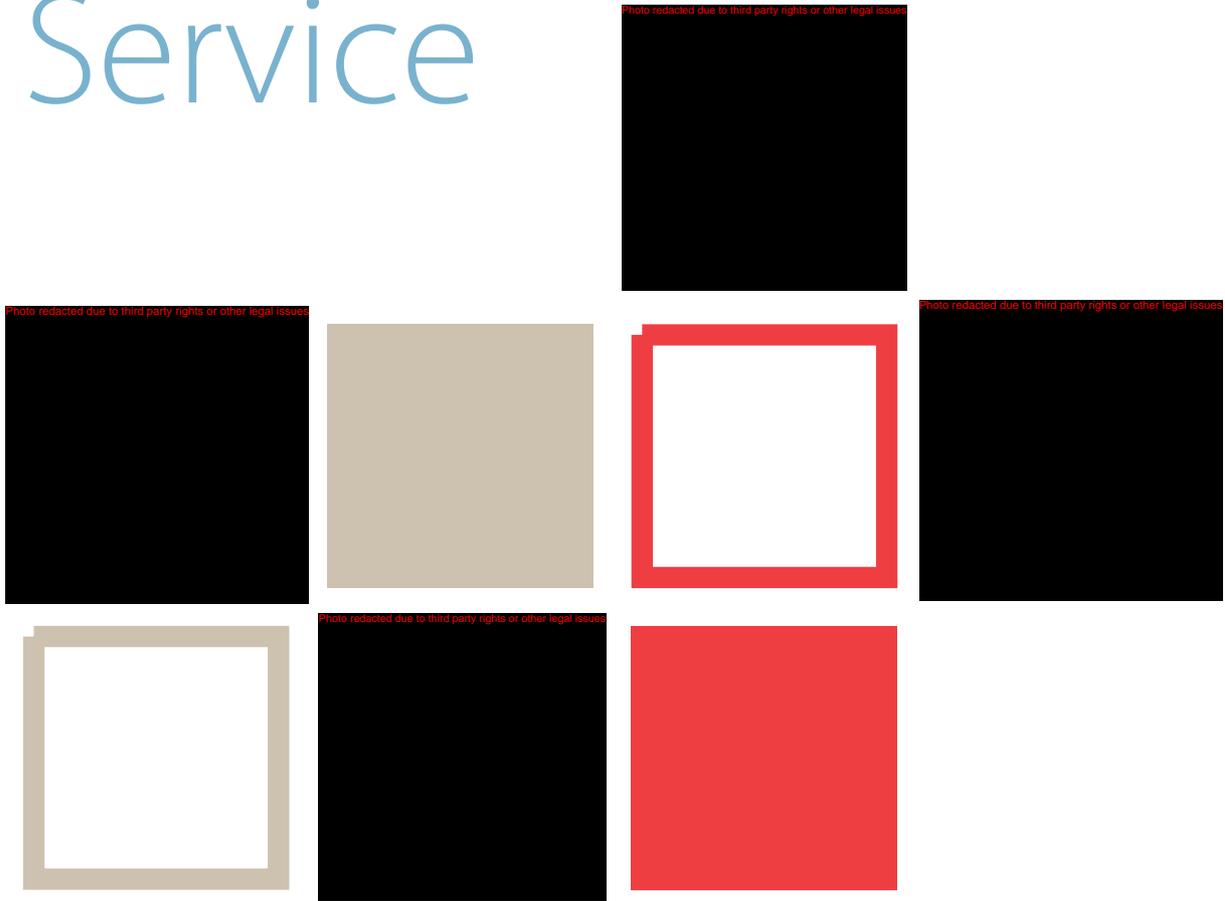


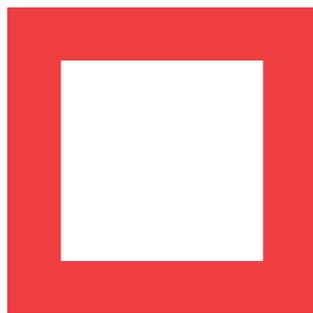
# Improving the Student Finance Service



## Report of the Review of Higher Education Student Finance Delivery in England

January 2006



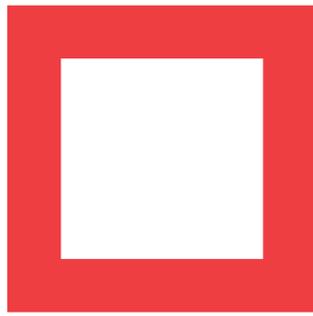


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# Chapter 1



## Executive Summary

- 1 Achieving the Government's goal of access to a world-class higher education system for all those with the potential to benefit depends on having an efficient and effective student finance service. Our vision is for a modern student finance service that meets customers' expectations for clear information, faster decisions, timely payments and accurate repayments. This will be delivered through providing an online service, which – for the first time – brings together applications for higher education courses and for student finance.
- 2 The delivery of higher education (HE) student finance in England is a complex, large-scale service. Around £3 billion a year is paid in loans and grants to over 750,000 students and there are around 2 million borrowers with outstanding income contingent student loans in the UK. Five years from now, the service will be providing loans of around £4.25 billion per annum, repayments by graduates will reach over £1.5 billion a year and the outstanding student loan book is projected to double to around £30 billion (rising to around £60 billion in 2015).
- 3 The current service in England is delivered through a partnership involving: the Department for Education and Skills ("the Department"), which sets student finance policy; the Student Loans Company (SLC), which is a Non-Departmental Public Body owned by Government and is responsible for the IT system ("Protocol"); 150 local authorities that process applications using Protocol; and Her Majesty's Revenue and Customs (HMRC), which is responsible for collecting loan repayments through the tax system. Delivery partners have service level agreements with the Department. Employers, who deduct loan repayments from borrowers' salaries, and staff in colleges and universities also play important roles. The service costs the Government around £50 million to administer, with a unit cost per applicant of around £60 and a unit cost

per borrower in repayment of around £15. A description of how the service operates is set out in Annex A.

- 4 Although the introduction of Protocol has modernised the back-office processing of applications, there needs to be significant reform to the current service because: satisfaction levels with customer support are too low; the time taken to process applications is far longer than customers think is reasonable; and the service could provide much better value-for-money through increased efficiency. The service must have objectives and performance measures that reflect what customers want and which are benchmarked against best practice:
- *Clear information:* all students should be able to obtain clear and accurate information about their entitlement to financial support, and have a personalised quote of how much will be available to them when considering higher education – and how much they will repay. High quality information, advice and guidance is essential if students are to make well-informed choices about their future;
  - *Faster decisions:*
    - the majority of students should apply online and, where support does not depend on household income, receive instant confirmation of their entitlement. There should be online identity checks through data links with the UK Passport Service, data sharing with the Universities and Colleges Admissions Service, and eventual elimination of the need for signatures on paper;
    - students seeking financial support which depends on household income, should wait on average less than two weeks – and no longer than four weeks – for a decision on their entitlement;
  - *Timely payments:* payments should be made to students’ bank accounts promptly following registration at their college or university;
  - *Accurate repayments:* all student loan borrowers should only repay what is due and be able to access their outstanding loan balance; and
  - *Efficient recovery:* repayments should be timely and accurate, with arrears collected where appropriate.
- 5 Creating a service that is truly focused on customers requires a significant cultural shift for delivery partners. This is a long-term endeavour although there are straightforward changes that can help move in the right direction. The service needs to assess the costs and benefits to customers when making decisions, not just the impact on delivery partners. The service should also have decision makers with a specific role to champion the interests of customers.

- 6 The current delivery arrangements no longer fit well with the changing HE landscape, with different requirements in Scotland, Wales and Northern Ireland, and the administration of bursaries for higher education institutions. This wider stakeholder base for the SLC has not been reflected in its governance. The Department needs to consider whether the Secretary of State should retain her current delivery responsibilities in light of her Department's new strategic leadership role. There is the option of transferring responsibility for the delivery of student finance, including the outstanding loan book, to a Non-Departmental Public Body (NDPB) established by statute. This would clarify responsibility for the payment and recovery of student finance.
- 7 We considered possible delivery models, starting from first principles, against four criteria: whether they meet customer-focused objectives for the service; their capacity to deliver the service; whether there was clear accountability and sufficient leverage for the Department to ensure good performance; and value-for-money.
- 8 The four options for the "front-end" of the service (from providing customers with information through to paying them whilst in higher education) are:
  - a. building on the present model, a locally distributed service provided by the 150 local authorities in England with a national infrastructure;
  - b. a regionally distributed service with a national infrastructure, to reduce the current variability in performance;
  - c. a centrally provided service with responsibility for the whole process with one national organisation, which would also support the work of organisations based locally to meet the needs of customers requiring local assistance; and
  - d. competing national providers, delivering the service under contract and with customers able to choose their preferred provider in light of the quality of customer service, performance and accessibility.
- 9 The three options for the loan collection process are:
  - a. building on the present model, collection through the tax system by HMRC, using a national organisation (currently the SLC) for account maintenance, collection from borrowers outside the tax system and voluntary repayments;
  - b. HMRC responsible for the whole service, taking over the SLC's current responsibilities; and

- c. direct collection from borrowers by a national organisation rather than through the tax system. This would require borrowers to inform the national organisation of their salary and changes to it, but remove the present duties on employers in the collection system. There would be accurate and timely information available to borrowers on their outstanding loan balance.
- 10 For the Student Loans Company to be an effective national delivery organisation changes are required to its status and mission. The options we considered were:
    - a. to create a new NDPB with clear statutory responsibility and accountability for the delivery of student finance;
    - b. to contract out delivery of the service to a commercial provider; and
    - c. to reform the current status of the SLC by establishing a new company limited by guarantee or making changing to SLC's existing structure to recognise the interests of the Devolved Administrations and the HE sector.
  - 11 Irrespective of changes to status, there is a need in the short-term for the Department to continue to build a strategic relationship with the SLC, including reviewing the governance arrangements to establish clearly respective roles, responsibilities and freedoms.

