Company's capabilities are now assuming this more dynamic role. It is a transformation that reflects changes to our operating environment and is being driven by our Chief Information Officer, Gordon Simpson, and a revised senior management structure that has taken shape in 2011-12.

We are moving from 'passive IT', where we assumed a caretaking role — ensuring existing systems functioned well and were fit for purpose — to a proactive organisation that delivers an IT capability that is robust, flexible and able to anticipate the significant policy, operational and economic demands that are placed upon it.

Our IT capabilities must now be able to cope with an increase in complexity, with more products offered to customers, including Further Education and Part Time loans, whilst also dealing with changes in Government policy that will see grants replaced with tuition fee loans and a significant ramping up of demand. In addition to this, changes such as the move from fixed to variable interest rate loans will claim greater functionality from our IT infrastructure.

In the past year, our IT department has been rebuilding itself to meet these challenges and align with the Student Loans Company's Target Operating Model. We are in the process of replacing and upgrading the majority of our business systems to ensure we change from caretaker to business driver. Our new IT strategy, which provides the framework within which we will be able to meet new demands, is now being implemented. Together, these two strands of activity represent a significant investment for the Student Loans Company and we are focused on delivering value for money.

Our work does not take place in a vacuum and in the past year we have widened and strengthened our partnerships outside the organisation. We are working with the Cabinet Office and Government IT to ensure, for example, joined up IT procurement. We are also building better relationships with stakeholders, such as BIS, the Devolved Administrations, HMRC, the Department for Work and Pensions and higher education partners.

Underpinning all of this activity is the understanding that what we do is not simply about hardware or software. IT must deliver the best possible services to our customers through, for example, enhanced functionality from our websites and more automated systems that reduce demand on students' time.

"The past year has seen our IT capabilities changing to face a radically different higher education funding model. It is a challenge that we have hit head on, equipping ourselves with the strategies, systems and people we need to deliver the best possible services to our customers."

**Gordon Simpson,
Chief Information Officer**

FUTURE DEVELOPMENTS

The Student Loans Company is in a fast changing educational and wider public sector environment, which demands greater agility to meet a range of challenges, now and in the future

With the introduction of new services as part of higher and further education reforms and ongoing growth of our customer base, the number of transactions we must deal with is rising. At the same time, service delivery is becoming more complex as the policy requirements of the Westminster Government and the Devolved Administrations diverge

There is, obviously, a tension between the fundamental organisational change we are implementing and the delivery of high service levels as this transformation takes place. We are working to ensure that a balance is achieved, meeting both the needs of radical change and excellence in service delivery

To meet these challenges, the Student Loans Company Board has agreed three strategic objectives

- to deliver a safe and agile customer service,
- to be customer-centric by being efficient and effective, and
- to be a trusted delivery partner to Government

We are implementing a range of measures to ensure that the Student Loans Company achieves these strategic objectives, whilst also remaining fit for purpose. We will

- improve service delivery outcomes by enhancing quality and reducing risk in conjunction with our delivery partners,
- support development of higher education and further education funding policy,

- deliver agreed sponsor-led change programmes and projects, and launch the academic year 2012/13 student finance cycle on time,
- develop the right staff capability, capacity and organisational culture,
- upgrade and enhance ICT capability so that it remains fit for purpose and is able to meet future demand

Accommodating the diversity in policy emerging from the separate UK administrations is a critical task in the coming years. We are strengthening relationships with our stakeholders, including BIS, the Devolved Administrations, Universities and Colleges Admissions Service (UCAS), Higher Education Funding Council for England (HEFCE) and HEIs. These partnerships allow us to fully recognise their needs and priorities and embed this understanding in our planning strategies. Increasing diversity, of course, must be allied to high levels of delivery whilst policies are changing and to uncompromising adherence to our agreed service level agreements.

In recognising the individuality of the Devolved Administrations, we are also committed to providing value for money — consequently, we will identify and exploit the economies of scale that can be gained from UK-wide solutions where appropriate.

Whilst these are exacting requirements, work in previous years has left us ideally placed to move forward and achieve our goals. In anticipating needs, we are able to align our staff and ICT resources so that our organisation is more flexible. It means that the Student Loans Company is well-prepared for the current demands of, and future developments to, higher and further education funding in the UK.

REMUNERATION REPORT

For the year ended 31 March 2012

This report sets out 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 2012. The senior management team refers to members of the Executive who are not Board Members

Student Loans Company Board

Student Loans Company Board Members, with the exception of the Chief Executive, are appointed by the Secretary of State for Business Innovation and Skills and the Scottish Ministers for a fixed period of three years

The Secretary of State in conjunction with the 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 in the form of an annual fee 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 the Board and chairs the Executive Board. From 1 February 2012 the Chief Executive has been employed on a Student Loans Company contract of employment covering the period until 31 January 2013. Prior to this date, the services of the Chief Executive were provided under the terms of a contract between the Company and Penna Interim (a division of Penna Plc, an HR Services Group). His notice period is the smaller of six months or the remaining balance of his contract. All other Executive Board members are on standard Student Loans Company contracts of employment and have notice periods of six months. The Company Secretary to the Student Loans Company Board 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 length of service on identical terms 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 the 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 performance related award 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 31 March 2012 were

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

Executive Board Remuneration Policy

Student Loans Company aims to ensure within the context of current Government guidelines 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, subject to public sector pay guidance / restrictions, 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.

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

For Directors recruited before 2011, a bonus of up to 20% of salary is available (Director of Operations, Director of Finance and Administration and the Company Secretary)

The Remuneration Committee and Board determined that due to public sector pay constraints, no bonus payments would be made in 2012. Performance related award arrangements for the Chief Executive are described below

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 HM Treasury. As a result a pay freeze has been in place since October 2010. Salary payments are made monthly. When paid, performance related awards are related to the performance year to which they refer, but actual payments are made in the following year.

The Director of Operations retains a Distance Allowance in addition to salary in order to compensate for the requirement to be based in Darlington 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 per cent of pensionable salary and Student Loans Company contributes 15.6 per cent 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, which is equivalent to three times the annual pension. Pensions increase in line with the Consumer Price Index for deferred members and by the Retail Price Index for pensions in payment.

The CEO since 1 February 2012 is entitled to a contribution from the Student Loans Company of 20 per cent of salary payable to his nominated pension scheme.

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 2012 were

	2012	2011
	Remuneration	
Chairman and Board Members	£000	£000
E Smith Chairman (from 1 November 2010)	50	21
G Breakwell (from 1 March 2011)	9	1
D Edelman	9	9
W Gallagher	9	9
R Kennedy	6*	—*
S Smedley	9	9
M Yuille	9	9

* By arrangement, R Kennedy waived his monthly entitlement of £750 until 1 August 2011.

Remuneration of Executive Board members who served during the year to 31 March 2012 were:

Executive Board		2012					2011				
		Salary	Other benefits and expenses	Performance Award	Total	Pension Contribution	Salary	Other benefits and expenses	Performance Award	Total	Pension Contribution
		£000					£000				
E Lester (i)	Chief Executive	163	48	12	223	5	195	14	41	250	-
C Andrew	Company Secretary	100	-	-	100	15	100	-	-	100	15
L Campbell	Director of Finance and Administration	126	-	-	126	19	127	-	-	127	19
D Ross (ii)	Director of Operations	120	14	-	134	18	120	17	-	137	18
G Simpson (from 14 March 2011)	Chief Information Officer	115	-	-	115	17	5	-	-	5	-
J Stirton (from 9 February 2011)	Director of Marketing and Communications	103	-	-	103	15	14	-	-	14	1
D Wallace	Deputy Chief Executive and Director of Strategic Development	130	-	-	130	19	231	-	-	231	-
T Zahran (from 27 April 2010)	Director of People and Transformation	103	-	-	103	15	146	-	-	146	-

- (i) Under the terms of Mr Lester's appointment as Chief Executive, Penna Interim* received £140,075 (2011 £194,950) in respect of standard services (of which they retained £0, 2011 £23,650) and £0 (2011 £41,340) in respect of bonus payments (of which they retained £0, 2011 £20,670) covering the period ending 31 January 2012. As an employee of the company from 1 February 2012, Mr Lester received £23,333 (2011 £0) in relation to salary and £5,056 (2011 £0) in respect of an allowance to compensate for the requirement to be based in both Glasgow and London every week.

The terms of Mr Lester's appointment as Chief Executive provide for eligibility to a performance related award of up to a maximum of £14,000 for each of the two years ending on 31 January 2012 and 2013 respectively. He received £12,000 in March 2012 directly from the Company (2011 £0) in respect of his performance related award for the year ended 31 January 2012.

