

Student Loans Company Limited

ANNUAL REPORT

2008-09

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ANNUAL REPORT

2008-09 Contents

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This report refers to the time period before Government changes which saw the Department of Innovation Universities and Skills merge with the Department for Business Enterprise and Regulatory Reform to create the Department for Business Innovation and Skills in June 2009. Therefore only reference to the Department of Innovation Universities and Skills (DIUS) is made throughout.

FOREWORD

Our achievements in 2008-09 are a milestone for the company and an important contribution to enhancing the country's knowledge and skills base.

The Student Loans Company provides financial support for people entering higher education across the UK with the ambition to increase their learning. In 2008-09, we succeeded in processing more applications for student finance support than in any previous year. We provided loans and grants to over one million higher education and 55,000 further education students.

The success of the students in unlocking their potential through education will be vital in helping the nation to compete in the new global economy emerging from the present downturn.

We created more than 500 jobs in the North East of England with the opening of our new offices at Lingfield Point, Darlington. The commitment and skills of the teams working there are now delivering the new, user-friendly Student Finance England service.

This work is the start of a new era for us as we take responsibility from 139 local authorities across England in supporting future generations of students.

We worked closely with the Students Awards Agency for Scotland in managing the change brought about by the Scottish Government's decision to phase out the graduate endowment for students studying in Scotland. We assisted the Welsh Assembly Government in its review of student finance services and we continued to support the Northern Ireland Assembly through our Student Finance NI brand.

We also launched our dedicated repayment website, which is currently being accessed by 4,000 customers each week. We have published an ambitious delivery strategy in response to our shareholders' Strategic Commission, setting out our aims over the next three years and how we are going to achieve them.

We earned national and international recognition for some of our achievements. Improvements in our way of delivering support to disabled students were favourably received by disability organisations, and we achieved 'Positive and Disabled' accreditation for our commitment to our disabled employees. Following a critical peer review by the industry worldwide, we received the World Trainer of the Year at last year's Contact Centre World Awards.

Our people are demonstrating their commitment to achieving our Vision each working day. But we could not achieve our success without the strong support and unfailing assistance of all our stakeholders, in particular Ministers and colleagues in the four UK education departments, and our partners in HM Revenue & Customs.

During the year, Keith Bedell-Pearce retired after completing two terms as chairman. We all recognise the very important contribution that Keith made in supporting the continuing development of the company over the past seven years and I would like to thank him very much for his exemplary chairmanship during a time of great change for the Student Loans Company. Keith played a very significant role in strengthening the Student Loans Company and laying the foundations for all that we have achieved. Our achievements in 2008-09 have built on these firm foundations. We can look forward with confidence and enthusiasm to the challenges that lie ahead.



Ralph Seymour-Jackson

Chief Executive

MANAGEMENT COMMENTARY

PURPOSE AND PERFORMANCE

Who we are and what we do

The Student Loans Company processes and administers financial assistance for undergraduates who have secured a place at university or college. To do this we provide loans and non repayable grants for studying and living. We also provide loans for tuition fees, which we pay directly to the university or college.

We

- pay grants and loans to eligible students
- pay tuition fees to universities and colleges in England, Wales and Northern Ireland
- work with HMRC to collect payments for income contingent loans, and
- manage the direct collection of payments for mortgage style loans.

We also carry out specific tasks for the devolved administrations, such as payment of education maintenance allowances for students in Wales and Northern Ireland, which encourage students to continue past their compulsory schooling age.

We work in partnership with the four UK administrations; local authorities in England, Northern Ireland and Wales; the Student Awards Agency for Scotland; colleges and universities; and HM Revenue & Customs (HMRC).

We administer the payment of bursaries and scholarships on behalf of universities and colleges throughout the UK.

We are creating a service that will be simple and straightforward, flexible and accessible, positive and helpful, efficient and joined up.

How we performed

We design and develop our service to deliver Government policy. Our customers' success depends on how well we deliver our services.

During 2008-09

- we provided financial support to 1.06 million higher education and 55,000 further education customers, including Education Maintenance Allowance in Northern Ireland and Wales, as well as an Assembly Grant for further education in Wales
- almost 900,000 customers received maintenance loans
- support payments to customers totalled £6.2 billion, of which £2.9 billion was in maintenance loans and £1.0 billion was in maintenance grants
- we paid £2.0 billion in tuition fees to universities and colleges
- repayments from mortgage style loan customers totalled £142 million, reducing the number with mortgage style loans from 444,000 to 390,000
- we managed the accounts of 3.3 million ICR loan customers and have increased the number repaying from 1.6 million to 1.9 million by the year-end
- repayments received directly from ICR loan customers, in addition to the repayments collected by HMRC, totalled £309 million
- tuition fee loans to European Union students rose from £33 million in financial year 2007-08 to £56 million.

Our plans for the future

We

- **intend to deliver an even more efficient and effective service to our customers by providing excellent support, care and guidance**
- **will continue to offer insight to Ministers and officials as they decide where change should be made as policy is reviewed**
- **will stay well-positioned to support the student finance system as it develops in the longer term.**

Customer Service

Everything we do is centered on our customers whether they are students, graduates, higher education institutions or our commissioning stakeholders. We are redeveloping our services so that in the future our customers will see a service that has the following characteristics:

- Simple and straightforward
- Efficient and joined up
- Positive and helpful
- Trusted
- Flexible and accessible, and
- Personalised

Our customers' success depends on how well we deliver our services. We launched a new customer services strategy focused on improving the customer experience and on delivering a consistent level of service. Our change programme, which will run to 2012, is re-designing the service.

This year, we created a new, specialist customer insight team whose purpose is to understand better the customer experience. Their role is to track satisfaction levels at key stages in the student finance journey and highlight areas for further improvement.

This evidence-based approach will be key in delivering better services in the future.

Customers helped in identifying ways of improving quality of service through our Viewscasts surveys. Feedback to questions on 'advisor enthusiasm' and 'advisor knowledge' produced an overall positive score of 88%.

A new complaints and appeals process was launched during the year, with four new Independent Assessors recruited by David Lammy, the Higher Education Minister. These assessors will review cases where customers are not satisfied with either an assessment or an aspect of customer service.

studentfinanceengland

We successfully launched Student Finance England, a new fully integrated student finance service for students based in England on schedule on 9 February.

This means that new students, attending university or college for the first time, apply to Student Finance England for their financial support. This replaces the previous system of applying to their local authorities. Students in England can now apply for, be assessed and receive loans and grants from one organisation – Student Finance England. For the first time, we are providing information, advice and guidance on financial support for new students.

We are managing the transition from the current assessment service administered by 139 local authorities across England. By the academic year 2011/12, we will be processing all applications for student finance in England.

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

To develop the service, we worked collaboratively with our partners in the UK Department for Innovation Universities and Skills (DIUS) and HMRC to develop Student Finance England. Our partnership with the University and Colleges Admission Service (UCAS) was a key factor in the introduction of the service.

studentfinancewales

Our bi-lingual contact centre in Colwyn Bay worked with the Department of Children, Education, Lifelong Learning and Skills and with local authorities in providing Welsh Assembly Government financial support to students in higher education and other learners who live in Wales.

We assisted the Welsh Assembly Government in reviews to refocus the student finance system in Wales for full-time undergraduate students. The aim is to encourage more people to continue in education, tackle student debt and invest further in the higher education sector.

studentfinancenl

We continued to support customers in Northern Ireland through our dedicated website administering the student finance support available to eligible higher education students and other learners.

We continue to look to make efficiencies to the service, and to promote the support made available by the Northern Ireland Assembly.

SAAS

We made loan payments to eligible students in Scotland on behalf of Scottish Ministers.

We continued to support customers in Scotland in making repayments of loans following the decision by the Scottish Government to abolish the graduate endowment fee from 1 April 2008. We are committed to developing and improving the service for our customers and stakeholders in Scotland.

studentloanrepayment

Our new, secure website –

www.studentloanrepayment.co.uk – gives customers the choice of making voluntary payments online.

We launched this dedicated online repayment website at the end of June 2008. By the end of March 2009, over 12,000 customers had accessed the website to make repayments totalling £37 million. The numbers repaying this way increased each month, reaching nearly 4,000 in March 2009.

Our customers can access an online calculator that provides a balance for their accounts. It also calculates interest and provides a final balance so the customer can choose to make a part or a full payment.

The site also provides general information and detailed guides, including advice about how to defer repayments and where to access help if they are experiencing difficulty in repaying their loan.

Customers repaid over
£37 million directly,
representing over
12,000 transactions.

MANAGEMENT COMMENTARY

OPERATING ENVIRONMENT

Our work in delivering student finance support is influenced by wider social and economic factors, and by the specific policies determined by Ministers in the four UK administrations.

Demand for higher education

In April 2009, Universities and Colleges Admissions Service (UCAS) reported a rise from the previous year with 524,151 people from the UK applying for full-time undergraduate courses at UK universities and colleges, compared to 481,784 in 2008.

Corporate Social Responsibility (CSR)

We developed our Corporate Social Responsibility (CSR) strategy incorporating four main areas of activity: Our Community, Our Environment, Our Workplace, and Our Customers.

The CSR Plan is designed to meet our strategic objectives and provide maximum opportunities to engage employees in its various campaigns, programmes and events. It ensures that we are making best use of resources and maximises opportunities to reinforce CSR messages.

We built on our continuing work with partners, including Scottish Business in the Community, Citizens' Advice Bureau, and local community associations and schools.

Employees in Glasgow, Darlington and Colwyn Bay volunteered their enthusiasm and energy to a range of activities and raised more than £60,000 during the year for each region's nominated local charities.

Our senior executives contributed to a number of initiatives, including Pilotlight, which provides business expertise to charities and social enterprises.

We were shortlisted for the CSR Award in the 2008 European Call Centre Awards and we won the Employer Supported Volunteer Award in Darlington, which recognised the excellent charity and volunteering work carried out by our employees and supported by the company.

Technology

As part of our on-going commitment to implement cost effective, state-of-the-art technology to engage our customers and streamline complex processes, a major capability improvement has been introduced by the company to create Business to Government Secure Intranet (GSI) facility. These applications will be extended over the next year to share information with the HMRC and UCAS.

We continue to invest in Information and Communication Technology systems to move towards an internet-based delivery model where customers can self serve via web software applications that will allow them to apply for loans, view correspondence and make repayments.

We use world-class technology partners such as Oracle, IBM, Hewlett-Packard, Cisco and Xerox to deliver the services to our stakeholders.

MANAGEMENT COMMENTARY

ORGANISATIONAL CAPABILITY

People

The quality and delivery of our products and services depend on the capability we have in the organisation. We have now held Investors in People accreditation for eight years and remain committed to investing in our people by developing their skills and competencies to meet individuals' own career aspirations and company objectives.

At 31 March 2009, we had 1,854 full-time equivalent employees, an increase of 37% on the previous year. We invested significantly in the recruitment and training of more than 500 new employees in the North East of England to deliver the Student Finance England service from our offices at Darlington. These posts will gradually replace the work currently carried out by 139 local authorities throughout England. We are now one of the largest employers in the Tees Valley. The success of our recruitment campaign demonstrates that we can attract the right people with the right skills in the local labour market.

We continue to benefit from our recruitment website that allows both internal and external candidates to apply for vacancies.

We made measurable progress in reducing staff turnover and absence. Overall, turnover decreased from 15.8% in March 2008 to 12.9% (against a target of 15.8%). Sickness absence reduced from 4.55% to 4.15% (against a target of 4.55%) over the same period.

Almost 78% of employees completed the annual Best Companies survey in 2008. The aim of the independent survey is to ensure employee engagement and encourage comments and suggestions. Our overall score improved from the previous year as a result of various initiatives, including the identification and communication of company values and the introduction of an enhanced performance management process.

Our Offices

We deliver student finance support from four offices across the UK.

Glasgow

Our head office in Glasgow's city centre includes our contact centre that handles over four million telephone enquiries each year, providing information to our customers. We also have over 200 information technology specialists who design and maintain our secure, internet-based systems.

Our large-scale printing and mailing centre at Hillington handles around 15 million items of correspondence a year.

Darlington

The Mayor of Darlington, Councillor Ian Haszeldine opened our award-winning, environmentally-friendly offices on 12 June 2008, which now delivers the new Student Finance England service.

Our shared investment with our business partner Marchday has 'recycled' a redundant building on a brownfield site to create an award-winning, national centre of excellence in the North East of England.

Our Darlington offices demonstrate our determination to reduce our carbon footprint and our wider commitment to the environment we all share.

The building features a full-height, 160 square metre glazed facade that allows natural light to flood into the 6,500 square metre loft-style office space.

Gas-powered air-conditioning delivers a more economical and efficient system, and solar panels on the roof provide water heating.

Shower facilities and bike racks encourage people to cycle to work, and a comprehensive recycling programme includes paper, plastic, metal and glass.

The Memphis Building has won two awards in the past year, including the top award in the Commercial Property category at the North East Royal Institute of Chartered Surveyors (RICS) Renaissance Awards, where it was also shortlisted in the 'Regeneration' category. The Darlington office was also the category winner in the 'Refurbished/Recycled Workplace' category at the British Council for Offices (BCO) North Awards, rewarding existing buildings that have been adapted for modern use.

Colwyn Bay

Our 30 employees at our Student Finance Wales centre deliver fully bi-lingual student financial support to customers in higher and further education and to other learners on behalf of the Welsh Assembly Government.

Relationships

We work hard to build and maintain effective relationships with all our stakeholders, and we have developed clear and open channels of communication to further these relationships.

Government and sector

We support the Government's aim of widening access to higher education for everyone.