## LIST OF RECOMMENDATIONS

### A modern online service focused on customers

- 1: Customer-focused objectives and performance measures should be adopted for the service. (2006)
- 2: The objectives and performance measures for the service should be reviewed annually to ensure they keep pace with customers' reasonable expectations. (2006)
- 3: There should be specific targets for processing applications for specialist grants, to ensure the needs of under-represented groups are not overlooked. (2006)
- 4: Part-time students should benefit from the same improvements to customer service as full-time students. (2008)
- 5: The Department develops a framework for assessing the impact of student finance delivery projects on customers and takes this into account in its decision making. (2007)
- 6: Information on the performance of local authorities, particularly on processing times, should be published to allow local managers to improve their service and customers to hold authorities to account. This information should seek to compare like authorities on the basis of the types of applications they received. (2006)
- 7: The delivery organisations involved in the service should ensure that they have senior members with clear roles to champion the interests of customers. (2006)

- 8: The Department considers whether providing most students with a three year student finance package would improve the service whilst retaining fairness and value-for-money. (2010)

#### **Clearer information for customers**

- 9: The Department should continue to rationalise sources of information, advice and guidance on student finance. (2008)
- 10: A new customer-focused student finance service should have a clear brand identity. (2008)
- 11: We welcome plans for the current online calculator to be enhanced to include bursary information, which will allow customers to compare financial support at different institutions and on different courses and receive a personalised quotation of the financial support they could receive. (2007)
- 12: Colleges and universities should be supported in playing a greater role in providing information and assistance to potential students on student finance matters. (2006)

#### **Meeting customers' expectations for faster decisions**

- 13: The Department should change its timetable for finalising policy and regulations to enable online applications for student finance to be made alongside applications for college and university. (2008)
- 14: The Department should keep under review the need for paper signatures from applicants, with a view to removing the requirement as the legal position is clarified. (2008)
- 15: The Department considers allowing previous tax year's financial information to be used, to allow applications to be made earlier and opening up the possibility of verifying the information with HMRC. (2008)
- 16: The Department should aim for a seamless service for customers in applying for higher education and student finance.
- 17: A modern online student finance service is implemented to achieve our objectives for customers, through better data-sharing and re-designing the business process. (2008)
- 18: Where local authority (LA) users report problems with the system, they should receive feedback about the action taken. In turn, where they persistently experience slow response times, they should review their own local infrastructure. (2006)
- 19: The Department should specify more clearly the risk-based approach that should be adopted in requiring the full completion of application forms and the supply of evidence, particularly in relation to financial information. (2006)
- 20: The Department should review discretions given to local authorities in student finance regulations. (2006)

- 21: Where manual data entry and paper evidence checking is required in future, it should be done centrally to allow new technology and economies of scale to be achieved. (2007)
- 22: For most customers, the correspondence they receive is their prime contact with the service. There should be adequate priority given to improving the clarity and usefulness of correspondence generated by Protocol, drawing on the views of customers. (2007)
- 23: The way LA work is organised and staff managed and deployed should be reviewed to seek greater efficiencies. (2006)
- 24: The service should follow best practice in form design, ensuring that customers are involved in design, testing and evaluation. (2007)
- 25: The service should identify systematically why customers require assistance and, where this is due to weaknesses in the service, seeks to address the causes. (2006)
- 26: The SLC should attach greater priority to ensuring continuous improvement in the service offered by the Customer Support Office (CSO) and establish a written agreement detailing the types of calls which the CSO should answer and those which should be passed to LAs. (2006)
- 27: The Department should enhance the requirements for LA assistance in its Service Level Agreement to include customer satisfaction and performance against this should be monitored. (2006)
- 28: The service should retain local assistance to customers. (2006)
- 29: The current deadlines for applications should be removed and promotion and communication should be used to ensure that the flow of applications throughout the year is manageable. (2008)

### **Payments on time for students**

- 30: The target for the SLC to “initiate” a payment to students within two working days should be increased to one working day. Where student attendance is notified prior to the course start date, payments should be released to the same timescale. (2006)
- 31: All new students who want it should: receive a text message alert when a payment has been initiated; and, for those students where attendance notification is not received by the second day of term, a text message alert informing them that they need to register before payment will be actioned. (2007)
- 32: The original vision for a Higher Education Portal for institutions should be looked at again over the medium-term to ensure that colleges and universities can play their full role in the service. (2008)

## Recovering loan repayments

- 33: The payment of loan instalments should be stopped for those students who do not have a correct National Insurance Number without a valid reason. (2006)
- 34: There should be enhancements to the current matching process between SLC and HMRC records, principally through increasing the frequency with which it is performed, to ensure the most up to date information is held by both systems as opposed to the current one off matching exercise. (2006)
- 35: Borrowers should be required to inform employers that a student loan balance is outstanding and that they are liable to make repayments. (2007)
- 36: Employers should start deductions straight away (from the next pay period) instead of having 42 days to start making deductions. (2007)
- 37: Employers should be able to catch-up missed deductions within the same employment up to a reasonable threshold. (2007)
- 38: As with PAYE, where borrowers have not made the repayments due within a year an "arrear" should be created. (2008)
- 39: HMRC should increase the focus on student loan repayments in all employer compliance work, including application of penalties where appropriate. (2006)
- 40: Borrower failure to comply with certain duties should lead to the whole loan becoming repayable. (2006)
- 41: An online calculator should be provided so that customers can obtain an up-to-date account balance by entering details of repayments made. (2006)
- 42: SLC and HMRC should consider a joint unit containing staff from both organisations to provide customers with a single point of contact. (2007)
- 43: There should be an improved predictor of when a borrower is likely to pay off their loan. These borrowers should be given the option of making their final payments outside the tax system to ensure they do not overpay. (2006)
- 44: In light of the recommended changes to the collection system, the service needs to communicate better to customers and employers their respective responsibilities. (2006)

### About the review

The terms of reference for the review were announced to Parliament on 7 June 2005 by Bill Rammell MP, Minister of State for Lifelong Learning, Further and Higher Education:

*"To review the arrangements for the delivery of Government financial support to higher education students, and its collection from borrowers, in England and recommend options for improvement. The review should be completed by November 2005.*

*In making recommendations, the review shall have regard to the Government's principles for improving public service delivery, including:*

- *a focus on the needs of customers, including the provision of advice and the particular needs of under-represented student groups;*
- *an efficient and effective delivery process with appropriate use of technology to improve customer service;*
- *clear objectives and challenging performance measures, benchmarked against comparable services;*
- *the need for a strategic relationship between the Department and any delivery organisations, with clearly allocated responsibility and accountability and effective management of delivery risks; and*
- *that the service demonstrates value-for-money and is sufficiently flexible to deal with possible future changes in the higher education environment.*

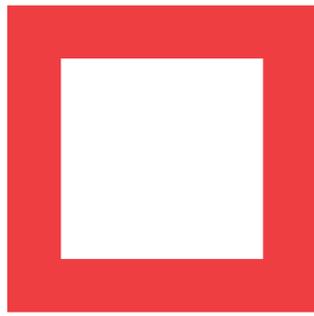
*The review will also consider the future role of the Student Loans Company in improved delivery arrangements and its status and mission."*

Student finance policy, which was settled with the passage of the Higher Education Act 2004 through Parliament, is outside the scope of the review. The review is limited to England and references to "national" should be taken to refer to England only.

The review was led by the Department, with a team comprising external expertise from Deloitte Consulting, the Student Loans Company and a Local Authority Student Support Office. An Advisory Group, with representation from student groups, the retail banking sector, a higher education institution, the e-Government Unit and the Department's student finance delivery partners, provided the review team with strategic advice. Opinions expressed in this report are those of the review team and are not Government policy.

Specific independent research was commissioned on customers' experience of the student finance service and their expectations for the future. The full results are set out in Annex B. Over 100 stakeholders responded to a consultation seeking views on improving the service and the review team visited numerous organisations. Further details can be found in Annex C.

## Chapter 2



# A Modern Online Service Focused on Customers

Our vision is for an online student finance service that brings together university and student finance applications and meets customer expectations for clear information, faster decisions, timely payments and accurate repayments.

To ensure the service focuses on meeting customers' expectations, it must have objectives and performance measures that reflect what customers want, including those from under-represented groups.

Creating a service that is truly focused on customers requires a significant cultural shift for delivery partners, although there are straightforward changes that could help move in the right direction.

### **There has been significant modernisation of the service**

- 12 The Government is committed to modern, efficient public services that meet the needs of customers. There has been significant modernisation of the student finance delivery system in recent years. The previous two-part application process (where eligibility for student finance was assessed first, and then the amount to be received was calculated) has been replaced with a single application form, reducing the overall time for a student to receive a decision. A single IT system ("Protocol"), which allows applications for student finance to be assessed on a consistent basis and progress to be monitored,

was rolled out nationally in 2004. Some students continuing in higher education were provided with pre-completed forms in 2005, requiring them simply to confirm these details, and the requirements on other continuing students' sponsors to provide evidence of finances were simplified. Virtually all students will have loans and grants paid electronically into their bank account, rather than by cheque, allowing them access to their money more quickly. Extended opening hours for the national call centre were introduced and an online application service was available at the end of April 2005.