Reimbursement of expenses incurred by Mr Lester in the course of business of £38,313 (2011 £13,750) for accommodation and travel to 31 January 2012 have been paid to Penna Interim*. Reimbursement of taxable expenses incurred payable directly to Mr Lester from 1 February 2012 amount to £4,715 (2011 £0). Mr Lester's nominated pension scheme is also due to receive employer pension contributions from 1 February 2012 of £4,666 (2011 £0).

- (ii) Derek Ross received other benefits and expenses which relate to a distance allowance and car benefit to compensate for the requirement to be based in Darlington for the majority of the working week.

* Penna Interim is a division of Penna Plc, an HR Services Group

Retirement Benefits of the Executive Board members who served during the year to 31 March 2012

Executive Board	Accrued pension and related lump sum at 31 March 2012 £000	Increase during the year to 31 March 2012 in accrued pension and related lump sum net of inflation. £000	Cash equivalent transfer value		
			At 31 March 2012 £000	At 31 March 2011 £000	Increase net of inflation
C Andrew	15 – 20 plus lump sum of 45 – 50	0 – 0.5 plus lump sum of 1 – 1.5	275	188	76
L Campbell	5 – 10 plus lump sum of 20 – 25	1 – 1.5 plus lump sum of 3.5 – 4	139	90	44
D Ross	15 – 20 plus lump sum of 50 – 55	0.5 – 1 plus lump sum of 1.5 – 2	312	213	88
G Simpson *	1 – 1.5 plus lump sum of 3.5 – 4	1 – 1.5 plus lump sum of 3.5 – 4	18	N/A	N/A
J Stirton *	1 – 1.5 plus lump sum of 3.5 – 4	1 – 1.5 plus lump sum of 3.5 – 4	22	N/A	N/A
D Wallace *	1 – 1.5 plus lump sum of 4 – 4.5	1 – 1.5 plus lump sum of 4 – 4.5	19	N/A	N/A
T Zahran *	1 – 1.5 plus lump sum of 3 – 3.5	1 – 1.5 plus lump sum of 3 – 3.5	17	N/A	N/A

Notes

1. Transfer values have been calculated in accordance with the Occupational Pension Schemes (Transfer Value) Regulations 1996
2. Inflation over the year has been 5.2%
3. * did not have sufficient service within the scheme to accrue any benefits in the period to 31st March 2011
4. "increase in inflation" does not include a deduction for member contributions

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce

The total remuneration of the highest-paid director in the Student Loans Company in the year ended 31 March 2012 was £223,000 (2011, £250,000) This was 11.4 times (2011, 13.3) the median remuneration of the workforce, which was £19,538 (2011, £18,787)

No employees received remuneration in excess of the highest paid director in either 2011 or 2012

	2012	2011
Highest paid director's total remuneration	223,000	250,000
Median total remuneration	19,538	18,787
Ratio	11.4	13.3

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions

The median calculation includes only employees who were in a contract of employment with the Student Loans Company on 31 March each year, excluding non-executive Board Members as their fee arrangements are not with the Company

All employees that have been included within the median calculation have had their total remuneration adjusted to show the annualised full-time equivalent, based on their contracted hours at 31 March and where applicable their start date during the year.

The Student Loans Company was subject to the Public Sector pay freeze in 2011/2012. In line with guidance, only employees earning £21,000 or less were exempt from this pay freeze. Salary increases were implemented to staff who met this criterion in October 2011.



Ed Lester
Chief Executive and Accounting Officer

4 July 2012

GOVERNANCE STATEMENT

1. The Student Loans Company

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 in Managing Public Money in all its operations and activities. It is also required to comply with the requirements of the Companies Acts, 1985, and 2006, and to meet the requirements of good governance.

The role of the two Government Shareholders is to

- determine policy for student support, establish and maintain the legislative framework,
- set the Company's prime functions, its prime strategic focus, business objectives and specific operational targets,
- provide a resource budget and grant-in-aid to enable the Company to operate effectively and efficiently,
- 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 the governance of the Company through the Assessors, who attend Main 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 Main Board on a regular basis, and as such are considered by the Assessors.

In accordance with guidance, where possible the Company complies with the UK Corporate Governance Code 2010 and also with Internal Control Guidance for Directors on the Combined Code (the Turnbull guidance), which underpins provision C2 of the Governance Code, although this is expected to be updated later this year. It has also complied with the guidance contained within Managing Public Money, issued by HM Treasury.

2. The Accounting Officer's Responsibilities

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Company's policies, aims and objectives, whilst safeguarding the public funds and resources 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 Framework Document, and in accordance with relevant HM Treasury guidance, in particular the Financial Reporting Manual (FRM), and Managing Public Money.

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

3. The Company's Governance Framework

3.1 The Main Board, Board Sub-Committees, Executive Management and Assessors

Main Board Members		
Ed Smith , Non-Executive Chairman	November 2010	October 2013
Professor Dame Glynis Breakwell , Non-Executive Director	March 2011	February 2014
David Edelman , Non-Executive Director	August 2008	July 2014*
Willie Gallagher , Non-Executive Director	April 2010	March 2013
Rob Kennedy , Non-Executive Director	June 2010	May 2013
Sally Smedley , Non-Executive Director	August 2008	April 2012**
Michael Yuille , Non-Executive Director	April 2010	March 2013
Ed Lester , Chief Executive	May 2010	January 2013
Independent External Member of the Audit Committee		
Ian Lee	September 2011	August 2014
Executive Management		
David Wallace , Deputy Chief Executive and Director of Strategic Development		
Chris Andrew , Company Secretary		
Les Campbell , Director of Finance and Administration		
Derek Ross , Director of Operations		
Gordon Simpson , Chief Information Officer		
Jenifer Stirton , Director of Marketing and Communications		
Taroub Zahran , Director of People and Transformation		
Assessors		
Matthew Hilton , Director, Higher Education Student Funding, representing the Secretary of State for Business , Innovation and Skills		
Martin Boyle , Head of the Higher Education and Learner Support Division, representing Scottish Ministers***		

* second term of appointment

** second term of appointment, subsequently resigned on 30 April 2012

*** replaced by Tracey Slaven with effect from 1 May 2012

Non Executive Board Members are appointed by the Secretary of State for Business Innovation and Skills and the Cabinet Secretary for Education and Lifelong Learning in the Scottish Government. The Independent External Member of the Audit Committee is appointed by the Company.

They are appointed from a variety of backgrounds on the basis of their skills, knowledge and experience gained in both the public and private sectors in industry, commerce and academic fields, with due regard to gender diversity. They are all independent of management and free of any business or other relationships which could interfere with the exercise of their independent judgement.

Information on the remuneration of the Non-Executive Board Members and Executive Management is contained in the Company's Remuneration Report for FY 2011-12

In addition, biographical information on the Non Executive Board Members and Executive Management, together with a high level organisation chart, can be obtained at www.slc.co.uk.

3.1.1 Main Board

The Main Board's primary responsibilities are to

- oversee the development and implementation of the Company's delivery strategy, ensuring that it is consistent with the overall strategic direction and the policy and resources framework determined by the Government Departments,
- ensure that the Government Departments are kept informed of any changes that are likely to affect the strategic direction of the Company,
- ensure that it receives and evaluates regular and timely information about the Company's performance against its aims, objectives, performance targets and plans, ensuring appropriate action is in hand to address any areas of underperformance,

- ensure 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 its delegated authority, and that the Board takes into account guidance issued by the Government Departments,
- ensure that the Board receives and reviews regular information concerning the management of the Company, is informed in a timely manner about any concerns about the Company's activities, and provides positive assurance to the Government Departments that appropriate action has been taken on such concerns,
- set up an Audit Committee chaired by an independent Non-Executive Member,
- assure itself of the effectiveness of the internal control and risk management systems and that they are actively monitored and regularly reviewed,
- set up a Remuneration Committee which will approve the objectives, performance measures and remuneration terms for the Executive Management Team,
- appoint, with the Responsible Minister's approval, a Chief Executive and, in consultation with the Government Departments, setting his or her performance objectives, ensuring that remuneration terms are linked to those objectives and give due weight to the proper management and use of public resources,
- appoint an Executive Management Team to conduct the day to day business of the Company, ensuring an appropriate balance of skills and experience,
- ensure that the Company's responsibilities to its staff are satisfactorily discharged

The Assessors have the right to attend all Main Board meetings and Sub-Committee meetings on behalf of the shareholders. Executive Management are in attendance at Main Board meetings.