We deliver services for the four UK Governments. Representatives from Department for Innovation Universities and Skills and the Scottish Government's Higher Education Learner Support Division attend our Main Board Meeting and join other partners on special project boards set up to guide major change initiatives. The Northern Ireland Executive's Department for Employment and Learning, and the Welsh Assembly Government's Children, Education, Lifelong Learning and Skills Department are invited to attend.

A dedicated relationship management team works closely with local authorities, colleges and universities. We continue to strengthen our relations with HMRC and UCAS.

The specialist repayment unit, staffed jointly with employees from HMRC, made a significant contribution, reporting a 55% increase in jointly-resolved customer enquiries, from 13,821 in the previous year to 21,369.

We support the Government's aim of widening access to higher education for everyone.

Peer review

Senior figures from the UK higher education and government sectors commented favourably on our transformation of the delivery of student finance support in England.

Around 80 delegates attended a two-day forum in North East England in September 2008 at which our managers detailed key elements of the Student Finance England service.

Delegates also visited our new offices in Darlington to meet employees, and examine the technology and facilities in place.

Change capability

Managing change effectively is integral to how we deliver services to customers. We work closely with our stakeholders to define our customers' changing demands and develop new ways to meet them.

Business continuity

We have the necessary processes in place to make appropriate, effective and timely responses to any large-scale crisis.

"The commitment, positivity and drive shown by the Student Loans Company team were really impressive."

(Higher Education Liaison Officers' Association)

MANAGEMENT COMMENTARY

CORPORATE OBJECTIVES

AND PERFORMANCE INDICATORS

Our resources, objectives and performance measures are set out by Ministers in the Annual Performance and Resource Agreement. We are accountable to Ministers for the company's performance.

This section summarises our performance against our five corporate objectives and twelve key performance indicators (KPIs). A more detailed definition of each KPI is available from our Information Office (0141 306 2000) or by visiting our website at www.slc.co.uk.

This has been the final year of the KPIs in their current form. From next year, a Balanced Scorecard will demonstrate to Ministers and the SLC Main Board that objectives in the SLC Delivery Strategy 2008-12 are being achieved.

Objective 1: Payments

To provide an accessible and effective system for handling applications for student support and processing payments so that students get paid the right amount at the right time.

KPI 1: Service Level Agreement performance				
Achieve target percentage of the essential elements of the SLA between SLC and DIUS				
	Measure	Target	Actual	Achieved
A	Local authority portal - system availability	99.0% of core hours per month	98.9%	✗
B	Local authority portal - support availability	99.0% of core hours per month	100%	✓
C	Local authority portal - end to end response time	End to end response time between SLC and LAs will be 5s or less for 99.0% core hours per month	100%	✓
D	Local authority portal – system usability	99.0% of core hours per month	98.4%	✗
E	Local authority portal – help desk availability	100% of core hours per month	100%	✓
F	Local authority portal - call answering	90.0% of core hours per month	96.0%	✓
G	Production of student correspondence	90.0% of all correspondence posted within 2 working days	96.5%	✓
H	Initiation of BACS payments	(i) 95.0% of all BACS first payments to be initiated by c.o.b on the working day following receipt of admission confirmation from the HEI	99.9%	✓
		(ii) 99% of all BACS first payments to be initiated by c.o.b on the second working day following receipt of admission confirmation from the HEI	99.9%	✓

KPI 1 - Performance summary

Some isolated technical incidents caused us to narrowly miss the targets for system availability and usability. There are not considered to be any underlying problems that will prevent us from meeting performance targets for systems availability and performance next year.

KPI 2: Payments: Online take-up				
Increase the percentage of online take-up of student finance applications				
	Measure	Target	Actual	Achieved
A	% of customers making online applications	(i) New students: 50.0% or more	46.0%	✗
		(ii) Returning students: 62.0% or more	65.0%	✓
		(iii) Sponsors: 33.0% or more	29.0%	✗

KPI 2: Performance summary

Online application figures for returning students comfortably exceeded targets.

We missed the targets for the sponsor and new student customer groups. These shortfalls indicate that there is a need for further analysis of customer feedback and engagement with all customer groups in partnership with the Customer Insight team. However, with overdue volumes reducing to 8.5% of the portfolio, it became more difficult to set up new repayment arrangements which in turn make the KPI target more difficult to achieve.

Objective 2: Collections

To maximise the collection rate of student loans and so minimise the cost to the taxpayer by: making sure that customers who should pay do pay; minimising delays in repayment; and making sure that high quality and timely information on repayments is provided to the customer.

KPI 3: Income contingent repayment				
Borrowers with no National Insurance number (NINO)				
	Measure	Target	Actual	Achieved
A	% of borrowers with no NINO BY Statutory Repayment Due Date (SRDD)	0.10% or less	0.09%	✓
B	% of borrowers with no NINO AFTER SRDD	0.31% or less	0.22%	✓

KPI 3 - Performance summary

Year-on-year, fewer customers should be entering repayment with no verified NINO due to the initiatives now in place to prevent loans being paid without a valid NINO. There has been a huge effort to identify all customers with no NINO and then proactively to obtain a NINO.

KPI 4: Income contingent repayment

Reduce % of borrowers with a NINO not found at HMRC

	Measure	Target	Actual	Achieved
A	% of borrowers who have a NINO but not found at HMRC BY SRDD.	15.0% or less	26.03%	X
B	% of borrowers who have a NINO not found at HMRC AFTER SRDD	3.44% or less	16.68%	N/A

KPI 4 – Performance summary

We sent more accounts for matching to HMRC in 2008 than in any previous year (about 281,000). We did match more customers than in previous years, but there remained 105,000 that were unmatched, which was about 5,000 more than last year. To achieve performance against these targets SLC needs to work with HMRC, since HMRC are responsible for making sure that citizen/employment records are on the database and for communicating this to SLC. SLC is responsible for obtaining employment status where none is confirmed at HMRC.

The matching profile for target KPI 4B was changed as a result of the introduction of the Monthly Borrower Rematch (MBR) initiative. After discussion with DIUS it was agreed not to revise the target for the year.

KPI 5: Income contingent repayment

Reduce % of borrowers not currently in any repayment channel

	Measure	Target	Actual	Achieved
A	% of borrowers due to be in repayment but not currently in any repayment channel	1.0% or less	0.47%	✓

KPI 5 – Performance summary

To further improve performance against this target we undertook analysis of approximately 1,800 accounts where no response has been received, which identified that there were nearly 1,600 duplicate accounts where two loans belong to the same customer. An exercise is now underway to rectify this by merging the loans.

KPI 6 was merged with KPI4 for FY 08-09, although we have retained the previous years' numbers for ease of reference.

KPI 7: Mortgage style loans collection

Optimise number of loan accounts in arrears who are making a repayment

	Measure	Target	Actual	Achieved
A	% of all loan accounts less than 24 months in arrears and reported as overdue in the previous month where a repayment was made	33.0% or more	31.9%	✗

KPI 7 – Performance summary

Although we did not achieve this target, we worked hard to maintain the percentage of payments received during the second half of the year. However, with overdue volumes reducing to 8.5% of the portfolio, it became more difficult to set up new repayment arrangements which in turn made the KPI target more difficult to achieve.

KPI 8: Mortgage style arrears collection

Minimise % of loans that are in arrears

	Measure	Target	Actual	Achieved
A	% of loans that are in arrears	8.5% or less	8.5%	✓

KPI 8 – Performance summary

It was due to an outstanding effort by the Collections Department that this KPI was met.

Objective 3: Customer satisfaction

To provide a high quality service to customers and achieve high levels of customer satisfaction, as benchmarked against comparator organisations.

KPI 9: Customer satisfaction				
	Measure	Target	Actual	Achieved
A	% of customers rating SLC's overall service as good or excellent	92% or more	88.4%	✗
B	% of customers rating the individual measures of service as good or excellent does not fall below the relevant targets:			
	- information on repayment process	83.0% or more	81.0%	✗
	- ease of understanding information	88.0% or more	88.1%	✓
	- ease of contacting SLC	83.0% or more	82.7%	✗
	- enthusiasm of staff	93.0% or more	94.5%	✓
	- staff knowledge	92.0% or more	90.7%	✗
	- responsiveness to enquiries	87.0% or more	88.2%	✓
	- accuracy of information	88.0% or more	86.8%	✗
	- achievement of commitments	90.0% or more	90.0%	✓
	- interest in customer satisfaction	88.0% or more	90.9%	✓

KPI 9 - Performance summary

This proved to be a challenging target, partly due to a 50% increase in the number of repayment customers surveyed each month, since these customers do not make up 50% of the customer transactions handled which had an impact on the results. Ease of contact also had a major impact on the satisfaction levels.

The four elements below their floor target are:

Information on repayment process

A general lack of customer understanding of the repayment process, and the view that information is hard to obtain, had an impact on the assessment of this service element.

Ease of contact

Overall call volumes at advisor level were approximately 108% of budget forecast (3,240,000 calls). As a result, resource levels in the Contact Centre were not sufficient to consistently meet demand within service levels and keep all channels open, and additional resources are being applied in FY 09-10 to address this. In addition, there is an increased focus on identifying and reducing the causes of avoidable customer contact, for example through providing an enhanced online password reset process.

Staff knowledge / Accuracy of information

Customer perception of this service element is strongly linked to staff ability to provide up to date information on both application assessments and repayment balances. The centralisation of application processing in FY 09-10 and planned activity to increase understanding of the income contingent scheme offers opportunities to address this.

Objective 4: Funding authority service

To provide a high quality service to funding bodies that addresses their concerns, including the provision of comprehensive, timely and relevant data and information to DIUS and the devolved administrations, so that student finance strategy and policy can be better developed, monitored and evaluated and future risks appropriately managed.

KPI 10: Funding authority service				
	Measure	Target	Actual	Achieved
A	% essential elements of the Management Information Service Level Agreements met	95% or more.	95.9%	✓
B	% positive rating of general service by the different funding authorities:			
	- England	87.8% or more	87.7%	✗
	- Scotland	90.0% or more	60.7%	✗
	- Northern Ireland	90.0% or more	100%	✓
	- Wales	80.0% or more	85.7%	✓
	% positive rating of specific service by the different funding authorities:			
	- England	87.0% or more	91.5%	✓
	- Scotland	90.0% or more	40.0%	✗
	- Northern Ireland	90.0% or more	97.9%	✓
	- Wales	90.0% or more	87.3%	✗

KPI 10 - Performance summary

Exceeding the KPI 10A target reflects the effort invested this year in improving our service to DIUS and the devolved administrations. KPI 10B provided an opportunity to focus on the service that we provide to each funding authority, and as a result of analysing the survey results action plans were developed and progressed during the year.

Objective 5: Effective and efficient use of resources

To align resources with priorities to deliver day-to-day business, projects and corporate performance targets to required standards and within agreed budgets, and to secure the best use of funding provided

KPI 11: Flexible resourcing performance

Operating and programme budgets and overall financial performance

	Measure	Target	Actual	Achieved
A	% annual variance of spend from original budget in Corporate Plan / Financial Plan for operating budget profile:			
	- England	-5% to +2.5%	1.0%	✓
	- Scotland	-5% to +2.5%	4.7%	✗
	- Northern Ireland	-5% to +2.5%	11.2%	✗
	- Wales	-5% to +2.5%	2.4%	✓
	UK overall average		1.44%	✓
B	Annual variance of spend against approved business cases (excluding Customer First)			
	- England	-5% to +2.5%	-4.0%	✓
	- Scotland	-5% to +2.5%	-6.6%	✗
	- Northern Ireland	-5% to +2.5%	-26.7%	✗
	- Wales	-5% to +2.5%	-26.9%	✗
	UK overall average		-12.1%	✗
C	Annual variance of spend against initial Customer First programme budgets as set out in the Corporate Plan / Financial Plan or agreed update:			
	- England	-5% to +2.5%	0.2%	✓
	- Scotland	Not applicable	N/A	
	- Northern Ireland	-5% to +2.5%	0	✓
	- Wales	-5% to +2.5%	0	✓
	UK overall average		0.2%	✓

KPI 11: Flexible resourcing performance (continued)				
Operating and programme budgets and overall financial performance				
	Measure	Target	Actual	Achieved
D	% annual variance of spend from original budget within Corporate Plan /Financial Plan for each APRA category (Near Cash, Non Cash and Capital) within the total operating and programme budgets.			
	- England			
	- Near Cash	-5% to +2.5%	1.5%	✓
	- Capital	-5% to +2.5%	-4.2%	✓
	- Non Cash	-5% to +2.5%	-20.3%	✗
	- Scotland			
	- Near Cash	-5% to +2.5%	3.3%	✗
	- Capital	-5% to +2.5%	-20.9%	✗
	- Non Cash	-5% to +2.5%	254.2%	✗
	- Northern Ireland			
	- Near Cash	-5% to +2.5%	3.9%	✗
	- Capital	-5% to +2.5%	-20.0%	✗
	- Non Cash	-5% to +2.5%	27.3%	✗
	- Wales			
	- Near Cash	-5% to +2.5%	-5.7%	✗
	- Capital	-5% to +2.5%	-21.8%	✗
	- Non Cash	-5% to +2.5%	10.8%	✗
	UK overall average			
	- Near Cash		0.9%	✓
	- Capital		-5.2%	✗
	- Non Cash		-16.4%	✗

KPI 11 - Performance summary

Overall, performance is in line with what we have been communicating to stakeholders during the year. It should be noted that in total terms across all categories and government administration, the total overspend was less than £90,000 against a total approved allocation of £89 million (0.1%).

