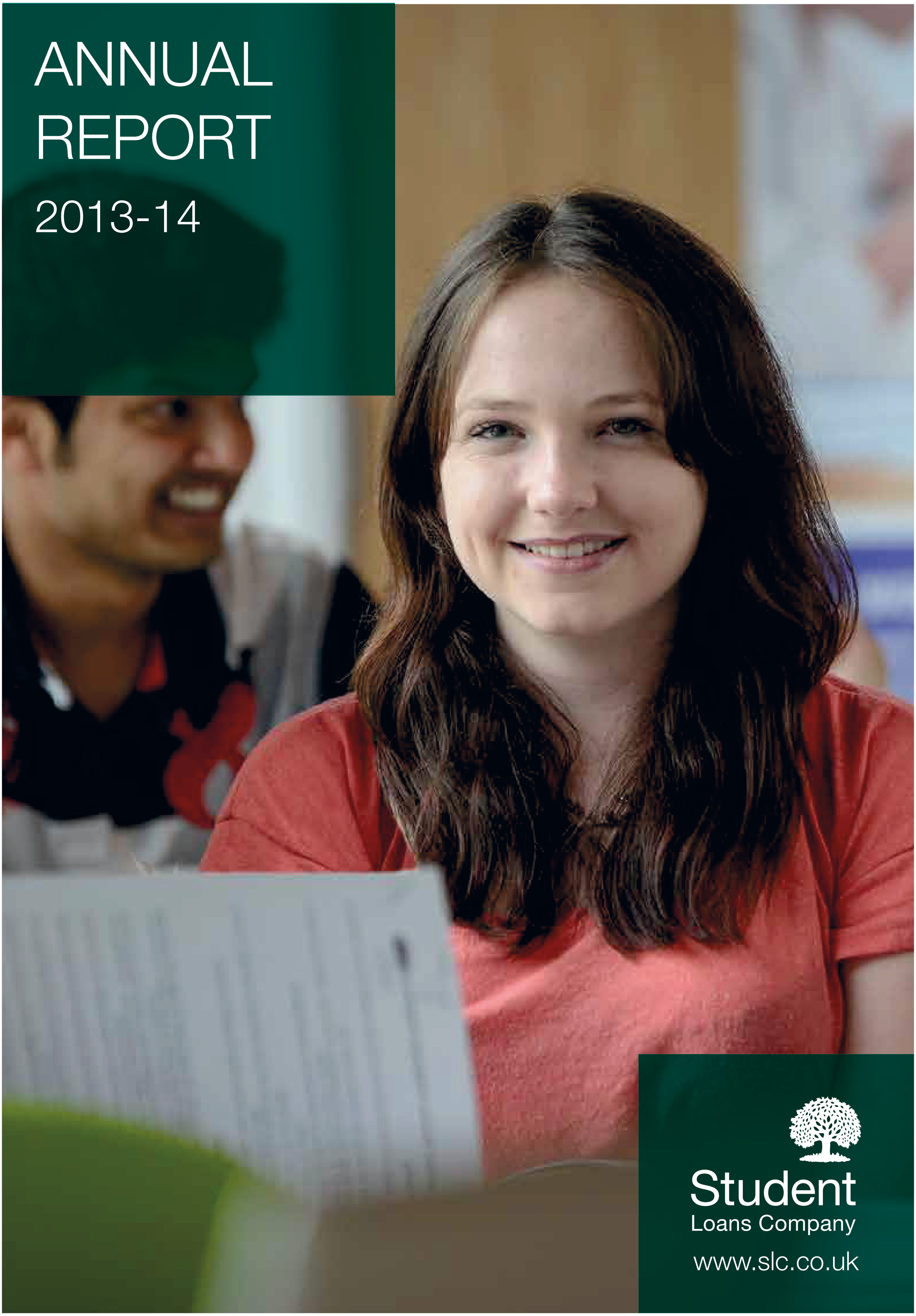
ANNUAL REPORT

2013-14



Student
Loans Company

www.slc.co.uk

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01. CHAIRMAN'S STATEMENT

I am joining a truly exceptional organisation; one that is experiencing unprecedented change, both in its operating environment and the way in which it works. Change is the modern business norm; what sets the Student Loans Company (SLC) apart is its reaction to it. So often businesses endure and fear change, but at SLC I have found an organisation that is embracing it.

Our customer and transaction volumes are growing fast — one in 10 of the adult UK population is already a customer. At the same time, the policies we must implement are diversifying rapidly across the UK. Dealing with these pressures effectively is a fundamental business goal.

SLC's Vision is to be valued as a digital, customer-focused centre of excellence where all products are available online, customers will help design services and drive continuous improvement and there will be a significant and sustained improvement in how satisfied they are with the services we provide. SLC aims to be regarded as a centre of excellence – running a best in class, efficient, effective and flexible assess, pay and repay service.

SLC has a unique opportunity to achieve this Vision through its Transformation Programme. The programme will replace ageing and inflexible core systems, drive business, technological and cultural change and improve the efficiency and effectiveness of the organisation. Successful completion of the Transformation Programme will provide SLC with exciting opportunities to grow the business, creating the platform we need to expand and improve services.

The Transformation Programme brings us the opportunity to become a standard-bearer for the Government's digital delivery agenda. We have already made progress here, becoming an exemplar Government Digital Service organisation.

The business case for the funding of our Transformation Programme was approved by the SLC Main Board, the Department for Business, Innovation and Skills (BIS), the Cabinet Office and HM Treasury. Securing this investment, particularly in the current financial environment, is a significant achievement and reflects the confidence that our stakeholders have in our ability to deliver.

We are all mindful that transforming SLC involves the biggest investment in our history — up to £140 million over the next decade — and equally mindful of the responsibilities that come with it. We will ensure that this significant funding drives better and more efficient services for our customers and maximises value for money for the taxpayer.

I wouldn't have the opportunity to lead this high-performing organisation without the efforts of my predecessors, Professor Dame Glynis Breakwell as interim Chair, and Ed Smith. I would like to thank them for helping to build an SLC that is so focused on excellence. And of course, my thanks extend to my new colleagues at SLC, who have welcomed me warmly and impressed me greatly.

The past year shows real progress and commitment towards achieving the excellence that we are all working towards — and I look forward to the coming year when we will achieve even more.

Christian Brodie
Chairman, Student Loans Company

02.

CHIEF EXECUTIVE'S FOREWORD

The past year has seen steadily improving and impressive performance at SLC. This Annual Report demonstrates that we are delivering against our customer needs today and ensuring we are shaping an organisation that is fit for tomorrow.

Performance measurement lies at the heart of our operations, and the past four quarters show significant progress. Across the 28 metrics agreed with our sponsors, we are on target (green) for 22 and are very close to target on five (green/amber). The single 'red' metric — avoidable contact — is of course frustrating, but this is a priority area within our ongoing Transformation Programme. Our ambition is nothing less than a clean sweep of green indicators and to continually push the boundaries.

This improving performance has a tangible impact on our customers. Despite higher than expected application volumes in Academic Year (AY) 2013-14 (104 per cent), we processed 99.7 per cent of applications submitted to deadline before the start of term. This has seen SLC pay out around £12.5 billion to customers in the past financial year.

We are also moving forward in delivering high quality customer services. We answered more than 6 million calls in the past year, well above our target; 'first contact resolution' was similarly above target and saw a 4 per cent improvement over Financial Year (FY) 2012-13. These achievements are improving the SLC experience, with close to 80 per cent customer satisfaction — up from around 65 per cent just four years ago. It's a trend we are determined to maintain.

This progress has been made possible by the effort, skill and dedication of our staff — supported by continuing improvements to existing systems and processes. Whilst we are focused on our forward-looking Vision and Transformation, we never lose sight of the need to deliver our Mission by providing secure, accurate and efficient Assessment, Payment and Repayment services.

Achieving this in a diversifying UK political landscape is a challenge, but one we are meeting. To quote just two examples, in the past year SLC has implemented major, country-specific programmes: the new 24+ Advanced Learning Loans service was launched in England, with over 65,000 applications received by the end of April 2014; and a new centralised student finance service for Wales, with a managed transfer of all of the relevant processing work currently undertaken by twenty two Welsh Local Authorities in the coming year.

Ensuring repayment is clearly one of SLC's key business priorities and we are focused on collecting every pound that is owed. The announcement of the sale of the outstanding Mortgage Style Loan (MSL) book in November 2013 allows us to focus on supplying loans to current students and collecting repayments on newer loans. The Government is also in the process of exploring options for the potential future sale of the Income Contingent Repayment (ICR) loan book.

Internally, our 'Leading the Way' initiative keeps staff informed of change and its impact, to ensure that everyone has the support they need to deliver. As part of our work to create a more efficient organisation, we have undertaken an Executive Leadership Team restructure. We have rationalised the structure to just two frontline and two support directorates, rebalancing SLC to focus on its core activities of Assess, Pay and Repay. Amongst other benefits, this will introduce clearer responsibilities and accountabilities to support effective decision making.

With the publication of our three year Corporate Plan— the first in recent years — we are now an organisation that is firmly centred in the present, yet focused on the future. The Corporate Plan and this Annual Report demonstrate both the commitment to our current Mission and the ways we are progressing towards our long-term Vision.

Mick Laverty
Chief Executive and Accounting Officer, Student Loans Company

03.

ABOUT THE STUDENT LOANS COMPANY

The Student Loans Company (SLC) is a non-profit making Government owned organisation set up in 1989 to provide loans and grants to students at universities and colleges across the UK. We play a central role in supporting the Higher Education (HE) and Further Education (FE) sectors by: timely and accurate payments of maintenance grants and loans to learners; and ensuring timely and accurate payments of tuition fee loans to HE and FE providers.

We do this by working with the Departments for Business, Innovation & Skills (BIS), Education and Lifelong Learning (DELL, Scotland), Education and Skills (DfES, Wales) and Employment and Learning (DEL, Northern Ireland). We also work with the Student Awards Agency for Scotland (SAAS), Education and Library Boards in Northern Ireland, Higher Education (HE) and Further Education (FE) providers, HM Revenue & Customs (HMRC), Identity and Passport Service (IPS) Department of Work and Pensions (DWP) and other delivery partners.

SLC currently has 1,885 staff (1,751 Full Time Equivalent) on permanent contracts located across four sites: Glasgow (city centre), Glasgow (Hillington), Llandudno Junction and Darlington. We also have up to 1,500 additional staff supporting us at peak times of the academic year through outsourced service providers and temporary or fixed term contracts.

OUR CORE FUNCTIONS

Assess

- provide information, advice and guidance (IAG) on student finance;
- process applications and pay loans and grants to students and learners in higher education;

Pay

- make educational maintenance payments to students aged over 16 in Northern Ireland and Wales;
- pay tuition fees to higher and further education providers;
- pay maintenance grants and loans to learners;
- pay bursaries and scholarships on behalf of higher and further education providers;

Repay

- work with HMRC to collect loan repayments; and
- manage direct collection from customers making voluntary additional payments, living overseas or repaying grant and loan overpayments.

We also provide expert operational advice and high quality data and information to support Government Administrations' policy-making and analysis.

OUR VISION, MISSION AND VALUES

Our Vision, Mission and Values underpin the strategic direction for SLC, our core purpose and the values which shape our organisational culture and priorities.

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

- **Digital** captures the transition we're making from being an organisation that still relies heavily on manual processes to one that will, for most customers, be wholly automated and accessed via the internet or mobile device.
- **Customer-focused** reflects our aspiration to provide a high quality service to our customers, whatever their needs and preferences, allowing them to transact their business with us — whether it's accessing funding, making repayments or tracking their account — quickly, easily and conveniently. Customer feedback and requirements will shape the design of our systems and processes. It also marks our determination to get things right first time, so that we compare favourably with best-in-class customer service organisations.
- **Centre of excellence** looks to the future. We already have a wide range of in-house expertise in assessment, payment and repayment services. As we replace our core systems, we will build the capacity to further develop and expand this expertise, enhancing SLC's growing reputation as a centre of excellence in these areas. This will allow us to provide services beyond student finance and we will look to explore opportunities across Government and in new sectors.

Our Mission is to enable our customers to invest in their futures by delivering secure, accurate and efficient assessment, payment and repayment services. It sets out what we do, how we do it and why we do it. It describes our current remit – why we exist and what we're doing today, tomorrow and in the months ahead:

- **What we do:** we assess eligibility, we make payments and we provide repayment services for student finance. Everyone at SLC – whatever their role – is supporting these activities, even if they aren't directly involved in providing them.
- **How we do it:** we focus on both the need to do things right first time with minimum fuss, so that customers get what they need from us easily and effectively. Part of this is ensuring that we have the right balance between our back office support functions and our front office functions which directly deliver services to customers. This includes the need to deal with personal information carefully and sensitively.
- **Why we do it:** to provide finance to our customers to invest in their futures. We help them access funding to enhance their knowledge, improve their skills and increase their opportunities, contributing to economic growth.

Our Values are set out in our 'Leading the Way' framework, shaping the attitude, approach and positive ways of working we seek to embed in our organisational culture. We will invest in our people to enable them to deliver the best possible, customer focused services.

GOING CONCERN

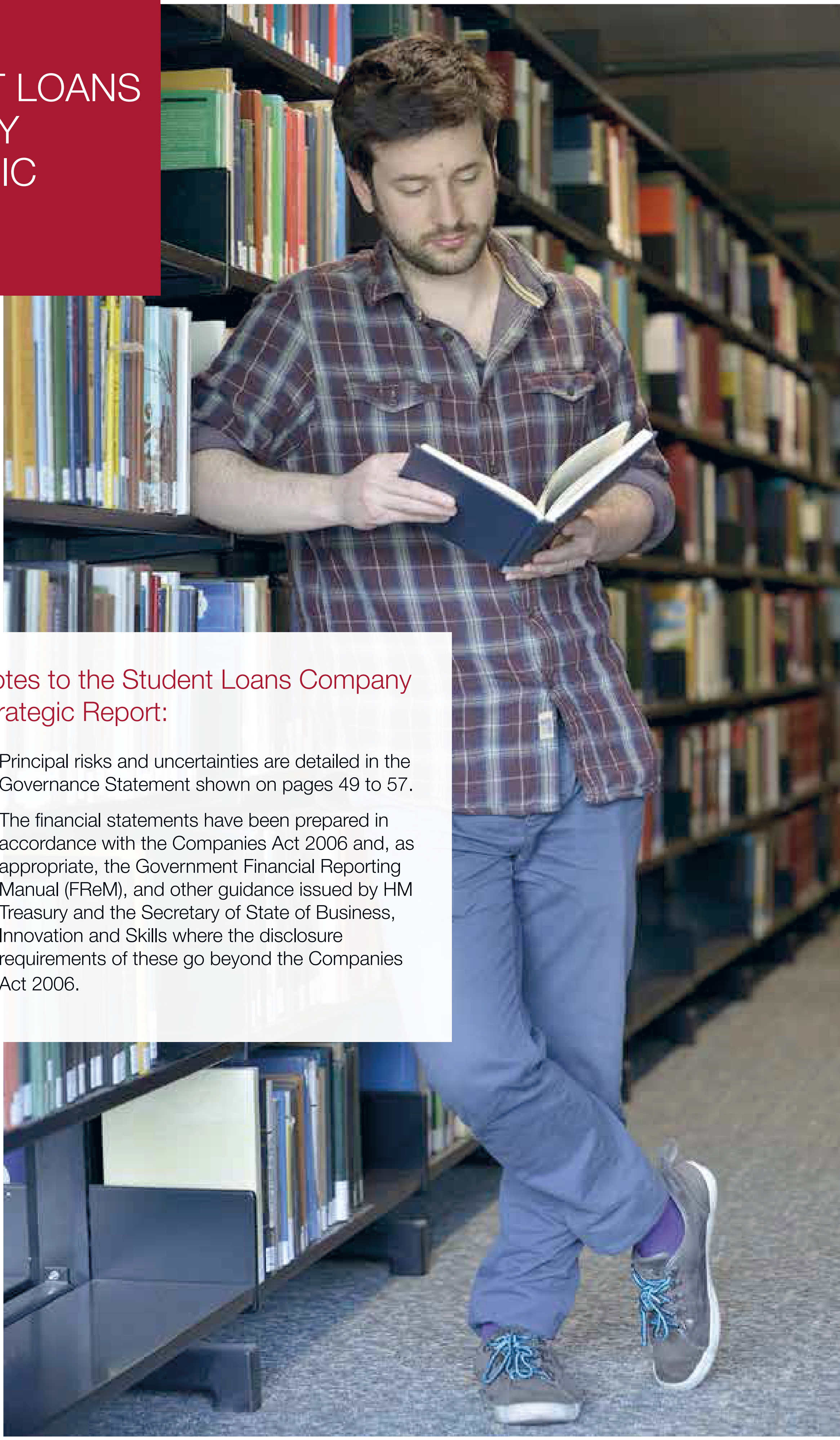
The Statement of financial position at 31 March 2014 shows net liabilities of £21,887,000 (2013: £19,383,000). These liabilities largely arise as a result of the inclusion of pension fund liabilities falling due in future years in accordance with the accounting treatment required by IAS19 revised Employee Benefits and in addition, a provision in respect of dilapidations arising from SLC's leasehold commitments.

To the extent that they are not met from SLC's other sources of income, these liabilities may only be met by future grants or grants-in-aid from SLC's sponsoring departments. This is because under the normal conventions applying to the Parliamentary control on income and expenditure such grants may not be issued in advance of need.

Grant-in-aid for the year ending 31 March 2015, taking into account the amounts required to meet SLC's liabilities falling due in that year, has already been included in BIS 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 Statement of financial position is entirely a result of the recognition of pension liabilities and dilapidations provisions. There is no impact on SLC'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 SLC operates.

04.
STUDENT LOANS COMPANY STRATEGIC REPORT



Notes to the Student Loans Company Strategic Report:

- Principal risks and uncertainties are detailed in the Governance Statement shown on pages 49 to 57.
- The financial statements have been prepared in accordance with the Companies Act 2006 and, as appropriate, the Government Financial Reporting Manual (FReM), and other guidance issued by HM Treasury and the Secretary of State of Business, Innovation and Skills where the disclosure requirements of these go beyond the Companies Act 2006.

04.1 MANAGEMENT COMMENTARY AND FUTURE CHALLENGES

The Student Loans Company (SLC) provides the core transaction processing function for the administration of student finance for the UK (except for applications in Scotland). We are one of the largest Financial Services providers in the UK.

Numbers at a glance in 2013-14

- In AY 2013-14 we supported around 1.43 million students (1.33 million in higher education), up from 1.34 million (1.27 million in higher education) in 2012-13.
- In AY 2013-14, SLC received 1.61 million higher education student finance applications compared to 1.4 million in AY 2012-13.
- We paid £6.6 billion in maintenance loans and grants.
- We paid £5.9 billion in tuition fees direct to universities, colleges and Further Education learning providers.
- We recorded collections of £1.78 billion from 1.96 million customers.
- Even at our busiest times we met targets to answer calls and overall, throughout the year, over 92 per cent were answered.
- Managed a loan book with a total gross value of £62 billion.

Future challenges

- Continue to absorb changes that see SLC assume a significantly increased role as a Higher Education and Further Education delivery partner.
- Ensure full assess, pay and repay responsibilities in England.
- Work on modernisation in Wales, moving to full service provision.
- Deal with increasing transaction volumes following 2012 HE reforms.
- Manage growth in delivery partners, with the establishment of alternative HE and FE providers.
- Manage growth across the business that will see: customers rise from 3.5 million in 2014 to 5.5 million in 2019; and debt value increase from £62 billion in 2014 to £90 billion in 2019.
- Preparing for the sale of the Income Contingent Repayment (ICR) Loan Book.
- Continuing work to meet our Vision and Mission — through SLC's Transformation Programme and by, replacing and upgrading core systems, software and processes — to deliver ever-more efficient, effective and customer-focused services.

04.2 TRANSFORMING SLC

Background

Our Transformation Programme is central to the delivery of our Vision to be a digital, customer focused centre of excellence, delivering services in alignment with the Government's Digital Strategy.

Full business transformation supported by a core systems replacement (CSR) removes many of the challenges we face in delivering for our customers, stakeholders and Government sponsors.
In FY 2013/14 we adopted new ways of working, including agile techniques and delivery models which have allowed us to deliver customer and business benefit earlier and more often. This process will continue over the next three years.

We have been working hard to replace our ageing and end of life technologies with proven, industry standard banking and security solutions, while at the same time developing business rules and process management capability to improve and streamline the service we provide to our customers and stakeholders.

Core Systems Replacement (CSR) — fundamental to SLC Transformation — is designed to support rapid delivery with a new and flexible digital interface while continuing to use our legacy ledger system up to the point where it can be fully replaced.