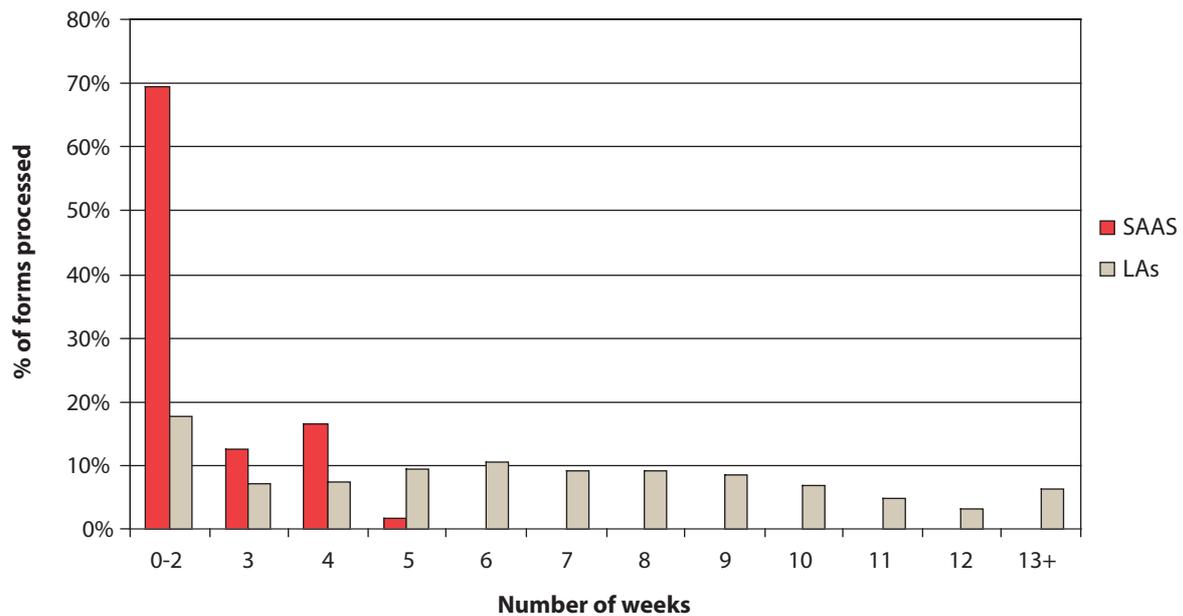
- 13 The introduction of Protocol has modernised the “back office” of the student finance service, benefiting those processing applications for student finance (despite the difficulties with the system in 2004 where most local authority (LA) users experienced slow response times). However, these changes have not yet translated into improvements that customers value. The Department commissions an annual survey of customer satisfaction with the arrangements for paying student finance, which was initiated to evaluate the success of modernisation. The findings for 2004 show there needs to be improvement, if a truly customer-focused service is to be achieved:

- only 68% of students rated the complete service as good or better (down from 79% in 2003);
- 46% of students rated the time it took from submitting their application to a decision as poor (21%) or fair (25%); and
- the help students received was rated positively by only 67% (for local authority assistance) and 60% (for Student Loans Company assistance).

Some of the results could be explained by the processing problems experienced in 2004 – and there are positive ratings about the information available about applying – but research commissioned as part of this review shows that levels of satisfaction could be improved for a service which has benefited from significant investment. We believe that Protocol provides a good platform from which to modernise the customer-facing parts of the service.

- 14 One of the principal measures of the effectiveness of the service is how long it takes for an application to be processed. The Service Level Agreements with LAs set a six-week turnaround time but 28% of LAs in England failed to meet this target in 2005. In contrast, the Student Awards Agency Scotland (SAAS), which provides the closest comparison to the service in England, has seen a continuous improvement in its turnaround times, through the use of technology and a clear management focus on changing working practices to achieve higher performance.

## Comparing local authority performance with the Student Awards Agency Scotland



- 15 The introduction of Protocol was supposed to enable online applications for students and their sponsors, offering greater convenience to customers. The Department agreed with the SLC that promoting online applications should be a key performance indicator, with a target of 10% of all students and sponsors applying online in 2005. A delay in the launch of the service has meant that just 3% of all students and sponsors are expected to apply online this year.

### **Our vision is for an online service that brings together university and student finance applications.**

- 16 Our research shows that over 75% of students want to be able to apply for student finance before or at the same time as their higher education course. Our vision is to bring together online applications for university and college with applications for student finance, irrespective of which delivery partners are providing the service behind the scenes. The review welcomes a commitment from the Student Loans Company, many local authorities and the Universities and Colleges Admission Service (UCAS), to this aim. We illustrate below what an online service could offer students.

## Mock-up of the online service for students (Illustrative)

**Directgov**  
www.direct.gov.uk Straight through to public services

**Services available**  
Select from the following options below.

**MyAccount home**

- ▶ MyAccount overview
- ▶ Personal & bank details
- ▶ Change course details
- ▶ View messages (3)

**Application Services**

- ▶ Make an application for 2000/2009
- ▶ Change application details

**Repayment Services**

- ▶ Calculate loan balance
- ▶ Repayment Calculator
- ▶ Voluntary repayments
- ▶ View payment schedule

**Other Services**

- ▶ Change password
- ▶ MyAccount Logout

**Student Finance**

**MyAccount overview**

Welcome John to your Student Finance profile.

From here you can apply for student finance, track the progress of an existing application, check your account balance and regular payments, find out how to contact us and update your existing contact, banking and course information.

Simply select from the menu options on the left to proceed ...

**Your current course is:**

BSc. Civil Engineering  
LEEDS UNIVERSITY

**Your support applications**

Academic Year	Summary Details	Status
2006/2007	Year 1 ▶ View payment history	COMPLETE
2007/2008	Year 2 ▶ View payment schedule	PAID 2 OF 3 INSTALLMENTS

**Service provided by**

Student Finance England

**Need more help?**  
For help with your Account, please click on one of the links below

- ▶ General help links
- ▶ Frequently asked questions
- ▶ Useful Contacts (if required)

**Logout Button**

**Selectable Services Menu**

**Provider Logo**

### What student finance customers want

- 17 We spent some time defining who the service should consider as its customers, drawing on workshops and consultation in reaching our view. We believe there are four groups of customers:
- potential higher education students;
  - higher education students in receipt of student finance;
  - the potential sponsors of these two groups; and
  - borrowers – students who have left higher education and have a loan to repay.
- 18 We commissioned independent research to identify the experience of these groups in using the student finance service and their expectations of the services (although we only surveyed potential HE students who applied for student support and actual sponsors). To ensure that the views of students from under-represented groups, which the Government is keen to receive a fair opportunity to enter higher education, were adequately represented we boosted the numbers of students with children or in receipt of disabled students' allowance to above the proportions found in the overall student population in our in-depth surveys. **Our work shows that customers want clear information, faster decisions, timely payments and accurate repayments.** The research findings, which are set out in full in Annex B, are not a surprise. They support the findings from more general research carried out for the Office of Public Service Reform into measuring and understanding the drivers of customer satisfaction.

- 19 A framework for assessing whether public services are customer-focused was established by the Public Services Productivity Panel report *Customer-Focused Government*. We have used elements of this framework as principles to guide our work on transforming the service.

### Principles for a Customer-Focused Service

A customer-focused service has outcome-focused objectives for each of its defined customer segments, based on an understanding of their needs. The service's performance measures are related to what customers value

A customer-focused service is designed and delivered around customer needs and interests.

A customer-focused service ensures customer feedback is captured across its service and analysed to identify issues. Action to address these is discussed with stakeholders.

Customer-focused delivery has service levels and commitments clearly communicated to customers.

### Customer-focused objectives for a transformed service

- 20 Our consultation showed that all current delivery partners are committed to providing a service that focuses on the needs of customers. This requires the overall objectives for the service to be based around what customers value. To assess whether the service has been successful at achieving these objectives, we need performance measures set by reference to customers' expectations. The table below sets out objectives, current performance and our proposed performance measures. There are further details of how the measures have been derived in Annex D1.

**Recommendation 1: Customer-focused objectives and performance measures should be adopted for the service. (2006)**

Customer Objective	Current Target and Performance	Proposed Performance Measures for 2008
<b>Clear information and excellent assistance</b>		
1 Potential students can have a personalised quote of the financial support (statutory support and bursaries) that will be available to them when considering higher education; and how they will repay.	No target. Facility for most Departmental support available. No bursary calculator. Repayment calculator is very basic.	85% of students should be able to receive an accurate online quote of the amount of financial support they will receive in higher education from the October before they apply.  100% of students should be able to receive an estimate of the repayments they will have to make, based on their expected earnings.

Customer Objective	Current Target and Performance	Proposed Performance Measures for 2008
<b>Clear information and excellent assistance</b>		
2 Excellent help for those customers who require assistance.	<p>SLC Customer Support Office (CSO) receives an overall customer satisfaction rating of 92%, with no single measure of its performance below 83%.</p> <p><i>On target in 2005.</i></p> <p>Some local authorities survey customer satisfaction; no national targets.</p>	The Department, SLC and LAs establish a benchmark for key customer satisfaction measures and a target for 2006 onwards.
<b>Faster Decisions</b>		
3 Students applying online for financial support that does not depend on household income should receive instant confirmation of their entitlement on application.	<p>Confirmation within six weeks of receipt of a fully completed application with the necessary evidence.</p> <p><i>Average processing time for all applications: 6.5 weeks in 2005.</i></p>	90% of these students should receive an accurate instant confirmation. The remainder of these students should receive confirmation of their entitlement to the same timescales as those in Objective 4 below.
4 Students applying online for financial support that depends on household income should receive confirmation of their entitlement quickly.	Confirmation within six weeks of receipt of a fully completed application with the necessary evidence.	75% of these students receive an accurate confirmation of entitlement within two weeks of application; and 90% within three weeks of application. All remaining applications processed within three weeks of receipt of a fully completed application.
5 Students applying by paper should receive confirmation of their entitlement more quickly than now.	Confirmation within six weeks of receipt of a fully completed application with the necessary evidence.	75% of these students receive an accurate confirmation of entitlement within three weeks of application; and 90% within four weeks of application receipt. All remaining applications processed within four weeks of receipt of a fully completed application.