3.1.2 Audit Committee

The Audit Committee supports the Board on matters relating to internal control and governance and associated assurance matters. The current members of the Audit Committee are Michael Yuille (Chair), Rob Kennedy and Ian Lee, who is an Independent External Member of the Committee

3.1.3 Remuneration & Nominations Committee

The Remuneration & Nominations Committee supports the Board on all aspects related to the appointment and the remuneration of Executive Directors, including the Chief Executive. During FY 2011-12 the members were Sally Smedley (Chair), Willie Gallagher and Professor Dame Glynis Breakwell (from May 2011, prior to this David Edelman was a member of the Committee)

3.2 Internal Governance Framework

Responsibility for controlling and monitoring the Company's operational and financial management resides with the Executive Management Committee, which has primary responsibility for setting the Company's strategic and business priorities and objectives, in line with the strategies set out by its stakeholders, as well as overseeing the Company's capacity and capability to deliver in terms of available resource. The Executive Management Committee also leads in promoting Company standards of values and behaviour. The Executive Management Committee is supported by a number of internal sub-groups and committees dealing with specific areas of the Company's business. Decisions taken by the sub-groups on reserved matters are subject to approval at Main Board or Executive Management Committee level, as appropriate.

4. Overview of the performance of the Main Board and Board Sub-Committees

4.1 Attendance at the Main Board and Board Sub-Committees during FY 2011-12

	Number of meetings attended		
	Main Board	Audit Committee	Remuneration Committee
Main Board Members			
Ed Smith, Non-Executive Chairman	11	-	2*
Professor Dame Glynis Breakwell, Non-Executive Director	10	-	1
David Edelman, Non-Executive Director	10	-	1
Willie Gallagher, Non-Executive Director	9	-	2
Rob Kennedy, Non-Executive Director	9	5	-
Sally Smedley, Non-Executive Director	10	-	2
Michael Yuille, Non-Executive Director	11	5	-
Ed Lester, Chief Executive	11	-	-
Independent External Member of the Audit Committee			
Ian Lee	N/A	3	N/A

Number of meetings held during the year

Main Board – 11

Audit Committee – 5

Remuneration & Nominations Committee – 2 (*Ed Smith was in attendance at these meetings)

4.2 Main Board

Matters considered by the Main Board during FY 2011-12 included

- consideration of the implications for the SLC of the HE White Paper Putting students at the heart of the system,
- SLC's strategic plan and the future delivery of student finance,
- a number of supporting strategies, principally the ICT strategy to sustain and replace vital infrastructure,
- oversight of SLC's operational services and consideration of its delivery capacity and capability as additional responsibilities and activities are required by Government Departments,
- ongoing delivery of SLC's change programme on behalf of the Government Administrations,
- consideration of the Company's accommodation strategy and its pension scheme arrangements,
- regular reviews of the Company's performance and its key corporate risks via the monthly Chief Executive's report and the supporting Balanced Scorecard summary report.

Eleven Main Board meetings were held between April 2011 and March 2012. The Main Board minutes can be found at www.slc.co.uk

The Chairman is responsible for the leadership of the Main Board and ensuring its effectiveness in all aspects of its role. As part of their role the Non-Executive Directors are expected to constructively challenge the Executive Management Team and to help develop proposals on the Company's delivery strategy. They are also expected to allocate sufficient time to the Company to allow them to discharge their responsibilities effectively. To support these processes, the Main Board undertakes an annual self-assessment of its effectiveness and that of the Board Sub-Committees, as well as the performance and any relevant development needs of individual Non-Executive Directors, including the Chairman.

The results of this annual self-assessment were considered by the Main Board at its meeting in May 2012.

4.3 Audit Committee

Matters considered by the Audit Committee during FY 2011-12 included

- the audit of the Annual Report & Accounts for FY 2010-11, incorporating the Company's accounting policies, which was recommended by the Audit Committee for approval by the Main Board,
- approval of the external audit strategy for FY 2011-12,
- approval of the internal audit plan for FY 2011-12,
- review of quarterly internal audit summary reports and annual audit opinion on risk management, governance and internal control for FY 2011-12,
- consideration of progress made on implementing outstanding audit recommendations, focusing on fundamental and significant control weaknesses,
- review of the student support payment accuracy audit report,
- corporate information security and assurance,
- counter fraud management arrangements,
- corporate risk management arrangements

Five Audit Committee meetings were held between April 2011 and March 2012. The Company's External Auditors were present at all Audit Committee meetings, with the exception of the meeting on 27 June 2011 that was held solely to approve the Company's annual report and accounts, which had been considered in full at the meeting on 14 June 2011. Internal Audit was represented at all Audit Committee meetings by the Senior Internal Audit Manager.

4.4 Remuneration & Nominations Committee

Matters considered by the Remuneration & Nominations Committee during FY 2011-12 included

- progressing the Chief Executive's contract terms, objective setting and performance review,
- the Executive Management Team's pay, bonus and reward terms,
- pre-planning for the recruitment of a new Chief Executive in 2013,
- a review of the SLC Pension Scheme with recommendations presented to the Main Board,
- input to the Company's Annual Report production focusing on the Remuneration Report

Two Remuneration Committee meetings were held between April 2011 and March 2012. Further information on the remuneration policy for Main Board Members and for the Executive Management Team is contained in the Remuneration Report on pages 38 to 43

5. The Company's Risk Management arrangements

5.1 Risk profile

The Company manages a large portfolio of risks, representative of the various challenges, concerns and considerations that are both internal and external to the business. The system for providing assurance is built on managing the flow of information to and from risk owners, the Risk Manager, the Executive Management Committee and the Main Board

This is achieved by facilitating a structure of risk identification, assessment and escalation, and embedding this system into the culture of the Company. Risks are scored against a 'cautious' risk appetite, as agreed by the Main Board, and in practice the Company operates on a low risk tolerance approach, with the SLC risk scoring matrix weighted to give particular significance to risks with a high impact. All risks that are identified are categorised against the business objectives set out in the Company's Business Plan, which can be found at www.slc.co.uk

5.2 Risk Management Process

SLC operates a process of risk identification that is dependent on both 'top-down' and 'bottom up' perspectives. The Executive Management Team can flag risks either directly to the Risk Manager or by way of the Company Secretary, who provides regular feedback on those internal board meetings not attended by the Risk Manager. Managers can raise risks directly, either through their senior manager or through attendance at one of the internal board meetings attended by the Risk Manager or Company Secretary. Risks are often identified during discussions at these meetings, either arising on the day, or as an agenda item tabled by the Risk Manager or a representative from the business. In addition, a number of regular forums are in place within directorates which allow the escalation of risks to the corporate register or the re-scoring of an existing risk. Risk owners are at all times made aware of risks under their ownership and this extends to the members of the Executive Management Team, who have full knowledge of any high level (red RAG status) corporate risks within their area of responsibility

5.3 Risk Reporting

A report summarising the key operational and strategic risk themes to the business and the high level risks and issues that sit behind them is submitted to the Executive Management Committee on a weekly basis, reported in alignment with the business objectives. This also highlights relevant key headlines, such as emerging risks or pertinent updates in the context of organisation-wide risk reporting. The Executive Management Committee will also receive risk reports relevant to the different internal sub-group meetings that they either chair or attend. For greater visibility, the corporate risk summary is included in the monthly SLC Balanced Scorecard report that is presented by me to the Main Board, which describes the Company's performance against the measures and targets that are set out in our Annual Performance and Resource Agreement (APRA)

5.4 Specific Risks

The key risk themes under consideration at the end of FY 2011-12 related to.

- service delivery (and the potential for unpredictable customer and HEI behaviour in AY 2012/13 following the HE policy changes in England), including the possible effect on the profile of work following the introduction of loans to part time students in AY 2012/13, and the requirement to be ready to deliver FE loans for England in AY 2013/14,
- the Company's ability to deliver its transformation programme in support of the corporate strategy, given the extended approval processes within HM Government,
- a complex portfolio of concurrent change, with associated pressures on the Company's capacity and capability and the requirement for SLC to secure the required supply side ICT development capacity to enable it to deliver the full range of change requirements (including the replacement of core systems and the implementation of FE loans for England), while working within the approval levels that have been secured,

- overall ICT resilience, a number of existing technology platforms are nearing end of life, and are already out of manufacturer's support, the need to have a fully developed and funded ICT strategic plan, with a high degree of focus on ICT sustaining activities,
- the need for the Company to ensure that it can meet the required external information security standards,
- the need for a robust disaster recovery and business continuity solution.

6. The Company's corporate governance and internal control arrangements

6.1 Internal Control System

The Company's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of Company policies, aims and objectives, to evaluate the likelihood of those risks occurring, their impact and the need to manage them effectively. The system of internal control has been in place in the Company for the year ended 31 March 2012 and up to the date of approval of the annual report and financial statements, and accords with Treasury guidance.