In FY 2013/14, we have been developing and implementing detailed business and technical roadmaps that are supporting the delivery of our Corporate Objectives. We are ensuring a robust monitoring and evaluation strategy that tracks benefits throughout the Transformation programme.

In FY 2013/14 we have built an experienced in-house team and also engaged two proven strategic transformation partners to assist with building organisational delivery capability and technology platforms to support successful delivery of the programme.

Key FY 2013/14 achievements

The following summarises some of the key activities that have taken place in FY 2013/14 towards SLC Transformation and digital delivery:

- CSR project fully assessed and validated through the government's Gateway Review process. The Business Case was reviewed and approved by BIS, Cabinet Office and HM Treasury - a major success in the midst of the comprehensive spending review.
- Transformation and technology partners have been appointed, with significant work undertaken to lay the foundations for SLC Transformation.
- A complex major procurement exercise is now complete and in March 2014 HCL, Misys and Deloitte were appointed to deliver the new Core Banking System (CLAM) and the security system (SAM).
- The Transformation Technical roadmap and Transformation People and Process roadmaps were presented to the Board in April 2014 and recruitment will ensure the SLC Transformation team contains the right mix of skills for successful delivery.
- Major work to develop and implement mobilisation plans, to ensure the integration of new suppliers in March 2014.
- Plans have been developed to extend infrastructure capacity and resilience to support the development and testing requirements for core systems replacement.
- SLC work on digital delivery has been recognised by Government; named as one of 25 'Exemplar' Digital Delivery Programmes. SLC was first exemplar to go live with a digital based service — for HE Full Time and Part Time and 24+ Advanced Learning Loans.

Key FY 2013/14 achievements (continued)

- Developed close collaboration with the Government Digital Service (GDS) team. In December 2013, Student Finance was assessed against a subset of the 26 digital by default service standards developed by GDS.
- Launched a major redevelopment of the SLC customer portal (web service) with changes focusing on the full-time function for customers.
- Developed 24+ Advanced Learning Loans pre-liability Change of Circumstance functionality.
- Provided Agile working methodology training to a wide range of SLC staff for more effective ways of working.
- Progressed the digitisation of Disabled Students' Allowance (DSA) invoicing.
- Tested improvements to customer online account functionality.

Transforming SLC — digital services and Transformation in focus

The past year has seen SLC pass important milestones, both in terms of organisational Transformation and digital delivery.

SLC aims to become a standard bearer for digital delivery in Government, delivering the best possible services to our customers — in the ways that suit them and they are familiar with when dealing with other banking service providers — and providing maximum efficiencies.

Close cooperation with GDS has helped us to progress towards achieving our goals. Student Finance was named as an exemplar project — for HE Full Time and Part Time and 24+ Advanced Learning Loans — acting as standard of good practice for other organisations to follow.

SLC Transformation has also taken major steps forward in FY 2013/14, with the selection of partners for the delivery of the Core Banking System.

HCL Technologies and Misys were selected to help deliver Transformation because they fully meet the needs of SLC, governments and our customers. Their technologies offer the best solutions that will make the most positive impact whilst delivering value for money.

HCL Technologies and Misys offer SLC global expertise and proven track records in financial services and banking software — delivering flexible, future-proofed solutions in the private and public sectors.

These companies are providing SLC with two distinct products: the new Core Banking System (CLAM) and a Security Access Management (SAM) layer. They will bring us: a new ledger system; migrate data from the old to the new system; and build the security software solutions needed in modern business banking.

It is an approach that allows SLC to reap all the benefits of specialist external expertise in addition to an in-house capability that allows us to shape the solution to our changing and unique needs.

With these partners now on board, change will be rapid. New customers will begin to benefit from 2015, whilst all customers will have been migrated to the new system by 2017.

SLC Chief Information Officer and Director of Transformation

04.3 SUSTAINING OUR BUSINESS AND SYSTEMS

Background

Our Mission is that, “we enable our customers to invest in their futures by delivering secure, accurate and efficient assessment, payment and repayment services.”

Whilst Transformation focuses on achieving this mission in the future, we are acutely aware that we deliver the best possible services to our customers today. This demands ongoing improvement to our existing business and systems whilst also undergoing a significant change programme.

In FY 2013/14, we have continued to process applications accurately and within agreed service levels, leading to timely payments of loans and grants to students and providers. We have sustained our current systems and processes, keeping them running smoothly through a series of short and medium term initiatives until their replacement through the Transformation programme.

We have increased our focus on our Repayments work, making improvements for our customers and maximising the amount we collect through our repayment channels.

Our customers and stakeholders rely on us to provide key financial services, even if things happen which are not in our control. It’s important, therefore, that we ensure we continually improve and enhance the capability of our vital business processes and systems to be recovered quickly in the event of a failure and we ensure that we have plans in place which allow the business to continue operating.

WE ENABLE OUR CUSTOMERS TO INVEST IN THEIR FUTURES BY DELIVERING SECURE, ACCURATE AND EFFICIENT ASSESSMENT, PAYMENT AND REPAYMENT SERVICES.

Key FY 2013/14 achievements

The following summarises some of the key activities that have taken place in FY 2013/14 towards sustaining our business and systems:

- Delivered infrastructure improvements and additional monitoring reports to support the operation of the Higher Education portal.
- Built a new database to capture data from three systems used for processing, strengthening tracking and reconciliation from application to attendance confirmation and payment.
- Delivered a successful upgrade to our Citrix platform.
- Built infrastructure to virtualise computer servers and commenced the virtualisation process to free space and power.
- Continued to develop improvements to our security systems.
- Gained certification for Public Service Network Accreditation from the Cabinet Office.
- Gained validation and sign off for our Business Impact Assessments.
- Conducted a Disaster Scenario Exercise to ensure organisational resilience.
- Commissioned a network upgrade programme.
- Commenced upgrade of the Imaging Repository systems.
- Completed a risk assessment of business processes and systems.

Sustaining our business and systems — a year of progress in focus

FY 2013/14 has seen extensive evaluation of existing and new Data Centres that has resulted in a programme of virtualisation, consolidation and redesign of core ICT infrastructure. This work continues, with delivery by the end of 2014. This work provides the foundation infrastructure for the new core banking (CLAM) and security platform (SAM) solutions and aligns to the Government ICT Strategy Data Centre objectives.

In the past year, regular re-evaluation of business issues, ICT maintenance priorities and corporate risks were brought together to determine the priorities of work in SLC Sustain Programme. This has included a focus on issues such as network stability, imaging stability tactical fixes, scanning solution upgrades, Business Continuity planning and a number of upgrades to supporting applications such as email and access policy management .

This has left us ideally placed in FY 2014/15 to phase out legacy imaging systems, shrink the hardware estate to a minimum through virtualisation, create sufficient infrastructure capacity and continue to retrofit systems with our new disaster recovery capability.

We move into FY 2014/15 with renewed confidence in areas of business systems instability along with new and ongoing work to maximise our capacity and capability to deliver our services.

SLC Technical Support Manager

Sustainability

Beyond sustaining our service capabilities, we have a responsibility to operate an environmentally sustainable business. SLC understands that by making changes, large and small, we contribute to local, national, and ultimately global, sustainability initiatives.

In FY 2013/14, we have continued to pursue a range of actions that maximise efficiencies to minimise and mitigate our environmental impact:

- Converted all lighting at our two largest sites — in Glasgow and Darlington, comprising around 16,000 square metres — to LED light bulbs. We estimate that this will reduce our lighting energy consumption by around 20 per cent and provide a better working environment for our staff.
- Upgraded the air handling plant at our Glasgow headquarters to be more energy efficient.
- Met our obligations around separating waste under the 'Waste (Scotland) Regulations 2012' — separating metal, plastic, glass, paper and card at source.
- Met our obligations for food waste under the 'Waste (Scotland) Regulations 2012' ahead of the 2016 deadline — separating food waste at source.
- Rolled out a new recycling programme to meet our obligations above.
- Embedded robust sustainability requirements as part of all SLC procurement exercises, ensuring that our suppliers adhere to our sustainability aims.
- Engaged with Scottish Power and Scottish Water to conduct an audit of our current consumption and suggest efficiency savings. If successful, this will be rolled out to other sites in England and Wales.
- Ensured that our new facility at Llandudno Junction in Wales is based in energy efficient offices.
- Continue to work, in conjunction with BIS, to reduce our use of air travel.
- Continue to only use products approved by the Forestry Stewardship Council (FSC) and the programme for the Endorsement of Forest Certification Scheme (PEFC) to encourage sustainable forest management.

04.4 DELIVERING CHANGE

Background

SLC is a significant delivery partner in Higher and Further Education, providing student finance services for all four UK Government Administrations and in FY 2013/14 we have been working in partnership with a growing range of Government and non-Government stakeholders.

For England, we are now the sole provider of all aspects of the 'assess, pay and repay' process. In Wales, we have implemented a similar model in 2014. The recommendations from the programme of Higher Education Reforms also mean that since 2012, we have increasing customer and transaction volumes. These are expected to grow further as a result of the announcement in the Chancellor's Autumn Statement 2013 to remove the cap on student numbers.

A range of factors are leading to a more complex change environment. These include:

- Over the past 25 years, Higher Education has moved from a minority to a mass system.
- The growth of alternative Higher Education providers and the introduction of loans for Further Education have resulted in an increase in the number of providers we deal with.
- Government and Devolved Administration policy is diverging as a result of a series of consultations and proposals in recent years, particularly in regard to tuition fee support in Higher Education and more recently Further education, with the introduction and ongoing development of a loans product to replace grant funding — creating more complex and higher value product sets for SLC to administer.
- There is a greater focus across our Government Sponsors in areas including Repayments, sales of the Income Contingent Repayment (ICR) loan book, further regulatory reform in Higher Education and reducing Fraud and Error across Government services.
- Political events such as the 2015 General Election and the Scottish Independence Referendum in 2014 could bring further changes for us in terms of the impact on policy, product and service delivery as could other factors such as the potential introduction of Alternative Finance Models for Higher Education and the Lewis Review of Higher Education Funding in Wales (due to report in 2016).

The consequence of rapidly competing policy demands from BIS and the Devolved Administrations is that they require us to be highly flexible to change and be enabled to deliver a highly complex service to a very diverse group of customers and stakeholders.

In response, we are ensuring that our decisions, priorities, plans and objectives are informed by the present and future environment we exist within. Our plans and objectives address current and future challenges and deliver against existing and emerging priorities of our Government sponsors.

In FY 2013/14, we have been working to manage this complex change effectively.

We have:

- In Higher Education, continued to support the delivery of BIS policy changes through the launch of full time and part time services.
- Collaborated with Wales on new ways of working for AY 2014-15 and the Welsh Modernisation Programme. This has included the establishment of a new operational site in Llandudno Junction, built to handle new applications for AY 2014-15. From 2015 this new facility will deal with new and existing students.
- Designed and delivered a new loans product and service for the first time in the Further Education sector, known as the 24+ Advanced Learning Loan Service.
- Progressed the sale and transfer of Mortgage Style Loans (MSL) to Erudio Student Loans Ltd. The sale was completed on 1 March 2014 and SLC has met primary data objectives. The project is scheduled to close down in June 2014 once the remaining post transition activities are complete.
- Continued preparatory work on the sale of Income Contingent Repayment (ICR) loans.
- Delivered a fully operational Education Maintenance Allowance (EMA) service in AY 2013-14 to meet the needs of our sponsors in Northern Ireland and Wales. We have also established policy requirements for AY 2014-15, which are currently being considered by the respective administrations.
- Worked with HMRC on preventing self-assessment overpayments, with the results of pilots currently under consideration.
- Reviewed and changed repayment letters issued to customers who are not in the tax system, with the aim of increasing response rates.

Delivering change — 24+ Advanced Learning Loan in focus

SLC expanded its services in AY 2013-14 by delivering, for the first time, a new loans service for Further Education, known as 24+ Advanced Learning Loans.

The aim of 24+ Advanced Learning Loans is to help people to acquire new skills, offering support to access intermediate and higher level training courses.

This new loans facility was a Government Spending Review commitment, with HM Treasury agreed budgets of £129 million for FY 2013/14 and £398m for FY 2014/15. At these funding levels, the new loans will support approximately 200,000 learners by AY 2014-15, subject to demand.

Open to learners aged 24 years and over, 24+ Advanced Learning Loans are aimed at people studying at Level 3 or higher, including those in receipt of active benefits. Repayment is aligned to the approach in Higher Education: income contingent with a threshold of £21,000 and any outstanding loan amounts written off after 30 years.

The introduction of 24+ Advanced Learning Loans was a flagship policy and part of the Government's Major Projects Portfolio. SLC has played a significant role in ensuring a successful delivery.

SLC has developed, tested and implemented the 24+ Advanced Learning Loan, delivering assessment, payment and repayment services year on year.

Whilst the number of people wishing to access the loans was hard to predict, successful SLC delivery has seen strong take-up in the first year. As of March 2014, SLC had received more than 65,000 applications.

SLC continues to adapt these loans to ongoing policy change. In March 2014, learners undertaking advanced and higher apprenticeships became eligible for adult skills funding, and ceased to be eligible for the 24+ Advanced Learning Loan. To ensure a seamless transition, SLC wrote to all customers affected by this change, fully explaining the new arrangements.

SLC is now preparing to launch the annual application cycle for AY 2014-15, with volumes potentially increasing to around 150,000 learners a year. An SLC priority is to promote the availability of 24+ Advanced Learning Loans to support people who wish to return to study with funding for tuition fees.

SLC Head of Programme Management

04.5 SERVING OUR CUSTOMERS

Background

A key aspect of the SLC's Mission is to deliver the best possible services to its customers. This is a cross-functional objective that calls upon everything we do — including technology, systems and expertise — to come together to create the highest quality and most efficient customer experiences.

It encompasses: the Transformation programme, with digital delivery for 21st Century services; sustained business and systems to ensure that existing customers receive the highest levels of service and support; and change management so that increasingly complex policies are both delivered properly and widely understood by our customers.

We have a responsibility to ensure that students, their sponsors and other advisers, such as teachers, understand the policies, processes and products that relate to student finance. This is required not only to ensure that they can make informed decisions about Higher and Further Education, understanding the role of government funding as an enabler, but also to support the drive for 'right first time' applications submitted on time, with the correct evidence.

We have also been making good progress in FY 2013/14 to better understand our customers' experience of SLC — allowing us to identify and deal with potential and actual problems more quickly.

Key FY 2013/14 achievements

We have:

- Processed applications, paid students and providers, and administered repayment collection with HMRC in line with agreed service standards.
- Sustained customer satisfaction levels.
- Made payments of over £12.5 billion in AY 2013-14, with approximately £6.6 billion in maintenance loans and grants and approximately £5.9 billion in tuition fees direct to universities, colleges and Further Education learning providers.
- Independent audit shows a significant improvement in assessment accuracy, with a reduction in the error rate to 0.4 per cent in HE (down from 0.7 per cent in FY 2012/13) and 0.2 per cent in FE — well below the 0.5 per cent target.
- Met our call answering targets.
- Met Core (applications for financial support for full-time Higher Education courses), Disabled Students' Allowance (DSA) and Childcare Grant (CCG) processing targets.
- Processed 94.5 per cent of 24+ Advanced Learning Loans applications within the 20 day target.
- Put resources into root cause analysis of customer complaints to determine trends and take pre-emptive and preventative measures.
- Established a team at the new SLC facility in Llandudno Junction in readiness for delivering the centralised service for Wales in the coming year.
- Approved a new Communications and Marketing Strategy in line with changing business and customer needs.
- Enhanced relationships with Higher Education and Further Education providers to improve stakeholder engagement. This has included a governance review of the stakeholder forum and working groups, new Welsh Stakeholder Group meetings and the approval of review for stakeholder engagement.

Key FY 2013/14 achievements (continued)

- Worked with Student Finance England (SFE) on an Information, Advice and Guidance (IAG) campaign for full time students to be deployed in AY 2014-15.
- Delivered customer films on the Disabled Students' Allowance and need assessments for SFE.
- Developed a customer campaign for the Universities and Colleges Admissions Service (UCAS) conventions for SFE and Student Finance Wales (SFW) aimed at AY 2015-16 pre-applicants.
- Developed a new product that provides real-time insight into online applications to identify bottlenecks and problem areas.

Serving our customers — the SFE awareness campaign in focus

A core SLC objective is to reassure students, sponsors and delivery partners about the cost of student finance, inform them of what student finance is available, how and when to apply, and guide pre-applicants and students through the application process so they get paid on time.

In FY 2013/14 we developed a SFE campaign, with messaging designed to encourage and instruct our customers to apply as early as possible for student finance in AY 2014-15, promoting key application milestones and encouraging customers to take action well before deadlines.

Aimed at pre-applicants, current customers, parents, sponsors, teachers and careers advisers, the campaign takes advantage of many channels: further expanding our online and digital activities; and reducing printed materials in line with SLC's commitment to digital delivery.

The campaign for AY 2014-15 began in September 2013 with pre-launch activity aimed at raising awareness amongst teachers, practitioners and careers advisers. This was followed by the customer launch in January 2014. The campaign continues through the AY 2014-15 application cycle with: deadline messaging; post deadline messaging; clearing messaging; and start of term and payment messaging.

We developed a range of materials to support the campaign.

For student and pre-applicants:

- Guidance on student finance (quick guides, full guides, films and e-magazines).
- A student finance calculator.
- UCAS email direct to pre-applicants with campaign messaging.
- Advertising on the UCAS website and messages through the UCAS contact centre.
- Using the 'Student Finance Zone' on the SFE's 'Student Room' website as a hub for all campaign materials and messaging. Here students could also take part in finance surgeries with Q&As and links to further guidance materials.

For practitioners/teachers/careers advisers:

- Student finance presentations.
- Student finance fact sheets.
- Lesson plans.
- UCAS emails direct to practitioners, teachers and advisers promoting practitioner resources and 'get ready' messages.
- UCAS teacher events, with presentations on student finance.
- The SFE practitioners' website, containing all campaign materials and policy information.

In addition, SLC uses social media to engage with students. Twitter is used to share information and links, whilst Facebook and the 'Student Room' website hold twice-weekly surgeries on student finance.

SLC Director of Operations and Customer Services

04.6 MANAGING PEOPLE

Background

We invest in our people to deliver the best possible service for our customers.
In FY 2013/14, we have continued to develop an organisational culture where we expect excellence and where people work together to do what is best for customers in the most efficient ways possible.

We have been setting a clear set of shared priorities for delivery, and communicating and translating them into improved ways of working, supported through rigorous implementation of the performance management process.

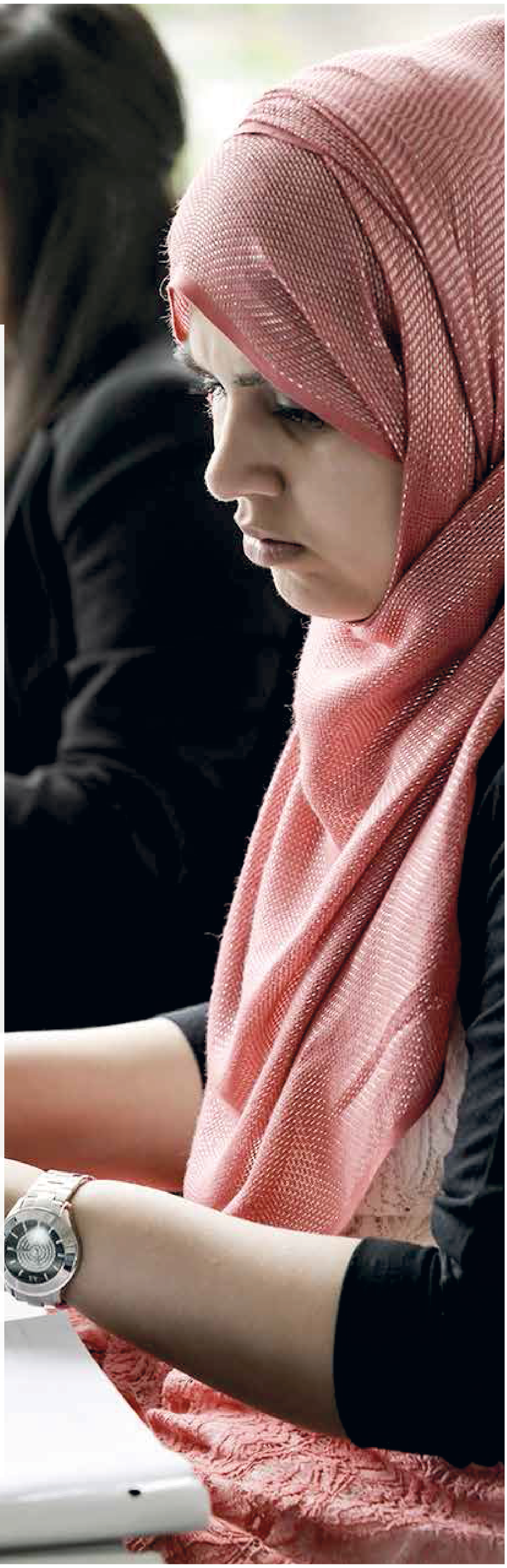
Achieving consistency of how we do business with each other and with stakeholders, and strengthening our management of performance, is achieved through embedding our 'Leading the Way' commitments, which spell out the attitude, approach and positive ways of working that SLC is seeking as its cultural brand. We continue to promote Equality, Diversity and Inclusion within our workforce.