KPI 12: Effective project delivery

Operating and programme budgets and overall financial performance

	Measure	Target	Actual	Achieved
A	<p>Programme level assessment agreed with project and programme boards of:</p> <ul style="list-style-type: none"> - the successful delivery of funding authority programmes and projects to agreed standards (time, cost, quality); and - effective and efficient management of overall programme of change, including cross cutting risks and SLC change management capacity and capability. <p>Green, against agreed Red, Amber</p>	and Green criteria	Green	✓

KPI 12 – Performance summary

All projects and programmes were rated Green by the respective project and programme Boards. The SLC Executive Management team continues to regularly monitor progress on all programmes.

Summary of those measures which missed the target in FY 2008-09 and a comparison with FY 2007-08 actuals & targets; and summary of comments, as described in the section above.

Ref	Indicator	08-09 target	08-09 actual	07-08 target	07-08 actual	Comments
KPI1	SLA Performance					
A	LA Portal – System Availability	≥ 99.0%	98.9%	≥ 99%	≥ 99%	Isolated incidents
D	LA Portal – System Usability	≥ 99.0%	98.4%	≥ 99%	98%	
KPI2	On-line Take-Up					
A	% new students	≥ 50.0%	46.0%	≥ 24%	35.1%	Actuals improved over 07-08
B	% sponsors	≥ 33.0%	29.0%	≥ 55%	25.2%	
KPI4	ICR: Reduce % of borrowers with a NINO but not matched at HMRC					
A	By the SRDD	≤ 15.0%	26.03%	≤ 15%	16.05%	More accounts sent to HMRC for matching than previously, but late issue of COCD packs in Nov 09
KPI7	% of all loan accounts which are less than 24 months in arrears	≥ 33.0%	31.9%	n/a	n/a	We worked hard to maintain the percentage of payments received during the second half of the year
KPI9	Customer Satisfaction					
A	Rating of SLC overall service	≥ 92.0%	88.4%	≥ 92%	91.3%	Increased proportion of repayment customers in sample
B	Floor Targets					
	- Information on repayment process	≥ 83.0%	81.0%	≥ 83.0%	85.2%	General lack of customers' understanding of ICR scheme
	- ease of contacting SLC	≥ 83.0%	82.7%	≥ 83.0%	84.4%	Contact Centre resource levels insufficient to meet demand
	- staff knowledge	≥ 92.0%	90.7%	≥ 92.0%	92.3%	Difficulty in providing information on application assessment status and repayment balances
	- accuracy of information	≥ 88.0%	86.8%	≥ 88.0%	89.2%	
KPI10	Funding Authority Service					
Bi	General service (part A)					N. Ireland & Wales targets met; England & Scotland missed
Bii	Specific service (part B)		See Note 1 below			N. Ireland & England targets met; Scotland & Wales missed
KPI11	Financial Performance	See Note 2 below (UK averages shown below)				
	Variance in operating budget	-5% to + 2.5%	1.44%	-5% to + 2.5%	0.34%	Total across all categories and Government Administrations -over-spend of less than £90,000, against an approved allocation of £89 million (0.1%)
	Variance in programme budget, excluding Customer First	-5% to + 2.5%	-12.1%	-5% to + 2.5%	-1.05%	
	Variance in Customer First programme budget	-5% to + 2.5%	0.2%	-5% to + 2.5%	-0.22%	
	Variance for each APRA category					
	Recurrent	-5% to + 2.5%	0.9%	-5% to + 2.5%	-0.3%	
	Capital	-5% to + 2.5%	-5.1%	-5% to + 2.5%	2.5%	
	Non-cash	-5% to + 2.5%	-16.4%	-5% to + 2.5%	-87.4%	

Note 1: For KPI 10 B, the results for FY 08-09 are not comparable to FY 07-08 as the calculation method changed and the targets for FY 08-09 were different for the four Government Administrations.

Note 2: For KPI 11, targets for FY 08-09 were allocated for each Government Administration.

MANAGEMENT COMMENTARY

OUR PRODUCTS AND SERVICES

We provide a broad range of products and services in education funding across the UK.

For most students

Maintenance loans are paid directly into their bank account at the start of each academic term.

For England, Northern Ireland and Wales

- **main support for full-time students**
Loans and grants for tuition fees and maintenance support are available, depending on circumstances. Loans are repayable under the Income Contingent Repayment loans scheme.
- **tuition fees and supplementary grants**
We pay tuition fees and grants to universities on behalf of eligible students and administer a number of supplementary grants, for students with extra requirements. We also pay maintenance loans and grants to students directly.
- **dependants' grants for full-time students**
Special grants and allowances - the Adult Dependant's Grant, Parent's Learning Allowance, and Childcare Grant - help cover the costs of students' dependants.
- **travel grant**
A grant to help meet travel costs is available for students who study abroad, or for clinical training for medical or dentistry courses.
- **disabled students' allowances**
Allowances are available for full-time, part-time, and postgraduate students who meet the eligibility requirements.
- **support for part-time students**
Grants to help with tuition fees and course costs are available to students following part-time postgraduate courses, subject to household income.

- **bursaries and scholarships**

All eligible students attending a higher education institution in England and Northern Ireland that offers bursaries and scholarships can apply for support from that institution under our Higher Education Bursaries and Scholarship Scheme.

We administer bursary payments that are available from Welsh universities and colleges under our Welsh Bursary Scheme.

For Scotland

- **student loans**
We pay loans to full-time and part-time students, and administer the repayments under the Income Contingent Repayment loans scheme.

For Northern Ireland and Wales

- **support for school and college learners**
Education Maintenance Allowances are available in Northern Ireland and Wales for further education learners aged over 16 who remain in education.

Assembly Learning Grants are also available to further education learners in Wales.

For European Union Countries

- **support for students**
Students from the EU who come to the UK to study can receive UK tuition fee support, but not maintenance or targeted support.

MANAGEMENT COMMENTARY

MANAGING RISK

The Student Loans Company's risk and control framework is described in the Statement on Internal Control on page 49.

Our governance arrangements provide a framework to protect delivery through robust risk management, internal controls, management review, Board engagement and stakeholder reporting.

Our aim is to embed risk management into our activities, in accordance with our risk management policy. This policy ensures that risks are understood, proactively assessed and managed in line with the Student Loans Company's appetite and tolerance for risk.

A risk management process has been implemented, based on this policy, which involves the maintenance of registers for the following categories of risk:

1. Strategic risks, relating to the achievement of our long term strategy
2. Operational risks, relating to day-to-day issues
3. Corporate risks, relating to operational risks which are escalated for the attention of the Executive Team
4. Management Board risks relating to operational risks which are escalated for the attention of the Management Boards
5. Programme/project risks.

Risk registers are reviewed at regular intervals.

The principal risks are listed below.

Risk	Comment
<p>Funding</p> <p>The risk is that the Company does not receive enough Grant-In-Aid funding (taking into account efficiency savings it will make) and cannot deliver an adequate service.</p> <p>This risk includes identifying and managing funding requirements for internal tools development.</p> <p>Given the state of the public finances at present, there will be significant pressure on our funding over the next few years.</p>	<p>The agreement between DIUS and SLC on the key drivers/levers for process costs and the establishment of a VfM steering group has made significant progress in addressing this risk.</p>

continued on following page

Risk	Comment
<p>Awareness of the ICR process</p> <p>Without adequate management of awareness of the ICR process, there is a risk that customers fail to fully understand the service, which may result in a loss of customer, stakeholder and public confidence in SLC.</p>	<p>The establishment of the Information, Advice & Guidance (IAG) process and engagement with the student press, during the year, has made progress in mitigating this risk. The development and implementation of an "explanation tool-kit" for the ICR process (in progress) should work further towards addressing the issues raised with this risk.</p>
<p>Validating identity of customers on-line</p> <p>Without sufficiently validating the identity of customers on-line, there is a risk that operational costs are increased, which may result in SLC being unable to achieve financial benefits targets and provide services within budget.</p>	<p>The successful connection during the year with the Government Secure Intranet (GSI) has enabled progress to be made in accessing the Home Office's Identity & Passport Service (IPS), which will decrease the time it takes to verify a person's identity through their passport.</p>

System of Internal Control

Our system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

In preparation of the annual Statement on Internal Control, each member of the Student Loans Company's Executive Board and the Heads of Service are required to provide an annual Statement of Assurance to the Accounting Officer, confirming their acceptance of their delegated responsibility for maintaining an adequate system of internal control and risk management. Significant control issues are disclosed within the Statement on Internal Control.

MANAGEMENT COMMENTARY

FINANCIAL COMMENTARY

Source of funds and process for agreeing funding

The Student Loans Company is funded primarily by Grant-in-Aid from the devolved authorities listed below:

- Department for Innovation Universities and Skills - England
- Scottish Government
- Department for Employment and Learning - Northern Ireland
- Department for Children, Education, Lifelong Learning and Skills - Wales

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

In Financial Year 2008-09, income was also received from universities and colleges which have elected to have the Student Loans Company administer their bursaries and scholarship payments under our Higher Education Bursary and Scholarship Scheme.

Other funding is received from third parties in relation to contracts for administration of services to those parties, and from bank interest.

We apply for funding through an annual corporate financial planning cycle which forecasts funding requirements throughout the current Spending Review period, and we receive an Annual Performance and Measurement and Resource Agreement letter confirming Grant-in-Aid available and income from other sources.

Financial Management

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

For Financial Year 2008-09, operating expenses and programme development expenditure were both successfully contained within the allocated funding. The efficiency targets set as part of the Comprehensive Spending Review 2007 were achieved.

The Student Loans Company is subject to the efficiency review within the public sector. We actively seek opportunities to change current practices to maintain customer service at a reduced unit cost. In Financial Year 2008-09, the value-for-money programme developed to deliver efficiency savings contributed £621,000 to the targeted savings.

Capital and Reserves

Under the terms of our Financial Memorandum, which was in force during Financial Year 2008-09, we are not permitted to raise finance other than by means of operating leases to support our ongoing activities.

In accordance with HM Treasury guidelines, we draw down funds to meet our ongoing needs and we are not permitted to draw down in advance of need. Funds drawn down are held in a Paymaster General Office account, the interest on which accrues to HM Treasury.

The authorised share capital of the Student Loans Company is 100 ordinary shares of £1 each, of which 10 are issued and fully paid.

Tax Status

For the Financial Year 2008-09, the Company is registered for VAT and is able to recover part of our input VAT, those services relating to mortgage style activities being exempt.

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

Statutory Accounts

The statutory accounts for year ended 31 March 2009 are presented on pages 59 to 81.

Profit and Loss Account

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

The Company's administration expenses of £88.441 million are to fund both the operational expenses and the expenses associated with the development programme. The rise in expenditure this year principally reflects the one off set up and ongoing running costs associated with our expansion in Darlington to accommodate new functions recently taken on by the company.

Funding of those expenses is provided from the income generated from servicing contracts for third parties (£2.135 million), bank and other interest (£630,000) and other income (£224,000), with the balance of funding supplied in the form of Grant-in-Aid from the funding authorities. Interest receipts have increased this year due to reassessment of several prior year tax computations. This has resulted in repayments being due with associated interest repayments. Other income consists mainly of administration and legal charges recovered from third parties in relation to customers in default. This income has fallen due to improvements in preventing customers from entering default and reductions in customer numbers due to full repayment being reached by many in the old mortgage style loan portfolio on which these charges are principally levied.

Statement of Total Recognised Gains and Losses

This statement, presented on page 59, contains the actuarial gain arising on the Company's defined benefit pension scheme (£6.339 million), the main gain having arisen due to the volatility in the markets against the initial assumptions.

Balance Sheet

The Company's balance sheet is presented on page 60.

Grant funding received in relation to capital spend is treated as deferred income and released to the Profit and Loss Account 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.

The net liability of £13.040 million on the balance sheet primarily consists of £8.019 million in relation to dilapidations provisions and £5.578 million of pension liabilities.

Cash Flow Statement

This statement, presented on page 61, presents the cash flows of the Company. These cash flows relate to ongoing operating activities, including the development programme of the Company. The cash flows relating to the payment of funding to students as loans, grants or allowances and the repayments received from those customers who have entered repayment are not included in the Company's cash flow statement.

These monetary transactions are conducted through bank accounts held "in Trust" for the relevant funding authority and do not appear on the Company's balance sheet.

MANAGEMENT COMMENTARY

REMUNERATION REPORT

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

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

Remuneration Committee

Members of the Committee will be appointed by the Board for an initial three-year term of office after which their appointments may be subject to annual rotation.

The following Non-Executive Directors of the Board are members of the Remuneration Committee:

Barbara Duffner, Chair

Sandra Arkle

Sally Smedley

Assessors have the right to attend all Committee meetings on behalf of the shareholders.

The Board determines the membership and terms of reference. The Chair of the Remuneration Committee will formally report back to the Board after each meeting, and the minutes of Committee meetings will be provided to the Board for information.

Remuneration Committee meetings will normally be attended by the Chief Executive, and the Head of Human Resources.

The duties of the Remuneration Committee will be:

- To determine those posts which will be designated as 'senior staff' posts
- Taking advice from the Chief Executive, to determine:
 - The contracts of employment, including all terms and conditions of service, for senior staff (executive board members and heads of service), taking account of guidance and market information where appropriate;
 - The remuneration of senior staff, including the terms of the senior staff bonus scheme, ensuring that senior staff are fairly rewarded for their contribution to the Company having regard to affordability, guidance on public sector increase as reflected in the Pay Remit agreed by DIUS and market information where appropriate;
- To monitor and approve (for bonus purposes) the performance of senior staff (up to a maximum of 20% for Executive Board Members and 15% for Heads of Service);
- To approve the application of the severance policy for senior staff posts, where appropriate;
- To support the Chief Executive in making recommendations each year (or such other period as may be agreed) to the Board on the appropriate pay award for all other staff in accordance with the overall pay remit agreed with DIUS.