Customer Objective	Current Target and Performance	Proposed Performance Measures for 2008
<b>Timely Payments</b>		
6 Students should be paid promptly when they register at their college or university.	SLC initiates 100% of payments within 2 working days of admission confirmation from college or university.	SLC initiates 100% of payments within 1 working day of admission confirmation from college or university
<b>Accurate Repayments</b>		
7 Student loan borrowers should repay what is due and be able to access their outstanding loan balance.	No target for borrowers with correct deductions.	% of borrowers who have the correct deductions, within specified tolerances. To be set by 2008.  80% of borrowers have correct final repayment to clear their loan.
	Information No target for accessing loan balance.	Information 100% of borrowers should be able to receive an accurate outstanding loan balance online, based on financial details they provide.
	67% of the deductions made by employers should be applied to borrowers' accounts, and a statement issued, in the October after the end of the tax year.  <i>In 2005, expect to achieve 57% by the December after the tax year.</i>	75% of borrowers should receive an accurate annual statement in the September following the end of the tax year, with 95% by the December following the end of the tax year. For tax year ending in April 2007. ( <i>Specific to current delivery model.</i> )
<b>Internal Service Objectives</b>		
Excellent information, advice and communications to customers.	No target. Annual survey measures customer satisfaction.	To improve continuously the satisfaction with information and advice.
Online applications are promoted effectively.	10% of customers complete an online application in 2005.  <i>To achieve around 3% in 2005.</i>	75% of customers complete an online application in 2008, rising to 85% in 2010.

- 21 The objectives for faster decisions above deserve a particular mention as they will represent a step-change in processing times for the service. Our research shows that 75% of new students believe it is reasonable to receive a decision on the student finance they are entitled to within 4 weeks of applying for student finance. The current target is for LAs to “process” application forms within six weeks, which can include pending the application awaiting further information. Therefore, a local authority returning a form to a customer after five weeks asking for further information would currently meet its target.
- 22 The new measures for faster decisions focus on the time from receiving the form to notifying the student of a decision, which will include periods where the form has been returned to the customer. This measure will place a premium on making sure applications are right first time – through the online application process and well designed forms – and that those customers experiencing difficulties with completing the form are offered prompt assistance and follow-up. These performance measures are used in Scotland and over 98% of forms are turned around in four weeks. The expectations of customers will change over time and so the performance measures should be kept under review.

**Recommendation 2: The objectives and performance measures for the service should be reviewed annually to ensure they keep pace with customers’ reasonable expectations. (2006)**

### **Securing value-for-money for the general public**

- 23 The cost of improving the delivery of student finance for customers must be set against the interests of the taxpayer in securing value-for-money. Through the better use of technology and eliminating inefficiencies our recommendations are designed to lead to improved service for customers and lower costs for the taxpayer.
- 24 In terms of overall costs, the most significant area is the collection of student loans. With an estimated £4.5 billion per annum in student loans to be issued by the end of the decade, it will be important to taxpayers for the collection system to be as efficient as possible, so that we minimise delays in collecting repayments and reduce the proportion of borrowers not in repayment. The current targets for collections agreed with the HMRC are very challenging and so we have not proposed increasing them further. Our recommendations for improving the collection system in Chapter 6 should help in making progress towards achieving them.

<b>Customer Objective</b>	<b>Current Target and Performance</b>	<b>Proposed Performance Measures for 2008</b>
8 The collection rate is maximised.	A collection rate of 93% is achieved by 2008.	A collection rate of 93% by 2008.

## Meeting the needs of all customers

- 25 During the review we considered the needs of particular groups of customers with similar characteristics, rather than treating all customers as if they were traditional school leavers. This approach allows the service to deal more efficiently with straight forward applications, freeing resources to be focused better on the needs of customers with more complex circumstances and requiring additional support. It is particularly important in the area of information, advice and guidance (IAG), to ensure that customers groups receive information targeted to meet their needs.
- 26 The Department has specialist grants, in addition to the main package of grants and loans, to meet the needs of particular groups of under-represented students and those that may experience financial hardship.

### Specialist Grants for 2006

#### *Disabled Students' Allowances*

There are allowances available to help disabled students with extra costs for: specialist equipment; a non-medical helper (such as a note-taker in lectures); and a general allowance. There is also support for travel costs. None of these depend on household income and do not need to be repaid and any equipment bought with the allowances usually does not need to be returned. Students apply for DSAs on a separate form to their LA and once the authority has confirmed eligibility, an assessment of the student's needs is carried out by a specialist assessment centre. The authority uses this assessment to inform its decision on the amount to award the student. The SLC pays the student or equipment suppliers directly. The DSA is received by around 27,000 (3%) full-time students.

#### *Parents' Learning Allowance (PLA) and Childcare Grant (CG)*

Full-time students who are parents with dependent children can receive a PLA and can claim CG for 85% of the costs of approved childcare up to a maximum. The amount depends on household income and does not need to be repaid. PLA is applied for using the standard application form. The CG requires an additional form to be completed with an estimate of the costs of childcare; the student must submit evidence from the childcare provider of the amounts actually incurred. The PLA is received by around 20,000 (2%) full-time students and the CG by around 7,000 (1%).

#### *Adult Dependants' Grant (ADG)*

Full-time students with an adult dependent on them financially, may be eligible for the ADG. This depends on the student's and adult dependant's income and does not need to be repaid. The ADG is applied for using the standard application form and received by around 5,000 (0.5%) full-time students.

- 27 Many of the local authorities we visited highlighted the additional help they provide to students eligible for specialist grants, particularly to disabled students through a named contact. In terms of administration, there were some concerns about the rising number of DSA claimants and the need to supply estimates of the costs of childcare in advance, followed by confirmation of actual costs. Although students eligible for specialist grants will benefit from the improvements to the main grant and loan package, these grants should not be over-looked. We believe this requires specific targets to be set for processing times and continuation of the provision of named contacts or dedicated staff for DSA applicants. In setting these targets, particularly for DSA applications, the capacity of specialist assessment centres to conduct timely assessments will need to be considered

**Recommendation 3: There should be specific targets for processing applications for specialist grants, to ensure the needs of under-represented groups are not overlooked. (2006)**

- 28 The Department announced an enhanced package of support for part-time students for 2006 as the review was concluding. There will be an increased grant to help part-time students pay fees, which depends on household income and the intensity of the course compared to a full-time course. The grant does not need to be repaid. The Access to Learning Fund, which is administered by HE institutions on behalf of the Department to respond to individual needs, will be re-profiled to distribute more funds to part-time students.
- 29 The application process for part-time students has differed significantly to that for those studying full-time, with the student having to attend college or university before being able to apply for financial support. We believe there is a strong case for similar processes and level of service to be available for both full-time and part-time students – so personalised quotations, online applications and payments at the beginning of term should be available to part-time students as well. We welcome the Department's announcement of such improvements during the review.

**Recommendation 4: Part-time students should benefit from the same improvements to customer service as full-time students. (2008)**

### **Creating a customer-focused service requires a cultural shift amongst delivery partners**

- 30 The student finance service will require a significant cultural change from leaders and managers to prioritise customer requirements rather than delivery organisations' interests or historic working practices. This is a long-term endeavour but we believe that there are straightforward changes that could help start the service moving in the right direction to meet the principles of being a customer-focused service.
- 31 A customer-focused service should be designed and delivered around customer needs and interests. Currently, the Department's Student Finance Programme (SFP) Board

requires projects to have business cases setting out costs and benefits to inform its decision making. However, these cases rarely contained more than a passing reference to the benefits and burdens to customers of the proposed changes and there is little quantification of the impacts. Consequently, projects that could reduce costs and burdens on customers, such as increased data-sharing, do not appear attractive as only the costs and benefits to the delivery organisations are included. There are well-established methods to assess the impacts of proposals on business and a similar approach to customers of the service would allow the Board to make better decisions.

**Recommendation 5: The Department develops a framework for assessing the impact of student finance delivery projects on customers and takes this into account in its decision making. (2007)**

- 32 A customer-focused service should ensure customer feedback is captured and analysed to identify issues, which stakeholders should act upon. Information about the views of customers is currently collected regularly but acting on the findings is not embedded into the ethos of the service and does not drive continuous improvement. In critical areas, such as the content and design of paper and online application forms and the preparation of advice and guidance, more attention should be paid to ensuring customers are involved in design, testing and evaluation.
- 33 Customers have a right to expect clear standards of service and information about how these are being met. The performance of both the SLC and HMRC is published in their annual reports. However, local authorities' performance against the SLA target that application forms should be "processed" within six weeks is not published. The more reflective local authority managers we spoke to were keen to see how they could improve their service by benchmarking against better performing peers. Customers should also have the information to hold their local councillors and managers accountable for performance. This information should be available through the peak processing period (April to October) rather than annually after the event, when customers can have little influence.

**Recommendation 6: Information on the performance of local authorities, particularly on processing times, should be published to allow local managers to improve their service and customers to hold authorities to account. This information should seek to compare like authorities on the basis of the types of applications they receive. (2006)**

- 34 Finally, in implementing change to meet customers' needs, it is important that customer representatives as well as delivery partners and other stakeholders are involved. For instance, the Department's SFP Board, which is responsible for programme managing student finance projects, involves representatives of delivery partners. However, there is no member with a role to champion the interests of

customers. Without this voice, there is a risk that the Board focuses inwards on delivery partners' issues rather than outwards to customers.