Delivering the public service efficiencies agenda requires tight resource management, new approaches to our working practices and careful workforce management as new systems, digital services and working practices demand changes to the shape and size of our workforce over the coming years. Honesty, engagement, investment in staff and careful forward planning are key to success. It's a time of change for the organisation but also a time for opportunity and we are supporting our people throughout the journey.

With a fast-moving, innovating and transforming organisation comes the requirement for excellence in leadership and management.
We are investing heavily in developing and nurturing effective leadership to take us through change and improving managerial skills to fully support our people as well as provide stable and excellent operational delivery.

This demands that we have the right resources in the right place to enable us to achieve our objectives. We have put in place a new leaner executive leadership team structure which is the continuation of our journey to align the organisation, resources, processes and culture behind its vision and mission and importantly, rebalancing to shift the focus and more evenly resource back office and front office functions. This has seen the reduction of Executive Directors from seven to four - two focused on back office functions and two on front line services.

The new structure will bring focus and additional investment to priority areas including repayments and fraud and error reduction, reflecting the growing importance in these areas in light of the growing size of the loan book and the growth in new provider and customer bases.



Key FY 2013/14 achievements

We have:

- Communicated to staff a clear, shared vision of the future for SLC, setting out priorities for the organisation and how teams and individuals contribute to achievement of it.
- Created a Mid-Year Review (MYR) process that is carefully mapped to the SLC Business Plan.
- Built on our Leading the Way commitments, measuring managers and staff on how, as well as what, they deliver.
- Successfully implemented 'Pension Auto-enrolment' — a new type of work-based pension that automatically enrols qualified staff into our pension scheme, helping staff save more for their retirement.
- Continued to develop resource planning to achieve a fit-for-purpose organisational design and structure and that meets the efficiency agenda, including the presentation of six-month capacity requirements to the board and the development of a resource mapping approach to a changing SLC.
- Invested in, built and delivered development programmes that maximise the skill, knowledge and contribution of staff, including more effective staff induction and the delivery of FY 2013/14 staff Learning Plans.
- Built leadership and management capability and addressed performance issues by, for example, the recruitment of a Senior Learning Adviser to drive our Leadership Programme.
- Developed proposals and recommendations for more effective staff recognition schemes.
- Worked closely and cooperatively with our Trade Union to manage change sympathetically and effectively.

Equality

SLC's 'Equality Objectives 2013-2016' were launched in May 2013 and set out our strategic plan for delivery on Equality, Diversity and Inclusion. The Equality Objectives 2013-2016 reaffirm SLC's commitment to the public sector duties of: eliminating unlawful discrimination, harassment and victimisation; advancing equality of opportunity; and fostering good relations between people who share a protected characteristic and those who do not.

There are five key areas that are highlighted in SLC's Equality Objectives 2013-2016:

1. Disabled Students' Allowance
2. Digital Accessibility
3. Our People
4. Management Information
5. Equality Impact Assessments

We have made progress in FY 2013/14 in a number of areas ranging from:

- Considering the development of new ways to streamline Disabled Students' Allowance (DSA) through the Transformation programme.
- Purchasing 200 licences for the Web Essentials course to improve our understanding of accessibility.
- Developing the SLC YouTube channel to better support our customers.
- Redesigning our Equality, Diversity and Inclusion compliance training.

Whilst FY 2013/14 has been one of achievement, SLC continues to ensure that it creates and maintains the culture, values and processes that support our Mission and Vision and embed Equality, Diversity and Inclusion within the organisation.

In our efforts to help ensure equality, we monitor the breakdown of gender by percentage across the organisation and grades. Tables 1 and 2 below illustrate these percentages and grades.

Table 1

Grade and Gender by %	Level 1 Male	Level 1 Female	Level 2 Male	Level 2 Female	Level 3 Male	Level 3 Female	Level 4 Male	Level 4 Female	Level 5 Male	Level 5 Female
2010	44.06	55.94	39.09	60.91	85	15	45.8	54.2	44.53	55.47
2011	37.92	62.08	40.72	59.28	83.33	16.67	46.79	53.21	44.34	55.66
2012	40.68	59.32	38.59	61.41	75	25	48.57	51.43	47.06	52.94
2013	40.72	59.28	40.82	59.18	71.43	28.57	45.29	54.71	45.39	54.61
2014	47.14	52.96	42.91	57.09	80.95	19.05	45.94	54.06	42.68	57.32

Grade and Gender by %	Level 6 Male	Level 6 Female	Level 7 Male	Level 7 Female	Level 8 Male	Level 8 Female	Level 9 Male	Level 9 Female	Level 10 Male	Level 10 Female
2010	48.57	51.43	61.11	38.89	75	25	100	0	57.14	42.86
2011	44.07	55.93	58.82	41.18	77.78	22.22	71.43	28.57	75	25
2012	38.81	61.19	50	50	80	20	71.43	28.57	77.78	22.22
2013	39.74	60.26	55	45	81.82	18.18	77.78	22.22	85.71	14.29
2014	42.55	54.45	57.14	42.86	69.23	30.77	75.00	25.00	85.71	14.29

Table 2

Grade	Role
Grade Level 1	Customer Support 1 & Business Support 1
Grade Level 2	Customer Support 2 & Business 2
Grade Level 3	Technology Support
Grade Level 4	Business Advisor, People Manager 1, Technology Advisor
Grade Level 5	Professional, People Manager 2, Technologist
Grade Level 6	Business Support Manager, Customer Manager, Technology Manager
Grade Level 7	Senior Manager
Grade Level 8	Head of Service
Grade Level 9	Directors (including Chief Executive Officer)
Grade Level 10	Board Members - are not assigned grades

Managing people — SLC Business Plan in focus

SLC is undergoing significant change: it is important that our staff understand what this change is, why it is happening and how they both affect and are affected by it. In these circumstances, our Business Plan is a critical document that guides SLC as it navigates the business transformation programme.

We know that disengaged staff can hinder an organisation from performing at its best and so we needed to understand what motivates and enables our people to give their best. Greater understanding and ownership of our strategy will deliver better decision making and planning, wiser investments and ultimately increased customer satisfaction.

In FY 2013/14 we have worked to ensure that staff have had the opportunity to feed into Business Plan development, that they feel ownership of SLCs strategic direction and understand how their day-to-day activities have an impact on achieving our Mission, whilst progressing towards our Vision.

Staff were involved from the start of the process, with input invited on a new Business Plan format that set out our strategy clearly, accessibly and in meaningful ways.

With the new format in place, we followed up with a comprehensive staff survey, known as 'People Insight'. Its aim was to gauge what motivates our staff and give us an understanding on where changes need to be made in order to have the biggest impact on individual, team and SLC performance.

It was imperative that we got this right and so again invited staff input into the design of the survey to ensure it asked the right questions in the right ways. The survey:

- measured current staff perceptions of working for SLC and their level of engagement;
- explored the key factors that are driving levels of satisfaction amongst staff;
- identified variations in opinion across directorates, departments and teams, and by key demographic groups;
- tracked changes in perceptions across time since the 2010 and 2011 surveys; and
- benchmarked the results with other public sector organisations.

Rolled out in July and August 2013, People Insight was sent to everyone at SLC, with time set aside to allow them to complete the survey and SLC-wide communications designed to encourage participation.

Around 72 per cent of our staff completed People Insight, providing SLC with invaluable intelligence that feeds into the Business Plan, making it a 'living' document that truly supported staff in achieving SLC's Mission and Vision. This intelligence was fed into the Business Plan mid-year review to refine content and has also been cascaded to staff.

Findings were collated into five core themes with improvements driven by the SLC Executive Leadership Team:

1. Working together as one team
2. Communication across SLC
3. Decision making
4. Living our values
5. Working environment

The ultimate result is a Business Plan that has been created with the help of our staff to support them in delivering ever-better and more efficient services to our customers.

SLC Head of HR

04.7 MANAGING PUBLIC MONEY

Background

As a public sector organisation, we are required to deliver services within our agreed budgets. We must also continue to deliver value for money throughout the organisation and are working towards this through a series of initiatives including improving process management, ongoing programme of service reviews, driving continuous improvement and benchmarking.

We have been working to improve our commercial capabilities, driving greater value and innovation through our relationships with suppliers and achieving more for the money available to us.

Through Transformation programme work in FY 2013/14, we are progressing towards becoming a more efficient organisation, reducing our cost base and making savings both within our front office functions and back office support functions.

It is a key priority for SLC to increase its repayments yield and collect back every pound that is owed. Under SLC's new structure there is now a specific directorate for Repayments and Fraud. This reflects the importance we are placing on these areas due to the increasing size of the loan book and new customer and provider types entering the market. We have also created a new Executive Director role to oversee this area.

We have a growing role in supporting our Government sponsors and regulatory partners to ensure proper accountability and assurance arrangements are in place for the payment of student support — something we have been working on by developing and implementing standard Service Agreements with providers and further developing working arrangement with the Higher Education Funding Council for England (HEFCE) and other sector partners. Changes introduced as part of the Higher Education Reforms have resulted in an extended range and diversification of providers and continued delivery of robust processes to underpin the Designation system is a key priority.

Effective counter fraud and error reduction are critical aspects of our business as a publicly funded organisation. Fraud and error frequently share the same triggers, require common preventative measures, lead to similar investigations and result in similar outcomes. In the past we have managed fraud and error separately. We are now developing a strategy which brings them together, joining up thinking across the whole customer journey, from application to repayment.

Repayment is a key priority for us and our Government sponsors. We are delivering initiatives as part of a refreshed Repayments Strategy, ensuring a better return on investment for the taxpayer by collecting as much money, due or overdue, as possible. The strategy is seeking to address issues raised in the recent National Audit Office (NAO) review of repayments and will help to contribute towards improving the value of the SLC loan book.

Key FY 2013/14 achievements

We have:

- Delivered agreed services for FY 2013/14 to budget and within the Annual Performance and Resource Agreement (APRA) letter.
- Delivered efficiency and value for money through a range of initiatives and a new Procurement Strategy, presented to the Board in September 2013.
- Prepared for future budget pressures, with proposals for 10 – 20 per cent savings in subsequent years.
- Defined and progressed proposals to ensure proper Higher Education accountability arrangements are maintained through the Regulatory Partnership Group's operating framework approved by Ministers in July 2013.
- Continued to monitor and drive down fraud and error with: a refreshed Counter Fraud and Error Reduction Strategy; an Audit review of the Counter Fraud Services control environment; the implementation of Fraud Management Strategy and operational sub groups; a skills matrices and QA suite developed to drive efficiency and effectiveness; and the implementation of an Error Reduction Strategy.
- Managed loan books efficiently and effectively while assisting BIS and HM Treasury in the sale of these books.
- Participated in BIS' Shared Services Programme for greater business efficiency.

Managing public money — Counter Fraud and Error Reduction Strategy in focus

Effective counter fraud and error reduction activity is a critical aspect of SLC's Mission and Vision. Whilst incremental improvements and progress have been made since the publication of the Anti-Fraud and Error Risk Management Approach in 2011, we recognise there is more to do and so FY 2013/14 has seen significant work to refresh our Counter Fraud and Error Reduction Strategy, taking into account changes to our customers and operating environment.

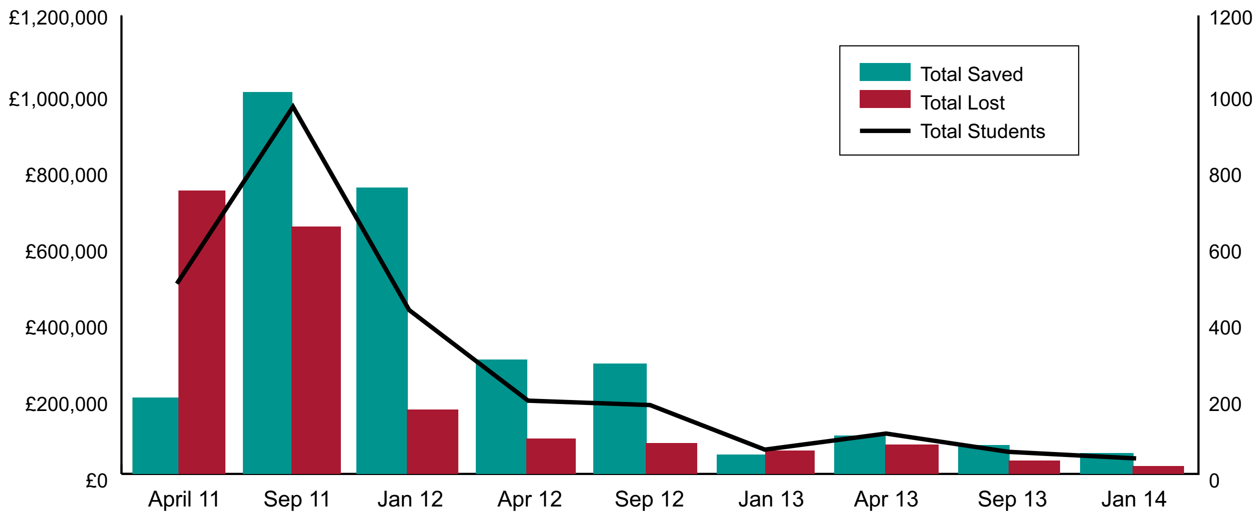
SLC's 2011 Anti-Fraud and Error Risk Management Approach recognised that technological advances and raised expectations around customer service mean that students expect payments to be made quickly and with a minimum of intervention on their or their sponsors' part. It set out SLC's commitment to reducing fraud and error to the lowest possible level and demonstrated commitment to ensuring fraud prevention and an improved customer journey can, and should, co-exist.

The new strategy and its success reflects important differences in our approach:

- Fraud and error are now considered together.
- Fraud and error are viewed across the whole customer lifecycle, from application to repayment.
- Debt management is now aligned more closely with management of fraud and error over the life of the strategy.
- We are transferring more accountability for the controls that prevent fraud and error losses to the front line.
- We are ensuring that our approaches to managing risk of different types of financial loss are aligned.

Our refreshed approach to fraud and error is delivering returns across the board and particularly in areas such as cybercrime. As the table shows below, a focus on 'phishing scams' has significantly reduced losses to our customers.

Phishing Volumes



The principal contribution our counter fraud and error reduction strategy can make is to reduce loss to the taxpayer across the services we provide on behalf of Government. Our efforts are measured on the Return on Investment basis, which has risen from 7:1 return in 2011 to a projected 22:1 ratio by the end of FY 2013/14.

SLC Head of Counter Fraud Services

04.8 PERFORMANCE MEASUREMENT

The Student Loans Company's Balanced Scorecard consists of twenty-eight measurements, grouped within the six main objectives of the Company's Business Plan for the FY 2013/14.

Most, (twenty-two) of these measurements, along with their targets, were agreed by the four UK Government Administrations, and set out in the Annual Performance and Resource Agreement (APRA). The remaining six measurements (and targets) were agreed by the SLC Main Board.

The Balanced Scorecard has been the Main Board's formal vehicle for monitoring progress against performance targets, mostly on a monthly basis - (some targets are quarterly-only; and one, the Accurate Forecasting target, is assessed only at year-end). In addition, Ministers and BIS senior officials have conducted formal quarterly reviews of SLC's performance on the Balanced Scorecard measures.

The Balanced Scorecard showed strong performance in FY 2013/14. This is important as it represents SLC's actual performance against APRA and Ministerial commitments, the details of which are audited and included here, in our published Annual Report and Accounts.

In summary, of the current twenty eight measurements, all but one are either green (twenty two) or green-amber (five); only one, Avoidable Contact, is red. This compares favourably to previous years: the trend over four years shows a strong story of continued year on year improvement in terms of how SLC delivers against its Ministerial commitments in providing a safe, efficient and improving student finance service, and SLC has seen overall customer satisfaction steadily increase during these years.

For FY 2013/14 SLC has, again, met all targets for processing core HE applications for England, met all service level agreements with Wales, Scotland and Northern Ireland for a range of student finance products and we also successfully introduced a new product for FE in England (24+ Advanced Learning Loans). SLC paid out £12.5 billion in loans and grants for tuition and maintenance to students and institutions - getting the right money to the right people at the right time. While doing so SLC answered some 6 million telephone calls and increased the First Contact Resolution rate for customers' calls by 4% points.

At the same time as successfully delivering the core business, SLC completed the sale of MSL and planned for the first ICR loan sale. SLC has already made significant progress with the Transformation programme, and now looks to build on this, to become a digital, customer focused, centre of excellence.

For the coming year, the scorecard will contain many similar measurements, but will be re-structured to reflect significant changes in the Company's Corporate and Business Plans and SLC's response to the NAO's 2013 review of Repayments.

The targets for the new financial year have been agreed: by the Government Administrations for the APRA measurements; and by the SLC Main Board for the non-APRA measurements.

A summary of performance against all measurements for FY 2013/14 is described in the tables that follow.

N.B. The GREEN, GREEN-AMBER, AMBER-RED and RED (RAG) indicators in the tables that follow are assigned based on data ranges or subjective criteria as agreed in the measurement definitions. The RAG criteria are different for each measurement 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.

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Performance measurement high level summary

Balanced Scorecard

Comparison of Year-End RAG-status of FY13-14 measures with previous years
(Not all were measured in previous years)

		FY13-14	FY12-13	FY11-12	FY10-11
1	Transformation Programme	GREEN/ AMBER	N/A	N/A	N/A
2	Sustain Programme	GREEN/ AMBER	N/A	N/A	N/A
3	Delivery Programme	GREEN	GREEN/ AMBER	GREEN/ AMBER	GREEN/ AMBER
4	Customer Satisfaction	GREEN/ AMBER	GREEN	GREEN	RED
5	Complaints	GREEN	GREEN/ AMBER	GREEN/ AMBER	AMBER/ RED
6	Core Processing	GREEN	GREEN	GREEN	GREEN/ AMBER
7	Targeted Support	GREEN	GREEN	AMBER/ RED	AMBER/ RED
8	Advanced Learning Loans 24+	GREEN/ AMBER	N/A	N/A	N/A
9	Contact	GREEN	GREEN	GREEN	GREEN
10	Customer Communications	GREEN	GREEN/ AMBER	GREEN	GREEN/ AMBER
11	Online Takeup	GREEN	GREEN	GREEN	GREEN/ AMBER
12	Northern Ireland	GREEN	GREEN	GREEN/ AMBER	N/A
13	Scotland	GREEN	GREEN	GREEN	N/A
14	Wales	GREEN	GREEN	GREEN	N/A
15	Higher Education Institutions	GREEN	GREEN	GREEN	N/A
16	FE Learning Providers	GREEN	N/A	N/A	N/A
17	Delivery Partners	GREEN	GREEN	GREEN	GREEN
18	ICT Systems Availability	GREEN	GREEN/ AMBER	GREEN/ AMBER	GREEN
19	Avoidable Contact	RED	AMBER/ RED	RED	N/A
20	First Contact Resolution	GREEN	AMBER/ RED	RED	N/A
21	Capacity, Capability and Culture	GREEN	GREEN/ AMBER	GREEN/ AMBER	AMBER/ RED
22	Assessment Accuracy	GREEN	GREEN/ AMBER	GREEN/ AMBER	GREEN/ AMBER
23	Fraud	GREEN	GREEN	GREEN	GREEN
24	Budget Variance	GREEN/ AMBER	GREEN	GREEN/ AMBER	GREEN
25	Forecasting Accuracy	GREEN	GREEN	GREEN	N/A
26	ICR Repayment	GREEN	GREEN	GREEN	GREEN
27	MSL Repayment	GREEN	GREEN/ AMBER	GREEN/ AMBER	GREEN/ AMBER
28	Recovery of Grant Overpayments	GREEN	GREEN/ AMBER	GREEN	N/A

Objective 1: "Progress our business Transformation Programme."