Directors' Remuneration

	2009 £000	2008 £000
Fees	43	25
Executive emoluments (including benefits in kind)	193	223
Pension contributions	17	17
	<u>253</u>	<u>265</u>

The remuneration of each individual director analysed into its constituent elements, along with comparatives is as follows:

	Salary and Bonus		Other benefits and expenses		Total Emoluments		Pension Contributions		Contract terms		
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	Term	Notice Period	Appt to
Keith Bedell-Pearce (left SLC on 17/12/08)	45	62	3	3	48	65	-	-	N/A	N/A	Dec 08
J Goodfellow (joined SLC on 18/12/08)	14	-	1	-	15	-	-	-	3yrs	3mths	Dec 11
Ralph Seymour-Jackson (Chief Executive)	145	158	-	-	145	158	17	17	3yrs	6mths	Dec 09
T Davda (left SLC on 31/7/08)	2	5	-	-	2	5	-	-	N/A	N/A	N/A
A McCusker (left SLC on 31/7/08)	2	5	-	-	2	5	-	-	N/A	N/A	N/A
B Duffner	5	5	-	-	5	5	-	-	3yrs	3mths	Mar 10
C Torkington	5	5	-	-	5	5	-	-	3yrs	3mths	Mar 10
I Dickson	5	5	-	-	5	5	-	-	3yrs	3mths	Mar 11
S Arkle (joined SLC on 1/8/08)	3	-	-	-	3	-	-	-	3yrs	3mths	Aug 11
S Smedley (joined SLC on 1/8/08)	3	-	-	-	3	-	-	-	3yrs	3mths	Aug 11
D Edelman (joined SLC on 1/8/08)	3	-	-	-	3	-	-	-	3yrs	3mths	Aug 11
	<u>232</u>	<u>245</u>	<u>4</u>	<u>3</u>	<u>236</u>	<u>248</u>	<u>17</u>	<u>17</u>			

* Other benefits and expenses principally comprise motor car, medical insurance benefits, or in the case of the chairman, taxable travel and subsistence expenses.

The constituent elements of the Chief Executive's remuneration package are disclosed above. Under the terms of his contract the Company is required to make pension contributions on behalf of the Chief Executive equivalent to 12% of his gross salary. He is not a member of the Company scheme and has a personal pension plan to which the contributions are paid. As an ordinary member of the Company's group life assurance scheme he is entitled to permanent health insurance and death in service benefits. He is provided with other benefits as noted above.

The Chief Executive is also eligible for payment under a bonus scheme established with the approval of the DIUS and HMT and subject to such rules as the Board may determine.

Such payments do not form a significant part of his total remuneration. His total emoluments for Financial Year 2008-09 do not include any performance related bonus payment, since as at 30 June 2009 the amount of his bonus for this period is still to be agreed.

The Chief Executive's initial contract was from July 2003 to 31 December 2006. In 2006 this contract was renewed for a further three years to 31 December 2009. Discussions are underway about a further extension to the Chief Executive's contract.

Members of the Executive Management Team

As required by Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance, the following is the remuneration of each individual substantive Executive Management Team member not included in the table of directors' remuneration above.

With effect from October 2007, the members of the Executive Board were recognised as a separate bargaining unit with the Public and Commercial Services Unions.

The company receives the Pay Remit levels from the Treasury and we are able to allocate this to all employees in the company. Our strategy for rewarding senior management performance is based on the principle of uplifting salary levels in a differentiated fashion, relative to individual performance and the market, and is determined by the Remuneration Committee.

Director	Salary and Bonus		Other benefits and expenses		Total Emoluments		Pension Contributions		Contract terms	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	Term	Notice Period
D Ross	135	126	-	-	135	126	17	17	Permanent	6 months
E Rae (from 8/9/06 to 15/5/07)	-	11	-	-	-	10	-	1	N/A	N/A
W Gray	128	123	-	-	128	123	17	17	N/A	N/A
C Andrew (from 01/05/07)	111	104	-	-	111	104	15	11	Permanent	6 months
L Campbell (from 15/5/07)	142	124	-	-	142	124	19	15	Permanent	6 months
M Herbert (from 6/8/07)	125	80	-	-	125	80	17	10	Permanent	6 months
	641	568	-	-	641	567	85	71		

Pension Disclosure for Members of the Executive Management Team

Director	Real increase in pension and lump sum at age 60 (£)	Accrued pension at age 60 at 31 March 2009 and related lump sum (£)	Cash equivalent transfer value at 31 March 2008 (£)	Real increase in cash equivalent transfer value (£)	Cash equivalent transfer value at 31 March 2009 (£)
C Andrew	6,999	42,736	91,525	31,908	128,009
L Campbell	5,872	10,480	13,957	21,140	35,795
W Gray	4,872	39,048	93,845	24,991	123,528
D Ross	5,608	49,108	111,735	29,636	146,958
M Herbert	5,292	8,060	4,606	9,979	14,815



Ralph Seymour-Jackson
Chief Executive and Accounting Officer
30 June 2009

MAIN BOARD, EXECUTIVE MANAGEMENT AND ASSESSORS

Chairman

John Goodfellow,
Non-executive Chairman
Appointed 18th December 2008

John Goodfellow has been non-executive Chairman of SLC since December 2008. He was previously Chief Executive and Director of Skipton Building Society. He has been President of the Unisys Users Association (UUA) and has spoken at numerous seminars on the use of technology and fourth generation languages. John is Chair of Governors of Skipton Girls' High School and has been Non-executive director of a New Zealand IT Services Company.

Meetings

Attended 3 out of 3 Board meetings
Attended 1 out of 1 Audit Committee meeting
Attended 1 out of 1 Remuneration Committee meeting

Keith Bedell-Pearce

Keith Bedell-Pearce was part-time Executive Chairman of the Student Loans Company from December 2001 until December 2008. Keith was awarded a CBE for his contribution to Public Services in the Queen's Birthday Honours list on 13th June 2009.

Meetings

Attended 6 out of 7 Board meetings
Attended 2 out of 4 Audit Committee meetings
Attended 2 out of 2 Remuneration Committee meetings

Non Executive Directors

Sandra Arkle

Sandra Arkle joined SLC in August 2008. She is currently the Vice-President International Marketing of American Express within the Global Merchant Services Division. Prior to this, she was at Vodafone in the communication's division where she held the positions of Global Head of Customer Insights & Global Head of Vodafone live! Proposition. She has over 21 years of blue-chip marketing experience and started her career as a Brand Manager at Glaxo Smith Kline, later moving to the Walt Disney Corporation where she headed marketing for the UK home entertainment division.

Meetings

Attended 6 out of 7 Board meetings
Attended 2 out of 2 Remuneration Committee meetings

Tanvi Davda

Tanvi Davda joined the Board of the Student Loans Company in 2002, and following reappointment in August 2005, served a further three years on the Board until her term ended on 31st July 2008.

Meetings

Attended 3 out of 3 Board meetings
Attended 1 out of 2 Audit Committee meetings

Ian Dickson

Ian Dickson was appointed a Non-Executive Director of the Student Loans Company in March 2005 and has since been appointed as Chairman of the Audit Committee which sits on a quarterly basis throughout the year. He was previously Finance Director and Principal Finance Officer (PFO) for the Export Credit Guarantee Department (ECGD), where his Board responsibilities included finance, strategic operational and project risk, internal audit and IT. Prior to that Ian worked in the insurance industry in Scotland with Scottish Provident.

Meetings

Attended 9 out of 10 Board meetings
Attended 6 out of 6 Audit Committee meetings

Barbara Duffner

Barbara Duffner joined the Board of the Student Loans Company in 2004 and became Senior Non-Executive Director in October 2004. She is also the chair of the Remuneration Committee. She was previously Head of Personnel at Royal Mail in Scotland until she retired in March 2004. Barbara was awarded an OBE in 2002 in recognition of her Chairmanship of both the Careers Service Review within Scotland and of the Children's Hospice Association Scotland (CHAS). Barbara was until the end of 2008, a Board Member of Scottish Enterprise and a Member of the Judicial Appointments Board Scotland. She is a Chair Member of the Professional Conduct Committee of the General Dental Council, and is also a Chair of Conduct Committees for the Royal Institution of Chartered Surveyors. She is an Employment Tribunal Member and a lay member of the Court of the University of Glasgow and has recently become a Member of the Regulatory Board of the ACCA.

Meetings

Attended 7 out of 10 Board meetings
Attended 3 out of 3 Remuneration Committee meetings

David Edelman

David Edelman joined SLC in August 2008. He is currently the Managing Director of a small company which supplies data sets to banks who need to comply with Basel II, and the principal consultant with a niche consultancy specialising in credit scoring and control. Previously he had been an academic statistician and had spent 17 years in retail banking ending with a Risk Director role for the Royal Bank of Scotland's Own Brand Businesses.

Meetings

Attended 6 out of 7 Board meetings
Attended 3 out of 4 Audit Committee meetings

Angela McCusker

Angela McCusker joined the Board of the Student Loans Company in 2002, and following reappointment in August 2005, served a further three years on the Board until her term ended on 31st July 2008.

Meetings

Attended 3 out of 3 Board meetings
Attended 2 out of 2 Audit Committee meetings

Sally Smedley

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

Meetings

Attended 6 out of 7 Board meetings
Attended 2 out of 2 Remuneration Committee meetings

Christian Torkington

Christian Torkington joined the Student Loans Company in 2004 and is currently the Managing Director of Operations at Scottish Widows plc, where his responsibilities include managing customer service, business transformation and IT. He has led major strategic change programmes within a variety of public and private sector organisations. Christian held a number of senior positions within Barclays Bank plc, including setting up of group operations shared services, leading major business and IT change projects for the UK bank and supporting the Group Chief Executive in dealing with regulatory and risk issues. He is a Chartered Accountant and was a management consultant for many years prior to joining Barclays.

Meetings

Attended 6 out of 10 Board meetings
Attended 2 out of 6 Audit Committee meetings

Main Board and Executive Management Team Members

Ralph Seymour-Jackson Chief Executive

Appointed 21 July 2003

(Reappointed 1 January 2007)

Ralph Seymour-Jackson was appointed Chief Executive in 2003 and is responsible for the overall management of the Company. He launched his career as a pilot in the RAF before joining Norwich Union to train as an Actuary. Ralph joined Scottish Provident in 1992, spending four years as Chief Executive of their Greek operation. In 1998 he became Scottish Provident's Head of UK Operations. When Scottish Provident was acquired by Abbey National in 2001, Ralph was appointed IT Director for the combined life businesses.

Meetings

Attended 10 out of 10 Board meetings

Attended 6 out of 6 Audit Committee meetings

Attended 3 out of 3 Remuneration Committee meetings

Chris Andrew Company Secretary

Chris Andrew has been Company Secretary since February 2004 and became a member of the Executive Board in May 2007. He provides a secretariat to the Company's Board of Directors, ensuring that all necessary Corporate Governance requirements are complied with. Chris joined the Company in 1999 as Head of Audit, having previously worked at KPMG as a Senior Audit Manager. Chris is responsible for Assurance Services, which encompasses the areas of corporate assurance, internal audit, fraud and legal & compliance. He became a member of the Chartered Institute of Public Finance and Accountancy (CIPFA) in 1990.

Meetings

Attended 10 out of 10 Board meetings

Attended 6 out of 6 Audit Committee meetings

Executive Management Team

Derek Ross

Deputy Chief Executive and Director of Operations

Derek Ross was appointed Deputy Chief Executive in February 2007. He is also Director of Operations responsible for Business Services, Processing Services and Change Management. Since joining the Student Loans Company in 1999, Derek has been Director of Administration, Company Secretary, and Legal Services and Corporate Compliance Manager. Before joining the Company, he was a practising solicitor for 15 years, both in the private and public sector. Derek is a member of the Law Society of Scotland and, in addition to his legal qualifications, holds a Masters degree (MBA) from the University of Glasgow.

Meetings

Attended 9 out of 10 Board meetings

Wallace Gray

Information and Communications Technology (ICT) Director

Wallace Gray has been Director of ICT since October 2001 and is responsible for Systems Development, Telecommunications, Technical Infrastructure Architecture and Programme Management. Before joining the Student Loans Company, Wallace was the IT Director for the Scottish Legal Aid Board where he worked for five years. During his 25 years as a computer professional, he has held positions in Standard Life, Britannia Life and Robert Flemings Merchant Bank. Wallace has three Masters Degrees in Business Administration (MBA), Human Resource Management and e-Business, as well as a BSc in Computing. He is currently studying towards a Doctor of Education (EdD) at Strathclyde University. He is a member of the Association of Project Managers and is one of a select number of UK Project Managers to be awarded a Certificated Project Manager (CPM) title by the IAPM.

Meetings

Attended 9 out of 10 Board meetings

Les Campbell
Finance Director

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

Meetings

Attended 10 out of 10 Board meetings
Attended 6 out of 6 Audit Committee meetings

Martin Herbert
Marketing and Customer Services Director

Martin Herbert joined the Student Loans Company as Customer Services Director in August 2007. He has overall responsibility for the Customer Services directorate, which includes Customer Insight, Hub Services and Information, Advice and Guidance, across Glasgow, Darlington and Colwyn Bay.