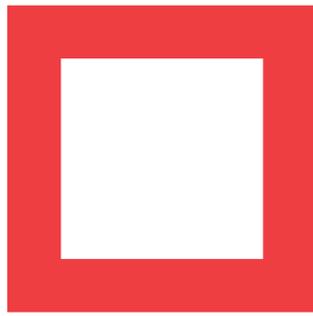
**Recommendation 7: The delivery organisations involved in the service should ensure that they have senior members with clear roles to champion the interests of customers. (2006)**

### **Student finance policy**

35 The remit of the review specifically does not cover student finance policy, as this was settled at a high level with the passage of the Higher Education Act 2004 through Parliament. However, we observed that designing policies to achieve fairness and be responsive to individuals' circumstances often led to complexity in the delivery process. An example is the requirement that students apply annually to have their financial support reassessed, in case there has been a change in household income. An initial analysis shows that less than 15% of all students have changes in their household income of more than 5% that would affect their entitlement. If this is confirmed in subsequent years, there is a case for most students to receive a three year settlement (with an annual uplift for inflation). Only those with significant changes in income would have to be reassessed.

**Recommendation 8: The Department considers whether providing most students with a three year student finance package would improve the service whilst retaining fairness and value-for-money. (2010)**

## Chapter 3



# Clear Information for Customers

With the introduction of a new student finance package for 2006, it is vital that information, advice and guidance (IAG) for customers and advisers is clear, well co-ordinated and accessible.

National IAG should be rationalised and aim to provide customers with personalised information to enable them to make informed choices about their future.

Locally provided IAG should be better supported and accessible, particularly to meet the needs of under-represented groups

### **There is a wide range of information about student finance**

- 36 The Department recognises that effective communications about higher education to potential students, their families and advisers is a vital ingredient in widening access and ensuring students make informed choices about their future. There is already a range of sources of information about higher education courses, largely through colleges and universities, and attempts have been made recently to allow students to make comparisons more easily between them. The *Improving the Higher Education Application Process* consultation paper, which looks at Post-Qualification Applications, has proposals for enhancing this comparative information.
- 37 This Chapter deals with information, advice and guidance about student finance, which is an essential element of the wider information about higher education. We cover support to customers in completing application forms and help required during the process in the next Chapter.

### Some sources of information, advice and guidance about student finance

#### *Aimhigher ... student finance*



Aimhigher operates in England on a national, regional and area basis, including a range of national projects, nine regions undertaking cross-regional activities and 45 areas where most of the planning and delivery takes place. It aims to widen participation in HE amongst those from a range of under-represented groups.

The Aimhigher programme is supported by content currently on the student portal website, to help widen participation and inform potential students about HE institutions, courses and financial matters. Road-shows are arranged nationally to provide IAG to prospective students in areas where the Department want to widen participation. At a regional and local level, advisors offer a range of services, advice and guidance to prospective students.

#### *Department for Education and Skills*



The Department produces a set of booklets aimed at prospective and current students which are distributed through the SLC, LAs, HEIs, UCAS and other stakeholders. It commissions advertising campaigns on television, radio and in magazines to raise awareness of student finance and direct prospective students and their families to the [Direct.gov.uk/studentfinance](http://Direct.gov.uk/studentfinance) and other websites for more information. The Department also provides a helpline for students, student advisors and LAs. This is currently run by the Student Finance team in Darlington. This function will be transferring to the SLC from April 2006 but will remain based in Darlington.

#### *Direct.gov.uk/student finance*



The Department launched the Student Finance section of the [Direct.gov.uk](http://Direct.gov.uk) portal in September 2005. Presently, this provides general guidance on the student finance available and how to apply. Eventually, the Department and the SLC intend to transfer all their customer facing web based information to this portal and the SLC will take over management of its content in accordance with a Service Level Agreement. The site currently refers people to the [studentfinancedirect.co.uk](http://studentfinancedirect.co.uk) website to make an application.

#### *Need2Know.co.uk*



The Need2Know.co.uk website was set up by the Department in 2003 to target all 13 to 19 year olds with a 'first stop shop' portal for information on virtually every aspect of a young person's life. The 'money' section of this portal includes pages explaining what student finance is available and how to apply, giving guidance on opening a student bank account, detailing changes to the fee regime in 2006 and offering budgeting advice.

*SLC Customer Support Office (CSO)*

The SLC CSO answers queries from customers who are trying to complete applications or have submitted applications. They are able to tell students what they need to do to apply and track applications. Any questions on eligibility or entitlement are referred to the relevant local authority.

*Universities & Colleges Admissions Service (UCAS)*

The UCAS website is the most frequently accessed educational website in the UK. Most prospective students applying to enter higher education do so through UCAS. As well as administering the applications process, UCAS provides information, advice and guidance for prospective students. The website has a database of all current courses run by their member institutions, giving details of the course and the institution, entry requirements and available bursaries. The website has links to other useful websites including the Department's website, the SLC's website and the website of each of their member HE institutions.

*Local authorities*

Local authorities provide information about student finance through talks to prospective students, phone lines, dealing with in person queries and, in some cases, by producing their own leaflets and other promotional materials. These are discussed below.

*Colleges and universities*

Universities and colleges offering higher education provide information on student finance to prospective students in a variety of ways which vary greatly across institutions. Many offer advice to prospective students through talks and stalls at open days, information in their prospectuses, on their websites or through their student finance advisers.

- 38 The Department has recently launched a campaign to reassure and inform students about the arrangements for 2006, based on research into the views of customers. Colleges and universities will also be promoting the student finance packages they have on offer to applicants. Having increasing numbers of partners involved in providing information should help the message reach a wider range of customers but it does carry the risk that information might be incorrect or there are conflicting messages. Given the importance of IAG, these risks need to be minimised through having clear and coherent communications.

**Rationalising national information**

- 39 The Department, SLC and Aimhigher are in discussions about migrating all higher education information, including on student finance, to Direct.gov.uk, which will help present a single authoritative gateway to information and advice for customers.

However, the aim of having a single “shop-front” has not clarified the respective roles of the national bodies – the Department, Aimhigher Student Finance and the SLC – in providing information and advice. There are four national telephone numbers for information on student support, with different call charges. We believe this is confusing to customers and cannot be the most efficient use of resources. Rationalising IAG will improve the consistency of information provided across delivery partners.

**Recommendation 9: The Department should continue to rationalise sources of information, advice and guidance on student finance. (2008)**

### **Creating a student finance brand**

40 “Student Finance Direct” (SFD) was intended as the national brand to encompass the application, assessment and payment process. However, this is complicated by the role of local authorities, where nationally generated correspondence and locally generated IAG use authority logos. The Department is currently undertaking a ‘brand architecture review’ into its brands to ensure their effective control and management, which we welcome and do not intend to pre-empt its findings. We do believe, however, that creating a student finance brand is about more than the logos used; it is about having a clear vision for the service, identified target customers and services which meet their needs.

**Recommendation 10: A new customer-focused student finance service should have a clear brand identity. (2008)**

### **A personalised quote of support available**

41 National IAG is important in setting out for customers the overall package of financial support available. However, students will want to have information targeted to their particular circumstances. There are positive ratings from students for the Department’s main publication on applying for student finance but local authorities and HE institutions responding to our consultation were less content, arguing for more targeted information. We believe that better targeting is important and the ultimate goal must be personalised information.

42 There is currently an online calculator, which provides a quote for most full-time students of the financial support that will be available to them. Latest figures for 2004 show around 13% of students made use of this facility. The introduction of institutional bursaries as a significant feature of student finance means that if students are to make a well-informed choice, they need to be able to compare what is on offer at institutions. We welcome the agreement that UCAS and SLC is seeking to reach on allocating respective responsibilities for information on bursaries, with UCAS providing general information on institutional and course bursaries (which is already available on its site) and SLC providing a calculator within Directgov showing what an individual student could expect to receive. We recognise that there is a wide range of criteria in determining the amount of bursary and it will be difficult to code some of these.

A pragmatic approach should be adopted to what is included and the lack of complete coverage should not prevent this valuable tool for students from being developed.

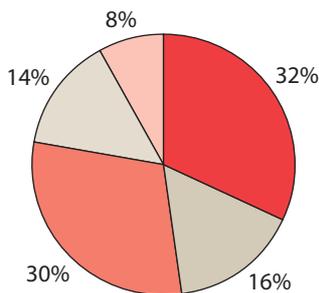
**Recommendation 11:** We welcome plans for the current online calculator to be enhanced to include bursary information, which will allow customers to compare financial support at different institutions and on different courses and receive a personalised quotation of the finance they could receive. (2007)

**The role of local information, advice and guidance**

- 43 For students at school or college who are considering higher education, research indicates the three key sources for finding out about financial support are: teachers; local authority talks; and friends and relatives. In addition to these, sponsors are also likely to find out about financial support through colleges and universities and being told by their son or daughter. We surveyed local authorities and 80% of those responding used presentations to schools and colleges for providing IAG on student finance.
- 44 Colleges and universities also play an important role in promoting student finance through the information they provide to prospective students and their families using a variety of channels, such as open days, out-reach programmes, prospectuses and websites. The introduction of widespread HE bursaries is set to increase the role of institutions in student finance substantially. Over £300 million will be distributed by institutions to students, either directly or through a bursary administration service provided by the SLC.

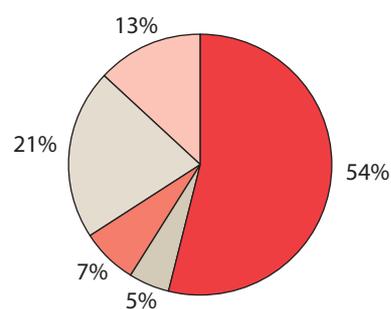
**Local authority promotion of student finance**

**Of those that give presentations - which schools do you visit?**



- All Schools (inc. Indp. Schools)
- All State Schools
- Most Schools
- Some Schools
- No Schools

**Of those that give presentations - which FE colleges do you visit?**

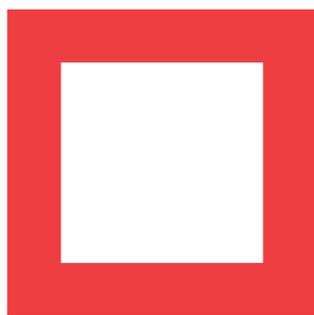


- All FE colleges
- All 'sixth form' colleges
- Most FE colleges
- Some FE colleges
- No FE colleges

- 45 We believe that a local presence to promote the student finance package and assist customers requiring face-to-face support in completing application forms (which we cover in the next Chapter) should form part of the service, as it widens choice for students and sponsors.
- 46 Research shows that independent students – those typically over 25 years old or with children – are dissatisfied with the amount of information they receive, with over a third saying it was not straightforward to find out about financial support. Only half of local authorities seek to reach this group at present. We suspect that part-time students are also difficult for local authorities to reach. These potential students might see the college or university they want to attend as an obvious place to seek information about student finance, alongside course information. The National Association of Student Money Advisers (NASMA) and the Association of Managers of Student Services in HE (AMOSSHE), which represent student advisers, believe HE institutions should play a greater role in this area.