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, the Executive Board, the Finance & Governance Board (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 am advised on my review of the effectiveness of the system of internal control by the Main Board, the Audit Committee, the Executive Board, and its sub-boards, and where appropriate plans to address weaknesses and improve in the system of internal control are put in place

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.

6.2 Issues that arose last year (i.e. in Financial Year 2010-11)

The undernoted issues were deemed to be of concern in FY 2010-11, and an update on the progress made in FY 2011-12 follows

6.2.1 Protection of Customer Data against online fraud and phishing

The Company, in common with much of the financial services industry, experienced increased 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. Over the past year we have successfully introduced a number of additional preventive and detective measures, which have reduced the impact of phishing activity considerably during FY 2011-12. As a result, we do not currently view this to be a critical concern.

6.2.2 Security of personal data

Year 1 of a corporate Security Improvement Programme is currently in progress to implement a number of mitigation actions to further strengthen controls on key systems, in order that the Company may achieve compliance with the requirements of HM Government's Information Security Framework, which is mandatory to SLC as a tier 1 NDPB

Following a number of minor data losses over the course of FY 2011-12, we have made good progress to reinforce staff awareness of the need to protect personal data, and are also assessing what further steps need to be taken during FY 2012-13

6.2.3 Disaster Recovery

Work continues to develop the Company's overarching Business Continuity Management strategy, incorporating a robust IT Disaster Recovery (DR) Plan, and a number of tactical and strategic solutions are being planned for FY 2012-13.

6.2.4 Data Centre Capability

This issue links closely with the DR Strategy described above. ICT Data Centres are now at capacity, the Data Centre Strategy, recently approved by BIS and the Cabinet Office, will provide the best possible platform for SLC to enable its recommended IT DR Plan

6.3 Issues that have arisen this year (i.e. during Financial Year 2011-12)

No new issues arising within FY 2011-12 remain of concern.

6.4 Annual Audit Opinion - Satisfactory

The Annual Audit Opinion is based upon Internal Audit findings to 18 June 2012. While a number of significant and fundamental issues have arisen during the year, with the potential to materially impact upon the internal control system, Management have progressed well in implementing recommendations to mitigate these. The internal control, risk management and corporate governance systems operating within SLC are currently 'Satisfactory', which is described in the Government Internal Audit Standards as meaning that there is some risk that objectives may not be fully achieved, and some improvements are required to enhance the adequacy and / or effectiveness of the internal control framework.

6.5 Summary

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

By order of the Board



Ed Lester
Chief Executive and Accounting Officer

4 July 2012

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Student Loans Company Limited

Registered number 2401034

31 March 2012

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 2012. 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.

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 37 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 (2011 £Nil).

Directors and their interests

Ed Smith

Non-Executive Chairman

Ed Lester

Chief Executive

Professor Dame Glynis Breakwell

Non-Executive Director

David Edelman

Non-Executive Director

Willie Gallagher

Non-Executive Director

Rob Kennedy

Non-Executive Director

Sally Smedley*

Non-Executive Director

Michael Yuille

Non-Executive Director

*Subsequently resigned on 30 April 2012.

For further information please see the Governance Statement on pages 44 to 52.

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 2012 or 31 March 2011. 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 10 and 11 to the financial statements.

Employees

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

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

More information on Employees is contained in the Management Commentary on pages 5 to 37.

Retirement Benefits Scheme

Reference is made in Note 19 to the financial statements 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 (2011 £ 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, 99 per cent (2011 98 per cent) 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 £846,000. Comparing this balance with the aggregate amount invoiced by suppliers in the year (£47,044,000) 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 2012. Our figure for 'creditor days' was 6.6 (2011 11.9 days).

Information Losses

During the Financial Year 2011-12 we reported four issues to the Information Commissioner's Office:

- 1 A number of customers received their own acknowledgement letter and secret answer and password letter and a subsequent set of letters for another applicant.
- 2 Personal information relating to 20 other customers was disclosed to an individual.
3. We issued 56 emails relating to individual DSA customers to the incorrect email address.
- 4 An email was issued to 8,400 applicants that contained an attachment detailing the email addresses of all the email recipients.

The Company has sought to remediate these issues through specific Data Protection and Information Assurance training, and where appropriate the introduction of technical controls to prevent further incidents.

We have recorded the loss of four items of equipment, 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 HM 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' report. 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 Codes in 2003 and 2006, and more recently the UK Corporate Governance Code 2010, there are a number of matters with which, due to its status as a NDPB, the Company cannot comply. The following 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 members of the Executive Management Team,
- remuneration of the Chairman is determined by the shareholders including arrangements relating to loss of office,
- remuneration packages of the Executive Management Team do not include a significant performance-related element,
- remuneration of the 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 Governance Statement.

The Accounting Officer's Governance Statement for the year ended 31 March 2012 is provided on pages 44 to 52.

SLC Main Board

The SLC Main Board should ensure that effective corporate governance arrangements are in place that set out how the 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 responsibilities of the Main Board are set out in the Governance Statement.

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. The 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 & Nominations Committee

Members of the Committee will be appointed by the Main 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 Main Board determines the membership and terms of reference. The Chair of the Remuneration Committee will report back to the Main Board after each meeting as required, and the minutes of Committee meetings will be provided to the Main Board members 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 38 and the Governance Statement on pages 47 and 49.

Audit Committee

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

The Audit Committee is responsible for

- the strategic processes for risk, control and governance, 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 to the Main Board for approval, levels of error identified, and reviewing 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 Framework Document, 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,
- fraud monitoring and investigation activities within the Company, by way of an Annual Fraud Overview report that is prepared by management,
- assurances relating to the adequacy of the Company's risk management arrangements,
- provide input to the Remuneration & Nominations Committee to assist its deliberations on senior staff performance as it relates to effective internal control, governance and assurance.

Assessors have the right to attend all Committee meetings on behalf of the shareholders. The Main Board determines the terms of reference of the Committee. The Chair of the Audit Committee will report back to the Main Board after each meeting as required, and the minutes of Committee meetings will be provided to the Main 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 on the results of that review to the Main Board

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

Going concern

The Statement of financial position at 31 March 2012 shows net liabilities of £9,861,000 (2011 £21,466,000). 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 Financial Year 2012-13, 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 the Auditor

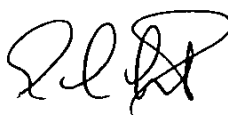
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps that he/she ought to have taken as a Director to make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

Auditor

A resolution regarding the reappointment of Auditor to the Company was approved at the July 2012 Main Board meeting.

All non audit work undertaken by the Auditor is approved by the Audit Committee. Details of all fees earned by the Auditor 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

4 July 2012

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 2011-12. Consequently they have elected under the Companies Act to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law and to provide the additional disclosures required by the Financial Reporting Manual 2011-12 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 2012 set out on pages 62 to 93. 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 2011-12 and has provided the additional disclosures required by the Financial Reporting Manual 2011-12 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 2011-12 to include the information requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) 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, and for no other purpose.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 59, 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 (APB'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, 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 2012 and of its profit 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 purpose 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

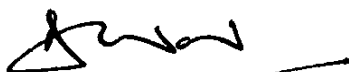
In our opinion

- the part of the Directors' Remuneration report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to the 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

4 July 2012

Statement of comprehensive income
for the year ended 31 March 2012

	<i>Note</i>	2012 £000	2011 £000
Revenue	3	100,139	91,533
Expenditure			
Staff costs	5	(57,825)	(51,867)
Restructuring costs	5	(24)	(136)
Depreciation and amortisation		(3,499)	(4,473)
Other administrative expenses		(35,955)	(34,530)
Operating profit		2,836	527
Finance income	6	32	23
Finance costs	7	(456)	(743)
Net financing expense		(424)	(720)
Profit/(Loss) on ordinary activities before taxation		2,412	(193)
Tax on result of ordinary activities	8	(1)	17
Profit/(Loss) on ordinary activities after taxation		2,411	(176)
Other comprehensive income:			
Actuarial gain recognised in gains and losses	19	10,137	904
Total comprehensive income for the period		12,548	728

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

The notes on pages 66 to 93 form an integral part of these financial statements

Statement of financial position
as at 31 March 2012

	<i>Note</i>	2012		2011	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	10	10,373		10,018	
Intangible assets	11	518		933	
Total non-current assets			10,891		10,951
Current assets					
Trade and other receivables	13	7,263		9,204	
Cash and cash equivalents	14	9,566		2,245	
Income tax		2		-	
Total current assets			16,831		11,449
Total assets			27,722		22,400
Current liabilities					
Trade and other payables	15	(20,672)		(15,393)	
Financial liabilities	17	(150)		(368)	
Provisions	18	(8)		(13)	
Income tax		-		(3)	
Total current liabilities			(20,830)		(15,777)
Non-current assets plus net current assets			6,892		6,623
Non current liabilities					
Trade and other payables	15	(9,527)		(6,365)	
Financial liabilities	17	-		(180)	
Provisions	18	(3,121)		(8,245)	
Retirement benefit obligations	19	(4,105)		(13,299)	
Total non current liabilities			(16,753)		(28,089)
Net liabilities			(9,861)		(21,466)
Capital and reserves					
Called up share capital	22	-		-	
General reserve		(9,861)		(21,466)	
Total equity			(9,861)		(21,466)