01 Transformation Programme (UK; quarterly)

	Title	Weighting	Target	Actual	RAG
a)	Core Systems Replacement	An overall RAG status is assessed	Green	Green - Amber	GREEN/ AMBER
b)	Digital Delivery		Green	Green - Amber	GREEN/ AMBER
c)	Business Improvements		Green	Green - Amber	GREEN/ AMBER
d)	Organisational Design		Green	Green - Amber	GREEN/ AMBER
e)	Organisational Transformation		Green	Amber - Red	AMBER/ RED
OVERALL RAG STATUS					GREEN/ AMBER

COMMENTARY:

SLC has secured major Government investment: in August 2013 the Cabinet Office approved the full business case for our Transformation Programme. Subsequently, progress has included:

- the appointment of HCL as delivery partner to build replacement Core Ledger and Security modules ("CLAM" and "SAM") for our new systems;
- three new online applications went live in January 2014, and SLC became the first Government Digital Service (GDS) "exemplar" organisation with multiple products in live use;
- there has been some delay to progress on Organisational Transformation.

Objective 2: "Sustain critical business processes and systems for the duration of the Transformation Programme to ensure a safe service."

02 Sustain Programme (UK; quarterly)

Quarterly assessments of performance in six key areas:

	Title	Weighting	Target	Actual	RAG
a)	Reliable business systems, processes and infrastructure	An overall RAG status is assessed	Green	Green	GREEN
b)	Workflow and Imaging		Green	Amber - Red	AMBER/ RED
c)	Data Centres		Green	Green - Amber	GREEN/ AMBER
d)	Business Continuity and Information Technology Disaster Recovery (ITDR)		Green	Green - Amber	GREEN/ AMBER
e)	Stabilisation		Green	Green	GREEN
f)	Maintaining interim technology & capacity		Green	Green - Amber	GREEN/ AMBER
OVERALL RAG STATUS					GREEN/ AMBER

COMMENTARY:

- The key goal for the Sustain Programme this year was to underpin the processing cycle with reliable systems, and this was clearly successful.
- There has been a delay in approval for the Imaging Stabilisation business case.
- SLC has received Cabinet Office approval to extend the use of the Hillington and Verizon data centres. A new Business Continuity management system is due to be completed in April 2014. The task of maintaining interim technology has begun to overlap with Transformation Programme objectives, particularly within Data Centres and Virtualisation projects: (the need to replace or modernise some infrastructure is a requirement of both Programmes.)

Objective 3: "Execute our Delivery Programme to meet annual policy changes and new stakeholder priorities."

03 Delivery Programme (UK; quarterly)

	Title	Weighting	Target	Actual	RAG
a)	Confidence in the success of the Higher Education change programme	Overall RAG Status = Lowest Element	Green	Green	GREEN
b)	Confidence in the success of the Further Education change programme		Green	Green	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

Stakeholders' confidence in SLC's ability to deliver the mandatory change programme remained high, with the overall green rating being a positive result for both Higher and Further Education.

Objective 4: "Provide a safe and efficient student finance service that meets the needs and expectations of our customers and stakeholders, and continue to improve the customer experience"

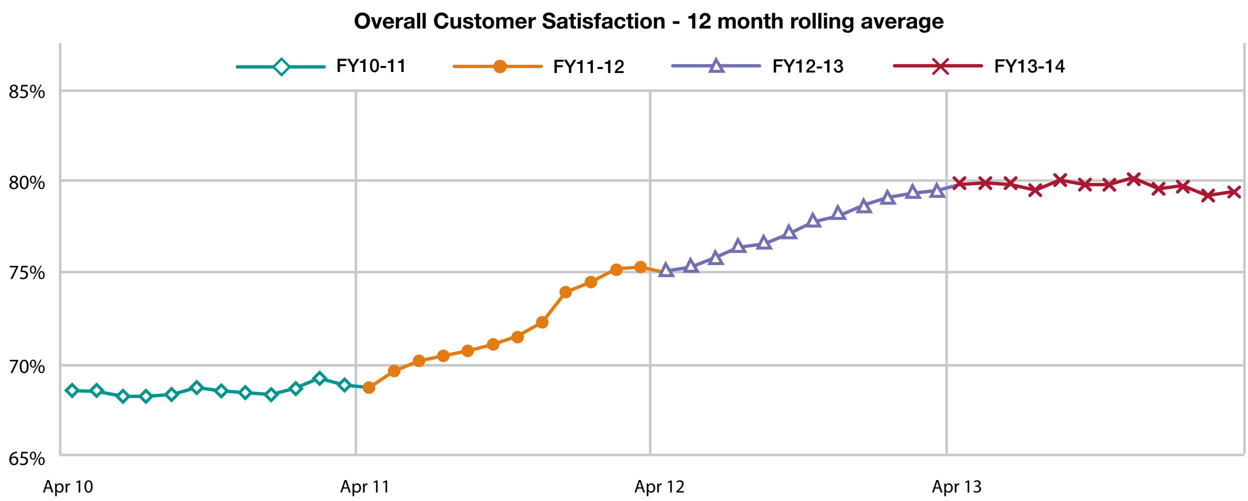
04 Customer Satisfaction (UK; monthly)

The main measurement is calculated from customers' responses to the question "Taking everything into account, how satisfied were you with SLC on a scale of 0 to 10?":

	Title	Weighting	Target	Actual	RAG
a)	Overall Satisfaction (combined student, repayer and sponsor sample)	100%	≥ 80.0%	79.4%	GREEN/ AMBER
b)	Overall Satisfaction - Student	0%	≥ 82.2%	81.9%	GREEN/ AMBER
c)	Overall Satisfaction - Repayer		≥ 78.6%	76.9%	GREEN/ AMBER
d)	Overall Satisfaction - Sponsor		≥ 76.5%	74.7%	GREEN/ AMBER
e)	24+Advanced Learning Loans customers		N/A (baselined this year)	86.1%	N/A
f)	Part Time Fee Loans customers			85.1%	N/A
g)	Disabled Students Allowance customers			68.3%	N/A
OVERALL RAG STATUS					GREEN/ AMBER

COMMENTARY:

Following several years of sustained increases, customer satisfaction has levelled off, fluctuating at or just below 80% throughout the year.



(The graph above plots "12-month rolling-average" figures: each monthly data point is an average of scores over the immediate 12-month period at that date. This method smoothes over spikes and troughs, and shifts the focus onto the underlying trend.)

05 Complaints Handling (UK; monthly)

	Title	Weighting	Target	Actual	RAG
a)	Substantive replies to complaints within 15 working days of receipt at SLC	75%	≥ 85%	85.3%	GREEN
b)	Substantive replies to complaints within 20 working days of receipt at SLC	25%	≥ 95%	99.5%	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

SLC met the target for handling complaints within 20 working days every month throughout the year. SLC met the target for 15 days handling in all months except October and November - (the peak months in terms of complaints volume).

06 Timeliness of Processing Core Applications (England; monthly)

	Title	Weighting	Target	Actual	RAG
a)	AY 2013-14 applications that were submitted on time that were processed by the start of term	25%	≥ 99%	99.7%	GREEN
b)	Applications processed during FY 2013/14 that were processed within 20 working days (any academic year)	25%	≥ 70%	86.7%	GREEN
c)	Applications processed during FY 2013/14 that were processed within 30 working days (any academic year)	25%	≥ 95%	97.0%	GREEN
d)	Loose evidence processed during FY 2013/14 that was processed within 20 working days (any academic year)	25%	≥ 95%	97.2%	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

All four measurements met the green performance targets.

07 Timeliness of Processing Targeted Support Applications (England; monthly)

	Title	Weighting	Target	Actual	RAG
a)	Disabled Students Allowance applications (DSA1s) that were processed within 10 working days of receipt (any academic year)	35%	≥ 95%	99.0%	GREEN
b)	DSA Needs Assessment Reports (NARs) that were processed within 10 working days of receipt (any academic year)	35%	≥ 95%	96.8%	GREEN
c)	Childcare Grant (CCG) applications - (with **estimated** costs) - that were processed within 20 working days of receipt (any academic year)	15%	≥ 95%	95.9%	GREEN
d)	CCG finalisations - (reconciliations to **actual** costs) - that were processed within 20 working days of receipt (any academic year)	15%	≥ 95%	96.6%	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

Timely processing of Disabled Students Allowance (DSA) exceeded this year's targets.

Timely processing of Child Care Grants (CCG) also exceeded this year's targets. There was a significant improvement in processing finalisations compared to last year.

08 Timeliness of Processing 24+ Advanced Learning Loans Applications (England; monthly)

	Title	Weighting	Target	Actual	RAG
a)	Online applications that **do not** require evidence checks that were processed within 5 working days of receipt (any course start year)	60%	≥ 95%	N/A	N/A
b)	Online applications that **do** require evidence checks that were processed within 20 working days of receipt (any course start year)		≥ 95%	93.3%	GREEN/ AMBER
c)	Paper applications that were processed within 20 working days of receipt (any course start year)	14%	≥ 95%	96.9%	GREEN
d)	Online Change of Circumstances - that were processed within 5 working days of receipt (any course start year)	26%	≥ 95%	100%	GREEN
e)	Paper Change of Circumstances - that were processed within 20 working days of receipt (any course start year)		≥ 95%	N/A	N/A
OVERALL RAG STATUS					GREEN/ AMBER

COMMENTARY:

SLC received 68,000 applications out of a registered total of 95,000 for the new Advanced Learning Loans (24+) product. Processing times were slightly below target and green-amber for the year; some refinements to our processes and systems are planned.

09 Contact (England; monthly)

	Title	Weighting	Target	Actual	RAG
a)	Percentage of calls answered (PCA)	35%	≥ 90%	91.7%	GREEN
b)	Floor Target breached?	35%	Was PCA < 70% for any fortnight?	No	GREEN
c)	Customer experience: advisor rating	10%	≥ 84%	83.9%	GREEN/ AMBER
d)	Customer experience: outcome rating	10%	≥ 80%	80.9%	GREEN
e)	Customer experience: consistency rating	10%	≥ 82%	81.9%	GREEN/ AMBER
OVERALL RAG STATUS					GREEN

COMMENTARY:

SLC answered 6.1 million (92%) of 6.6 million calls this year, which was above the 90% target, and green. These figures show a 10% increase in call volume compared to last year, when SLC answered 5.6 million (94%) of 6.0 million calls.
Two of the three contact experience survey results were fractionally, (by 0.1% point) below target over the year as a whole.

10 Effective Communications with Customers (England; quarterly)

No	Title	Weighting	Target	Actual	RAG
a)	Customer survey of the effectiveness and experience of SLC's information advice and guidance (IAG) to customers	100%	≥ 63%	68.2%	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

Survey results about SLC's communications with customers improved by 6% points compared to last year, and exceeded the target.

11 Online Take-up (England; monthly)

	Title	Weighting	Target	Actual	RAG
a)	AY 2013-14 student applications that were made online	67%	≥ 91%	91.7%	GREEN
b)	AY 2013-14 sponsor supporting evidence supplied online	33%	≥ 65%	82.1%	GREEN
c)	Student applications for part-time HE fee-loans that were made online.	0%	N/A (baselined this year)	87.2%	N/A
d)	Student applications for 24+ Advanced Learning Loans made online			66.9%	N/A
OVERALL RAG STATUS					GREEN

COMMENTARY:

The proportion of full-time HE students applying online - (rather than by paper) - remained steady at 92% this year.

12 Northern Ireland (NI; monthly)

	Title	Weighting	Target	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	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

SLC met key targets for processing of Educational Maintenance Allowance (EMA), and Student Finance Northern Ireland (SFNI) throughout the year

13 Scotland (Scotland; monthly)

	Title	Weighting	Target	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 throughout the year.

14 Wales (Wales; monthly)

	Title	Weighting	Target	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)	**SFW:** Administration of Student Finance Wales to agreed service standards			Green	GREEN
c)	**WGLG*:** Processing of Welsh Government Learning Grant (in Further Education) to agreed service standards			Green	GREEN
d)	**PTA:** Processing of Pathways to Apprenticeship to agreed service standards			Green	GREEN
OVERALL RAG STATUS					GREEN
*WGLG was previously known as ALG (Assembly Learning Grant)					

COMMENTARY:

SLC met key targets for processing of Educational Maintenance Allowance (EMA), Welsh Government Learning Grant (WGLG), Pathways to Apprenticeship (PTA) and Student Finance Wales (SFW) throughout the year.

15 Higher Education Institutions (HEI's) (England, Wales & NI; monthly)

	Title	Weighting	Target	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)	HEBSS NI (Higher Education Bursaries and Scholarship Scheme) for Northern Ireland			Green	GREEN
c)	WBS (Welsh Bursaries Scheme)			Green	GREEN
d)	English fee payments			Green	GREEN
e)	Northern Ireland fee payments			Green	GREEN
f)	Welsh fee payments			Green	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

SLC met key targets for payment of bursaries and tuition fees throughout the year.

16 Services to FE Learning Providers (24+ALL) (England; monthly)

	Title	Weighting	Target	Actual	RAG
a)	Processing of Advanced Learning Loans (24+ ALL) to meet all but minor elements of the service agreement	Overall RAG Status = Lowest Element	Only minor elements of the service agreement not met	Green	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

SLC met key targets for payments of fees to FE Learning Providers throughout the year.

17 Delivery Partners (UK; monthly)

	Title	Weighting	Target	Actual	RAG
a)	Performance of SLC's Delivery Partners	Overall RAG Status = Lowest Element	Only minor elements of the service agreement not met	Green	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

SLC's delivery partners met all key service level agreements throughout the year.

18 ICT System Availability (UK; monthly)

	Title	Weighting	Target	Actual	RAG
a)	ICT Systems Availability	100%	≥ 99%	99.7%	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

Over the year as whole, average availability was above target for all monitored systems, and green.

19 Avoidable Contact (England; quarterly)

	Title	Weighting	Target	Actual	RAG
a)	Avoidable Contact Rate	100%	≤ 55%	71.3%	RED
b)	Avoidable Contact volume (number of calls) reported	0%	No Target	4.7 million	N/A
OVERALL RAG STATUS					RED

COMMENTARY:

Avoidable Contact is defined as "an unnecessary customer telephone call caused by: communications which are confusing, misleading, or missing; service which is inelegant, or has missing processes; system failures or missing self-service functionality; and policies or procedures which are not acceptable to customers." (This definition was designed to be consistent with the Cabinet Office Contact Council Performance Measurement Framework (PMF) to enable bench-marking.)

Avoidable Contact missed the target, and was red. It is clear that many factors behind Avoidable Contact relate to significant process or systems issues that will only be resolved in the long-term as a result of major changes arising from SLC's Transformation Programme.

In the final months of the year, SLC saw reduced call volume that may be a result of the improved online application. However, over the year as a whole there was an increase in "password-reset" calls: this type of "avoidable" contact could actually increase as more customers use the online service; work continues to find the best design-compromise between the needs of a high-security, (yet low-frequency of use) online service, and the need for a good password-reset facility.

20 First Contact Resolution (England; monthly)

	Title	Weighting	Target	Actual	RAG
a)	Customer Contacts to be resolved first time	100%	≥ 49%	50.3%	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

There was a significant improvement in First Contact Resolution (FCR) this year: FCR was 1% point ahead of the green target and 4% points ahead of last year's overall result.

Objective 5: "Manage our people responsibly and continue to embed our **Leading the Way** framework"

21 Capacity, Capability and Culture (UK, monthly)

	Title	Weighting	Target	Actual	RAG
a)	Sickness absence for Operations staff	17%	≤ 6%	5.97%	GREEN
b)	Sickness absence for Support Services staff	17%	≤ 3%	3.20%	GREEN/ AMBER
c)	Turnover for operations staff	17%	≥ 12% and <17%	11.14%	AMBER/ RED
d)	Turnover for Support Service staff	17%	≥ 5.3% and <10%	8.87%	GREEN
e)	Training plans to be agreed by end Q1, and delivered monthly in accordance (Quarterly)	17%	Fully on track	Green	GREEN
f)	Each training intervention to score its pre-agreed evaluation target (Quarterly)	17%	Fully on track	Green	GREEN
g)	Baseline a new People Insight survey this year (Annual)	0%	N/A (baselined this year)	62%	N/A
OVERALL RAG STATUS					GREEN

COMMENTARY:

Over the year, sickness absence was just below the 6% target for Operations staff and green; for Support Services staff, it was just above the 3% target, and amber-green. Turnover for Operations staff was 11%, which is below the 12-17% target range and amber-red; for Support Services staff, turnover at 9% was on target and green.

All prioritised training for FY 2013/14 was delivered, with good evaluation results.

This year SLC conducted a new **People Insight** survey of staff throughout the Company. 72% of staff responded to the survey, which resulted in an average Staff Engagement score of 62%.

Objective 6: “Manage public money responsibly”

22 Assessment and Payment Accuracy (England; quarterly)

	Title	Weighting	Target	Actual	RAG
a)	The net financial variance arising from errors in HE assessments	90%	≤ 0.5%	0.42%	GREEN
b)	The net financial variance arising from errors in FE assessments	10%	≤ 0.5%	0.18%	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

The year’s net financial variances of 0.4% for HE and 0.2% for FE are below the 0.5% targets and green.

This is also a significant improvement on last year’s result of 0.7% (which was for HE only).

23 Fraud (UK; monthly)

	Title	Weighting	Target	Actual	RAG
a)	The % increase in the number of cases where SLC prevents funds being paid out erroneously using proactive detection tools.	100%	≥ 0% increase on last year	50%	GREEN
b)	The % increase in the number of cases where SLC prevents funds being paid out erroneously using operational controls.	0%	≥ 0% increase on last year	15%	GREEN
c)	The number of cases where data share validation processes prevented funds being paid out erroneously.	0%	(No Target)	9,095 cases	N/A
d)	The number of cases where newly piloted tools prevent funds being wrongly paid.	0%	(No Target)	1,000	N/A
OVERALL RAG STATUS					GREEN

COMMENTARY:

SLC prevented 50% more cases of fraud than last year, and the measurement is green, with £17.4million in blocked payments over the year representing a return on investment of 22:1.

24 Budget Variance (UK; monthly)

	Title	Weighting	Target	Actual	RAG
a)	Budget Variance for all Stakeholders	100%	≤ 1% under-spend and zero overspend	1.7% Under - spend	GREEN/ AMBER
b)	Development of Unit Cost Measurement for FY 2014/15	0%	Measurement to be developed	N/A	N/A
OVERALL RAG STATUS					GREEN/ AMBER

COMMENTARY:

Overall expenditure on administration was on target. However, there were some over and under-spends against targets for individual Government Administrations.

Development of unit cost measurements is being progressed as part of the Transformation Programme.

25 Forecasting Accuracy (England, Wales and Northern Ireland; annual)

	Title	Weighting	Target	Actual	RAG
a)	Mid-year forecast of expenditure, versus actual expenditure at end of year	50%	± 2.25% for loans ± 1.00% for grants	0.49%	GREEN
b)	December forecast of expenditure, versus actual expenditure at end of year	50%	± 1.75% for loans ± 0.75% for grants	-0.69%	GREEN
OVERALL RAG STATUS					GREEN
(Loans and grants are weighted 70% and 30% respectively)					

COMMENTARY:

SLC successfully forecast the total annual monetary requirement for grant and loan payments this year (£12.5 billion), with both the mid-year and December forecasts turning out to have been accurate within the target tolerances.

26 ICR (Income-contingent repayment) (UK and EU; monthly)

	Title	Weighting	Target	Actual	RAG
a)	Incoming cohort - UK & EU resident borrowers in a repayment channel	40%	≥ 96.5%	98.07%	GREEN
b)	Past cohorts - UK resident borrowers in a repayment channel	40%	≥ 98.8%	99.41%	GREEN
c)	Past cohorts – UK borrowers resident overseas in a repayment channel	10%	≥ 73.5%	74.02%	GREEN
d)	Past cohorts – EU borrowers resident overseas in a repayment channel	10%	≥ 53.5%	60.76%	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

The percentage of borrowers in a repayment channel was above target for all four borrower categories, and furthermore has improved in all four categories since last year – significantly so for borrowers resident abroad. The targets will change in FY 2014/15 in response to the NAO's 2013 review of Repayments.

27 MSL (Mortgage-style Loans) (England, Northern Ireland and Scotland; monthly)

	Title	Weighting	Target	Actual	RAG
a)	Percentage of MSL accounts that are not in arrears	50%	≥ 91.5%	91.65%	GREEN
b)	Percentage of loan accounts less than 24 months in arrears and are repaying	50%	≥ 28.4%	25.88%	GREEN/ AMBER
c)	Scheduled Repayment Amount (SRA) repaid	25%	≥ £56.30	£61.56	GREEN
OVERALL RAG STATUS					GREEN

COMMENTARY:

The Mortgage Style Loans loan book was sold in February 2014, providing an early year-end position of green.

28 RGO (Recovery of Grant Overpayments) (England, Wales and Northern Ireland; monthly)

	Title	Weighting	Target	Actual	RAG
a)	Average Grant Overpayment Recovery per month	50%	≥ £38.40	£43.03	GREEN
b)	Percentage of RGO accounts in repayment	50%	≥ 29.02%	28.16%	GREEN/ AMBER
OVERALL RAG STATUS					GREEN

COMMENTARY:

The average value of scheduled repayment (£43) was above target and green for the year, while the percentage in repayment (28%) was slightly below target, and green-amber. The total value of grant repayments in the year was £23 million, of which £20 million was from Grant Overpayment Recoveries covered by this measurement.