**Recommendation 12: Colleges and universities should be supported in playing a greater role in providing information to potential students on student finance matters. (2006)**

## Chapter 4



# Meeting Customers' Expectations for Faster Decisions

Our vision is for a modern online service that brings together seamlessly applications for higher education and student finance and meets customers' expectations.

We could make a significant step towards this vision and achieve faster decisions for customers through better data-sharing; a re-designed business process; addressing inefficiencies in the processing of applications; and encouraging online applications.

There will be a continuing need for paper applications, the handling of paper evidence and support for customers during the process and these should be improved.

The investment required to transform the service will be paid for through greater efficiencies, resulting in better value-for-money, and create a service better able to meet future challenges.

## **A modern online student finance service will achieve our objectives for customers – a long-term vision**

47 Our vision is for a modern online service that provides a single point for higher education and student finance applications. Data-sharing with UCAS, the UK Passport Service and HM Revenue and Customs and acceptance of the application form electronically without the need for a signature on paper would allow a completely online service for most students, who could receive an instant assessment of their entitlement.

48 There are barriers to achieving this vision, which the Department should seek to address. Firstly, the annual cycle for UCAS applications starts in September whereas students can only apply for finance in February or later. To align these would require significant changes requiring policy and regulations to be decided a year in advance and the online application to be available in September.

**Recommendation 13: The Department should change its timetable for finalising policy and regulations to enable online applications for student finance to be made alongside applications for college and university. (2008)**

49 The second significant barrier is the need for signatures, where we are advised that removing paper signatures from applicants would increase the risk that a student claims they did not provide the information on the application or agreed to the terms and conditions of their grant or loan. This is despite there currently being no verification of the signature supplied. If the Courts hold that loan agreements are legally binding with an online rather than paper signature and following a risk assessment, we believe the requirement for a paper signature should be removed and the systems and processes suitably enhanced.

**Recommendation 14: The Department should keep under review the need for paper signatures from applicants, with a view to removing the requirement as the legal position is clarified. (2008)**

50 The third barrier is requiring applicants whose financial support depends on household income to wait for sponsors' income details after the end of the tax year. This means they are unable to apply until May. If sponsors could use previous tax year's financial information this would enable alignment with the UCAS application cycle and allow employment income to be verified with HMRC. This would remove the need for sponsors to supply paper evidence of employment income and would reduce risks, as the P60s currently provided by sponsors are not completely fraud-proof.

51 Even with these changes, some sponsors would still need to supply paper evidence of other income, principally bank and building society interest. However, if the student finance means-test were aligned with that used for working and child tax credits, then sponsors could use that assessment for the purposes of student finance. This has the

advantage of removing the need for evidence of other income in most cases, greatly simplifying the process for sponsors. The Learning and Skills Council and the Assessment and Payment Body administering Education Maintenance Allowances (EMA) are considering arrangements for verifying income data with HMRC. There may be scope for the Department to link any work in this area with them.

**Recommendation 15: The Department considers allowing previous tax year's financial information to be used, to allow applications to be made earlier and opening up the possibility of verifying the information with HMRC. (2008)**

- 52 Finally, to make the experience seamless for the customer, a single user login and password for both UCAS and student finance should be an aim. This could ultimately become part of a single ID/login for online public services more generally. The best outcome for customers would be a single site, with consistent design, for applying for higher education courses and student finances. UCAS is independent of the Government and therefore any closer collaboration would have to proceed by negotiation and agreement, recognising the value of the UCAS brand and the Government's own ambitions for Direct.gov.uk.

**Recommendation 16: The Department should aim for a seamless service for customers in applying for higher education and student finance. (2008)**

### **An online service that delivers faster decisions for customers**

- 53 Despite the barriers to achieving our long-term vision, we believe that there are significant improvements that could be made to the current online service that will deliver the customer-focused objectives we proposed in Chapter 2, particularly for faster decisions. These improvements work within the current framework and will offer the following benefits to customers:
- a. *online identity check*: removing the need for most customers to supply evidence of their identity and country of birth, such as their birth certificate or passport, through data-sharing with the UK Passport Service. This will reduce the burden on customers in supplying documentary evidence; reduce the costs and risks of passing documents through the postal system; and counter false documents being used;
  - b. *instant assessments*: for most students applying online whose financial support does not depend on household income, the online identity check and data-sharing with UCAS will allow an instant assessment. Where a student has not decided the course they wish to take and prefers a generalised assessment, this could also be provided. This would reduce the time to inform most of these students of their entitlement from six weeks to zero;
  - c. *substantially reduced processing times*: students should wait on average less than two weeks, and no longer than four weeks, for notification of their entitlement; and

d. *streamlining re-assessments*: when there are the most common changes in students' circumstances, such as course transfers, the re-assessment could be automated.

- 54 There are four key elements required to deliver the new service: better data-sharing to reduce significantly the burden on customers in providing evidence; a re-designed business process; addressing the inefficiencies in the processing of forms; and encouraging online applications. The approach we have adopted is to simplify the process for as many customers as possible, whilst recognising the needs of customer groups that may experience difficulty and require assistance. We have also balanced the benefits of simplification of the process for customers with the need to ensure the risk of fraud and error is minimised. The use of data-sharing in particular provides independent verification of the information supplied by customers and improves our confidence that the system is secure.

#### **Data-sharing with the UK Passport Service (UKPS) and UCAS to reduce the burden on customers and improve security**

- 55 The current application process requires new students to prove their identity and establish residency by supplying a birth certificate or passport before their application is processed. Local authorities we visited say that a significant proportion of forms – over 30% in some cases – are returned without this evidence, causing delays in processing. UKPS could offer a real-time check of an applicant's UK passport number, which enhances the security of the application process and reduces the cost and burden on the customer in supplying evidence. The Department has in principle agreement from UKPS to provide this verification service, subject to meeting security standards. Where the applicant does not have a UK passport or does not want to allow verification online, they would not be treated differently from now and have to submit paper evidence of identity and residency. Similarly, there would be no requirement for a student finance applicant to use UCAS.
- 56 The SLC is in the process of reaching agreement with UCAS for online student finance applications in 2007 to be pre-populated with information that a customer has already supplied to UCAS, reducing burdens on customers. The link with UCAS would also overcome a significant problem with the current application process – most students have to apply before they know which course they will attend and then may have to be re-assessed for “transferring” course once their place is confirmed by UCAS or through clearing. New students should be able to ask for an assessment that is not course specific and their notification would set out the amount they would receive at an institution in and outside London for a standard length course. Once UCAS confirms courses for these students, and for students attending a course other than that initially stated, this would automatically feed through into their student finance assessment and final notification.

## Mock-up of online application for new students (Illustrative)

Directgov www.direct.gov.uk Straight through to public services

**Step by step**

Follow our step by step process to help you fill in this form quickly and accurately.

- Before we begin ...
- Fill in application
- Detailed summary
- Confirmation

**Your basic details**

- Your residence
- Your bank details
- Your previous study
- Your loan request
- Your finances
- Your family's finances

### Student Finance

#### Online application (2008/09)

Welcome to the start of the online application process.

As you can see below, some fields have already been pre-populated with information we already know about you, and although this should help speed up your online application, we highly recommend you review these fields to make sure they reflect your most most up to date information.

**Your basic details**

UCAS Student No:

Your Full Name:

Your Home Address:

Your Date of Birth:

Your Home Phone No:

Your Mobile Phone No:

Your Email Address:

[Click here to edit this information](#)

Please fill out the fields accurately and click 'Next' to proceed.

← Previous
Save & Close ✕
Next →

Service provided by

**Need more help?**

For help with your application, please click on one of the links below

- ▶ [General help links](#)
- ▶ [Frequently asked questions](#)
- ▶ [Useful Contacts \(if required\)](#)

Standard Intro Text

Pre-populated from initial registration

Directgov www.direct.gov.uk Straight through to public services

**Step by step**

Follow our step by step process to help you fill in this form quickly and accurately.

- Before we begin ...
- Fill in application
- Detailed summary
- Confirmation

**Your residence**

- Your bank details
- Your previous study
- Your loan request
- Your finances
- Your family's finances

### Student Finance

#### Online application (2008/09)

Below asks for details concerning your nationality, country of residence and any passports you currently hold.

UK national applicants without a current passport will need to include a copy of their birth certificate with their completed application. Non-UK nationals will need to include their passports and any other relevant immigration documents with their completed application.

**Your residence**

Were you born in the UK, the Channel Islands or the Isle of Man?  Yes  No

Have you always lived in the UK, the Channel Islands or the Isle of Man?  Yes  No

Do you currently hold a valid UK Passport?  Yes  No

Your Passport Number:  [▶ Help](#)

This is an example of **field specific** pop-up help, which ideally should be short, sharp and to the point. [▶ Close](#)

**Passport Information entered on this form will be shared with the UK Passport Service to verify your identity.**

Please fill out the fields accurately and click 'Next' to proceed.