The notes on pages 66 to 93 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 4 July 2012 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 2012

	<i>Note</i>	Capital £000	General Reserve £000	Total Equity £000
Balance at 1 April 2011		-	(21,466)	(21,466)
Net profit		-	2,411	2,411
Total pension cost recognised in statement of comprehensive income	19	-	(4,287)	(4,287)
Employer contribution in respect of retirement benefit	19	-	3,344	3,344
Actuarial gain in retirement benefit obligations	19	-	10,137	10,137
Balance at 31 March 2012		<u>-</u>	<u>(9,861)</u>	<u>(9,861)</u>

Statement of cash flow
for the year ended 31 March 2012

	Note	2012 £000	2011 £000
Cash flow from operating activities			
Profit/(Loss) on ordinary activities after tax		2,411	(176)
<i>Adjustments for</i>			
Depreciation	10	3,085	4,058
Amortisation	11	415	415
Amortisation of deferred capital receipts			
- Property, plant and equipment	16	(2,492)	(2,580)
- Intangible assets	16	(415)	(415)
Loss on disposal		23	16
Taxation	8	1	(17)
Finance costs	7	456	743
Finance income	6	(32)	(23)
		<u>3,452</u>	<u>2,021</u>
Decrease/(Increase) in trade and other receivables		1,507	(143)
Increase in trade and other payables		7,877	3,543
(Decrease) in provisions		(5,130)	(3,850)
Cash generated from operating activities		<u>7,706</u>	<u>1,571</u>
Corporation tax paid		(6)	(2)
Corporation tax received		-	13
Net cash generated from operating activities		<u>7,700</u>	<u>1,582</u>
Cash flow from investing activities			
Finance income	6	32	23
Acquisition of property, plant and equipment	10	(3,472)	(3,049)
Proceeds from sales of property plant and equipment		9	-
Net cash used in investing activities		<u>(3,431)</u>	<u>(3,026)</u>
Cash flow from financing activities			
Capital funding received from funding bodies		3,472	3,049
Decrease in financial liabilities		(398)	(873)
Finance interest paid		(22)	(63)
Net cash generated from financing activities		<u>3,052</u>	<u>2,113</u>
Net increase in cash and cash equivalents	14	<u>7,321</u>	<u>669</u>
Cash and cash equivalents at 1 April	14	2,245	1,576
Cash and cash equivalents at 31 March	14	<u><u>9,566</u></u>	<u><u>2,245</u></u>

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.

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.

The following Adopted IFRSs 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 4 July 2012.

Measurement convention

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

- financial instruments classified as fair value through profit or loss or as available for sale
- Assets under 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.

Going concern

The terms of the framework document between the Secretary of State for Business, Innovation and Skills, the Employability, Skills and Lifelong Learning Directorate of the Scottish Government, the Department of Employment and Learning in Northern Ireland, the Department for Education 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 £9,861,000 (2011: £21,466,000), 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 2012-13, 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 £2,182,000 (2011: £2,285,000) would prove irrecoverable and require an equivalent reduction in income.

- **Provisions**
The dilapidations provision is based on external valuations provided by the Company's property consultants. The latest formal valuation was provided at March 2012 for the premises at Glasgow, April 2007 for the premises at Hillington and Colwyn Bay and July 2009 for the premises at Darlington, however the Company has obtained confirmation from the property consultants in March 2012 that these valuations remain relevant for the year ended 31 March 2012. 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 annually by the Company's actuaries. Key assumptions are based on current market conditions and the discount rate applied, representing the interest rate used to determine estimated future cash outflows anticipated to settle the Company's pension obligations.

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.

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

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

- irrecoverable VAT is charged to the Operating cost statement, and included under the relevant expenditure heading, and
- irrecoverable VAT on the purchase of an asset is included in additions

The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within trade and other payables within the Statement of financial position

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	-	3 to 5 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

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

Deferred capital receipts

Funding, including capital grant in aid, received from 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 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 income 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 performance related award if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The cost of annual leave 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 recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements. Actuarial gains and losses that arise are recognised by the Company in the period they occur through the Statement of comprehensive income.

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 asset's useful life and the lease term. Each lease payment is allocated between the principal capital component and finance charges. The finance charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Interest on finance leases 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.

Incentives identified as part of entering into lease contracts are deferred and recognised over the period of the lease.

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 consists of 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 Employability, Skills and Lifelong Learning Directorate of the Scottish Government and the Department for Education and Skills in the Welsh Assembly.

2 Segmental reporting

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

2012	Operating budget £000	Programme budget £000	Other £000	Total £000
Segmental revenue				
Grant in aid*	89,733	9,204	52	98,989
Administration fees received from third parties	19	-	876	895
Other Income	255	-	-	255
Total revenue	90,007	9,204	928	100,139
Segmental expenditure				
<i>Expenditure</i>				
England				
- Mortgage Style Loans	(4,695)			
- Income Contingent Repayments	(13,208)			
- Student Finance Loans / Grants	(60,951)			
- HEI Services Products	(108)			
Total England	(78,962)	(6,701)	(931)	(86,594)
Northern Ireland				
- Mortgage Style Loans	(246)			
- Income Contingent Repayments	(597)			
- Student Finance Loans / Grants	(885)			
- Further Education Services	(602)			
- HEI Services Products	(4)			
Total Northern Ireland	(2,334)	(523)	(32)	(2,889)
Scotland				
- Mortgage Style Loans	(835)			
- Income Contingent Repayments	(1,299)			
- Student Finance Loans / Grants	(533)			
Total Scotland	(2,667)	(54)	-	(2,721)
Wales				
- Income Contingent Repayments	(775)			
- Student Finance Loans / Grants	(1,416)			
- EMA	(860)			
- ALG	(388)			
- PTA	(47)			
- HEI Services Products	(7)			
Total Wales	(3,493)	(1,586)	(20)	(5,099)
Total expenditure	(87,456)	(8,864)	(983)	(97,303)
Operating profit				<u>2,836</u>

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 has been received from England the main funding body who subsequently reclaim the costs from Northern Ireland, Scotland and Wales

2 Segmental reporting (Cont)

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)
Operating profit				527

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

3 Revenue

	2012	2011
	£000	£000
Grant in aid	98,989	90,207
Administration fees receivable from third parties	895	1,006
Other income	255	320
	100,139	91,533

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. HEIs 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.

	2012	2011
	£000	£000
Revenue	885	963
Expenditure	(885)	(798)
Surplus before tax	-	165

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)

	2012	2011
	£000	£000
Dilapidations provision (see note 18)	(2,416)	113
Depreciation and amortisation – owned assets	2,943	2,564
Depreciation and amortisation – leased assets	557	1,909
Loss on disposal of fixed assets	23	16
Amortisation of deferred capital receipts	(2,907)	(2,995)
Directors' remuneration	329	474
Auditor's remuneration, including expenses		
Audit of these financial statements	40	39
Other assurance services	5	13
Other services relating to taxation	8	14
Operating lease rentals		
Land and buildings	2,707	2,719
Computer and other equipment	914	1,232

(b) Directors' remuneration

	2012	2011
	£000	£000
		(restated)
Fees	101	110
Executive emoluments (including benefits in kind)	45	22
Compensation for loss of office	-	89
Amounts paid to third parties in respect of directors' services	178	250
Pension contributions	5	3
	329	474

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

	2012	2011
Number of employees	1,920	1,857

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

	2012 £000	2011 £000
Wages and salaries	42,528	40,206
Social security costs	3,344	3,270
Pension service costs	3,827	3,709
	49,699	47,185
Other staff costs	8,126	4,682
	57,825	51,867

	2012 £000	2011 £000
Restructuring costs	24	136
	24	136

Other staff costs represent the additional cost to the company for contractors, and other indirect staff costs

Exit Packages

The Company agreed and paid 2 (2011: 102) exit packages in the year. The relevant details are 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	
	2012 No	2011 No	2012 No	2011 No	2012 No	2011 No
< £10,000	1	1	-	13	1	14
£10,001 - £25,000	-	-	1	30	1	30
£25,001 - £50,000	-	1	-	36	-	37
£50,001 - £100,000	-	1	-	22	-	23
£100,001 - £150,000	-	-	-	1	-	1
Total number of exit packages by type	1	3	1	102	2	105

Total resource cost on a cash basis £0.01m £0.10m £0.02m £3.50m £0.03m £3.60m

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 one month's salary for up to five years' service and two months' salary for service thereafter, up to a maximum of twenty-four months' salary.