04.9 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 year ended 31 March 2014, 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:

- Department for Education and Skills - Wales
- Student Awards Agency for Scotland
- Department for Employment and Learning - Northern Ireland

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 2014, income continued to be 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.

In the year ended 31 March 2014, income was received in relation to the administration of the mortgage style loan book after a sale was agreed by the Department for Business, Innovation and Skills, the Scottish Government and the Department for Employment and Learning in Northern Ireland.

Financial Management

During the year ended 31 March 2014 the Company delivered most of the objectives as set out within the business plan and the targets as set within the balanced scorecard, as set out on pages 24 to 39 of the strategic report. This was achieved whilst underspending against anticipated expenditure outlined to stakeholders at the Mid Year Review and subsequently through to January 2014. For the year ended 31 March 2014 our APRA allocation, which determines the total revenue and capital expenditure we can incur as measured by Government expenditure classifications, was £154 million. The financial year outturn was £153.3 million, an underspend of £0.7 million in total.

	Monitored Budget £000	Outturn £000	Variance (Outturn against monitored budget) £000
Operating budget	109,446	117,230	7,784
Deliver Project programme	24,677	21,269	(3,408)
Transformation Project programme	19,868	14,760	(5,108)
Total expenditure	153,991	153,259	(732)

Final Outturn	£000
Total expenditure per financial statements	131,695
Amortisation of deferred capital receipts	3,841
Deferred capital receipts on disposals	(15)
Capital additions	17,738
	153,259

Operating expenses showed an outturn of £117.2 million against the £109.4 million monitored budget, an overspend of £7.8 million. This overspend was mainly in relation to additional capital expenditure of £3.5 million. Further overspends were experienced through movements in the pension scheme, higher maintenance costs and increased postage and print costs which resulted from an increase in the new full time higher education applications being higher than budgeted assumptions. These movements were communicated to stakeholders during the year.

The Deliver project expenditure showed an underspend of £3.4 million, with a £21.3 million outturn against a monitored budget position of £24.7 million. This is mainly due to delays within specific projects in achieving Cabinet Office approval. These movements were communicated to stakeholders during the year.

Transformation project expenditure showed an underspend of £5.1 million, with a £14.8 million outturn against a monitored budget position of £19.9 million. This is mainly due to the later than planned contract awards for both the core systems replacement and benefits monitoring partners and phasing of expenditure with our primary technology partner. This movement was communicated to stakeholders during the year.

The funding position is reported on a monthly basis to the Executive Leadership Team and the Main Board. 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 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 contributes to the efficiencies 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 2014, the Company was registered for VAT and we were 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 2014 are presented on pages 66 to 69.

Statement of comprehensive income

This statement is presented on page 66.

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 operating expenditure of £131,695,000 includes both the operational costs and the costs associated with the deliver project and transformation programme. The increase in expenditure this year reflects the increase in operational staff and costs in relation to the transformation programme.

Funding of those expenses is provided from the income generated from servicing contracts for third parties (£2,695,000) and other income (£52,000), with the balance of funding supplied in the form of Grant-in-Aid (£128,615,000). An increase in income from servicing contracts for third parties was experienced due to the mortgage style loan book sale where the Company provided services to the new debt owner until the date of migration. Other income also reduced this year due to the sale of the mortgage style loan book as the sale included the administration and legal charges recovered from third parties in relation to customers in default which the Company previously recognised in the Statement of comprehensive income.

Statement of financial position

This statement is presented on page 67.

The net liability of £21,887,000 on the balance sheet principally consists of £3,842,000 in relation to dilapidations provisions, £1,341,000 deferred lease incentive and £16,597,000 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.

Customer administration charges, which were a financial asset of the Company, were sold during the financial year as part of the Mortgage Style Loan book sale by the Department for Business, Innovation and Skills, the Scottish Government and Department for Employment and Learning in Northern Ireland. This sale resulted in no gain or loss to the Company for the customer administration charges sold. A small residual amount of administration charges remain which has been fully provided for.

Statement of cash flow

This statement, presented on page 69, presents the cash flows of the Student Loans Company. These cash flows relate to ongoing operating activities, including the deliver and transformation 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 Statement of financial position.

The Strategic report is prepared by order of the Board.

Mick Laverty
Chief Executive and Accounting Officer

05.
REMUNERATION REPORT

For the year ended 31 March 2014

This report sets out the remuneration policy in respect of the Student Loans Company Board Members and the Executive Leadership Team and provides details of their remuneration for the year ended 31 March 2014.

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

Student Loans Company Board

Student Loans Company Board Members, with the exception of the Chief Executive, are appointed for a fixed period of three years by the Secretary of State for Business, Innovation and Skills, Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning in Northern Ireland (together “the relevant Ministers”).

Board Members 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.

The Secretary of State for Business, Innovation and Skills in conjunction with the relevant Ministers, sets the level of remuneration for the Chairman and Board members (excluding the Chief Executive) and informs the Student Loans Company of any annual increase to be awarded.

The Board delegates certain responsibilities to the Remuneration and Nominations Committee as described below and in the Directors Report on pages 59 to 62.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee determines, and agrees with the Board, the framework for the selection, appointment and remuneration of the Executive Leadership Team, including the Chief Executive, and such other senior managers as it is designated by the Board to consider. All policies are set within the context of applicable Government guidelines and, where appropriate, the advice of the Senior Remuneration Oversight Committee at BIS.

In consultation with the Chairman, the Committee agrees the performance framework and the proposed annual performance related payment for the Chief Executive, which is subject to approval by the Secretary of State for Business, Innovation and Skills in conjunction with the relevant Ministers. The Committee determines the total individual remuneration package for other members of the Executive Leadership Team in consultation with the Chairman and the Chief Executive.

The members of the Remuneration and Nominations Committee who served during the year to 31 March 2014 were:-

- Professor Dame Glynis Breakwell (Chair)
- Willie Gallagher
- Ed Smith (left 31 October 2013)
- Robert Kennedy (member from 29 October 2013 until 13 February 2014)

Executive Leadership Team

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

The Chief Executive, Mick Laverty, is a member of both the Board and the Executive Leadership Team. Chris Andrew is Company Secretary to the Board and was also a member of the Executive Leadership Team.

Each member of the Executive Leadership Team has personal performance objectives, including 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 their performance against them are subject to review by the Remuneration and Nominations Committee.

All Executive Leadership Team members are on standard Student Loans Company contracts of employment and have notice periods of six months. If a member of the Executive Leadership Team's employment with the 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. This basis is identical to that applied for all other employees.

Executive Leadership Team Remuneration Policy

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

- 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 Student Loans Company, subject to public sector pay guidance / restrictions; and
- take account of salary policy within the rest of the Student Loans Company and the relationship that should exist between the remuneration of the Executive Leadership Team and that of other employees.

All salaries including the Chief Executive's are reviewed annually. Salary levels are established after taking into account external market levels and internal comparisons as well as individual responsibilities. Annual salary reviews also take into account the pay remit requirements of HM Treasury. No annual salary increases have been awarded to the Executive Leadership Team since October 2008. In 2014, excluding the CEO, the Company awarded Executive Leadership Team members a one-off payment of £560 in accordance with the award to all staff earning above £21,000 in recompense for not applying a consolidated pay uplift.

Executive Leadership Team members (including the Chief Executive) have the option of joining the Student Loans Retirement and Death Benefits Scheme. As ordinary members, they contribute 6% of pensionable salary and Student Loans Company contributes 15.6% of employees' pensionable salary. This is a final salary scheme that provides benefits at the retirement age of 65. These benefits consist of an annual pension based on a final pensionable salary and pensionable service, and a tax-free lump sum payable on retirement, which is equivalent to three times the annual pension.

For Executive Leadership Team members recruited before 2011, a performance related award of up to 20% of salary is available (Director of Customer Service and Operations, Director of Finance and Administration and the Company Secretary). The Remuneration and Nominations Committee and the Board determined that due to public sector pay constraints, no performance related awards for these individuals would be made in 2013 and 2014. There are separate performance related award arrangements for the previous and current Chief Executive and these are described below.

Fees and Remuneration

The following information is subject to audit.

Fees paid to the Chairman and other non-executive Board Members who served in the year to 31 March 2014 were:

	2014	2013
	Remuneration	
Chairman and Board Members	£000	£000
E Smith (Chairman) (left 31 October 2013)	29	50
C Brodie (Chairman) (from 1 February 2014)	8	-
Professor Dame G Breakwell (i)	22	9
D Edelman	9	9
W Gallagher (ii)	29	27
R Kennedy	9	9
M Yuille	9	9

(i) In 2014, G Breakwell received a temporary allowance for the responsibilities of acting Chairman from 1 November 2013 to 31 January 2014.

(ii) From 1 May 2012, in addition to the base fee, W Gallagher also received a temporary allowance of £19,500 per annum to reflect his additional commitment in relation to the Student Loans Company's Transformation Programme.

Remuneration of the Executive Leadership Team who served during the year to 31 March 2014 was:

Executive Leadership Team		2014					2013				
		Salary	Other benefits and expenses	Performance related pay	Pension contribution	Total	Salary	Other benefits and expenses	Performance related pay	Pension contribution	Total
		£000					£000				
M Laverty (i)	Chief Executive	160	28	-	24	212	53	20	-	6	79
D Wallace	Deputy Chief Executive and Director of Strategic Development	130	-	1	19	150	130	-	-	19	149
C Andrew	Company Secretary	100	-	1	15	116	100	-	-	15	115
L Campbell	Director of Finance and Administration (last date of service 28 February 2014)	116	-	1	17	134	127	-	-	19	146
D Ross (ii)	Director of Customer Service and Operations	120	62	1	18	201	120	35	-	18	173
G Simpson	Chief Information Officer and Transformation Director	135	-	1	21	157	136	-	-	20	156
J Stirton	Director of Marketing and Communications	103	-	1	15	119	103	-	-	15	118
T Zahran (iii)	Director of People and Transformation	103	-	1	16	120	105	-	-	16	121

In 2014, excluding the Chief Executive, the Company awarded Executive Leadership Team members a one-off performance related payment of £560 in accordance with the award to all staff earning above £21,000 in recompense for not applying a consolidated pay uplift. Staff earning less than £21,000 received a consolidated pay uplift.

(i) Mr Laverty joined SLC on 3 December 2012 as a member of the Executive Leadership Team before taking the role of Chief Executive on 3 January 2013. Mr Laverty received £Nil (2013: £13,333) in relation to his salary as a member of the Executive Leadership Team and £160,000 (2013: £40,000) in relation to his salary as Chief Executive. Mr Laverty received £Nil (2013: £1,965) as a member of the Executive Leadership Team and £13,258, (2013: £8,114) in his role as Chief Executive, in respect of an allowance to compensate for the requirement to be based in both Glasgow and London. Taxable expenses in respect of Mr Laverty's travel amounted to £Nil (2013: £1,814) in his role within the Executive Leadership Team and £14,950 (2013: £7,491) in his role as Chief Executive.

The terms of Mr Laverty's appointment as Chief Executive provide for a performance related payment of up to a maximum of £25,000 each year. He was awarded £17,500 for the year to 31 March 2014 (2013: £Nil) however Mr Laverty has decided to waive this payment.

The Student Loans Company made employer pension contributions of £24,085 (2013: £6,023) in respect of Mr Laverty in his role as Chief Executive. No pension contributions were made in respect of Mr Laverty in the period prior to him becoming Chief Executive.

(ii) Mr Ross's other benefits and expenses incorporate three elements (1) £31,739 (2013: £5,999) in respect of an allowance to compensate for the requirement to be based in both Darlington and Glasgow. (2) Taxable expenses in respect of travel amounting to £17,761 (2013: £17,396). (3) Taxable car benefit amounting to £12,432 (2013: £12,017).

It should be noted that the allowance to compensate for the requirement to be based in both Darlington and Glasgow in respect of 2014 includes £12,596 determined and paid in relation to financial year 2013.

Other benefits and expenses for Mr Ross have been revised for the year ended 31 March 2013 to include the taxable expenses in respect of travel amounting to £17,396.

(iii) The movements in salary for Ms Zahran are in relation to unpaid leave in the current year.

Retirement benefits of the Executive Leadership Team who served during the year to 31 March 2014 were:

Executive Leadership Team	Accrued pension and related lump sum at 31 March 2014 £000	Increase during the year to 31 March 2014 in accrued pension and related lump sum net of inflation. £000	Cash equivalent transfer value		
			At 31 March 2014 £000	At 31 March 2013 £000	Increase net of inflation £000
M Laverty	0 – 5 plus lump sum of 5 – 10	0 – 2.5 plus lump sum of 5 – 7.5	36	7	29
D Wallace	0 – 5 plus lump sum of 10 – 15	0 – 2.5 plus lump sum of 2.5 – 5	64	43	20
C Andrew	15 – 20 plus lump sum of 50 – 55	0 – 2.5 plus lump sum of 0 – 2.5	315	309	(2)
L Campbell	10 – 15 plus lump sum of 30 – 35	0 – 2.5 plus lump sum of 2.5 – 5	216	177	34
D Ross	20 – 25 plus lump sum of 60 – 65	0 – 2.5 plus lump sum of 2.5 – 5	361	352	(1)
G Simpson	0 – 5 plus lump sum of 10 – 15	0 – 2.5 plus lump sum of 2.5 – 5	65	42	22
J Stirton	0 – 5 plus lump sum of 10 – 15	0 – 2.5 plus lump sum of 2.5 – 5	78	50	27
T Zahran	0 – 5 plus lump sum of 10 – 15	0 – 2.5 plus lump sum of 2.5 – 5	59	38	20

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 2.7%
3. Any Additional Voluntary Contributions paid by Directors and the resulting benefits are not shown.
4. “Increase net of inflation” does not include a deduction for member contributions.
5. Mr Laverty joined the scheme on 3 January 2013.
6. Mr Campbell’s last day of service was 28 February 2014.

Median Remuneration

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 annualised remuneration of the highest-paid director in the Student Loans Company in the year ended 31 March 2014 was £188,208 (2013: £222,420), based on the information in the table and footnotes on page 46. This was 9.8 times (2013: 11.5 times) the median remuneration of the workforce, which was £19,266 (2013: £19,271).

No employees received remuneration in excess of the highest paid director in either 2013 or 2014.

	2014	2013
Highest paid director's total remuneration	188,208	222,420
Median total remuneration	19,266	19,271
Ratio	9.8	11.5

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 highest paid director's total remuneration is the full-time equivalent annualised remuneration of the highest paid director. With the changes to the Chief Executive during the year to 31 March 2013 the highest paid director in 2013 when calculating the full-time annualised remuneration was the new Chief Executive, Mr Laverty.

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 Student Loans 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 the year ended 31 March 2013. In the year ended 31 March 2014 only employees earning £21,000 or less received a salary increase in October 2013.

06.
GOVERNANCE STATEMENT

Student Loans Company is a non profit making publicly funded private limited company. The Company is wholly owned by the Secretary of State for Business, Innovation, and Skills, the Minister for Employment and Learning, Department of Employment and Learning, Northern Ireland, the Minister for Education and Skills, Welsh Government and the Scottish Ministers. 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 through adherence to Cabinet Office guidance on corporate governance within the public sector.

The role of the four Government Shareholders is to:

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

The Government Administrations contribute to governance of the Company through the Assessors, who attend 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.

The Company has complied with the guidance contained within Managing Public Money, issued by HM Treasury.

06.1 THE ACCOUNTING OFFICER'S RESPONSIBILITIES

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Company's policies, aims and objectives, 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 Treasury guidance, in particular the Financial Reporting Manual (FReM), 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.

06.2 THE COMPANY'S GOVERNANCE FRAMEWORK

06.2.1 The Main Board, Board Sub-Committees, Executive Leadership Team and Assessors

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, with the exception of the Independent External Member of the Audit Committee, who is appointed by the Company.

They are appointed from a variety of backgrounds on the basis of their knowledge and experience gained in both the public and private sectors in industry, commerce and academic fields. They are all independent of management and we are not aware of any business or other relationships which could interfere with the exercise of their independent judgment.

Main Board Members	From	To
Ed Smith, Non Executive Chairman	November 2010	October 2013
Professor Dame Glynis Breakwell, Interim Non Executive Chair	November 2013	January 2014
Christian Brodie, Non Executive Chairman	February 2014	January 2017
David Edelman, Non Executive Director	August 2008	July 2014*
Willie Gallagher, Non Executive Director	April 2010	April 2016*
Rob Kennedy, Non Executive Director	June 2010	April 2016*
Michael Yuille, Non Executive Director	April 2010	April 2016*
Professor Dame Glynis Breakwell, Non Executive Director	March 2011	February 2017*
Mick Laverty, Chief Executive	January 2013	Current
Executive Leadership Team		
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 and Customer Services		
Gordon Simpson, Chief Information Officer and Director of Transformation		
Jenifer Stirton, Director of Marketing and Communications		
Taroub Zahran, Director of People and Transformation		
Assessors		
Matthew Hilton, Assessor – represents the Secretary of State for Business, Innovation and Skills		
Neil Surman, Assessor – represents the Department for Education (Wales)		
Dr Rebecca Widdowfield – represents the Scottish Government		
Neil Maclennan – represents the Scottish Government		
Stephen White – represents the Scottish Government		
Independent External Member of the Audit Committee		
Ian Lee	September 2011	August 2014

* second term of appointment

** left his position on the 28th February 2014

06.2.2 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 vision and mission, 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 Leadership 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 Leadership Team to conduct the day to day business of the Company, ensuring an appropriate balance of skills and experience; and
- 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, and Sub-Committee meetings by invitation.

The last Board effectiveness review was completed during 2012. Since then, the Board's approach to meetings and papers continued to evolve during FY 2013/14, with a number of procedural changes being made to improve the effectiveness of Board meetings. Following the appointment of the new Chairman, a further review of the Board's effectiveness will take place during FY 2014/15. As an initial step, the Chairman has already consulted Board members to seek their views on the required skills for the Board, and following their feedback the Chairman and BIS are currently considering what skills are required to oversee the delivery of the Company's strategy and vision.

06.2.3 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.

06.2.4 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. The current members are Professor Dame Glynis Breakwell, (Chair), Willie Gallagher, and Rob Kennedy while the Company Chair attends by invitation.

06.2.5 Internal Governance Framework

Responsibility for controlling and monitoring the Company's operational and financial management resides with the Executive Leadership Team, which has primary responsibility for setting the Company's strategic and business priorities and objectives, in line with the strategies set out by its stakeholders, as well as overseeing the Company's capacity and capability to deliver in terms of available resource. The Executive Leadership Team also leads in promoting Company standards of values and behaviour. The Executive Leadership Team 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 Leadership Team level, as appropriate.

06.3 OVERVIEW OF THE PERFORMANCE OF THE MAIN BOARD AND BOARD SUB-COMMITTEES

06.3.1 Attendance at the Main Board and Board Sub-Committees

	Number of meetings attended		
	Main Board	Audit Committee	Remuneration Committee
Main Board Members			
Ed Smith, Non Executive Chair	6	-	2
Christian Brodie, Non Executive Chair	2	-	-
Professor Dame Glynis Breakwell, Acting Non Executive Chair	3	1	2
David Edelman, Non Executive Director	7	-	-
Willie Gallagher, Non Executive Director	11	-	3
Rob Kennedy, Non Executive Director	10	4	2*
Professor Dame Glynis Breakwell, Non Executive Director	7	-	2
Michael Yuille, Non Executive Director	11	4	-
Mick Laverty, Chief Executive	11	3	4
Independent External Member of the Audit Committee			
Ian Lee	N/A	4	N/A

Number of meetings held during the year:

Main Board - 11

Audit Committee - 4

Remuneration & Nominations Committee - 4

* Rob Kennedy joined the Remuneration Committee mid year.

06.3.2 Main Board

Matters considered by the Main Board during FY 2013/14 included:

- Oversight of the Company's vision and mission;
- Oversight of the Company's Transformation Programme, and the appointment of a Transformation Partner;
- Oversight of SLC's operational services and consideration of its delivery capacity and capability;
- Oversight of the Company's Counter Fraud arrangements;
- Ongoing delivery of SLC's change programme on behalf of the Government Administrations, including the sale of Mortgage-Style (MSL) loans, and the proposals for a sale of a proportion of Income Contingent Repayment (ICR) loans;
- Updates on the work of the Regulatory Partnership Group in connection with the Government's HE reforms;
- Consideration of the Company's people management performance and plans, including organisational design;
- Consideration of the Annual Report and Accounts for FY 2012/13;
- Consideration of the business plan and budget for both FY 2012/13 and FY 2013/14;
- Summary reports from the chairs of the Audit and Remuneration & Nominations Committees;
- Review of the Company's pension scheme arrangements;
- Consideration of the findings of the National Audit Office Value for Money Study on Student Loans Repayments, and of the subsequent Public Accounts Committee (PAC) hearing; and
- Regular review 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 Board meetings were held between April 2013 and March 2014. The Main Board minutes can be found at **www.slc.co.uk**.