← Previous
Save & Close ✕
Next →

Service provided by

**Need more help?**

For help with your application, please click on one of the links below

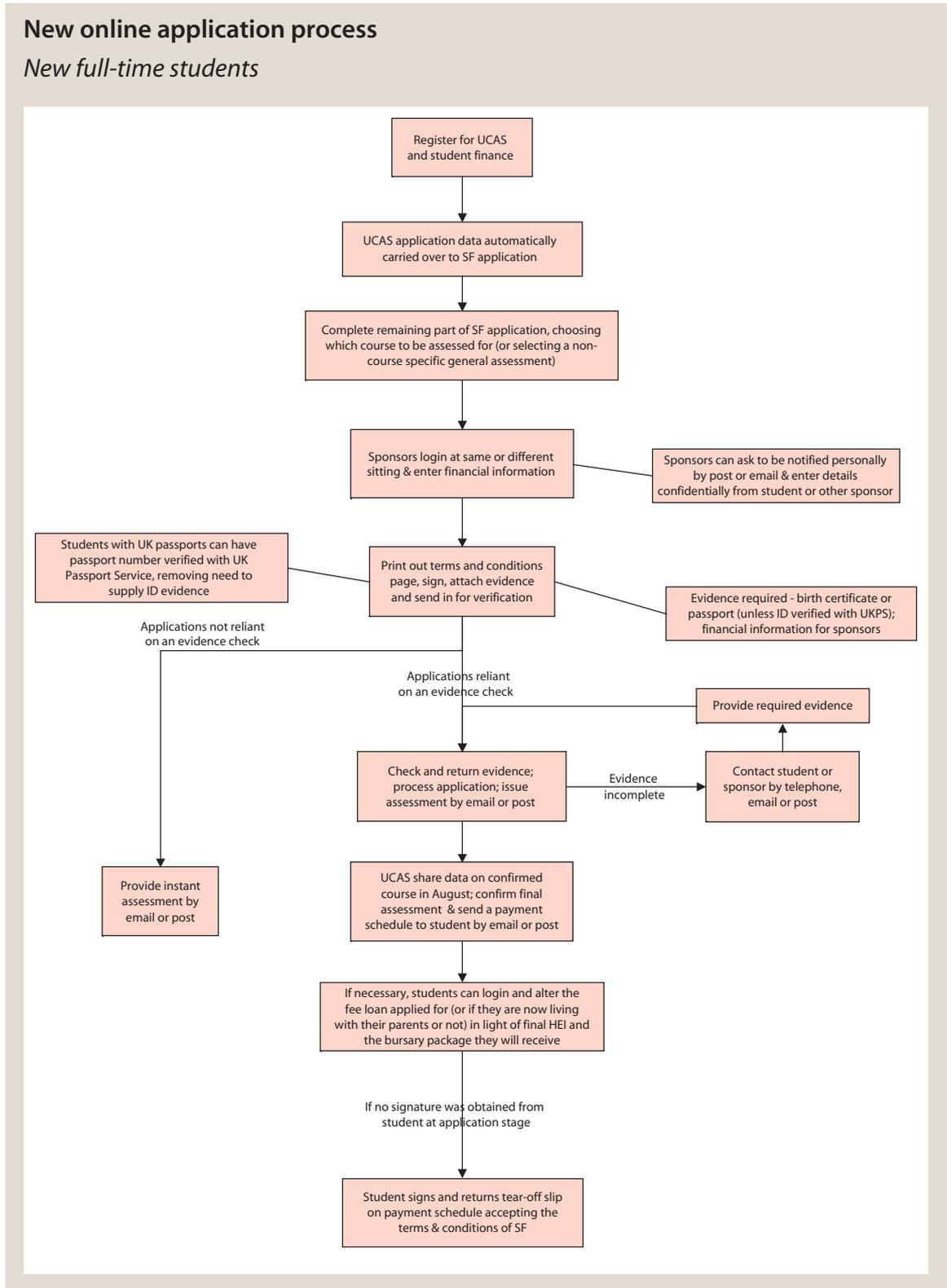
- ▶ [General help links](#)
- ▶ [Frequently asked questions](#)
- ▶ [Useful Contacts \(if required\)](#)

Transaction Trail

Standard Form Title

## Re-designing the business process

57 The main elements of the re-designed business process are set out below.



*Continuing full-time students*

The process for continuing students has been streamlined in recent years, which the review welcomes. The underlying process, which is set out in Annex A, could be improved by encouraging continuing students to go online to renew their support. This will require the benefits of online renewal to be promoted as most currently prefer paper applications.

*Part-time students*

With a major increase in support for part-time students in future, with grants of up to £1375, we believe they should have access to the same online application facilities as full-time students. The burden on a student to get their paper application form stamped by their college or university should be replaced by the SLC seeking the attendance confirmation from the institution, which could be done electronically.

*Applications for Disabled Students Allowances (DSA) and the Childcare Grant*

The DSA and Childcare Grant are specifically tailored to individuals' needs and there is limited scope for efficiencies through greater automation of these grants.

- 58 We have re-designed the business process to take full advantage of data-sharing and automation to improve the customer experience. One final change is allowing students and sponsors to complete the form in one sitting. We propose that once a student has completed their parts of the online form, sponsors should be able to enter their login details and complete their parts and any income evidence required could be sent off in one envelope. Of course, where a sponsor does not want to reveal information to the student or other sponsor there should be the facility to file confidentially, as there is on the paper application (although this is rarely used).
- 59 Some students will want to alter the amount of loan they want to pay fees or for maintenance, once they know the college or university they will be attending. They would be able to alter this online and receive a final notification before turning up to their institution.
- 60 We have focused on the online application process for new students. However, most students are continuing students and there is the potential to remove paper applications for them by promoting online renewal. The SLC has proposed "one-click re-apply", a concept the review supports and would be possible for the 35% of continuing students who do not require an income assessment. For continuing students receiving means-tested support there will remain a requirement for sponsors to confirm income, although this could be done online, supported by a risk-based

sample check to confirm these details. However, the requirement for continuing students to provide a signature means the process could not be made fully online.

**Recommendation 17: A modern online student finance service is implemented to achieve our objectives for customers, through better data-sharing and re-designing the business process. (2008)**

### Addressing inefficiencies in processing

61 In analysing the key inefficiencies in the process, the review visited 16 local authorities and considered the independent Gartner review of Protocol. The Deloitte consultant in the review team adopted a “lean engineering” approach to process improvement, which is set out in the table below. The table sets out “Deadly Wastes” in the processing of applications and recommendations to address these. As most could be taken forward immediately, they refer to the present delivery partners.

Observation	Proposed solution
<b>1 Excessive motion: chasing or searching for information</b>	
A significant percentage of new customers need to be chased, around 30%, because the form is incomplete or evidence is missing. In some urban authorities it is even higher. This results in additional correspondence and communications with students and sponsors to chase up the missing details or documentation, causing extra work.	The online application process would ensure complete forms and the use of data-sharing with UKPS would remove the need for most applicants to post identity evidence. Improvements to the paper application form are set out later in this Chapter.
<b>2 Waiting time: time wasted by waiting for information or approval</b>	
Having to wait for additional information or evidence from applicants holds up the processing of their applications.	As above.
Protocol is an Internet-based system and some LA users complained about slow response times in using the system to process and approve applications. Gartner’s review showed that where response times were slow, this was more likely to be caused by the infrastructure at the LA rather than problems with Protocol. However, there are issues with the capability of the system to process more complex cases.	<b>Recommendation 18: Where LA users report problems with the system, they should receive feedback about the action taken. In turn, where they persistently experience slow response times, they should review their own local infrastructure. (2006)</b>
The functionality to allow Protocol to process applications where financial support depends on household incomes was released late in 2005, causing backlogs at LAs.	The Department’s Student Finance Programme Board has reviewed the cause of the late release of functionality and learnt the lessons.

Observation	Proposed solution
<h3>3 Overly elaborate processes</h3>	
<p>The paper application form is complex, particularly in relation to the financial information required from sponsors: 17 boxes per sponsor need to be completed and evidence supplied. Some LAs take a risk-based approach to deciding when to accept blank boxes as being “nil” and when to accept non-employment income without evidence. Other LAs apply the instructions on the form in full, requiring all boxes to be completed and evidence supplied in every case. This difference in approach will be a cause of some of the variation in the processing times achieved by authorities.</p>	<p><b>Recommendation 19:</b> The Department should specify more clearly the risk-based approach that should be adopted in requiring the full completion of application forms and the supply of evidence, particularly in relation to financial information. (2006)</p>
<p>The discretions given to LAs in the student finance regulations can also lead to significantly different assessments for people in the same circumstances. For instance, in calculating the income that should be used in the means-test for childcare grant, the regulations allow any financial commitments that a student has before the start of a course that will continue to be paid during the academic year to be taken into account. This means that a LA manager could decide to allow payments on a bank loan for a holiday, a subscription to digital television, all utilities bills and any insurance (such as pet and private medical care) as deductible. Alternatively, the manager may decide they are not reasonable. This difference of view could make a significant impact on the support the student receives</p>	<p><b>Recommendation 20:</b> The Department should review discretions given to local authorities in student finance regulations. (2006)</p>
<p>The functionality to allow Protocol to process applications where financial support depends on household incomes was released late in 2005, causing backlogs at LAs.</p>	<p>The Department’s Student Finance Programme Board has reviewed the cause of the late release of functionality and learnt the lessons.</p>
<h3>4 Unnecessary processing time</h3>	
<p>With each local authority manually entering data from application forms onto Protocol and checking and returning evidence, there is a significant amount of unnecessary processing time. In Scotland, SAAS use Optical Character Recognition technology to read the data from application forms and all paper evidence is scanned.</p>	<p><b>Recommendation 21:</b> Where manual data entry and paper evidence checking is required in future, it should be done centrally to allow new technology and economies of scale to be achieved. (2007)</p>