6 Finance income

	2012 £000	2011 £000
Bank interest	32	23
	32	23

7 Finance costs

	2012 £000	2011 £000
Finance lease interest charges	22	63
Pension interest charge	434	680
	456	743

8 Tax on result of ordinary activities

	2012 £000	2011 £000
Current taxation charge/(credit) for the period at the small companies rate of 21% (2011 21%)	1	(17)
	1	(17)

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 2011 and 2012) The differences are explained below

	2012 £000	2011 £000
Profit/(Loss) on ordinary activities before taxation	2,412	(193)
Profit/(Loss) on ordinary activities at small companies UK corporation tax rate	507	(40)
Effects of		
Losses not utilised in the current period	-	-
Adjustment re prior year assessments	3	22
Amounts not subject to corporation tax	(509)	1
Current taxation charge/(credit) for the period	1	(17)

9 Analysis of Net Expenditure by Programme and Administration budget

	Programme	Administration	2012 £000 Total	Programme	Administration	2011 £000 Total
Income						
Grant in aid	98,989	-	98,989	90,207	-	90,207
Administration fees received from third parties	595	300	895	312	694	1,006
Finance income	21	11	32	7	16	23
Other income	167	88	255	99	221	320
Total income	99,772	399	100,171	90,625	931	91,556
Expenditure:						
Staff costs	(32,494)	(25,355)	(57,849)	(26,572)	(25,431)	(52,003)
Running costs	(30,426)	(7,207)	(37,633)	(13,079)	(20,366)	(33,445)
Operating lease rentals – land & buildings	(1,904)	(803)	(2,707)	(505)	(2,214)	(2,719)
Operating lease rentals – computer & other equipment	(884)	(30)	(914)	(65)	(1,167)	(1,232)
Interest charges	(434)	(22)	(456)	(63)	(680)	(743)
Non-cash items						
Depreciation & amortisation – owned assets	(2,180)	(763)	(2,943)	(795)	(1,769)	(2,564)
Depreciation & amortisation – leased assets	(413)	(144)	(557)	(592)	(1,317)	(1,909)
(Profit)/loss on disposal or property, plant and equipment	(23)	-	(23)	-	(16)	(16)
Amortisation of deferred capital receipts	2,907	-	2,907	1,312	1,683	2,995
Dilapidations provision	-	2,416	2,416	-	(113)	(113)
Total expenditure	(65,851)	(31,908)	(97,759)	(40,359)	(51,390)	(91,749)
Net expenditure after interest	33,921	(31,509)	2,412	50,266	(50,459)	(193)

10 Property, plant and equipment

	Assets under construction	Short leasehold improvements	Computer and other electronic equipment	Furniture, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2011	-	7,674	23,860	2,876	23	34,433
Additions	91	1,614	1,346	401	20	3,472
Disposals	-	(184)	(1,515)	(9)	(23)	(1,731)
At 31 March 2012	91	9,104	23,691	3,268	20	36,174
Depreciation						
At 1 April 2011	-	3,751	19,613	1,030	21	24,415
Charge for year	-	805	1,935	339	6	3,085
On disposals	-	(161)	(1,508)	(9)	(21)	(1,699)
At 31 March 2012	-	4,395	20,040	1,360	6	25,801
Net book value						
At 31 March 2011	-	3,923	4,247	1,846	2	10,018
At 31 March 2012	91	4,709	3,651	1,908	14	10,373

Included in computer and other electronic equipment are items held under finance leases with a net book value of £244,797 (2011 £736,004), net of accumulated depreciation of £10,480,184 (2011 £9,774,938)

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

11 Intangible assets

	2012
	£000
Cost	
At 1 April	1,764
Additions	-
At 31 March	1,764
Amortisation	
At 1 April	831
Charge for year	415
At 31 March	1,246
Net book value	
As at 1 April	933
As at 31 March	518

The intangible asset represents the internal development costs incurred for the creation of the repayment website which was brought into service in June 2008

Amortisation for the website is recognised as a charge in the Statement of comprehensive income
The website has a remaining life of one year three months

12 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, which are detailed in Note 13.

Credit risk

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

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

Credit risk is the risk of financial loss to the Company if a customer fails to meet their contractual obligations, 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 2012 is £11,508,000 (2011 £11,435,000).

Liquidity risk

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

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

Market and currency risk

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.

	2012	2012	2011	2011
	Book Value	Fair Value	Book Value	Fair Value
	£000	£000	£000	£000
Trade receivables	7,263	7,263	9,204	9,204
Cash and cash equivalents	9,566	9,566	2,245	2,245
Trade payables due within 1 year	20,672	20,672	(15,393)	(15,393)
Trade payables due after 1 year	9,527	9,527	(6,365)	(6,365)

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

13 Trade and other receivables

	2012		2011	
	£000	£000	£000	£000
Customer administration charges - gross	10,019		10,085	
Allowance on customer administration charges	(7,837)		(7,800)	
Customer administration charges - net		2,182		2,285
Other trade receivables		1,431		1,245
VAT		-		765
Prepayments and accrued income		3,650		4,909
		<u>7,263</u>		<u>9,204</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

14 Cash and cash equivalents

	2012	2011
	£000	£000
Balance at 1 April	2,245	1,576
Net increase in cash and cash equivalents	7,321	669
Balance at 31 March	<u>9,566</u>	<u>2,245</u>
The balances at 31 March were held at		
Commercial bank accounts	29	(117)
Government banking scheme accounts	9,520	2,362
Cash vouchers	17	-
Balance at 31 March	<u>9,566</u>	<u>2,245</u>

At 31 March 2012 £44,456k (2011 £52,918k) was held in trust on behalf of third parties

15 Trade and other payables

	2012	2011
	£000	£000
Amounts falling due within one year		
Balances with central government bodies	7,846	6,050
VAT	2,801	-
Other taxation and social security	1,059	1,059
Trade payables	846	1,456
Accruals and deferred income	4,953	3,490
Deferred capital receipts	3,167	3,338
	20,672	15,393
Amounts falling due after more than one year		
Accruals and deferred income	2,426	-
Deferred capital receipts	7,101	6,365
	9,527	6,365

16 Deferred capital receipts

	2012		2011	
	Intangible assets	Property plant and equipment	Intangible assets	Property plant and equipment
	£000	£000	£000	£000
At 1 April	933	8,770	1,348	8,301
Receivable for the year	-	3,472	-	3,049
Credited to statement of comprehensive income	(415)	(2,492)	(415)	(2,580)
At 31 March	518	9,750	933	8,770

17 Financial liabilities

	<i>Note</i>	2012	2011
		£000	£000
Amounts falling due within one year:			
Finance leases	21	150	368
		150	368
Amounts falling due after more than one year			
Finance leases	21	-	180
		-	180

18 Provisions

	Legal Claims £000	Dilapidations £000	Total £000
At 1 April 2011	13	8,245	8,258
Arising in year	8	168	176
Amounts reversed unutilised	(13)	(5,292)	(5,305)
At 31 March 2012	<u>8</u>	<u>3,121</u>	<u>3,129</u>

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 2013.

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: August 2014, £451,000, April 2018, £1,071,000 and December 2023 £1,599,000. The provision has been made on the basis of the best estimate using independent professional assessments.

The Company has entered into an extended lease on one of the premises in 2012, the revised terms of this lease has resulted in £5,292,000 of the dilapidations provision being reversed as unutilised. £2,584,000 has been recognised within the Statement of comprehensive income, the remaining £2,708,000 has been accounted for as a lease incentive, transferred to accruals and deferred income, and will be released through the Statement of comprehensive income equally over the life of the lease.

19 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.