06.3.3 Audit Committee

Matters considered by the Audit Committee during FY 2013/14 included:

- The audit of the Annual Report & Accounts for FY 2012/13, 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 2013/14;
- Approval of the internal audit strategy and 3 year plan for FY 2013/16;
- Review of quarterly internal audit summary reports for FY 2013/14, final annual audit opinion for FY 2012/13, and draft annual audit opinion for FY 2013/14;
- The reappointment of KPMG as external auditors, following a tender process;
- 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; and
- Corporate risk management arrangements.

Four Audit Committee meetings were held between April 2013 and March 2014.

06.3.4 Remuneration & Nominations Committee

Matters considered by the Remuneration & Nominations Committee during FY 2013/14 included:

- Setting and assessing the Chief Executive's pay, objective setting and performance review;
- The Executive Leadership Team's pay, performance related pay and reward terms; and reward terms;
- Considered the performance and performance reviews of the Executive Leadership Team;
- A review of the SLC Organisational Change policies with recommendations presented to the Main Board;
- Agreeing to implement the new organisation design for the new Executive Leadership Team; and

- Input to the Company's Annual Report production, focusing on the Remuneration Report.

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

Four Remuneration Committees were held between April 2013, and March 2014.

06.4 THE COMPANY'S RISK MANAGEMENT ARRANGEMENTS

06.4.1 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 Leadership Team 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 predominantly the Company operates on a low risk tolerance approach, with the SLC risk scoring matrix weighted to give particular significance to risks with a high impact. However there may be times, particularly as the Company makes the transition toward the new environment, where a more 'open', risk and reward based approach may be adopted (as defined by HM Treasury). A process has been established to capture and report on these instances and the relevant information (i.e. context, reasoning) will be retained on a central database. 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**.

06.4.2 Risk Management Process

SLC operates a process of risk identification that is dependent on both 'top-down' and 'bottom up' perspectives. The Executive Leadership Team can flag risks either directly to the Risk Manager or by way of the Company Secretary. Managers can raise risks directly, either through their senior manager or through attendance at one of the internal sub-board meetings attended by the Risk Manager. 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. Specific procedures are in place to facilitate management and escalation of risks within the programme environment, ensuring a structured approach to decision making and clear route of escalation through project, programme and portfolio levels to the overall Corporate and Business Plan objectives. Risk owners are at all times made aware of risks under their ownership and this extends to the members of the Executive Leadership Team, who have full knowledge of any high level (red RAG status) corporate risks within their area of responsibility.

06.4.3 Risk Reporting

A report detailing all high level risks and issues, together with underlying risk themes and mitigation response strategies is submitted to the Executive Leadership Team on a fortnightly basis, reported in alignment with the business objectives. This report also highlights relevant key headlines, such as emerging risks or pertinent updates in the context of organisation-wide risk reporting. The Executive Leadership Team 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 to the Main Board, which summarises the Company's performance against the measures and targets that are set out within the Company's Annual Performance and Resource Agreement (APRA). On a bimonthly basis an expanded version of the report, including a wider view of the Company's risk portfolio including recent and planned mitigations and detailing any significant changes in SLC's risk management arrangements, is submitted for the Board's information and challenge.

06.4.4 Specific Risks

The key risk themes under consideration at the end of FY 2013/14 related to the undernoted:

Transformation

The company is undertaking a programme to transform our business and achieve our vision and mission, which involves the replacement of some of our core systems. We are currently defining a roadmap and programme plan, and putting in place comprehensive supplier and partner management arrangements, alongside a skilled and resourced programme team. This will enable us to maintain the required pace of change, whilst also ensuring the continued success of core services and programme output, and that expected benefits are realised within our Stakeholders' timeframe expectations.

We have introduced a re-engineered HR recruitment processes, top-down organisational re-design, and ongoing value for money exercises across directorates. Early and ongoing consultation is sought with both the Department, and the Cabinet Office (CO) in order to reduce the impact of any unplanned change to budgets and programmes and impact assessments will be presented, where appropriate, to help inform decision making. Revised internal governance processes will be used as a vehicle to maintain alignment across development areas, e.g. FE Loans and Transformation. These measures will help us deal with pressures, such as continued austerity measures, changes to policy, and additions or expansions within the current portfolio, potentially introducing further complexities into the change programme.

Application fraud, and cyber attacks

The company is undertaking a programme to transform our business and achieve our vision and mission, which involves the replacement of some of our core systems. We are currently defining a roadmap and programme plan, and putting in place comprehensive supplier and partner management arrangements, alongside a skilled and resourced programme team. This will enable us to maintain the required pace of change, whilst also ensuring the continued success of core services and programme output, and that expected benefits are realised within our Stakeholders' timeframe expectations.

We have introduced a re-engineered HR recruitment processes, top-down organisational re-design, and ongoing value for money exercises across directorates. Early and ongoing consultation is sought with both the Department, and the Cabinet Office (CO) in order to reduce the impact of any unplanned change to budgets and programmes and impact assessments will be presented, where appropriate, to help inform decision making. Revised internal governance processes will be used as a vehicle to maintain alignment across development areas, e.g. FE Loans and Transformation. These measures will help us deal with pressures, such as continued austerity measures, changes to policy, and additions or expansions within the current portfolio, potentially introducing further complexities into the change programme.

Sustaining Key Business Services

In order to ensure that key services are maintained ahead of Core Systems Replacement, and we reap the benefits of a fully transformed environment, we have instigated a Sustain Programme, comprising a number of key projects. This Programme includes a full refresh of business continuity plans, improvements to current disaster recovery arrangements, increased power, capacity and resilience within data centres, and an upgrade to our existing document imaging solution.

Company Pension Scheme

The Company operates a pension scheme for employees benefit. The Statement of Financial Position at 31st March 2014 shows a net liability position, in the main as a result of pension liabilities due in future years. The Company's board of directors, senior management, sponsor departments, and the pension scheme trustees are currently discussing how best to remedy this situation.

06.5 THE COMPANY'S CORPORATE GOVERNANCE AND INTERNAL CONTROL ARRANGEMENTS

06.5.1 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 throughout the year ended 31 March 2014, 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 (who undertake a planned review of all material risks and business areas over a 3 year period), the Executive Leadership Team, 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. These sources of assurance are supplemented where required by checkpoint reports on major programmes undertaken by the Major Projects Authority, and by assurance reports on the Transformation Programme, undertaken by our appointed Quality Assurance partners. I am provided with additional assurances from each of the Company Directors over the controls they have put in place over the activities where they have delegated responsibility, as well as by the Company's Senior Management Team who certify compliance with key controls biannually.

I am advised on my review of the effectiveness of the system of internal control by the Main Board, the Audit Committee, the Executive Leadership Team, and its sub-boards. Where appropriate, plans to address weaknesses and improvements in the system of internal control are put in place, and these are tracked to completion. The paragraphs below contain specific assurances requested by the Department for Business, Innovation, and Skills, (BIS), followed by an update on control issues arising within FY 2012/13 and preceding years and the mitigations in place, as well as information on control issues arising within FY 2013/14.

06.5.2 Assurances Requested by the Department of Business, Innovation, and Skills (BIS)

1 Compliance with Departmental Guidance to Prevent Tax Avoidance

I can confirm that at the 31st March 2014, the Company was compliant with IR35 requirements.

2 Progress Update on Managing the Risk of Financial Loss Project Review

I can confirm that the Company takes the risk of financial loss very seriously. The review noted that, payments of higher education support to customers and institutions are fundamental to the Company's activities, and as such, are closely scrutinised by Internal Audit and other government led strategy reviews. We have made good progress in improving controls where necessary, and continue to embed financial integrity, and prevention of financial loss within all Company activities.

3 Compliance with Austerity Measures

I can confirm that the Company complies with the austerity measures, and carefully scrutinises all expenditure on a monthly basis. We are currently working through improvements to our procurement processes, to address known risks.

4 Shared Service Scrutiny Arrangements

The Company is currently in detailed discussions with SBS, the Department's Shared Business Service, to consider the nature of service requirements, and the optimum time to join.

5 Counter Fraud Arrangements & Incidents of Fraud

The Company are members of the BIS Counter Fraud Network and attend the quarterly meetings of the group at Victoria Street, where we discuss current and emerging fraud trends and identify and disseminate good practice. The Head of Counter Fraud Services is also on the Counter Fraud Huddle.

06.5.3 Issues of concern since FY 2012/13

The under noted issues have been recognised as concerns since FY 2012/13, and an update on the progress made in FY 2013/14 follows:

1 Security and Information Assurance

We continue to work towards the requirements for the HMG Security Policy Framework, and recognised industry standards, which have become mandatory for SLC as a group 1 NDPB. Progress is being made in the deployment of new security and assurance tools and services as well as new and improved processes and policies, implementing annual testing regimes and working collaboratively with the Government Digital Service (GDS).

2 Disaster Recovery (DR) Capability

We continue to progress the DR designs and Service Continuity plans, and are undertaking a range of remedial works to improve the resilience of our facilities. We are using virtualisation and consolidation to release power and space in the facilities.

06.5.4 Issues that have arisen during FY 2013/14

1 Procurement Issues

We have introduced a number of measures to improve our procurement processes in order to ensure we meet the high standards expected of a NDPB, and have identified that changes are required to better forward plan procurement activities, while strengthening our team to support our Transformation Programme. We have undertaken a comprehensive training programme, further reinforced by strengthened governance and controls over expenditure approvals. These changes will also ensure we comply with the Transparency Agenda, and EU requirements.

2 Information Security - Overseas Development

We are currently exploring options for delivering elements of the Transformation Programme development and support overseas, and are working to ensure that this strategy complies with all relevant legislative requirements.

3 Changing Higher Education Provider landscape

The Chairs of HEFCE, and the Student Loans Company, co-chair a 'Regulatory Partnership Group' to ensure sound controls are in place across the higher education landscape. During the year, HEFCE consulted on proposed changes to the arrangements in place to govern HE institutions, to ensure that the rebalancing of funding from grants to tuition fees does not diminish the effectiveness of the current regulatory regime, which provides confidence to students and the public. For FY 2014/15, this consideration will also encompass regulation of alternative providers, and HEI automatic course designation for student support.

4 ICR Loans – Interest application

We are currently working with our Stakeholders to develop corrective action, and considering improvements to our control processes, in response to an historical issue identified in respect of interest application to a small proportion of our Income Contingent Repayment, (ICR), loans. The customers potentially impacted by receipt of an incorrect financial statement represent approximately 1% of ICR customers in repayment at the March 2014 year end, and we will be communicating the revised position with these customers over the coming weeks.

5 Regulatory Compliance

As part of progressing the sale of the Company's Mortgage Style (MSL) Debt portfolio, a potential regulatory compliance issue arose during FY 2013-14 as part of due diligence, and specific mitigating actions were put in place prior to the financial year end. The issue related to potential non compliance with the Consumer Credit Act. The purchaser, Erudio has taken responsibility for any remediation to customers affected. These customers represent approximately 23% of the MSL customer accounts sold. We do not expect that any customers will be disadvantaged as a result of this potential issue.

6 Public Accounts Committee Hearing

A Public Accounts Committee hearing recently published their response to the National Audit Office (NAO) Repayment Study. A number of points were noted for further action by the Department, and the Company. In response, the Company is developing a repayments strategy to address recommendations raised by PAC and NAO respectively. We anticipate that the strategy will drive increased yield on the loan book, whilst also improving the wider repayments service.

06.5.5 Summary

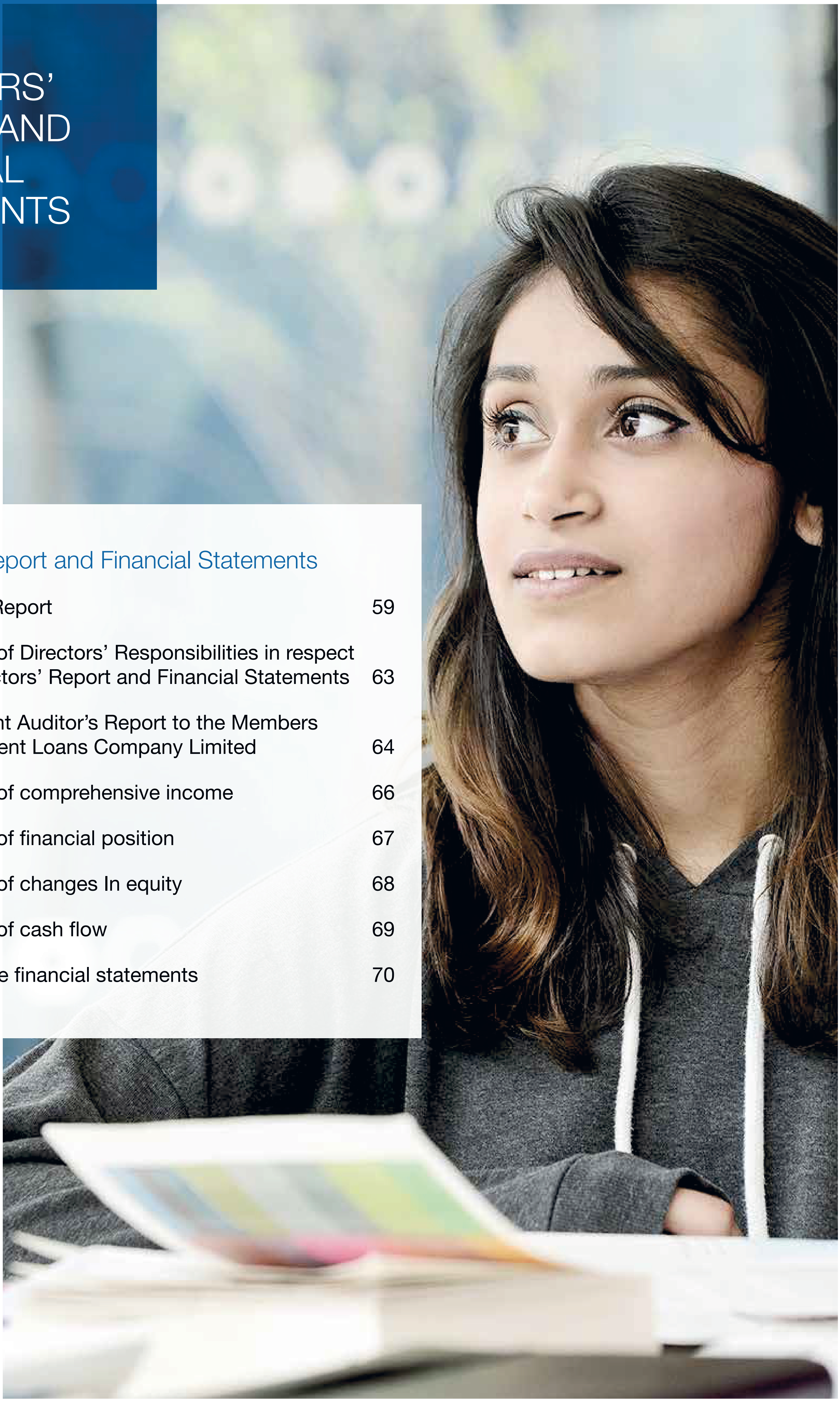
In summary, where key control issues have been identified, appropriate steps have either been taken, or mitigations appropriate to the risks have been identified, and recommendations have been presented to remedy the situation.

By order of the Board

Mick Laverty
Chief Executive and Accounting Officer

07.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS



Directors' Report and Financial Statements

07.1 DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report and the financial statements of the Student Loans Company for the year ended 31 March 2014. The financial statements have been prepared in accordance with the Companies Act 2006 and, as appropriate, the Government Financial Reporting Manual (FReM), and other guidance issued by HM Treasury and the Secretary of State of Business, Innovation and Skills where the disclosure requirements of these go beyond the Companies Act 2006. The financial statements have been prepared and approved by the Directors in accordance with the International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) and International Financial Reporting Interpretations Committee Interpretations.

Principal activities

The principal activities of the Student Loans Company are provided at page 5.

Dividends

The Student Loans Company has no accumulated reserves and accordingly the directors do not recommend the payment of a dividend *(2013: £Nil)*

Directors and their interests

Christian Brodie
Non-Executive Chairman (from 1 February 2014)

Ed Smith
Non-Executive Chairman (to 30 November 2013)

Mick Laverty
Chief Executive and Accounting Officer

Professor Dame Glynis Breakwell
Non-Executive Director (1 April 13 to 30 November 13; 1 February 14 to 31 March 14)

Non-Executive Chairman (from 1 December 13 to 31 January 14)

David Edelman
Non-Executive Director

Willie Gallagher
Non-Executive Director

Rob Kennedy
Non-Executive Director

Michael Yuille
Non-Executive Director

For further information please see the Governance Statement on pages 49 to 57.

All Non-Executive Directors are considered to be independent.

None of the Directors had any interest in the shares of the Student Loans Company throughout either the year ended 31 March 2014 or 31 March 2013. The Student Loans Company is wholly owned by the Secretary State of Business, Innovation and Skills, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning in Northern Ireland.

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

The Secretary State of Business, Innovation and Skills was a shadow director of the Student Loans 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 Student Loans Company's aim to keep employees informed about its affairs and in particular about those matters that affect them directly. The Student Loans Company regularly issues all-staff emails, provides corporate information via cascade and feedback sessions, maintains a comprehensive Intranet site and makes use of recorded messages using "SLCtv". The Student Loans 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 Student Loans 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 35.

Retirement Benefits Scheme

Reference is made in Note 18 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 the Executive Leadership Team.

Sickness Absence

Sickness absence is monitored on a rolling twelve month, full time equivalent basis and is a monitored scorecard measure. Sickness absence for the year ended 31 March 2014 amounted to 5.2% (2013: 5.6%).

For further information, please see the performance measurement section of the strategic report on page 23.

Information Losses

During the year ended 31 March 2014 the Student Loans Company had no issues to report to the Information Commissioner's Office regarding information losses.

The Student Loans Company have recorded the loss of ten items of equipment. All devices were encrypted and not carrying personal information.

Corporate Governance

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

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

The Student Loans Company complies with Managing Public Money Code of Corporate Governance for Central Government. The Accounting Officer's Governance Statement for the year ended 31 March 2014 is provided on pages 49 to 57.

Student Loans Company Board

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

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

The responsibilities of the Board are set out in the Governance Statement.

Remuneration

The remuneration for the Chairman and Non-Executive Board members is determined by the Secretary of State for Business, Innovation and Skills, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning in Northern Ireland. The remuneration of the Chief Executive is determined by the Board, subject to approval by the Secretary of State for Business, Innovation and Skills, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning in Northern Ireland.

The Non-Executive Board Members are appointed by the Secretary of State for Business, Innovation and Skills, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning in Northern Ireland, for a fixed term appointment of three years, which can be renewed once.

Remuneration & Nominations Committee

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

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

For further information, please see the Remuneration Report on page 43 and the Governance Statement on pages 49 to 57.

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 Board has appointed an Independent External Member of the Audit Committee, who is appointed to the Committee but not the Board.

The Audit Committee is responsible for:

- the strategic processes for risk, control and governance, including the supporting assurance framework;
- the accounting polices, the accounts and the annual report of the Student Loans Company, including the process for review of the accounts prior to submission to the Board for approval, levels of error identified and reviewing the Board's letter of representation to the External Auditor;
- 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 Student Loans Company's corporate governance requirements (e.g. compliance with the Framework Document and Managing Public Money);
- 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 Student Loans Company, by way of an Annual Fraud Overview report that is prepared by management;
- assurances relating to the adequacy of the Student Loans Company's risk management arrangements;
- input to the Remuneration and Nominations Committee to assist its deliberations on senior staff performance as it relates to effective internal control, governance and assurance.

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

Further details regarding the Audit Committee can be found in the Governance statement on page 49.

Statement of disclosure of information to the External Auditor

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

External Auditor

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

The External Auditor for the year ending 31 March 2015 was appointed at the September 2013 Main Board meeting after the completion of a tender process.

By order of the Board

Mick Laverty
Chief Executive and Accounting Officer

21 St. Thomas Street

Bristol

BS1 6JS

Registered Company Number 2401034

27 May 2014

07.2 STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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 the Government Financial Reporting Manual 2013-14. 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 Government Financial Reporting Manual 2013-14 where these go beyond the requirements of the Companies Act 2006.