Martin previously worked for Ernst and Young and Hedra plc. He has played leadership roles in the design and delivery of some of the UK's most innovative and challenging IT-enabled customer service change programmes of recent times, founded on a wide range of experience across the UK public sector and across an array of industries.

Martin holds a PhD in Management Science from Loughborough University, a Masters degree in Business Information Technology Systems from the University of Strathclyde. He has published papers and presented on team working at conferences in Beijing, Montreal and Slovenia. Martin also sits on the Cabinet Office Contact Council.

Meetings

Attended 9 out of 10 Board meetings

Assessors (In attendance)

Michael Hipkins
Director, Learners
Represents the Secretary of State for Innovation Universities and Skills.

Michael Hipkins has been Director, Learners in the Department for Innovation Universities and Skills) since 2004.

Meetings

Attended 10 out of 10 Board meetings
Attended 6 out of 6 Audit Committee meetings
Attended 3 out of 3 Remuneration Committee meetings

Stephen Kerr
Head of Higher Education and Learner Support
Represents Scottish Ministers

Stephen took up the post of Head of the Higher Education and Learner Support Division in May 2007 and is Deputy Director in the Scottish Government's Lifelong Learning Directorate. A qualified solicitor, Stephen studied law at the University of Dundee (undergraduate) and the University of Strathclyde (postgraduate). Prior to joining the civil service, Stephen held senior positions in Deloitte and Dundas & Wilson LLP.

Meetings

Attended 7 out of 10 Board meetings (5 in person and 2 through his alternate, David Stephen, Chief Executive of SAAS)

Footnotes

Board Attendance

10 meetings were held between April 2008 and March 2009.

Audit Committee

6 Audit Committee meetings were held between April 2008 and March 2009.

Internal Audit was represented at all Audit Committee meetings by the Head of Internal Audit.

Remuneration Committee

3 Remuneration Committee meetings were held between April 2008 and March 2009.

HR was represented at all Remuneration Committee meetings by the Head of HR.

CHAIRMAN'S STATEMENT

In the first months since my appointment, I have been impressed by the qualities embedded in the culture of the company. Everyone working here is committed to delivering a high quality, reliable service to our customers, whether they are students, graduates, higher education institutions or our commissioning stakeholders. And they are focused on ensuring that costs are controlled without compromising the quality of that service.

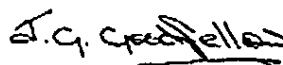
Work to establish the Darlington processing centre has continued apace, and early indications are that our new way of handling applications from students based in England will meet the quality and efficiency objectives set in the original plan. Significant steps have also been made to move to on-line applications and we are already seeing an encouraging level of take-up by applicants.

During the next 24 months, we shall continue to streamline and automate our processes to improve customer experience and provide the highest levels of customer service. Our objective is for the majority of applications to be processed with minimum clerical handling and, for our repaying customers, to build on our internet communication with them to strengthen our relationship and allow their queries to be answered quickly and efficiently.

As part of my introduction to the company, I visited our centres in England, Scotland, and Wales and in future, the Board will be meeting senior officials in the devolved administrations to strengthen our links further. We will also be holding Board meetings in our centres across the UK.

The economic conditions that developed last year will continue in the immediate future, and the company must anticipate both an increase in applications for student finance and an increasing need to improve our efficiency, reduce our cost of service and provide greater value for money to our stakeholders.

This is a challenge that the Board and management relish. We view this as an opportunity to demonstrate the inherent qualities and skill of the company and its staff, and I am confident that in the next 12 months, we will make significant progress towards achieving our long term objectives.



John Goodfellow

Chairman

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

REGISTERED NUMBER 2401034

31 MARCH 2009

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DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and the financial statements of the Company for the year ended 31 March 2009. The financial statements have been prepared in accordance with the Companies Act 1985 as augmented, where appropriate, in respect of additional information as directed by the Secretary of State for Innovation Universities and Skills. This has been done with the consent of the Treasury, as set out in the Accounts Direction given by the Secretary of State for Innovation Universities and Skills, with the approval of the Treasury, in accordance with the Financial Memorandum of 4 May 1999.

Statutory background and history

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

Business Review

The information in the section entitled 'Management Commentary' on pages 6 to 38 has been provided in accordance with section 234ZZB of the Companies Act.

Dividends

The Company has no accumulated reserves and accordingly the directors do not recommend the payment of a dividend (2008: £Nil).

Directors and their interests

The directors of the Company serving during the year were as follows:

Sandra Arkle from 1st August 2008	Non-Executive ^
Keith Bedell-Pearce (part-time) to 17th December 2008	Executive Chairman
Tanvi Davda to 31st July 2008	Non-Executive *^
Ian Dickson	Non-Executive*
Barbara Duffner	Non-Executive ^
David Edelman from 1st August 2008	Non-Executive*
John Goodfellow from 18th December 2008	Non-Executive Chairman
Angela McCusker to 31st July 2008	Non-Executive **^

Ralph Seymour-Jackson
Chief Executive

Sally Smedley Non-Executive ^
from 1st August 2008

Christian Torkington Non-Executive *

* Member of the Audit Committee.

^ Member of the Remuneration Committee.

All non-executive directors are considered to be independent.

None of the directors had any interest in the shares of the Company throughout either the year ended 31 March 2009 or 31 March 2008. The Company is wholly owned by the Secretary of State for Innovation Universities and Skills and the Secretary of State for Scotland.

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

The Secretary of State for Innovation Universities and Skills was a shadow director of the Company under Section 741 of the Companies Act 1985 throughout the year.

Fixed assets

Full details of the movement in fixed assets are given in note 9 to the financial statements.

Employees

It is the Company's aim to keep employees informed about its affairs and in particular about those matters that affect them directly. To this end, newsletters and information memoranda are issued regularly to employees in addition to meetings of the Joint Negotiating & Consultative Committee. These meetings are attended by representatives of the Public and Commercial Services (PCS) Union, which was officially recognised by the Company in November 2000.

The Company is an Equal Opportunities Employer and gives full consideration to suitable applications from disabled persons. Opportunities also exist for employees who become disabled to continue in their employment or to be trained for other positions within the Company.

Charitable donations

During the year the Company made no charitable donations (2008: £ Nil).

Creditor payment policy

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

Throughout the year, 98% (2008 : 87%) of invoices were paid within agreed terms.

In accordance with the government request to public sector bodies in December 2008 as a response to economic conditions, we have endeavoured to pay all suppliers within 10 days from receipt of invoice.

Corporate Governance

During the financial year 2008-9, as an Executive NDPB, the Company's control framework was set out in the Financial Memorandum. With effect from April 2009, the Company's governance arrangements are now set out in a new Framework Document, which was drawn up by the DIUS in consultation with the SLC and the devolved administrations. This Framework supersedes the Financial Memorandum, and sets out the broad framework within which the SLC will operate.

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

- all appointments at Board level are made by the shareholders: consequently there is no Nominations Committee
- for the same reason, there is no provision for re-election of executive directors
- remuneration of the Chairman and Chief Executive is determined by the shareholders including arrangements relating to loss of office

- remuneration packages of executive directors do not include a significant performance-related element
- remuneration of non-executive directors is set by the shareholders.

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

The Accounting Officer's Statement on Internal Control for the year ended 31 March 2009 is provided on pages 49 to 55.

SLC Main Board

The role of the SLC Main Board is to:

- set the strategic direction of the Company within the policies and business framework set by Ministers
- oversee the effective and efficient discharge of the Company's statutory responsibilities
- ensure that appropriate strategic, corporate, operating and financial plans are in place for the delivery of services required of the Company by Ministers
- ensure the Company acts in accordance with Ministers' policies and does not operate beyond directions issued by Ministers
- ensure the Company meets Companies Act statutory and regulatory responsibilities, including those for corporate governance. The Board should ensure that the highest standards of corporate governance are observed
- give advice as sought by Ministers on policy formulation and on the most effective and efficient delivery of policies
- respond effectively to the varying demands of different partners imposed by devolution and private sector clients.

Remuneration Committee

The members of the Remuneration Committee consist of at least three non-executive directors who are independent of management and free of any business or other relationships (including cross-directorships or day-to-day involvement in the management of the business) which could interfere with the exercise of their independent judgement.

The duties of the Remuneration Committee are:

- to determine those posts which will be designated as senior staff posts
- taking advice from the Chief Executive to determine:
 - the contracts of employment, including all terms and conditions of service, for senior staff taking account of guidance and market information where appropriate
 - the remuneration of senior staff, including the terms of the senior staff bonus scheme, ensuring that senior staff are fairly rewarded for their contribution to the Company having regard to affordability, guidance on public sector increase as reflected in the pay remit as agreed by the DIUS and market information where appropriate
- to monitor and approve for bonus purposes the performance of senior staff
- to approve the application of the severance policy for senior posts, where appropriate
- to support the Chief Executive in making recommendations each year (or such other period as may be agreed) to the Board on the appropriate pay award for all other staff in accordance with the overall pay remit agreed with the DIUS.

Audit Committee

The members of the Audit Committee consist of at least three non-executive directors who are independent of management and free of any business or other relationships (including cross-directorships or day-to-day involvement in the management of the business) which could interfere with the exercise of their independent judgement.

The Audit Committee will advise the Accounting Officer and Board on:

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

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

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

Going concern

The balance sheet at 31 March 2009 shows net liabilities of £13,040,000 (2008: £18,591,000). These liabilities arise as a result of the inclusion of pension fund liabilities falling due in future years in accordance with the accounting treatment required by FRS 17 Retirement Benefits, and a provision in respect of dilapidations arising from the Company's leasehold commitments. To the extent that they are not to be met from the Company's other sources of income, these liabilities may only be met by future grants or grants-in-aid from the Company's sponsoring departments. This is because, under the normal conventions applying to the parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2009-10, taking into account the amounts required to meet the Company's liabilities falling due in that year, has already been included in the Department's Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

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

Statement of disclosure of information to auditors

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

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



Ralph Seymour-Jackson

Director and Accounting Officer

21 St. Thomas Street

Bristol

BS1 6JS

30 June 2009

STATEMENT ON INTERNAL CONTROL TO 31ST MARCH 2009

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

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Company's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me by the DIUS, as described within the SLC Financial Memorandum, and in accordance with relevant Treasury guidance, in particular the FREM (2008), and Managing Public Money (2007) .

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

The role of the shareholders is to:

- determine policy for student support, establish and maintain the legislative framework
- set the Company's prime functions, its prime strategic focus, business objectives and specific operational targets
- provide a resource budget and grant-in-aid to enable the Company to operate effectively and efficiently

- Report to Parliament, including the Scottish Parliament and Ministers, and to Government on the general role and overall operation of the Company.

The funding bodies have an involvement in the governance of the Company through the role of the Assessors, who are sent by the shareholders to attend Board Meetings. The Assessors may also attend meetings of sub-committees of the Board. The role of the Assessors is to represent the shareholders and make comments at Board Meetings as appropriate. Internal control and risk update reports are provided to the Audit Committee and the Board on a regular basis, and as such are considered by the Assessors.

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Company up to 31st March 2009, and accords with the Treasury guidance.

Internal Management Structure – Executive Board

In response to the increasing size and complexity of the business, I have delegated responsibility for controlling and monitoring the Company's operational and financial management to an Executive Board, supported by three Sub-Boards as detailed below.

The role of the Executive Board is to provide effective leadership to the Company and ensure that it is striving towards its strategic objectives as set by its stakeholders. The Executive Board's responsibilities are as follows:

- Set the Company's strategic and business priorities and objectives, in line with the strategies set out by its stakeholders, and keep these under regular review.
- Approve the Corporate Plan.
- Oversee the Company's capacity and capability to deliver its strategic objectives in terms of available resources (both staff and non-staff), and ensure that any identified gaps are addressed.
- Approve reports for presentation to the Main Board.
- Identify, and manage corporate and strategic risks and issues; and take appropriate mitigating actions in line with the Company's risk appetite.
- Delegate responsibility to the three Sub-Boards wherever possible or appropriate.
- Act as leaders of the Company, setting the priorities for the development of the organisation's:
 1. values and behaviours;
 2. performance management and succession planning;
 3. Internal communications.

The three Sub-Boards oversee Company performance, and the supporting internal control framework, ensuring that all business services are striving towards the Company's strategic objectives and key business objectives, as set by the Main Board and the Executive Board.

This will ensure that operational management decisions are taken at the most effective and appropriate level.

Sub-Board Terms of Reference are agreed with the Executive Board, and are subject to periodic review. Decisions taken by the Sub-Boards on reserved matters are subject to approval at Main Board and/or Executive Board level, as appropriate.

Finance & Governance Board

The Board's responsibilities specifically include ensuring that the company fulfils its legal and statutory responsibilities in accordance with Treasury guidance, and for championing the highest standards of corporate governance and ethics. Duties incorporate ensuring that proper policies and procedures are in place, alongside monitoring arrangements for Corporate Governance, Risk Management, Internal Audit, Fraud Management, Financial and Internal Control, HR Policies & Procedures, Health & Safety, Business Continuity and Security.

Operational Delivery Board

The Operational Delivery Board's responsibilities are to drive the Customer Services / Operational Delivery strategy map and scorecard, to maintain delivery at quality, volume and cost levels agreed with funding bodies, while ensuring service delivery enablers, including partners, are well developed and aligned with service plans. In addition, the Board will continually seek ways of improving value to all stakeholders through insight, innovation and improvement. Changes identified via this Sub-Board shall be assessed and prioritised via the Product & Services Board to ensure a fair balance of future and current requirements.

Duties incorporate ensuring that proper policies and procedures are in place, alongside monitoring arrangements for operational planning, delivery, measurement and reporting, insight, innovation and improvement, and risk management.