	2012 £000	2011 £000
Change in benefit obligation		
Benefit obligation at beginning of year	48,418	42,406
Service cost	3,853	3,709
Interest cost	2,741	2,491
Plan participants' contributions	1,281	1,235
Actuarial gain	(11,045)	(648)
Benefits paid	(487)	(775)
Benefit obligation at end of year	44,761	48,418
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	44,761	48,418
	44,761	48,418
Change in plan assets		
Fair value of plan assets at beginning of year	35,119	29,394
Expected return on plan assets	2,307	1,811
Actuarial (loss)/gain	(908)	256
Employer contributions	3,344	3,198
Plan participants contributions	1,281	1,235
Benefits paid	(487)	(775)
Fair value of plan assets at end of year	40,656	35,119
Amounts recognised in the Statement of financial position		
Present value of funded obligations	44,761	48,418
Fair value of plan assets	40,656	35,119
Deficit for funded plans	4,105	13,299
Net liability	4,105	13,299
Amounts in the Statement of financial position		
Liabilities	4,105	13,299
Assets	-	-
Net liability	4,105	13,299

	2012	2011
£000	£000	£000
Components of pension expense		
Current service cost	3,853	3,709
Interest cost	2,741	2,491
Expected return on plan assets	(2,307)	(1,811)
	<u>434</u>	<u>680</u>
Total pension cost recognised in the Statement of comprehensive income	<u>4,287</u>	<u>4,389</u>
Actuarial (gain) immediately recognised	<u>(10,137)</u>	<u>(904)</u>
Total recognised in the Statement of comprehensive income	<u>(10,137)</u>	<u>(904)</u>
Cumulative amount of actuarial (gain) / loss immediately recognised	(593)	9,544

Plan assets

The weighted average asset allocation at the year-end was as follows

Asset category	2012	2011
Equities	71%	69%
Bonds	29%	30%
Cash	-	1%
	<u>100%</u>	<u>100%</u>

Amounts included in the fair value of asset for.	£000	£000
Equities	28,866	24,142
Bonds	11,790	10,555
Cash	-	422

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 5.0% assumption for the 2012/13 pension expense.

	2012	2011
£000	£000	£000
Actual return on plan assets	1,399	2,067

Weighted average assumptions used to determine benefit obligations at:

	2012	2011
Discount rate	5.20%	5.40%
Rate of compensation increase	3.50%	4.75%
Rate of increase of pensions in payment	3.10%	3.30%
Rate of price inflation (RPI)	3.30%	3.50%
Rate of price inflation (CPI)	2.50%	2.80%

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

	2012	2011
Male member age 65 (current life expectancy)	22.70	21 60
Female member age 65 (current life expectancy)	22.90	22 10
Male member age 45 (life expectancy at age 65)	24.50	23 50
Female member age 45 (life expectancy at age 65)	24 80	23 90

Weighted average assumptions used to determine pension expense for year ended

	2012	2011
Discount rate	5 40%	5 60%
Expected long-term return on plan assets	6 20%	5 80%
Rate of compensation increase	4.75%	4 95%
Rate of increase of pensions in payment	3 30%	3 70%
Rate of price inflation (RPI)	3 50%	3 70%
Rate of price inflation (CPI)	2.80%	-

Sensitivity analysis**Statement of Financial Activity**

The funded status of the Scheme and the amounts recognised as a Company liability at 31 March 2012 are compared to the corresponding amounts with a 0.25% p.a. reduction in the discount rate, a 0.25% p.a. increase to the inflation rate (RPI) and 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 2012 (Preliminary)	31 March 2012 (Discount)	31 March 2012 (Inflation)	31 March 2012 (Life Expectancy)
Discount rate	5 20%	4.95%	5 20%	5 20%
Inflation (RPI)	3 30%	3.30%	3 55%	3 30%
	£000	£000	£000	£000
Benefit obligation	44,761	48,228	47,209	45,949
Fair value of plan assets	40,656	40,656	40,656	40,656
Deficit / (surplus)	4,105	7,572	6,553	5,293
Effect of asset limitation and minimum funding requirement	-	-	-	-
Net liability/(asset) recognised	4,105	7,572	6,553	5,293

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 (RPI) 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.

	31 March 2012 (Initial) £000	31 March 2012 (Discount) £000	31 March 2012 (Inflation) £000	31 March 2012 (Life Expectancy) £000
Current service cost	2,210	2,539	2,541	2,283
Interest cost	2,408	2,472	2,544	2,472
Expected return on plan assets	(2,141)	(2,141)	(2,141)	(2,141)
Effect of asset limitation and minimum funding requirement	-	-	-	-
Total	2,477	2,870	2,944	2,614

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

	Financial year ending in				
	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Defined benefit obligation	44,761	48,418	42,406	23,680	30,590
Fair value of plan assets	40,656	35,119	29,394	18,102	19,364
Deficit	4,105	13,299	13,012	5,578	11,226

Difference between actual and expected return on scheme assets

amount (£000)	908	(256)	(5,826)	6,179	2,310
percentage of plan assets	2%	-1%	-20%	34%	12%
Experience gains and (losses) on scheme liabilities					
amount (£000)	(1,704)	(435)	354	(204)	5
percentage of plan liabilities	-4%	-1%	1%	-1%	0%

Contributions

The company expects to contribute £3,494,000 to its pension plan in the financial year ending 31 March 2013.

20 Financial commitments

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

	Land and buildings		Other	
	2012 £000	2011 £000	2012 £000	2011 £000
Operating leases amounts falling due				
Within one year	70	70	75	91
In the second to fifth years inclusive	3,735	5,192	1,035	67
In over five years	25,446	6,721	-	-
	<u>29,251</u>	<u>11,983</u>	<u>1,110</u>	<u>158</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 2012 the Company had placed contracts for the purchase of fixed assets totalling £153,589 (2011 £Nil)

21 Finance leases

Finance lease liabilities are payable as follows

	2012 Minimum lease payments £000	2012 PV of minimum lease payments £000	2011 Minimum lease payments £000	2011 PV of minimum lease payments £000
Due				
Within one year	151	150	434	368
In the second to fifth years inclusive	-	-	183	180
In over five years	-	-	-	-
	<u>151</u>	<u>150</u>	<u>617</u>	<u>548</u>
Less				
Finance charges allocated to future periods	(1)		(23)	
Maintenance charges allocated to future periods	-		(46)	
Present value of minimum lease periods	<u>150</u>		<u>548</u>	

All finance lease liabilities relate to computer and other electronic equipment, with maturities prior to 31 March 2013. An assumed interest rate of 6% has been used on all finance leases

22 Called up equity share capital

	2012	2011
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
10 ordinary shares of £1 each	10	10

23 Controlling parties

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

24 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.

25 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 Education and Skills in the Welsh Assembly.

As at 31 March 2012 the total balance of the loan portfolio administered by the Company on behalf of the funding bodies was £46,831,709,000 (2011 £ 41,195,331,000), which excludes all non repayable student support.

INDEPENDENT ASSESSORS' ANNUAL REPORT

1. Introduction

1.1 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. Our appointments are due to expire this year but we have each been invited to continue in this role for a further period of three years starting in May 2012 and we have all accepted that invitation. 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.

1.2 Our decisions are binding on the Student Loans Company (SLC) unless the SLC is directed otherwise by the Secretary of State. A protocol has now been established by which SLC provide the Department for Business, Innovation and Skills (BIS) with a summary of an appeal or complaint at the same time as the papers are sent to the Independent Assessor (IA). Officials in the Department will then submit written comments if there are legal issues or policy guidance which are relevant. In the event that BIS does not agree with our recommendations, it advises the Secretary of State accordingly, who decides whether or not our recommendation should be implemented. During 2011-12, the Secretary of State intervened in four cases to instruct SLC not to follow our recommendations. All of our other recommendations have been accepted. We now routinely explain this to every appellant or complainant referred to us.

1.3 In our terms of reference we are required to bring independent decision making to bear on appeals and complaints cases referred to us by SLC 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 SLC for the year ending 31 March summarising our activities over the year and making recommendations about areas for improvement arising from our casework. This report therefore deals with cases dealt with by us prior to 31 March 2012.

1.4 This year we have had the benefit of the appointment by SLC of an Independent Assessors Liaison Officer and we would like to express our appreciation for the assistance provided by her in ensuring we have speedy access to all the information necessary to complete our reviews. We are undertaking a trial of receiving files electronically through a secure online file sharing system which offers benefits to SLC in reducing costs of transporting and storing paper files. There both advantages and disadvantages to this method of receiving information from our point of view and we will report to SLC on our experience after a suitable trial period.

2. Caseload

2.1 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"

An appeal is defined 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."

2.2 During the year we reviewed 51 complaints and 49 appeals. A comparison with 2009-10 and 2010-11 may be seen in the table below

	SLC Decision Upheld	Appeal/Complaint Upheld	Total
2011-12	39	10	49
2010-11	34	25	59
2009-10	5	1	6
2011-12	-	-	51
2010-11	6	8	14
2009-10	3	9	12

2.3 One of the problems that we have noted in the previous years was that there was sometimes a problem in identifying whether a customer was making a complaint or an appeal or both. SLC implemented a system whereby appeals staff would also deal with any basic complaint arising alongside an appeal, but would refer any complex complaints to the appropriate team. Complaints staff would then identify an appeal and refer it as such, even if the request was expressed as a complaint. When looking at the figures above it is worth recognising that some of the cases we have considered this year have been referred as complaints but could also be brought under the definition of appeal.