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

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

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

The directors have decided to prepare a Directors' Remuneration Report in order to comply with the requirements of the Government Financial Reporting Manual 2013-14 in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, to the extent that they are relevant.

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

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

We have audited the financial statements of Student Loans Company Limited for the year ended 31 March 2014 set out on pages 66 to 97. 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 the Government Financial Reporting Manual 2013-14 and has provided the additional disclosures required by the Government Financial Reporting Manual 2013-14 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 decided to prepare (in addition to that required to be prepared) in order to comply with the requirements of the Government Financial Reporting Manual 2013-14 to include the information requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006, to the extent that they are relevant.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and in respect of the separate opinions in relation to financial regularity and the Directors' Remuneration Report, on terms that have been agreed. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and, in respect of the separate opinions in relation to financial regularity and the Directors' Remuneration 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 63, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, 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 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.

07.3 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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity prescribed by the terms of our engagement

In our opinion in all material respects the expenditure and income have been applied to the 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 Strategic Report and 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.

David Watt (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

191 West George Street

Glasgow

G2 2LJ

27 May 2014

07.4 STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	Note	**2014** **£000**	2013 restated £000
Revenue	*3*	**131,362**	**116,787**
Expenditure			
Staff costs	*5*	**(72,068)**	**(70,236)**
Restructuring costs	*5*	**(999)**	**(67)**
Depreciation and amortisation		**(3,888)**	**(3,789)**
Other administrative expenses		**(53,949)**	**(41,573)**
Operating profit		**458**	**1,122**
Finance income	*6*	**20**	**15**
Finance costs	*7*	**(790)**	**(392)**
Net financing expense		**(770)**	**(377)**
(Loss)/Profit on ordinary activities before taxation		**(312)**	**745**
Tax on result of ordinary activities	*8*	**(1)**	**(4)**
(Loss)/Profit on ordinary activities after taxation		**(313)**	**741**
Other comprehensive income:			
Actuarial (loss) recognised in gains and losses	*18*	**(603)**	**(10,509)**
Total comprehensive income for the period		**(916)**	**(9,768)**

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

The notes on pages 70 to 97 form an integral part of these financial statements.

07.5 STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Note	2014		2013	
		£000	**£000**	£000	£000
Non-current assets					
Property, plant and equipment	*10*	**15,479**		12,571	
Intangible assets	*11*	**11,602**		675	
Total non-current assets			**27,081**		13,246
Current assets					
Trade and other receivables	*13*	**10,914**		8,310	
Cash and cash equivalents	*14*	**8,322**		7,683	
Total current assets			**19,236**		15,993
Total assets			**46,317**		29,239
Current liabilities					
Trade and other payables	*15*	**(24,570)**		(20,216)	
Provisions	*17*	**(1,460)**		(17)	
Income tax		**(1)**		(3)	
Total current liabilities			**(26,031)**		(20,236)
Non-current assets plus net current assets			**20,286**		9,003
Non-current liabilities					
Trade and other payables	*15*	**(22,185)**		(10,526)	
Provisions	*17*	**(3,391)**		(3,454)	
Retirement benefit obligation	*18*	**(16,597)**		(14,406)	
Total non-current liabilities			**(42,173)**		(28,386)
Net liabilities			**(21,887)**		(19,383)
Capital and reserves					
Called up share capital	*20*		**-**		-
General reserve			**(21,887)**		(19,383)
Total equity			**(21,887)**		(19,383)

The notes on pages 70 to 97 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 27 May 2014 and were signed on its behalf by:

Mick Laverty
Chief Executive and Accounting Officer
Registered company number: 2401034

07.6 STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2014

	Note	General Reserve £000
Balance at 1 April 2013		(19,383)
Net (loss)		(313)
Total pension cost recognised in statement of comprehensive income	*18*	(5,347)
Employer contribution in respect of retirement benefit	*18*	3,759
Actuarial loss in retirement benefit obligations	*18*	(603)
Balance at 31 March 2014		(21,887)

07.7 STATEMENT OF CASH FLOW

for the year ended 31 March 2014

		2014		2013 restated	
	Note	**£000**	**£000**	£000	£000
Cash flow from operating activities					
(Loss)/Profit on ordinary activities after tax		**(313)**		741	
Adjustments for:					
Depreciation	*10*	**3,285**		3,067	
Amortisation	*11*	**603**		722	
Amortisation of deferred capital receipts					
- Property, plant and equipment	*16*	**(3,238)**		(2,818)	
- Intangible assets	*16*	**(603)**		(722)	
Loss on disposal		**5**		48	
Taxation	*8*	**1**		4	
Finance costs	*7*	**790**		392	
Finance income	*6*	**(20)**		(15)	
		510		1,419	
(Increase) in trade and other receivables		**(3,394)**		(1,437)	
Increase/(Decrease) in trade and other payables		**2,116**		(2,119)	
Increase in provisions		**1,380**		342	
Cash (used in)/generated from operating activities		**612**		(1,795)	
Corporation tax paid		**(3)**		(3)	
Corporation tax received		**-**		4	
Net cash generated from / (used in) operating activities			**609**		(1,794)
Cash flow from investing activities					
Finance income	*6*	**20**		15	
Acquisition of property, plant and equipment	*10*	**(6,208)**		(5,323)	
Acquisition of intangible assets	*11*	**(11,530)**		(879)	
Proceeds from sales of property, plant and equipment		**10**		10	
Net cash used in investing activities			**(17,708)**		(6,177)
Cash flow from financing activities					
Capital funding received from funding bodies		**17,738**		6,241	
Decrease in financial liabilities		**-**		(150)	
Finance interest paid		**-**		(3)	
Net cash generated from financing activities			**17,738**		6,088
Net increase/(decrease) in cash and cash equivalents	*14*		**639**		(1,883)
Cash and cash equivalents at 1 April	*14*		**7,683**		9,566
Cash and cash equivalents at 31 March	*14*		**8,322**		7,683

07.8 NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

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

The financial statements have been prepared in accordance with the Companies Act 2006 and, as appropriate, the Government Financial Reporting Manual ('FReM') and other guidance issued by HM Treasury and the Secretary of State for 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.

The Company adopted IAS 19 (Revised) Employee Benefits from 1 April 2012. As a result of IAS 19 (Revised), the Company has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans. Under previous IAS 19, interest cost on the defined benefit obligation and an expected return on plan assets were recognised in profit or loss within finance cost and finance income respectively. Under IAS 19R, these two amounts have been replaced by a single measure called 'net interest' calculated on the net defined benefit liability. This change affects the difference between actual and expected return on plan assets, which is recognised in full within other comprehensive income as part of remeasurements.

There were no unamortised gain/loss or past service costs under IAS19 nor any adjustment to the benefit obligation.

As a result of these amendments, the comparative financial information in the statement of comprehensive income has been restated for the year ending 2013. The effect of the above on the loss was to increase net finance costs by £96,000, reduce staff costs by £58,000 and reduce remeasurements of the net defined benefit liability in other comprehensive income by £38,000.

As a result of the above, there has been no adjustment to the tax expense in the income statement. The effect on the cash flow statement of the amended standard was an adjustment to profit after tax and the operating reconciling items. There was no effect on the net cash from operating activities. The effect on the statement of changes in equity of the amended standard was an adjustment to retained earnings, as explained above.

Notes 2, 5, 7, 8, 9 and 18 has been restated accordingly for the above IAS19R adoption.

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 asset, minimum funding requirements and their interaction."
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
- Revised IAS 24 "Related Party Disclosure"
- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement
- Annual Improvements to IFRSs 2009-2011 Cycle (issued by the IASB in May 2012)

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 27 May 2014.

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 requires the Company to conduct its affairs so as to remain solvent within the total resources made available to it by the funding bodies. These financial statements have been prepared on this basis.

The Company has negative equity at the statement of financial position date of £21,887,000 (2013: £19,383,000), 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 revised 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 2014-15, 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.

The company made no critical judgements in applying accounting policies in these financial statements

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

- Allowance on customer administration charges

  The Department for Business, Innovation and Skills sold the mortgage style loan book administered by the Company including the customer administration charges which were a financial asset of the Company.

  Remaining customer administration charges which are a financial asset of the Company are identified as being irrecoverable. The Company uses an allowance account to reflect the irrecoverable nature of these charges.

  In 2013 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 assumed there would be no negative impact from legal challenges elsewhere in the industry to the levying of such charges.

- Provisions

  The dilapidations provision is based on external valuations provided by the Company's property consultants. The latest formal valuation was provided at September 2013 for the premises at Darlington, April 2007 for the premises at Hillington and Colwyn Bay and March 2012 for the premises at Glasgow; however the Company has obtained confirmation from the property consultants in March 2014 that these valuations remain relevant for the year ended 31 March 2014. 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

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

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, or the lease period where applicable
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

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

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:

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

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

Deferred capital receipts

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

Financial instruments

a) Financial assets

Classification

Financial instruments fall into 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 the 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 represent the outstanding balances with central government bodies and other trade receivables.

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 which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

As at the date of the Statement of financial position, the Company has 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

The Company contributes to a defined benefit plan which targets a pension paid throughout life plus an additional cash sum at retirement. The amount of pension and additional cash depends on how long employees are active members of the Scheme and their average salary when they leave the Scheme.

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

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

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

UK legislation required the Board of Trustees to carry out valuations at least every three years and to target full funding against a basis that prudently reflects the Scheme's risk exposure. The most recent valuation was carried out as at 5 November 2011 and a recovery plan was put in place to remove the Scheme's shortfall against the Trustees funding objective.

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.

Segmental reporting

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

Directors review performance based on three segments: operating budget, project budget and other. The operating budget represents day to day operating activities undertaken by the Company. The project budget represents additional activities undertaken by the Company in the financial year to enhance the day to day activities. On completion, these activities will become part of the operating budget in subsequent years. Other consists of additional services that the company provides to Higher Education Institutes and other stakeholders 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 for Education and Skills in the Welsh Assembly, the Student Awards Agency for Scotland and the Department of Employment and Learning in Northern Ireland.

2 Segmental reporting

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

2014	Operating budget £000	Project budget £000	Other £000	**Total £000**
Segmental revenue				
Grant in aid*	105,354	23,195	66	**128,615**
Administration fees received from third parties	1,025	518	1,152	**2,695**
Other income	52	-	-	**52**
Total revenue	106,431	23,713	1,218	**131,362**
Segmental expenditure				
Expenditure:				
England HE	(94,901)	(12,243)	(1,129)	**(108,273)**
England FE	(2,403)	(3,812)	-	**(6,215)**
Northern Ireland	(2,349)	(649)	(25)	**(3,023)**
Scotland	(2,771)	(472)	(4)	**(3,247)**
Wales	(3,880)	(6,228)	(38)	**(10,146)**
Total expenditure	(106,304)	(23,404)	(1,196)	**(130,904)**
Operating profit				**458**

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)

2013 restated	Operating budget £000	Project budget £000	Other £000	**Total £000**
Segmental revenue				
Grant in aid*	94,559	21,121	76	**115,756**
Administration fees received from third parties	17	-	791	**808**
Other income	223	-	-	**223**
Total revenue	94,799	21,121	867	**116,787**
Segmental expenditure				
Expenditure:				
England HE	(85,112)	(13,075)	(740)	**(98,927)**
England FE	-	(5,135)	-	**(5,135)**
Northern Ireland	(2,286)	(721)	(28)	**(3,035)**
Scotland	(2,850)	(124)	-	**(2,974)**
Wales	(3,620)	(1,925)	(49)	**(5,594)**
Total expenditure	(93,868)	(20,980)	(817)	**(115,665)**
Operating profit				**1,122**

* 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

	2014 £000	2013 £000
Grant in aid	**128,615**	115,756
Administration fees receivable from third parties	**2,695**	808
Other income	**52**	223
	131,362	116,787

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, Scotland and Wales, in providing mandatory and discretionary bursaries and scholarships to students by providing an administration service. HEIs may choose to subscribe into either a 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. Any net deficit that is achieved will be fully funded in the next financial year.

	2014 £000	2013 restated £000
Revenue	**1,253**	921
Expenditure	**(1,253)**	(921)
Surplus before tax	**-**	-

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):

	2014	2013
	£000	£000
Dilapidations provision	**388**	333
Depreciation and amortisation – owned assets	**3,888**	3,544
Depreciation and amortisation – leased assets	**-**	245
Loss on disposal of fixed assets	**5**	48
Amortisation of deferred capital receipts	**(3,826)**	(3,540)
Directors' remuneration	**354**	373
Auditors remuneration, including expenses:		
Audit of these financial statements	**39**	40
Valuation and actuarial services	**10**	21
Other services relating to taxation	**3**	9
Operating lease rentals:		
Land and buildings	**3,255**	1,701
Computer and other equipment	**1,159**	963

(b) Directors' remuneration:

	2014	2013
	£000	£000
Fees	**115**	114
Executive emoluments (including benefits in kind)	**188**	232
Pension contributions	**24**	27
	327	373

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:

	2014	2013
Number of employees	**2,367**	2,140

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:

	2014	2013 restated
	£000	£000
Wages and salaries	**55,820**	50,672
Social security costs	**3,891**	3,718
Pension service costs	**4,598**	3,234
	64,309	57,624
Other staff costs	**7,759**	12,612
	72,068	70,236

	2014	2013
	£000	£000
Restructuring costs	**999**	67
	999	67

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

Restructuring costs represent the provision for severance at 31 March 2014 as set out in note 17.

Exit packages

The Company agreed and paid no (2013: one) exit package 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	
	2014	2013	**2014**	2013	**2014**	2013
	No	No	**No**	No	**No**	No
< £10,000	**-**	-	**-**	-	**-**	-
£10,001 - £25,000	**-**	-	**-**	-	**-**	-
£25,001 - £50,000	**-**	-	**-**	-	**-**	-
£50,001 - £100,000	**-**	1	**-**	-	**-**	1
£100,001 - £150,000	**-**	-	**-**	-	**-**	-
Total number of exit packages by type	**-**	1	**-**	-	**-**	1
Total resource cost on a cash basis	**£nil**	£0.07m	**£nil**	£nil	**£nil**	£0.07m

Note 1 details the Company's policy on termination benefits under the heading employee benefits.

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

	2014 £000	2013 £000
Bank interest	**20**	15
	20	15

7 Finance costs

	2014 **£000**	2013 restated £000
Finance lease interest charges	**-**	3
Pension interest charge	**560**	81
Pension administration expenses	**230**	308
	790	392

8 Tax on result of ordinary activities

	2014 **£000**	2013 £000
Current taxation charge for the period at the small companies rate of 20% *(2013: 20%)*	**1**	4
	1	4

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

The tax assessed for the period varies from the standard rate of corporation tax in the UK (20% in 2013 and 2014). The differences are explained below:

	2014 **£000**	2013 restated £000
(Loss)/Profit on ordinary activities before taxation	**(312)**	745
(Loss)/Profit on ordinary activities at small companies UK corporation tax rate	**(62)**	149
Effects of:		
Adjustment re prior year assessments	**(3)**	1
Amounts not subject to corporation tax	**66**	(146)
Current taxation charge for the period	**1**	4

9 Analysis of net expenditure by programme and administration budget

	Programme	Administration	**2014 £000 Total**	Programme	Administration	2013 restated £000 Total
Income:						
Grant in aid	128,615	-	**128,615**	115,756	-	115,756
Administration fees received from third parties	2,093	602	**2,695**	555	253	808
Finance income	14	6	**20**	11	4	15
Other income	38	14	**52**	153	70	223
Total income	130,760	622	**131,382**	116,475	327	116,802
Expenditure:						
Staff costs	(40,811)	(31,257)	**(72,068)**	(35,752)	(34,551)	(70,303)
Running costs	(38,246)	(15,721)	**(53,967)**	(37,694)	(4,374)	(42,068)
Operating lease rentals – land & buildings	(2,052)	(1,203)	**(3,255)**	(851)	(850)	(1,701)
Operating lease rentals – computer & other equipment	(1,159)	-	**(1,159)**	(945)	(18)	(963)
Interest charges	(790)	-	**(790)**	(389)	(3)	(392)
Non-cash items:						
Depreciation & amortisation – owned assets	(2,712)	(1,176)	**(3,888)**	(2,695)	(849)	(3,544)
Depreciation & amortisation – leased assets	-	-	**-**	(174)	(71)	(245)
(Profit)/loss on disposal or property, plant and equipment	(8)	3	**(5)**	(51)	3	(48)
Amortisation of deferred capital receipts	3,826	-	**3,826**	3,540	-	3,540
Dilapidations provision	(388)	-	**(388)**	(333)	-	(333)
Total expenditure	(82,340)	(49,354)	**(131,694)**	(75,344)	(40,713)	(116,057)
Net expenditure after interest	48,420	(48,732)	**(312)**	41,131	(40,386)	745

Programme income and expenditure refers to front line, customer facing activities undertaken by the Student Loans Company. Administration income and expenditure refers to the back office support facilities to these customer facing activities.

10 Property, plant and equipment

	Short leasehold improvements	Computer and other electronic equipment	Furniture, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2013	9,750	26,089	3,485	20	**39,344**
Additions	851	4,903	431	23	**6,208**
Disposals	-	(126)	(22)	(20)	**(168)**
At 31 March 2014	**10,601**	**30,866**	**3,894**	**23**	**45,384**
Depreciation					
At 1 April 2013	5,067	19,998	1,696	12	**26,773**
Charge for year	756	2,098	425	6	**3,285**
On disposals	-	(125)	(10)	(18)	**(153)**
At 31 March 2014	**5,823**	**21,971**	**2,111**	**0**	**29,905**
Net book value					
At 31 March 2013	4,683	6,091	1,789	8	12,571
At 31 March 2014	**4,778**	**8,895**	**1,783**	**23**	**15,479**

Included in computer and other electronic equipment are items held under finance leases with a net book value of £Nil (2013: £Nil), net of accumulated depreciation of £8,749,910 (2013: £8,783,835).

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

	Intangible assets under development £000	Internally generated software £000	Websites £000	Software licences £000	Total £000
Cost					
At 1 April 2013	-	-	1,764	879	**2,643**
Additions	5,345	272	1,907	4,006	**11,530**
Disposals	-	-	-	-	**-**
At 31 March 2014	**5,345**	**272**	**3,671**	**4,885**	**14,173**
Amortisation					
At 1 April 2013	-	-	1,661	307	**1,968**
Charge for year	-	23	103	477	**603**
On disposals	-	-	-	-	**-**
At 31 March 2014	**-**	**23**	**1,764**	**784**	**2,571**
Net book value					
As at 1 April 2013	-	-	103	572	675
As at 31 March 2014	**5,345**	**249**	**1,907**	**4,101**	**11,602**

Amortisation for intangible assets is recognised as a charge in the Statement of comprehensive income.

Assets under construction represent the ongoing development of the Company's internal customer ledger and associated systems.

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.

Other trade receivables comprise the sums due from third party portfolio administration and higher education institutions for the bursary administration service. 99% 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 2014 is £5,626,000 (2013: £10,855,000).

Liquidity risk

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

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

Market and currency risk

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

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

	2014 Book Value £000	**2014 Fair Value £000**	2013 Book Value £000	2013 Fair Value £000
Trade receivables	**10,914**	**10,914**	8,310	8,310
Cash and cash equivalents	**8,321**	**8,321**	7,683	7,683
Trade payables due within 1 year	**24,570**	**24,570**	20,216	20,216
Trade payables due after 1 year	**22,185**	**22,185**	10,526	10,526

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

13 Trade and other receivables

	2014		2013	
	£000	**£000**	£000	£000
Customer administration charges - gross	**167**		9,410	
Allowance on customer administration charges	**(167)**		(7,262)	
Customer administration charges - net		**-**		2,148
Balances with central government bodies		**3,699**		-
Other trade receivables		**1,666**		899
Prepayments and accrued income		**5,549**		5,263
		10,914		8,310

14 Cash and cash equivalents

	2014	2013
	£000	£000
Balance at 1 April	**7,683**	9,566
Net increase/(decrease) in cash and cash equivalents	**639**	(1,883)
Balance at 31 March	**8,322**	7,683

The balances at 31 March were held at:		
Commercial bank accounts	**(858)**	(603)
Government banking scheme accounts	**9,176**	8,275
Cash vouchers	**4**	11
Balance at 31 March	**8,322**	7,683

At 31 March 2014 £29,763k (2013: £39,614k) was held in trust on behalf of third parties.