The Board will receive reports from the following Sub-Boards, Forums or Groups:

- Product & Services Sub-Board
- Supplier Management Forum
- Programme / Project Boards
- Stakeholder Steering Group

Product & Services Board

The Board's responsibilities are to ensure robust processes are in place for identifying change requirements and managing delivery of change, that these are defined and followed across the organisation, and that change capacity is allocated to deliver agreed priorities for product and service development.

The Board will oversee delivery of projects and programmes, while ensuring that supplier delivery for development of products and services is managed appropriately.

Duties incorporate ensuring that, for Project / programme management, proper policies and procedures are in place, alongside monitoring arrangements for:

- Risk management in projects and programmes
- Quality measurement for change initiatives
- Benefits management for change initiatives
- Financial controls for projects and programmes

The Security Forum

The role of the Security Forum is to establish and maintain an "Information Security Management System" which includes the following defined activities:

- proposal of new policies for consideration by the Finance & Governance Board
- agreeing actions to ensure implementation of security policies approved by the Finance & Governance Board
- approval and implementation of standards and procedures to support approved security policies
- review of identified security risks and threats and approval of appropriate controls
- exchange best practice to ensure consistency of approach across the company
- review security incident reports and generate recommendations, either at the scheduled meeting or on an ad hoc basis if required

- review Data Protection and Freedom of Information reports as required
- establish links with other SLC forums relating to security matters (e.g. Business Continuity), and other organisations in order to identify and adopt industry best practice.

Going forward, the Security Forum will be replaced by the Protective Security Group, which will have responsibility for establishing appropriate frameworks and policies to provide assurance that legal obligations and mandatory standards are being achieved by the Company.

The group will be responsible for directing strategy and delegating policy/procedure formulation to the sub groups. The model for the group is a delegated committee of the F&G Board with authority for the approval of policy in relation to organisational security matters.

Current items that this group will be responsible for are:

- DIUS requirements for compliance with the Data Handling Review.
- Information Charter; review and approval.
- Certification strategy for ISO standards (ISO 27000 series).
- Manual of Protective Security review for adoption and compliance.
- Corporate Security Policies.
- Setting objectives and sponsoring initiatives for data management and integrity.
- Setting objectives and sponsoring initiatives for information management.
- Liaison with the Fraud Strategy Group and Business Continuity Group.

The Risk and Control framework & Capacity to Handle Risk

The Company's risk management policy is to ensure that business risks are understood, proactively assessed and managed in such a way that the impact of these risks is maintained in accordance with the Company's appetite and tolerance for risk.

The Executive Board is responsible for establishing the overall risk appetite and tolerance that should be accepted in pursuing the Company's objectives.

The risk management policy is based upon the following series of principles:

- Responsibility and accountability for risk management is clearly assigned and accepted.
- Risks are understood, quantified, prioritised and managed to an acceptable level.
- An adequate and effective system of internal control is established and maintained.
- The system of internal control and risk profile is reviewed and disclosed on a regular basis.
- New and better ways to improve and optimise the system of internal control are pursued to better achieve business/quality objectives.
- Effective escalation and incident management processes operate, which enable both immediate damage limitation and subsequent root cause analysis and rectification to take place.

Risk appetite

Risk is unavoidable and every organisation needs to take action to manage risk to a level which is tolerable. The amount of risk which is judged to be tolerable is the "risk appetite." Risk appetite has been judged on a risk by risk basis, however over recent months, SLC has been developing a more sophisticated approach to risk appetite, the Risk Appetite Framework, which is the framework classification of Risk Appetite to be applied to agreed standard SLC Risk Categories.

Workshops have been held with the Executive Team, mapping current SLC Strategic Risks to the proposed Risk Appetite Framework. This is based on HM Treasury guidelines and follows National Audit Office recommendations. All risks will now be presented as a series of five "impact v likelihood" matrices with each element within a matrix allocated a RAG status. Going forward, the Company is introducing an approach to improve the outward looking / external aspects of the SLC risk management approach e.g. through "horizon scanning"

Embedding Risk Management

The Company has embedded risk management into its activities.

Key features of the process are:

- Maintenance of a Strategic Risk Register, with annual refreshes via a Strategic Risk Workshop attended by the Executive Board.
- Maintenance of Operational Risk Registers within each business area and appropriate specialist forums
- Maintenance of a Corporate Risk Register, containing those risks that have been escalated for management by the various Management Boards. This is reviewed monthly.
- Development of a Fraud Risk Register, for review by the Fraud Management Strategy Group.
- Development of an Information Asset Risk Register, to be reviewed by the Protective Security Group.
- Review of the Strategic and Corporate Risk Registers with stakeholder representatives, to ensure that the Company's identified high level risks are consistent with the view of stakeholders.

Review of Effectiveness

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

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

- regular meetings of the Board of Directors which has a schedule of matters which are specifically reserved for its approval and which are the subject of regular standard reports as required;
- arrangements under a constitution for an Audit Committee of the Board to meet regularly and receive from management and internal and external auditors, inter alia, reports on the system of internal control, and to provide reasonable assurance that control procedures are in place and are being followed;
- arrangements under a constitution for a Remuneration Committee of the Board to determine the remuneration and terms and conditions of service for senior staff posts, and to support me in making recommendations to the Board on the appropriate pay award for staff;
- an organisational structure within the Company to support business processes and with clear lines of responsibility; comprising an Executive Board, with three sub-Boards dealing with Finance & Governance, Products & Services Development, and Operational Delivery matters;
- an Accounting Policies and Practices Manual, key changes to which are approved by the Board;
- an Internal Audit function working to Government Internal Audit standards, with an annual internal audit plan and producing an annual internal audit report;

- a Corporate Assurance function, responsible for establishing and maintaining risk management, security management and quality management processes;
- a Legal and Compliance function, to monitor compliance with relevant legislation, including the Data Protection Act and Freedom of Information Act;
- provision by each member of the Executive Board and each Head of Service of an annual Statement of Assurance to the Accounting Officer, confirming their acceptance of their delegated responsibility for maintaining an adequate system of internal control and risk management;
- adoption of a risk-based approach to internal control through evaluating the likelihood and significance of identified corporate risks, resting responsibility for risk management and internal control with designated owners, and with an ongoing process of monitoring and reporting progress against the Company's key risks;
- a Corporate Financial Plan, supporting strategic and operational plans, with a detailed annual budget, regularly revised forecasts, a comparison of actual spend with budget/forecast on a monthly and quarterly basis, operating cash flow and variance statements; and key performance indicators, all of which are reviewed by the Board;
- measuring financial and other performance against key performance indicators;
- a corporate diary designed to ensure that all key dates and deadlines are achieved with a monthly high level report, looking forward 12 months, being submitted to the Board;
- an Annual General Meeting.

The Audit Committee of the Board has met regularly in accordance with an approved schedule throughout the year. The Remuneration Committee of the Board has also met in accordance with an approved schedule.

A self-assessment exercise has been conducted on the Company's risk management process, using the HM Treasury Risk Management Assessment Framework. In the opinion of the Executive Directors and the Heads of Service, the overall average assessment is that the maturity of the risk management process within the Company is between level 3 ("implemented in all key areas") and level 4 ("embedded and improving").

Significant Internal Control Problems

The following significant control problems have been identified:

- **Prevalence of Fraud within the Student Support System - Income Related Fraud**

During FY2008-2009, an in-house fraud detection pilot study was undertaken, in order to estimate the prevalence of income related fraud within the Student Support system emanating from student groups deemed higher risk.

The sample findings demonstrate that, in common with other public agencies, Student Support is susceptible to income fraud, with an overall estimated fraud rate of 1.2% by application.

SLC is committed to ensuring that fraud and error in student support are reduced to the lowest possible level. Based on these results, the SLC is committed to taking forward a number of additional checks during the AY 2009/10 application cycle. In the longer term, SLC is also working with HMRC to enable enhanced verification of household income against tax payer returns.

- **Student Support Overpayments**

Incorrect payments of student support are being made to students because of late notifications of withdrawal from students and/or HEIs, resulting in payments being made to students who are not eligible, having withdrawn from Higher Education.

The total value of loan overpayments due to late notification of withdrawal in FY2008-09 was approximately £21 million, with a cumulative value of £191 million over the lifetime of the income contingent scheme from 1999 to date.

The figure referred to above does not necessarily represent a loss, as any overpayments are recovered by way of normal income contingent loan repayments, whilst an existing system is in place to recover overpaid grants.

While the Company is not responsible for the key processes that are pertinent to these overpayments being made, we are working with our partners to consider a range of options to prevent payments from being made to students who have withdrawn. It is worth noting that there is always likely to be a residual level of late notifications in the system that cannot be resolved by the Company and its partners alone.

- **ICR Over-Repayments**

One matter has been included due to the significant level of public interest. Due to the time lags in information transfers from key partners, all customers who repay by PAYE will overpay, some significantly so, unless the customer takes the initiative to instigate appropriate action by using the self-predictor tool and contacting the Company.

This situation is an outcome of the way in which the income contingent repayment scheme operates, and the scale of this issue will grow in future years as more customers complete the repayment of their loans. The Company has put in place arrangements to ensure that when this occurs, the amount of the overpayment (together with the associated interest) will be returned promptly to the customer.

The Company is currently working on a project to tackle loan over repayments, due to be implemented later this year, and is working with the DIUS and HMRC to minimise the impact through effective customer communications.

- **PROTOCOL Assessment Rules Engine - Split Contribution Issue:**

Split Contributions arise in families entitled to means - tested support, where more than one student undertakes higher education at one time. Family contributions towards their children's maintenance costs is a family level amount that is broadly spread equally over all the children in Higher Education in any particular Academic Year. It applies to around 7% of students in any academic year.

During AY08/09, an error arose within the software used to calculate entitlement for a subset of students with split contributions, where the system rules engine was correctly calculating the appropriate split contribution but was not at the final stage reducing the loan entitlement by this deduction for this particular subset of students.

This error affected 3,475 students, which is approximately 0.4% of the total UK domiciled students in AY 08/09, and the financial impact of this was approximately £2.2 million.

Ministers obtained the necessary powers, and put in place arrangements to ensure no students were financially disadvantaged by this incident.

- **Disabled Student Allowances**

Disabled Student Allowances (DSA) help pay for extra costs a student may incur as a direct result of their disability or specific learning difficulty when studying their course.

During FY2008-2009, the SLC Internal Audit Section undertook a review at my request into the systems, procedures, and policy framework governing the assessment and payment of Disabled Students' Allowances, as responsibility for the process has now transferred from the DIUS to the SLC. The review identified a number of significant issues, in particular:

- A significant opportunity to enhance VFM within procurement processes for the taxpayer
- A requirement to review, and where necessary strengthen, the governance framework around disabled students.

SLC are now leading the drive for VFM savings, while the DIUS are leading on the resolution of the governance framework. I expect that appropriate delegated authority levels will be in place for the AY

2010/2011. Terms of reference have now been proposed to DIUS covering the project work required to take the procurement and governance issues forward for resolution.

I am satisfied that these steps will address the issues raised with regard to this important stream of support, and ensure that vulnerable students continue to receive the quality and level of support to which they are entitled.

By order of the Board



Ralph Seymour-Jackson

Director and Accounting Officer

21 St. Thomas Street

Bristol

BS1 6JS

30 June 2009

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the result 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

In addition, the then DfES, with the agreement of the Scottish Executive and, in Northern Ireland, the Department for Employment and Learning, re-appointed the chief executive as accounting officer for the Company in July 2003. This re-appointment continued to place on the chief executive the responsibility for ensuring the regularity and propriety of the public finances as set out in the management statement accompanying the Company's financial memorandum.

INDEPENDENT AUDITORS' 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 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 and, in respect of the separate opinion in relation to financial regularity, on the terms that have been agreed. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 56.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Management Commentary that is cross referred from the Business Review section of the Directors' Report. We also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinions we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;

- the information given in the Directors' Report is consistent with the financial statements;
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

191 West George Street

Glasgow G2 2LJ

30 June 2009

Profit and Loss Account for the year ended 31 March 2009

	Note	2009 £000	2008 £000
Turnover	3	87,908	69,029
Administrative expenses		(88,441)	(70,295)
Operating loss		(533)	(1,266)
Other interest receivable and similar income	4	630	364
Other finance costs	20	(672)	(437)
Notional cost of capital	5	554	630
Loss on ordinary activities before taxation including notional cost of capital		(21)	(709)
Reversal of notional cost of capital	5	(554)	(630)
Loss on ordinary activities before taxation	6	(575)	(1,339)
Tax on loss on ordinary activities	8	478	1,339
Loss/Result for the financial year	21	(97)	-

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

Statement of Total Recognised Gains and Losses for the year ended 31 March 2009

	2009 £000	2009 £000	2008	2008 £000
Loss/result for the year		(97)		-
Actual return less expected return on pension scheme assets	(6,179)		(2,310)	
Experience gains and losses on pension scheme liabilities	204		(5)	
Changes in assumptions underlying the pension scheme liabilities	12,314		1,532	
Actuarial loss recognised in STRGL	20	(6,339)		(783)
Total recognised losses for the year		(6,242)		(783)

Balance Sheet

at 31 March 2009

	Note	2009		2008	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		8,330		6,086
Current assets					
Debtors	10	4,744		7,518	
Deferred tax	11	-		67	
Cash at bank and in hand	12	3,638		2,232	
Prepayments and accrued income		5,249		4,686	
		<u>13,631</u>		<u>14,503</u>	
Creditors: amounts falling due within one year	13	<u>(13,631)</u>		<u>(14,503)</u>	
Net current assets			-		-
Total assets less current liabilities			<u>8,330</u>		<u>6,086</u>
Provisions for liabilities and charges	14		(8,019)		(7,365)
Accruals and deferred income					
Deferred capital receipts	15		(7,773)		(6,086)
Net liabilities excluding pension liability			<u>(7,462)</u>		<u>(7,365)</u>
Pension liability	20		(5,578)		(11,226)
			<u>(13,040)</u>		<u>(18,591)</u>
Capital and reserves					
Called up share capital	16		-		-
Profit and loss account	21		(13,040)		(18,591)
Total shareholders' funds – equity	17		<u>(13,040)</u>		<u>(18,591)</u>

These financial statements were approved by the Board of Directors on 30 June 2009 and were signed on its behalf by:



Ralph Seymour-Jackson
Director and Accounting Officer

Cash Flow Statement

for the year ended 31 March 2009

	Note	2009		2008	
		£000	£000	£000	£000
Net cash (outflow) from operating activities	18		(617)		(6,803)
Returns on investments and servicing of finance					
Bank and other interest received			629		347
Taxation					
Corporation tax paid			(58)		-
Corporation tax repaid			2,070		-
Capital expenditure and financial investment					
Payments to acquire property, plant and equipment		(3,718)		(2,869)	
Net cash outflow from capital expenditure			(3,718)		(2,869)
Net cash (outflow) before financing			(1,694)		(9,325)
Financing					
Capital funding received from the funding bodies			3,100		2,869
Increase/(Decrease) in cash in the period			1,406		(6,456)
Net funds at 1 April			2,232		8,691
Net funds at 31 March			3,638		2,232

Notes (forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

The amendment to FRS 17 'Retirement benefits' has been adopted in these financial statements for the first time and the disclosures it requires have been presented for both the current and comparative period.