This is particularly true of cases relating to the Repayment of Teachers Loans scheme (RTL) where a complaint has been registered when a customer who had previously been accepted onto the scheme has been removed, usually due to failure to comply with the requirements to notify changes of circumstances.

2.4 Last year we commented on improvements in the quality of the information relating to the complaints and appeals procedures on the website. It may be that this has had the effect of raising awareness of the Independent Assessor's function and may have contributed to the increase in complaints being escalated to stage three of the process. Customers now frequently quote from the information available on the internet including references to the Practitioners guidance.

3. Appeals

3.1 This year has seen a reduction in the number of appeals reported on by Independent Assessors, from 59 in 2010-11 to 49 in 2011-12. We noted that an increase in 2010-11 was partly due to the completion of the transfer of the assessment process from the Local Education Authorities ("LEAs") to the SLC. The fact that the level has not dropped back to the level of 2009-10 may also be a reflection of clearer signposting to the customer of the Independent Assessor role. In August 2010, the SLC restructured the appeals process and this improvement appears to have continued to result in a smoother route through the process in 2011-12.

3.2 The table below sets out the broad categories of appeal

Appeals by subject matter	Number of Appeals	
	2010-11	2011-12
Migrant workers	15	7
Equivalent Level Qualifications/Previous Study	14	9
Residency	15	21
Independent Status	3	3
DSA	2	0
Other (Assessment, eligibility, unfitness)	10	9
Total	59	49

Of the appeals this year we recommended that 10 of the appeals be upheld and in four of those cases our view was not followed by SLC on the advice of BIS. Two of those cases related to the definition of ordinary residence and one to migrant worker status. The remaining one concerned the recovery of maintenance grants.

3.3 The three largest categories of cases remain the same this year though there has been a significant shift in the balance between them. The number of appeals relating to **EU migrant workers** has dropped significantly. A number of the appeals last year resulted from cases where earlier decisions made by Local Education Authorities, were subsequently reviewed by the SLC's migrant worker team and found to be incorrect. As those cases where LEAs carried out the assessments work their way through the system, there should be increasing consistency in the assessment process.

3.4 The number of appeals relating to **ELQ/previous study** has dropped. The Regulations were amended to state explicitly that holders of an Honours degree will not be eligible for further funding (with some specific exceptions), and as we anticipated the numbers of appeals relating to those student studying for medical degrees which featured in 2010-11 has not been repeated. The correct assessment of entitlement where a student has previously studied at higher education level relies upon accurate answers being given by the student to the questions asked on the application form. The questions therefore need to be clear and the student needs to know the meaning of the various terms used in the question order to answer accurately, for example the meaning of "equivalent qualification" must be readily available either on the notes accompanying the form or in easily accessible guidance on the website if the student is to provide the information necessary to complete the assessment correctly at the first attempt.

3.5 The level of **residency** appeals shows the most significant increase. The concept of "ordinary residence" continues to cause confusion for students, particularly those who are UK citizens but may have been living abroad due to choices made by their parents. The decision is often dependent on the quality of information that the SLC (and we) receive from the student. Many of these cases are very fact specific, and turn on individual circumstances rather than general principles. In some cases the appeals have succeeded where additional more detailed information has been forthcoming to us in the course of the appeal.

3.6 The issue of how evidence is evaluated is one which has arisen in some cases including those where our recommendations have not been followed. BIS have reminded SFE that it is for the student to provide the necessary evidence to establish their eligibility, in other words the burden of proof is on the student. There is no doubt that this is the correct approach but in order to evaluate the evidence supplied, SFE need to decide whether the evidence supplied is sufficient and therefore guidance on what standard of proof is appropriate is useful. We adopt the approach that is universal throughout the civil courts and tribunals in the UK, that the evidence must establish eligibility on the balance of probabilities. The alternative higher standard which is only used in criminal procedures is beyond reasonable doubt. There seems no justification for that standard to be applied in when evaluating evidence to establish eligibility for student finance.

3.7 The importance of the three year ordinary residence requirement is that it must be achieved at the start of the course and therefore students must understand that there is no point applying in year two if they were not eligible in year one. It sometimes appears that Higher Education Institutions (HEIs) have not been sufficiently vigilant in advising students about this issue and channels of communications between SLC and the HEI would seem to be the obvious way to ensure that students do not undertake wasted years of study in ignorance of the eligibility criteria.

4. Complaints

4.1 During 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. In 2011, we noted that the new complaints process meant that we saw an improvement in the speed of the process of complaints through the internal system and to us. The level of complaints we dealt with in 2009-10 and 2010-11 were similar but the past year has seen a significant increase.

4.2 In terms of the subject matter of the complaints, the categories are less easy to define. We receive quarterly reports on the outcome of our cases and the implementation of our recommendations and these breakdown the categories under various headings the most common of which are Customer Service (Assessment), Customer Service (Staff), Customer Service (ICR), Assessment and RTL scheme. It can be seen that identifying the subject matter of complaints is a much more difficult task than categorising appeals and the overlap can also be seen in the headings used. Inevitably nearly all complaints could be brought under the heading of "customer service" and so it is useful to try and get a better picture of where the real problems arise.

4.3 Although it does not appear in the headings above, we would identify one of the most common causes of problems which give rise to complaints is conflicting advice, given usually over the telephone. We continue to see complaints which start about one issue and then escalate due to dissatisfaction with the way they are handled. Complaints about failure to abide by the published timescales of the complaints process are a common cause of aggravation of a complaint which might otherwise have been resolved quickly and at less cost. We have noted that failure to abide by published timescales is a persistent problem and that if the timescales are not realistic it is better to adopt more realistic ones that can be met with the resources available than to disappoint by offering a response time which cannot be met.

4.4 We have recommended offering ex gratia payments in a number of cases whilst being mindful of the cost to the public purse and the fact that this is not always what the complainant wants to achieve. We have recommended to SLC that ex gratia payments are not made without first being offered and accepted as in some cases unsolicited payments have caused furthered exacerbation of a complaint rather than the hoped for resolution. We believe the practice has now been changed.

4.5 We have been kept informed of the progress of a Complaints Restructuring Review which has been undertaken within SLC during the past few months and we look forward to hearing the outcome of that review. We understand it aims to resolve more issues at an earlier stage and to enable the collection of more useful information for the purpose of a root cause analysis to inform training. If it is possible to improve the customer experience by enabling direct telephone contact with named advisors once a problem has arisen, we are confident that more complaints will be resolved more quickly. As we have not yet seen the outcome of the review it may be that some of our concerns or comments in this report have been already addressed and are in the process of being implemented. We look forward to hearing the outcome at our next meeting with officials from SLC and BIS.

5. Recommendations

5.1 We have again made a number of specific recommendations with respect to giving redress to specific customers. We have met with officials from BIS and SLC four times this year and at these meetings have received feedback on whether, and if so how, our recommendations have been implemented. This feedback is helpful in informing our future reviews of appeals and complaints, in particular it enables us to appreciate how to frame our recommendations in the best way to help improve practice and the service to customers.

5.2 In our annual report for 2010-11 we made three general recommendations. We have been kept informed about progress towards implementing those recommendations. In particular we recommended that the quality of information supplied by the Home Office be improved and we understand that discussions took place with BIS resulting in an updated pro forma for the provision of this information. Immigration issues have been less prominent this year in the residence cases we have dealt with and so it is not apparent whether these discussions have produced improvements. Similarly we understand that discussions took place with the Home Office about improvements to information regarding ordinary residence on the SLC website.

5.3 We made a general recommendation in our annual report last year regarding appeal responses and we have noted in the past year that there has been an improvement in tailoring responses individually to the particular case rather than using standard responses.

6. Recommendations for 2011-12

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

6.1 To continue to focus attention on the importance of avoiding giving conflicting advice to customers particularly on the telephone

6.2 To focus improvements in the complaints process on the timeliness of responses, keeping complainants informed if published timescales cannot be met and providing an identified point of contact for complainants

6.3 To continue to refine and improve guidance to students on completion of applications by evaluating the response to information on the website

6.4 To monitor through discussions with HEIs, the information supplied to applicants by HEIs about eligibility for student finance to ensure it is not out of date or inaccurate.

7. Summary

The year ahead sees considerable changes in student finance and it may be that this will be reflected in the number or type of cases referred to us. As we reported last year, even some of those who are disappointed in the outcome of our reviews have expressed their gratitude in having their case thoroughly investigated and considered by an independent party

Independent Assessors

Deborah Gibson

June Brown

Christopher Hughes

Sarah Walk

Dated 2 May 2012

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