15 Trade and other payables

	2014 £000	2013 £000
Amounts falling due within one year:		
Trade payables	**3,500**	1,057
Balances with central government bodies	**-**	3,124
VAT	**2,575**	2,889
Other taxation and social security	**1,270**	1,179
Accruals and deferred income	**11,380**	8,223
Deferred capital receipts	**5,845**	3,744
	24,570	20,216
Amounts falling due after more than one year:		
Accruals and deferred income	**1,203**	1,340
Deferred capital receipts	**20,982**	9,186
	22,185	10,526

16 Deferred capital receipts

	2014		2013	
	Intangible assets £000	**Property, plant and equipment £000**	Intangible assets £000	Property, plant and equipment £000
At 1 April	**675**	**12,255**	518	9,750
Receivable for the year	**11,530**	**6,208**	879	5,323
Credited to statement of comprehensive income	**(603)**	**(3,238)**	(722)	(2,818)
At 31 March	**11,602**	**15,225**	675	12,255

17 Provisions

	Severance £000	Legal Claims £000	Dilapidations £000	**Total £000**
At 1 April 2013	-	17	3,454	**3,471**
Arising in year	999	15	388	**1,402**
Amounts reversed unutilised	-	(9)	-	**(9)**
Amounts utilised	-	(13)	-	**(13)**
At 31 March 2014	999	10	3,842	**4,851**
Amounts falling due within one year	999	10	451	**1,460**
Amounts falling due after more than one year	-	-	3,391	**3,391**
	999	10	3,842	**4,851**

The provision for severance in the year to 31 March 2014 represents the estimated severance costs from outsourcing of a business process arising in the year to 31 March 2015.

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 2015.

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, £1,336,000 and December 2023, £2,055,000. The provision has been made on the basis of the best estimate using independent professional assessments.

18 Retirement benefit obligation

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

	2014 £000	2013 restated £000
Change in benefit obligation		
Benefit obligation at beginning of year	**65,608**	44,761
Service cost	**4,557**	3,212
Interest cost	**3,073**	2,315
Plan participants' contributions	**1,438**	1,393
Actuarial loss	**2,281**	14,530
Insurance premiums for risk benefits	**(219)**	(115)
Benefits paid	**(456)**	(488)
Benefit obligation at end of year	**76,282**	65,608
Change in plan assets		
Fair value of plan assets at beginning of year	**51,202**	40,656
Interest Income	**2,513**	2,234
Employer contributions	**3,759**	3,809
Plan participants' contributions	**1,438**	1,393
Actuarial gain	**1,678**	4,021
Insurance premiums for risk benefits	**(219)**	(115)
Benefits paid	**(456)**	(488)
Administrative expenses	**(230)**	(308)
Fair value of plan assets at end of year	**59,685**	51,202
Amounts recognised in the Statement of financial position		
Present value of funded obligations	**76,282**	65,608
Fair value of plan assets	**59,685**	51,202
Deficit for funded plans	**16,597**	14,406
Net liability	**16,597**	14,406
Amounts in the Statement of financial position		
Liabilities	**16,597**	14,406
Assets	**-**	-
Net liability	**16,597**	14,406

	2014		2013 restated	
	£000	**£000**	£000	£000
Components of pension expense				
Current service cost recognised within staff costs		**4,557**		3,212
Interest cost	**3,073**		2,315	
Interest (income) on plan assets	**(2,513)**		(2,234)	
Total net interest cost		**560**		81
Administrative expenses		**230**		308
Defined benefit cost included in Statement of comprehensive income		**5,347**		3,601
Remeasurements (recognised in other comprehensive income)				
Effect of changes in demographic assumptions	**-**		(356)	
Effect of changes in financial assumptions	**2,382**		10,869	
Effect of experience adjustments	**(101)**		4,017	
(Return) on plan assets (excl interest income)	**(1,678)**		(4,021)	
Actuarial loss immediately recognised		**603**		10,509
Total recognised in the Statement of comprehensive income		**5,950**		14,110

Defined benefit obligation

Defined benefit obligation by participant status	**£000**	£000
Activities	**53,357**	43,984
Vested deferrals	**17,869**	16,617
Retirees	**5,056**	5,007
Total	**76,282**	65,608

Plan assets

Amounts included in the fair value of asset for:	**£000**	£000
UK equities	**9,502**	21,060
Overseas equities	**14,357**	14,301
Debt instruments	**17,838**	14,847
Cash and cash equivalents	**569**	994
Property	**5,948**	-
Diversified growth fund	**11,472**	-
Total	**59,685**	51,202

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

Weighted average assumptions used to determine benefit obligations at:

	2014	2013
Discount rate	**4.60%**	4.70%
Rate of compensation increase	**3.60%**	3.60%
Rate of increase of pensions in payment	**3.30%**	3.30%
Rate of price inflation (RPI)	**3.40%**	3.40%
Rate of price inflation (CPI)	**2.60%**	2.60%

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

	2014	2013
Male member age 65 (current life expectancy)	**22.3**	22.2
Female member age 65 (current life expectancy)	**23.7**	23.5
Male member age 45 (life expectancy at age 65)	**24.0**	24.0
Female member age 45 (life expectancy at age 65)	**25.6**	25.4

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

	2014	2013
Discount rate	**4.70%**	5.20%
Rate of compensation increase	**3.60%**	3.50%
Rate of increase of pensions in payment	**3.30%**	3.10%
Rate of price inflation (RPI)	**3.40%**	3.30%
Rate of price inflation (CPI)	**2.60%**	2.50%

Sensitivity analysis:

Statement of financial position

The funded status of the Scheme and the amounts recognised as a Company liability at 31 March 2014 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 2014 (Preliminary)	**31 March 2014 (Discount)**	**31 March 2014 (Inflation)**	**31 March 2014 (Life Expectancy)**
Discount rate	4.60%	4.35%	4.60%	4.60%
Inflation (RPI)	3.40%	3.40%	3.65%	3.40%
Inflation (CPI)	2.60%	2.60%	2.85%	2.60%
	£000	**£000**	**£000**	**£000**
Benefit obligation	76,282	82,627	80,798	78,479
Fair value of plan assets	(59,685)	(59,685)	(59,685)	(59,685)
Net liability recognised	16,597	22,942	21,113	18,794

Statement of comprehensive income

The preliminary estimate of the pension expense for the financial year to 31 March 2015 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 2015 (Preliminary) £000	31 March 2015 (Discount) £000	31 March 2015 (Inflation) £000	31 March 2015 (Life Expectancy) £000
Current service cost	4,806	5,385	5,323	4,967
Interest cost	3,498	3,584	3,706	3,599
Interest (income) on scheme assets	(2,858)	(2,703)	(2,858)	(2,858)
Administration expenses	238	238	238	238
Total	5,684	6,504	6,409	5,946

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

	Financial year ending in				
	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Defined benefit obligation	**76,282**	65,608	44,761	48,418	42,406
Fair value of plan assets	**(59,685)**	(51,202)	(40,656)	(35,119)	(29,394)
Deficit	**16,597**	14,406	4,105	13,299	13,012
Difference between actual and expected return on scheme assets:					
amount (£000)	**(8,483)**	(4,116)	908	(256)	(5,826)
percentage of plan assets	**-14%**	-8%	2%	-1%	-20%
Experience (gains) and losses on scheme liabilities:					
amount (£000)	**10,674**	3,948	(1,704)	(435)	354
percentage of plan liabilities	**14%**	6%	-4%	-1%	1%

Contributions

The Company expects to contribute £4,087,000 to its pension plan in the financial year ending 31 March 2015.

19 Financial commitments

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

	Land and buildings		Other	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Operating leases amounts falling due:				
Within one year	**1,906**	2,846	**473**	757
In the second to fifth years inclusive	**11,222**	10,971	**32**	370
In over five years	**-**	1,546	**-**	-
	13,128	15,363	**505**	1,127

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

The company may renew operating leases for land and buildings, specifically for the premises in Glasgow and Darlington. Leases have been entered into where the term end date is December 2023 for Glasgow and April 2023 for Darlington, with break options in December 2018 and April 2018 respectively.

Contingent rent payable in the year ended 31 March 2014 totalled £Nil (2013: £Nil). No contingent rent is payable on any future financial commitments as at 31 March 2014.

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

At 31 March 2014 the Company had placed contracts for the purchase of fixed assets totalling £184,508 (2013: £Nil) and intangible assets totalling £18,792,692 (2013: £Nil).

20 Called up share capital

	2014	2013
	£	£
Authorised		
200 ordinary shares of 50p each	**100**	100
Allotted, called up and fully paid		
20 ordinary shares of 50p each	**10**	10

21 Controlling parties

The Company is owned by the Secretary of State for Business, Innovation and Skills, the Minister for Education and Skills in Wales, the Scottish Ministers and the Minister for Employment and Learning in Northern Ireland.

22 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.

23 Statement of loans administered by the Company

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

As at 31 March 2014 the total balance of the loan portfolio administered by the Company on behalf of the funding bodies was £62,299,684 (2013: £53,796,932,000), which excludes all non repayable student support.

08.

INDEPENDENT ASSESSORS' ANNUAL REPORT

Introduction

On 6 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. We were originally appointed for a three year term, but in 2012 we were offered a further three years, which we were pleased to accept. Our appointments are statutory and are made under s23 (6) of the Teaching and Higher Education Act 1998. Complaints about loans transferred to the private sector may be referred to us if they do not fall within the remit of the Financial Ombudsman Service, as may complaints about loans made under the older mortgage style loan scheme. During this year, with the changes for arrangements for the funding of studies in Further Education, our remit was extended to cover such cases, however no cases have yet been considered.

Our decisions are binding on the Student Loans Company (SLC) unless it is directed otherwise by a Secretary of State – generally, but not restricted to, the Secretary of State for Business, Innovation and Skills. A protocol exists for appeals which ensures that the SLC supplies a summary of that appeal to the Department for Business, Innovation and Skills (BIS) when it is referred to us. This provides BIS officials with an opportunity to submit written comments if they consider that there are particular legal issues or policy guidance they would wish to bring to our attention. We have received comments on one case this year under this arrangement. In addition in a small number of cases BIS officials have made comments after the report has been submitted. In the event that BIS does not agree with our subsequent recommendations to the SLC, it advises the Secretary of State accordingly, who then decides whether or not those recommendations should be implemented. We routinely explain the provisional status of our recommendations to every appellant and complainant. In 2013/14 a number of cases were considered by BIS in some detail but no reports were over-ruled.

In our terms of reference we are required to bring independent decision making to bear on appeals and complaints cases referred to us by the SLC, and to uphold the principles of public life (the Nolan principles) in our work. As part of our accountability we are required to produce an annual report to Ministers and to the SLC Board summarising our activities during the year, and including recommendations on areas for improvement arising from our casework. This report covers the financial year 2013/14, and therefore relates to cases considered by us prior to 31 March 2014.

With effect from the new academic year we have been appointed by the Government of Wales to discharge a similar function in considering appeals by Welsh students.

We have continued to receive excellent support throughout the year from the SLC's Independent Assessors Liaison Officer, and we would like to express our thanks to her for her invaluable input without which our work would have been considerably more challenging.

Caseload

The SLC defines an appeal as:

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

A complaint is defined 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.'

During the year we have reviewed 47 appeals and 119 complaints. A comparison with the preceding years may be seen in the table below:

Appeals	SLC Decision Upheld	Appeal Upheld	Total
2013/14	38	9	**47**
2012/13	58	6	**65** (including 1 referred back to the SLC)
2011/12	39	10	**49**
2010/11	34	25	**59**
Complaints			
2013/14			**119**
2012/13			**92**
2011/12			**51**
2010/11			**14**

What is immediately apparent is that while there has been a variation in the number of appeals over the years there has been a continual increase in the number of complaints.

Turning firstly to the appeals: FY 2012/13 saw the introduction of the new funding regime and unsurprisingly this resulted in a peak in the number of appeals; however this year that increase has not been maintained. The number of appeals to Independent Assessors is small in comparison with the overall numbers of students applying for support or appealing against adverse decisions at the first or second stage of the internal appeal process, and this may hint that the internal stages are working reasonably well. This may include providing students with sufficient explanation of why they are not eligible for support to enable them to conclude that a further appeal would not be worthwhile. The percentage of appeals cases where we have disagreed with the decision of the SLC remains relatively low.

It is the increase in complaints cases referred to us that is particularly striking. It may be that the increase in fees and the public discourse encouraging all recipients of any form of public service to compare their experience of that public service with other services of which they are aware, has resulted in a greater preparedness to pursue perceived assessment errors and other grievances. That is the reality with which the SLC has to deal and in order to manage the level of complaints it must systematically address the sources of dissatisfaction.

Appeals

The table below sets out the broad categories of appeal with comparable figures for previous years where available:

Subject matter	Number of Appeals		
	2011/12	2012/13	2013/14
Unfitted	-	19	13
Previous study/Equivalent level qualifications (ELQ)	9	11	10
Residency	21	8	10
Overpayment/Repayment	-	8	1
Funding entitlement	-	5	6
Migrant worker	7	4	2
Other	12	10	5
Total	**49**	**65**	**47**

Where we have not recorded a figure for FY 2011/12, there were either no appeals in that category or they were included as 'other' as the numbers involved were relatively small.

In our report for FY 2012/13 we focussed on issues around the handling of "unfitted" cases. These cases usually relate to students whom it is alleged have obtained more funding than they are entitled to, often by over-estimating the child care costs they expect to pay and then submitting unreliable documentation to support the claim. In our work we had identified weaknesses in the process for investigating these allegations, recording the evidence and giving the student the opportunity explain before a decision was made to withdraw support. Over the last two years the strengthening of the unit responsible for investigating this area has now been matched by improvements in its procedures for explaining to the student what is going on and seeking the student's explanation at an early stage. This may be leading to a reduction in unmeritorious appeals. We remain concerned that it is not explicitly drawn to students attention at the start of the application process that childcare grant is paid upfront but must be properly accounted for or repaid at the end of the academic year if an overpayment has occurred. We understand that from FY 2014/15, students' attention will be drawn to this on the declaration that they are required to sign as part of the application process. However, we would suggest that more prominence is given to the consequences of deliberately or carelessly inflating estimated childcare grant throughout each stage of this process, and on a public forum, such as the SLC's website.

The impact of previous study on the eligibility for future funding has continued to be a ground for appeal. Students, often those who have self-funded part-time study some years previously, find themselves without support for part or all of a degree course. Although the provisions are clear, many students find them surprising and clearer information readily available on the website would be of assistance to them. Telephone advice in this area has also been deficient. We have repeatedly made recommendations in respect of telephone advice, and although we are aware that the SLC has implemented a system designed to reduce incorrect advice, it remains a cause for concern, particularly given the serious consequences for students when funding is suddenly withdrawn.

Where errors have been made resulting in the incorrect payment of fees, the change in the Regulations which permit the delayed recovery from the student rather than the immediate clawing back of fees from Universities has had some impact on reducing the harm to students' educational prospects from such errors. However there is a clear need to ensure that there is a proper explanation provided to the student in such circumstances as soon as possible after the error is discovered.

Complaints

Complaints referred to Assessors continue on an upward trend. The underlying complaints made at stage 1 within the SLC complaints procedure has also risen. In the first 9 months of FY 2012/13 8160 complaints were made, in the comparable period in FY 2013/14 11843; a 36% rise. While last year we had hoped that improvements in complaints management we were aware of would have resulted in a decline in the number of complaints referred to us; there is little sign of this happening. The increase on last year, from 92 to 119, is a 30% rise.

Some complaints have a range of issues within them. If the complainant is dissatisfied then as the complaint moves through the process complaints about the handling of the complaint itself becomes part of the complaint and adds to the complexity to be unravelled. A report in such cases will therefore review a number of issues and may make findings adverse to the SLC on all, some or none of the issues raised. At the start of the process the original complaint is categorised:

Subject matter	2012/13	2013/14
Core processing	21	55
Grant overpayment	27	20
Call centre support staff	14	19
ICR	19	15
Other	11	10
Total	**92**	**119**

Complaints will often have a number of elements, however there are common themes and threads within many complaints which are worth exploring.

The guidance from the SLC is that to ensure that an application is fully processed and all entitlement calculated in advance of a September start students should apply by 31 May. A significant proportion of cases which come to Assessors come from applications made some weeks later than this. Where any element of means assessment is involved, the complexity of this process, the number of people involved (student, sponsors etc) and the records needed to calculate entitlement mean a protracted processing and often increasing stress as students ring the call centre to chase progress and often have difficulty understanding why information recently submitted has not been processed. If there are any complexities about entitlement (for example previous study) the urgency of their need presses them to seek and rely on the advice of call centre staff that they are eligible. There is incomprehension that the process can take so long when commercial loans can be obtained so rapidly. The distress and (occasionally) irritation places additional stress on the student and also on the adviser. Although the knowledge base which advisers rely upon when answering questions about eligibility has been implemented and updated cases repeatedly come to us where this resource has not been used or has been misinterpreted. It is important to ensure that this resource is as easy to use and unambiguous as possible to minimise occasions when incorrect advice is given.

The consequences of incorrect advice unwisely relied upon is frequently that a student registers for and commences a course in the belief that support will be provided beyond the true entitlement. This may cause considerable distress, dislocation to a student's life, the abandonment of the course and harm to the student's future opportunities for study. In such cases it may be appropriate for a significant ex gratia payment to be made where real hardship has been caused due to the errors of the SLC. This however is unlikely to compensate for all the difficulties the student has experienced. It is essential that advisers avoid ambiguity and approach such questions of entitlement with caution and a full knowledge of the relevant facts. It is also important that the SLC clearly and publicly continues to advise students that telephone advice is provisional, and should not solely be relied on in matters of entitlement.

One area of concern in the past has been the level of generality with which the responses to stage one and two of the complaints procedure have been written. The quality of response remains variable, however in the last year there has been in some cases a greater preparedness to explore the events specifically accepting what was done wrong and apologising specifically rather than making generalised statements. If there is an emerging trend then this is an improvement in the accountability of the SLC which the complaints process is intended to help address . However many cases still show the signs of not being investigated in any rigorous way, and sometimes contain apologies where no apology is merited.

A continuing area of difficulty is in the area of grant overpayment. Historically the process calculates the grant entitlement for the ensuing academic year based on the income and expenditure patterns of previous financial years of the student's household. The sums involved are significant and often amount to several thousand pounds. However the actual entitlement is determined at the end of the academic year based on the more recent tax year. The effect of this may be that a student is suddenly presented with a demand for repayment of a substantial sum which may be based on her income, her partner's income or her parents' income – it is often based on information of which she would not normally be aware. The position is similar to the difficulties experienced by recipients of tax credits asked to estimate income a year in advance (when their experience is of budgeting week by week) and then find a sudden demand for repayment. While the system undoubtedly pays significant sums to help students it often creates substantial difficulties and distress when a request for repayment is made.

The SLC has improved its management of these cases: however it should ensure that from the first contact with the student in such circumstances it explains how the calculation has been made and ensures that the student understands that the SLC expects to agree a repayment process which is realistic and does not cause hardship to the student or in any way disrupt her education. The framework has now changed and for new students grant assessment will be based on the income for the previous tax year unless a current year assessment is requested. It seems likely that this change will reduce the number of complaints in the future.

Recommendations

In our reports we make recommendations to address the specific circumstances of the case and also with respect to more general issues arising from our analysis. We meet regularly with SLC and BIS staff to consider the state of complaints and appeals, how our reports have been handled and are briefed on relevant administrative developments in the SLC and policy proposals from BIS. Our remit does not extend to policy proposals as such.

In our last report for FY 2012/13 we made four recommendations with respect to the quality of advice; the procedures for determining unfitness to receive support; the robustness of the childcare grant system and timeliness of response. We are pleased with the progress in improving the handling of unfitness cases. Timeliness of the process remains an issue and there is still in many cases a further review stage after stage 2 before the referral is made to the IA. This is not provided for in the process. Should the SLC wish to adopt this additional step it should evaluate the effectiveness of it and in the light of any demonstrated effectiveness and the additional delay for customers consider whether it wishes to formally amend its procedures. We remain concerned at the vulnerability of the childcare grant system to abuse.

Recommendations for FY 2014/15

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

1. Continue to focus on the importance of accurate telephone advice
2. Improve the procedures for requesting and explaining the rationale for repayment of grant
3. Continue to focus on the timeliness of responding to complainants, including the referral of complaints to the Assessors.

Summary

This year has seen a further significant increase in the number of cases referred to the Assessors. The extension of the scope of our work into FE funding and Welsh appeals may produce a slight increase in workload; however the key driver is dissatisfaction with the speed and accuracy of the SLC's processing of applications and the SLC needs to continue to focus on improving these. We are grateful for the feedback we receive from students who sometimes tell us that they value our work –even when they are consider that we have come to the wrong conclusion.

June Brown

Deborah Gibson

Christopher Hughes

Sarah Walk

Independent Assessors

28 April 2014

Student
Loans Company

STUDENT LOANS COMPANY LIMITED
100 Bothwell Street, Glasgow, G2 7JD Tel 0141 306 2000 Fax 0141 306 2005 **www.slc.co.uk**