The amendment to FRS 17 also requires that quoted securities are valued at their current bid-price rather than their mid-market value. No adjustment has been applied to the comparative figures as the Directors considered the effect of this change not to be material to the financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

In respect of unsold loans (i.e. those administered by the funding bodies), in accordance with FRS 5 'Reporting the substance of transactions' 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 32 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.

Basis of preparation

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

The Company has net liabilities at the balance sheet date, arising from its obligations in respect of the inclusion of pension fund liabilities falling due in future years in accordance with the accounting treatment required by FRS 17 Retirement Benefits, and a provision in respect of dilapidations arising from the Company's leasehold commitments. To the extent that they are not to be met from the Company's other sources of income, these liabilities may only be met by future grants or grants-in-aid from the Company's sponsoring departments. This is because, under the normal conventions applying to the parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2009-10, taking into account the amounts required to meet the Company's liabilities falling due in that year, has already been included in the Department's Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Departures from Government Financial Reporting Manual

The FReM states that non-departmental public bodies should account for Grant In Aid (GIA) as a movement in reserves rather than turnover.

Although as a non-departmental public body the Company is required to comply with the FReM, as a statutory entity it is first and foremost bound by the Companies Act. The Company has concluded that it is appropriate to continue to account for GIA as turnover, on the basis that the GIA received by the Company is required in order to carry out a function which its owners have asked it to perform. On that basis, the Company considers GIA to be an exchange transaction and, as such, requires to be accounted for in the Profit and Loss Account.

Additionally, the FReM requires notional cost of capital to be included on the face of the Profit and Loss Account in arriving at the result of ordinary activities before taxation, with a subsequent reversal after that line. Such a treatment is inconsistent with the Companies Act and the Company has, therefore, not adopted this treatment, instead disclosing both the notional cost of capital and its reversal in arriving at the result of ordinary activities before taxation.

The full disclosures required by adopting the FReM treatment for both Grant in Aid and notional cost of capital are disclosed as supplementary information in Note 24.

Turnover

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

Depreciation

Depreciation is provided on all tangible fixed assets calculated so as to write off the cost of each asset, less estimated residual value, evenly over its expected useful life, as follows:

Computer and other electronic equipment	- over 3 years
In-house computer development	- over 5 years
Furniture, fixtures and fittings	- over 8 years
Motor vehicles	- over 3 years
Leasehold improvements	- over the unexpired period of the lease
Assets under construction	- Not applicable

Deferred capital receipts

Funding received from the funding bodies for the purpose of capital expenditure, excluding the element relating to any capitalised dilapidation provision, is credited to the deferred capital receipts account and is released to the profit and loss account by amounts equal to the associated depreciation charge.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account in the period to which they relate.

Pensions

The Company operates a defined benefit pension scheme, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is considered recoverable) or deficit is recognised in full and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating charges, financing items and, in the statement of total recognised gains and losses, actuarial gains and losses, with the balance of the movement representing cash contributions for the period.

Taxation

The charge to taxation is based upon the profits of the year attributable to third party administration services, together with interest income received during the year. A deferred tax asset is recognised to the extent that carried forward losses are expected to be recovered against profits emerging in future accounting periods.

Provision for dilapidations

Provision for the costs of dilapidations on the expiry of premises leases, which are of uncertain timing or amount at the balance sheet date, is made on the basis of the best estimate using independent professional assessments.

2 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 Innovation Universities and Skills, the Student Awards Agency for Scotland, the Department for Employment and Learning in Northern Ireland and the Department for Children, Education, Lifelong Learning and Skills in the Welsh Assembly.

As at 31 March 2009 the total balance of the loan portfolio administered by the Company on behalf of the funding bodies was £30,874,000,000 (2008:£26,678,010,000), which excludes all non repayable student support.

3 Turnover

Turnover is analysed as follows:

	2009 £000	2008 £000
Grant-in-Aid receivable	85,549	66,252
Administration fees receivable from third parties	2,135	2,110
Other income	224	667
	<u>87,908</u>	<u>69,029</u>

The increase in grant-in-aid is primarily related to the funding received to finance the development of systems and business processes to administer additional services located in Darlington for which the Company has now assumed responsibility.

Administration fees receivable has marginally increased due to a combination of an increase in income from Higher Education Institutions in relation to the bursary service as customer numbers have increased by a new academic year intake as the scheme has now entered the third year of operation. This is partially offset by a reduction in third party portfolio administration income following the non renewal of the contract in October 2008.

Other income consists mainly of administration and legal charges recovered from third parties in relation to customers in default. This income has fallen due to improvements in preventing customers from entering default and reductions in customer numbers due to full repayment being reached by many in the old mortgage style portfolio on which these charges are principally levied.

4 Interest receivable

	2009 £000	2008 £000
Bank interest	256	352
Corporation tax repayment interest	374	12
	<u>630</u>	<u>364</u>

5 Notional cost of capital

In accordance with the Government Financial Reporting Manual, the Company is required to disclose the notional cost of capital. In the year ended 31 March 2009, the cost of such capital, calculated at 3.5% for both the current and prior years, the rates determined by the Government Financial Reporting Manual guidance, was a credit of £554,000 (2008: £630,000).

6 Loss on ordinary activities before taxation

(a) This is stated after charging or (crediting):	2009 £000	2008 £000
Dilapidations provision	35	-
Depreciation	1,394	965
Loss on disposal of fixed assets	80	-
Amortisation of deferred capital receipts	(1,332)	(965)
Directors' remuneration	253	266
Auditors' remuneration, including expenses:		
Audit of these financial statements	39	39
Other assurance services	22	17
Tax services	13	30
Operating lease rentals:		
Land and buildings	3,015	1,858
Computer and other equipment	3,715	4,441

Non-audit services are subject to the Company's normal procurement rules and the Company is, therefore, satisfied that the auditors' independence has not been compromised.

(b) Directors' remuneration:	2009 £000	2008 £000
Fees	28	25
Executive emoluments (including benefits in kind)	208	224
Pension contributions	17	17
	<u>253</u>	<u>266</u>

The remuneration of each individual director is analysed in the Remuneration Report.

7 Staff numbers and costs

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

	2009	2008
Number of employees	1,644	1,270

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

The aggregate payroll costs of these persons were as follows:

	2009	2008
	£000	£000
Wages and salaries	38,731	30,546
Social security costs	3,006	2,471
Pension service costs	3,012	2,441
	44,749	35,458

8 Tax on loss of ordinary activities

	2009	2008
	£000	£000
Current taxation (credit) for the period at the standard rate of 28% (2008: 30%)	(478)	(1,533)
Deferred taxation charge for the period at the standard rate of 28% (2008: 30%)	-	194
	(478)	(1,339)

Tax is chargeable at 28% of the taxable profits arising on administration fees receivable from third parties, after charging the costs associated with the administration of that business, plus bank and corporation tax repayment interest. The current tax charge for the period consists of a recovery for prior years following agreement with HMRC of an adjustment in treatment for tax purposes of the costs of a particular function of the work involved in our third party portfolio administration.

The deferred tax charge represents the impact of a reduction in the level of taxable losses which are anticipated to be recoverable in future periods following a decision to reinvest any future profits generated through bursary scheme administration back into enhancements to the scheme.

The tax assessed for the period varies from the standard rate of corporation tax in the UK (28% in 2009 and 30% in 2008). The differences are explained below:

	2009	2008
	£000	£000
Loss on ordinary activities at standard UK corporation tax rate	(161)	(402)
Effects of:		
Losses not utilised in the current period	9	849
Adjustment re: prior year assessments	(608)	(2,383)
Amounts not subject to corporation tax	282	403
Current taxation (credit) for the period	(478)	(1,533)

9 Tangible fixed assets

	Assets under construction	Short leasehold improvements	Computer & other electronic equipment	Furniture, fixtures & fittings	Motor vehicles	Total
Cost	£000	£000	£000	£000	£000	£000
At beginning of year	1,875	6,149	11,494	2,609	29	22,156
Additions	3	1,613	603	1,477	22	3,718
Disposals	-	(128)	(3,428)	(660)	(29)	(4,245)
Transfers	(1,561)	1,561	-	-	-	-
At end of year	<u>317</u>	<u>9,195</u>	<u>8,669</u>	<u>3,426</u>	<u>22</u>	<u>21,629</u>
Depreciation						
At beginning of year	-	3,388	10,953	1,705	24	16,070
Charge for year	-	709	345	334	6	1,394
On disposals	-	(55)	(3,428)	(658)	(24)	(4,165)
At end of year	<u>-</u>	<u>4,042</u>	<u>7,870</u>	<u>1,381</u>	<u>6</u>	<u>13,299</u>
Net book value						
At 31 March 2009	<u>317</u>	<u>5,153</u>	<u>799</u>	<u>2,045</u>	<u>16</u>	<u>8,330</u>
At 31 March 2008	<u>1,875</u>	<u>2,761</u>	<u>541</u>	<u>904</u>	<u>5</u>	<u>6,086</u>

Assets under construction represent ongoing works in relation to the office refit at Bothwell Street, Glasgow which is due for completion during 2009-10.

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

10 Debtors

	2009 £000	2008 £000
Customer administration charges	2,706	3,146
Balances with Central Government Bodies	-	1,737
Corporation tax	161	1,600
Other debtors	1,877	1,035
	<u>4,744</u>	<u>7,518</u>

As per note 13, the balances with central government bodies are reported as a creditor in 2009.

The corporation tax debtor represents repayments due as a result of revisions to prior year computations as detailed in note 8 above.

Other debtors principally comprise the sums due from third party portfolio administration and higher education institutions for the bursary administration service which are higher this year due to an additional academic year's students becoming eligible for the scheme.

11 Deferred Tax

	2009	2008
	£000	£000
Deferred tax asset	-	67

The deferred tax asset in 2008 represented the tax on the amount of losses expected to be recoverable against profits emerging in future years.

12 Cash at bank and in hand

	2009	2008
	£000	£000
Cash held in:		
Commercial bank accounts	3,632	2,228
HM Paymaster General Office accounts	6	4
	<u>3,638</u>	<u>2,232</u>

13 Creditors: amounts falling due within one year

	2009	2008
	£000	£000
Balances with central government bodies	3,803	-
Trade creditors	1,768	6,146
Other taxation and social security	2,814	1,760
Accruals and deferred income	5,246	6,597
	<u>13,631</u>	<u>14,503</u>

The balances with central government bodies represent the timing difference arising on the recognition of expenses in the Profit and Loss Account and the drawdown of grant-in-aid or repayment of administration charges to pay those expenses. In 2008 this balance was reflected in debtors.

Trade creditors have decreased this year largely due to a change in government policy in December 2008 where the Company will endeavour to pay all suppliers within 10 days. In addition, in 2008 creditor balances included several large one off purchases relating to the new Darlington site which went operational in April 2008.

14 Provisions for liabilities and charges

	2009	2008
	£000	£000
Dilapidations provision		
At 1 April	(7,365)	(7,365)
Additional provisions created	(732)	-
Unused amounts reversed	78	-
	<u>(8,019)</u>	<u>(7,365)</u>

The provision for dilapidations represents the potential cost to the company of the dilapidations clauses included in its property leases. The provision has been made on the basis of the best estimate using independent professional assessments. The additional provisions created this year relate to our new premises at Darlington of which £619,000 was capitalised and £113,000 was expensed to the profit and loss account.

15 Deferred capital receipts

	2009	2008
	£000	£000
At 1 April	6,086	4,182
Receivable for the year	3,100	2,869
Credited to profit and loss account	(1,413)	(965)
At 31 March	7,773	6,086

16 Called up equity share capital

	2009	2008
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
10 ordinary shares of £1 each	10	10

17 Movement in shareholders' funds

	2009	2008
	£000	£000
Shareholders funds at 1 April	(18,591)	(17,382)
Movement in year	5,551	(1,209)
Shareholders funds at 31 March	(13,040)	(18,591)

The annual movement in shareholders' funds represents the movement in the profit and loss reserve.

The analysis of this movement is detailed in Note 21.

18 Cash flows

Reconciliation of result of ordinary activities before taxation and interest receivable to net cash (outflow) from operating activities:

	2009 £000	2008 £000
Operating loss	(533)	(1,266)
Depreciation	1,394	965
Amortisation of deferred capital receipts	(1,332)	(965)
	(471)	(1,266)
Decrease/(increase) in debtors	100	(3,458)
(Decrease) in creditors	(900)	(2,079)
Increase in provisions	654	-
	(617)	(6,803)
Net cash (outflow) from operating activities	(617)	(6,803)

19 Financial commitments

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

	Land and buildings		Other	
	2009 £000	2008 £000	2009 £000	2008 £000
Operating leases which expire:				
Within one year	-	68	675	2,392
In the second to fifth years inclusive	1,990	26	3,040	2,017
In over five years	1,025	2,669	-	-
	3,015	2,763	3,715	4,409

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

At 31 March 2009 the Company had placed contracts for the purchase of fixed assets totalling £1,645,430 (2008: £885,000).

20 Pensions

The Company has operated a pension scheme since 6 November 1990. The scheme will provide funded defined benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Company and are invested in managed funds. Contribution rates are determined by a qualified actuary on the basis of triennial valuations. The current rate of employer contributions is 15.6% of pensionable remuneration.

The following disclosures are in accordance with FRS17: Retirement Benefits.

	2009		2008	
	£000	£000	£000	£000
Change in benefit obligation				
Benefit obligation at beginning of year		30,590		27,531
Current service cost		3,012		2,441
Interest cost		1,819		1,512
Plan participants' contributions		1,151		945
Actuarial (gains)/losses		(12,518)		(1,527)
Benefits paid		(374)		(312)
Analysis of defined benefit obligation wholly funded		<u>23,680</u>		<u>30,590</u>
Change in plan assets				
Fair value of plan assets at beginning of year		19,364		17,514
Expected return on plan assets		1,147		1,075
Actuarial gains/(losses)		(6,179)		(2,310)
Employer contribution		2,993		2,452
Member contributions		1,151		945
Benefits paid		(374)		(312)
Fair value of plan assets at end of year		<u>18,102</u>		<u>19,364</u>
Net Deficit		<u>(5,578)</u>		<u>(11,226)</u>

** with effect from 6 May 2004 the rate of increase of pensions in payment was amended from a fixed 5% to a limited price index rate capped at a maximum of 5%, applying to service occurring after that date.

	2009		2008	
	£000	£000	£000	£000
Components of pension cost				
Current service cost		3,012		2,441
Interest cost	1,819		1,512	
Expected return on plan assets	(1,147)	672	(1,075)	437
Total pension cost recognised in the P&L account		<u>3,684</u>		<u>2,878</u>
Actuarial (gains)/losses immediately recognised		(6,339)		783
Total pension cost recognised in the STRGL		(6,339)		783
Cumulative amount of actuarial (gains)/losses immediately recognised		<u>1,342</u>		<u>7,681</u>

Plan assets

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

	2009	2008
Asset category		
Equities	67%	69%
Bonds	30%	29%
Cash	3%	2%
	<u>100%</u>	<u>100%</u>

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of a 5.5% assumption for the 2009/10 pension cost.

	2009	2008
	£000	£000
Actual return on plan assets	(5,032)	(1,235)

Weighted average assumptions used to determine benefit obligations at:

	2009	2008
Discount rate	6.9%	5.6%
Rate of compensation increase	5.0%	5.0%
Rate of increase of pensions in payment (LPI)	3.5%	3.5%
Rate of increase of pensions in payment (5% fixed)	5.0%	5.0%
Rate of increase of pensions in deferment	3.5%	3.5%
Inflation	3.5%	3.5%

Weighted average assumptions used to determine net pension cost for year ended:

	2009	2008
Discount rate	5.6%	5.2%
Expected long-term return on plan assets	5.4%	5.6%
Rate of compensation increase	5.0%	4.6%
Rate of increase of pensions in payment (LPI)	3.5%	3.1%
Rate of increase of pensions in payment (5% fixed)	5.0%	5.0%
Rate of increase of pensions in deferment	3.5%	3.1%
Inflation	3.5%	3.1%

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

	2009		2008	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	20	23	20	23
Member age 45 (life expectancy at age 65)	21	24	21	24

Five year history

	2009	2008	2007	2006	2005
Benefit obligation at end of year	23,680	30,590	27,531	24,784	14,706
Fair value of plan assets at end of year	18,102	19,364	17,514	14,083	9,758
Surplus / (deficit)	(5,578)	(11,226)	(10,017)	(10,701)	(4,948)

Difference between actual and expected return on scheme assets:

amount (£000)	(6,179)	(2,310)	160	1,785	320
percentage of scheme assets	-34%	-12%	1%	13%	3%
Experience gains and (losses) on scheme liabilities:					
amount (£000)	204	(5)	(70)	(1,461)	(39)
percentage of scheme liabilities	1%	0%	0%	-6%	0%

The company expects to contribute £3.7 million to its pension plan in the financial year ending 31 March 2010.

21 Reserves

Profit and Loss Account

	2009 £000	2008 £000
At 1 April	(18,591)	(17,382)
Loss/Result for the year	(97)	-
Movement in pension liability	5,648	(1,209)
At 31 March	(13,040)	(18,591)

The movement in pension liability has been reflected in either the Profit and Loss Account or the Statement of Total Recognised Gains and Losses as required by FRS17: Retirement Benefits. The analysis of the annual movement is detailed in the movement in deficit during the year in Note 20.

22 Controlling parties

The Company is wholly owned by the Secretary of State for Innovation Universities and Skills and the Secretary of State for Scotland.

23 Related party transactions

Student Loans Company Limited is a Non Departmental Public Body ('NDPB') which is funded by the bodies detailed in Note 2. Those funding bodies are therefore regarded as related parties.

During the year, the Company has had various material transactions with the above departments. Grant in aid funding is detailed in notes 3 and 13.

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.

During the year, as part of its corporate social responsibility activities, the Company had transactions to the value of £7,500 with Pilotlight Scotland, whose former Chief Executive was one of our non-executive directors, Angela McCusker.

24 Disclosures required by Government Financial Reporting Manual

Note 1 refers to the Company's departure from the accounting treatment required by the Government Financial Reporting Manual (FReM) with respect to Grant in Aid and notional cost of capital. The following supplementary disclosure presents an Income and Expenditure Statement and Balance Sheet prepared in accordance with the FReM requirements. All Grant In Aid for capital expenditure is treated as specific.

Supplementary information is also provided to enable an understanding of these statements. Where there is no change to the disclosures arising from the FReM treatment, references are to existing notes above. Revised disclosure notes are referenced alphabetically and follow the revised statements.

Supplementary income and expenditure account for the year ended 31 March 2009

	Note	2009 £000	2008 £000
Income			
Income from all sources	a	2,359	2,777
Expenditure			
Administrative expenses		(88,441)	(70,295)
Net expenditure before interest and taxation		(86,082)	(67,518)
Interest receivable	4	630	364
Pension scheme finance costs	20	(672)	(437)
Notional cost of capital	5	554	630
Tax on result of ordinary activities	8	478	1,339
Net operating cost	b	(85,092)	(65,622)

Statement of recognised gains and losses

		2009 £000	2008 £000
Actual return less expected return on pension scheme assets		(6,179)	(2,310)
Experience gains and losses on pension scheme liabilities		204	(5)
Changes in assumptions underlying the pension scheme liabilities		12,314	1,532
Actuarial gain/(loss) recognised in STRGL	20	6,339	(783)
Recognised gains for the year		6,339	(783)

There is no change to the Cash flow statement disclosed on page 61.

Supplementary balance sheet at 31 March 2009

	Note	2009		2008	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		8,330		6,086
Current assets					
Debtors	10	4,744		7,518	
Deferred tax	11	-		67	
Cash at bank and in hand	12	3,638		2,232	
Prepayments and accrued income		5,249		4,686	
		<u>13,631</u>		<u>14,503</u>	
Creditors:					
Amounts falling due within one year	13	<u>(13,631)</u>		<u>(14,503)</u>	
Net current assets			-		-
Total assets less current liabilities			<u>8,330</u>		<u>6,086</u>
Provisions for liabilities and charges	14		(8,019)		(7,365)
Accruals and deferred income					
Deferred capital receipts	15		(7,773)		(6,086)
Net liabilities excluding pension liability			<u>(7,462)</u>		<u>(7,365)</u>
Pension liability	20		(5,578)		(11,226)
			<u>(13,040)</u>		<u>(18,591)</u>
Capital and reserves					
Called up share capital	16		-		-
General Reserve	b		(18,591)		(17,382)
Total shareholders' funds - equity	17		<u>(13,040)</u>		<u>(18,591)</u>

a) Income from all sources

	2009	2008
	£000	£000
Administration fees receivable from third parties	2,135	2,100
Other income	224	667
	<u>2,359</u>	<u>2,777</u>

Administration fees receivable has marginally increased due to a combination of an increase in income from Higher Education Institutions in relation to the bursary service as customer numbers have increased by a new academic year intake as the scheme has now entered the third year of operation partially offset by a reduction in third party portfolio administration income following the removal of the contract in October 2008.

Other income consists mainly of administration and legal charges recovered from third parties in relation to customers in default. This income has fallen due to improvements in preventing customers from entering default and reductions in customer numbers due to full repayment being reached by many in the old mortgage style portfolio on which these charges are principally levied.

b) Reserves

General Reserve	2009	2008
	£000	£000
At 1 April	(18,591)	(17,382)
Grant in aid	85,549	66,252
Net operating cost	(85,092)	(65,622)
Reversal of notional cost of capital	(554)	(630)
Movement in pension liability	5,648	(1,209)
	<u>(13,040)</u>	<u>(18,591)</u>
At 31 March		

c) Cash flows

Although there is no change on the face of the Cash flow statement shown on page 18, the underlying components of the Net cash (outflow) from operating activities disclosed in that statement have changed. The following note restates Note 18 on a FReM basis.

Reconciliation of result of ordinary activities before taxation and interest receivable to net cash (outflow) from operating activities:

	2009	2008
	£000	£000
Income from all sources	2,359	2,777
Administrative expenses	(88,441)	(70,295)
	<hr/>	<hr/>
Operating deficit	(86,082)	(67,518)
Grant in aid taken direct to general reserve	85,549	66,252
Depreciation	1,394	965
Amortisation of deferred capital receipts	(1,332)	(965)
	<hr/>	<hr/>
	(572)	(1,266)
Decrease/(Increase) in debtors	100	(3,458)
Decrease in creditors	(900)	(2,079)
Increase in provisions	654	-
	<hr/>	<hr/>
Net cash (outflow) from operating activities	(617)	(6,803)
	<hr/>	<hr/>

INDEPENDENT ASSESSOR'S STATEMENT

As required by my Terms of Reference, I am pleased to report on my activities during the period 1 April 2008 until 31 March 2009. I issued four Reports during the year. This was a considerably reduced number as compared to previous years, due to my being diverted in order to consider cases arising from one of the student loan debt purchasers. All four reports related to complainants with mortgage-style loans.

The first of those reports dealt with numerous issues raised by the complainant, the most significant of which were the complainant's contention that the Company was responsible for the accruals of arrears on the loan account; the 'legality' of the charges applied by the Company and an allegation that the loan agreement had not been properly executed. I was able to consider legal advice received by the Company in respect of the second and third of those issues. I did not find for the complainant on any of the above matters but did so on one, relatively minor, point and I recommended that a payment of £25 be made. I also recommended that the Company pursue the account arrears.

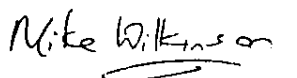
The second of the cases was based around the complainant's challenging of the Company's ruling that his entire student loan had fallen due for repayment. The significant contributory factor to the dispute pertained to the Company's refusal to accept an undated third party letter in respect of the borrower's means of support. I concluded that the loan was due for immediate repayment, because it had passed its maturity date, and I did not find for the complainant over the disputed third party letter. My sole recommendation was that the Company should pursue repayment of the loan.

The third of these cases concerned the Company's interactions with the borrower's sister who was one of the 'contacts' provided by the borrower when taking out her loans.

At a time when the complainant's account was in arrears the Company had been in contact with her sister in an attempt to locate the borrower. Arising from one such telephone conversation, the sister had made a payment of around £340. It is, of course, the case that the borrower's sister had no responsibility for the arrears. I concluded that although the sister had not been told that she had any such responsibility, and that there had been no bullying in the telephone call, the discussion had nevertheless led the sister to make the repayment. I recommended that the sister be given the opportunity to have the sum returned and, if that was done, for the amount to be reintegrated into the complainant's loan account.

The last of these reports dealt with a complaint over the date on which the relevant loan account should be written-off, i.e. at age fifty years or age sixty years. The complainant contended that the Company had misinterpreted the terms of the loan contract and, failing that, the terms of the contract were insufficiently clear. Having considered the wording of the loan agreements in question, I concluded that – in the case of this particular borrower – the loan account would be written off at age sixty. I also concluded that the nature of the credit agreements was quite clear and in no way unclear as to be misleading. I did not find for the complainant and I recommended that the Company continued to administer the account in line with its previously declared position.

As in previous years, I have continued to hold regular follow-up meetings with the Company.



Mr M Wilkinson
Independent Assessor

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