Observation	Proposed solution
<b>5 Defects in the system</b>	
<p>A recurring theme from visits to LAs was dissatisfaction with the correspondence to customers generated from Protocol, for instance informing them that further evidence is required. LAs were writing their own letters to customers, to bypass this defect. LA managers have reviewed the correspondence with the SLC to improve its clarity but the changes will not be implemented in 2006 due to other SLC priorities.</p> <p>We have already noted the defects in the paper form, causing high levels of incomplete applications according to LAs.</p>	<p><b>Recommendation 22:</b> For most customers, the correspondence they receive is their prime contact with the service. There should be adequate priority given to improving the clarity and usefulness of correspondence generated by Protocol, drawing on the views of customers. (2007)</p>
<b>6 Excessive resources: resources do not respond to meet demands or are not used effectively</b>	
<p>Many LAs did not segment applications, so experienced assessors were used to process both straight-forward applications and more complex ones, leading to an inefficient use of resources.</p>	<p><b>Recommendation 23:</b> The way LA work is organised and staff managed and deployed should be reviewed to seek greater efficiencies. (2006)</p>
<p>In the LAs we visited, there were significant variations in staff resources – one had 450 applications per staff member, another had 700, despite having a similar profile of applications. Daily targets for staff varied from dealing with 8 applications per day to 25.</p>	<p>Recommendation as above</p>
<b>7 Unnecessary hand-offs: passing work to others for unnecessary checking or approval</b>	
<p>The Department recommends that 10% of assessments should be checked prior to approval and many authorities follow this or adopt a risk-based approach, ensuring that more complex assessments or those assessed by less experienced staff are over-sampled for checking. We visited several authorities where there is 100% re-checking throughout the process: assessors re-check data entered by clerks; assessors check the work of fellow assessors; and those approving re-check the work of assessors. The principle of “right first time” appears absent, which can lead to a lack of personal responsibility for staff and inefficient use of the resources of experienced assessors.</p>	<p>Recommendation as above</p>

## Encouraging online applications

- 62 For the service to deliver faster decisions to customers, online applications must become the norm. The key to encouraging online applications for student finance is through linking with UCAS, which has successfully become an online service. Over 85% of full-time student finance applicants use UCAS to apply for higher education and this link would provide a seamless experience for the customer. In setting performance measures for the service, we have incorporated incentives for online use, such as receiving an assessment immediately for students who do not need to supply financial information and a faster processing time for other students than if they applied on paper. These benefits should be promoted widely. We welcome the SLC's commitment to upgrade its online service to comply with internationally recognised standards for accessibility for disabled users.
- 63 It will be more challenging to achieve high online take-up by sponsors than by students. This year just 0.15% of sponsors used the online facility and a third of parents surveyed said that they would not use an interactive form. However, there are positive signs that it could be achieved. Of the reasons parents gave for not using the interactive form, less than 40% (so only 14% of sponsors overall) said the reluctance was due to a lack of access or skills in using the Internet. The other reasons – easier or quicker to complete on paper; the ability to stop and start; and security concerns – could be overcome by an effective, secure online service and better communication. The review looked at the success in the United States of encouraging online applications for federal student aid.

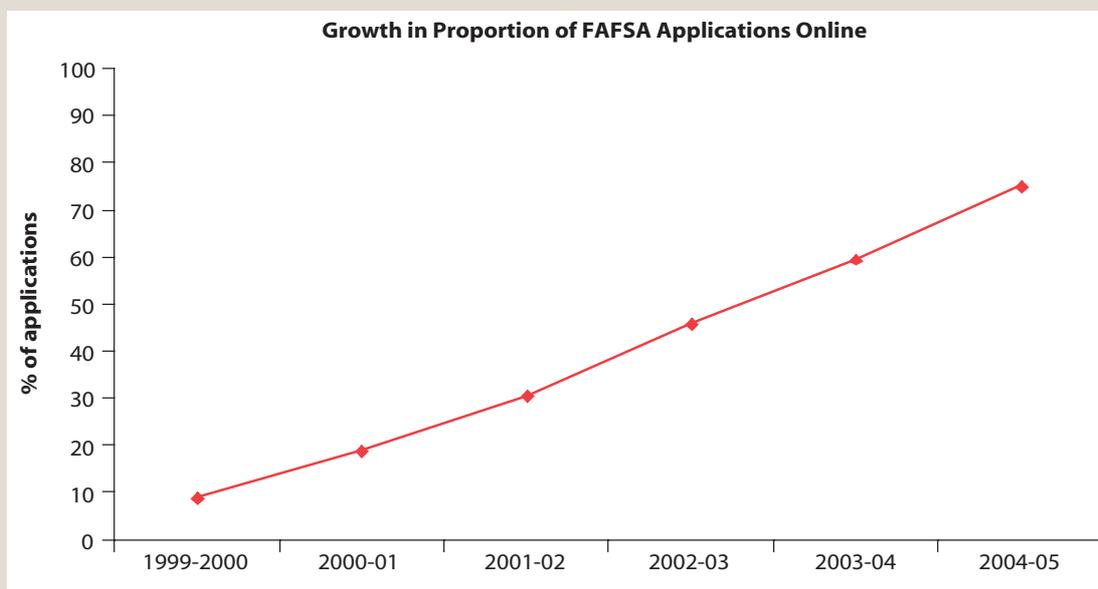
### Free Application for Federal Student Aid (FAFSA) in the United States

The United States Department of Education's Federal Student Aid office administers the government's federal student financial assistance programs and provides \$74 billion, receiving over 14 million FAFSA a year.

A significant achievement is the acceptance of the online FAFSA via "FAFSA on the Web" as the preferred method of completing the FAFSA. Almost 85% of all FAFSAs are now filed electronically (in 2005/06). Federal Student Aid has a clear goal to process applications online as it offers better service and greater convenience and faster processing for applicants, whilst reducing processing costs and the need to correct applications.

Federal Student Aid contracted with Pearson Government Solutions and designed, developed and deployed FAFSA on the Web ([www.fafsa.ed.gov](http://www.fafsa.ed.gov)) and the PIN registration site ([www.pin.ed.gov](http://www.pin.ed.gov)) to allow applicants and parents to sign their form electronically. There has been a year-on-year programme of improvement to the functionality offered by the online service, based on customer feedback. To supplement the online FAFSA and provide additional information on federal student aid, funds have been used to develop over 50 million financial aid booklets, brochures and posters for libraries, schools and colleges encouraging the use of FAFSA on the Web.

The paper FAFSA is processed within 3.1 days, whilst the electronic FAFSA is processed in less than a day. (A significant difference with England is that there is no need to supply paper evidence at this stage.) The FAFSA application is similar in complexity to that in England, as completion requires household income details from sponsors.



The online service offers customers help text and frequently asked questions (FAQs); real-time online live help with a customer service representative (useful for those using a single phone line to dial-in); e-mail; and a helpline. Customer satisfaction is high with FAFSA on the Web receiving a satisfaction rating of 81 on the independent American Customer Satisfaction Index (ACSI). This compares with an average of 72.1 for federal government as a whole and an average score of 74.3 for all sectors in the United States. FAFSA on the Web has received world-class customer satisfaction scores exceeding most public-sector benchmarks and comparing favourably to such private sector brands as Amazon.com, Google and Expedia.

### **There will be a continuing need for paper applications and processing of paper evidence and the handling of these should be improved**

- 64 Our vision is for an online student finance service. However, there will remain a need over the next few years for paper application forms and it is important to address the reasons why authorities advise that over 30% of forms are returned incomplete or without the necessary evidence. There is clear best practice in form design, which follows from a 2003 National Audit Office report on Difficult Forms. We believe that there are simple changes that could improve the usability of the application forms, which we set out in Annex D and will also apply to the online application process.
- 65 The SLC, which has taken over responsibility for applications forms from the Department, should involve customers in form design, testing and evaluation. Given that incomplete application forms are a significant cause of processing delays – and are annoying to customers – there must be clear performance measures on those designing forms about the proportion that are returned incomplete. From our visits to local authorities, it appears that vulnerable students are the most likely to return forms incomplete and are impacted disproportionately by poor form design. Our research also shows that simpler, shorter and easier forms are the most suggested improvement to the service by students and sponsors.

**Recommendation 24: The service should follow best practice in form design, ensuring that customers are involved in design, testing and evaluation. (2007)**

### **Support for customers that require it should be improved**

- 66 Depending on the future delivery model for the service, there are various options for ensuring that support is available for customers that require it. In the short-term, there are improvements that can be made to the present arrangements. There are two principles that should underpin improvements to support for customers. Firstly, customers should find the process so simple that they do not need assistance; this means being aware of what causes customers' problems and seeking to address these. This will be through clearer information and communications, better designed processes which are easier to understand and fast response times to remove the need for progress chasing by the customer. Secondly, where customers do require assistance they should be channelled effectively so that they can receive an accurate and timely response.

**Recommendation 25: The service should identify systematically why customers require assistance and, where this is due to weaknesses in the service, seeks to address the causes. (2006)**

- 67 Customers are expected to contact the SLC's Customer Support Office (CSO) for assistance in the first instance, with enquiries relating to an individual assessment being the responsibility of the local authority. To achieve a customer-focused service, there

needs to be a step change in the performance of the CSO. In a survey relating to 2004, 38% of students rated the overall help service as poor or fair, with 49% saying the speed of getting an answer to an enquiry was also poor (22%) or fair (27%). Nearly 20% rated the tone of the reply as poor. We compared the SLC internal target for time to answer calls with that set by other public service organisations. The targets across a range of organisations are for 85-100% of calls to be answered within 20-30 seconds. We believe there is scope for improvement in SLC's internal target of 87% of calls to be answered in 60 seconds. With the CSO receiving over 4 million customer enquiries a year, this area should be given greater priority. Nearly all authorities we visited cited instances where the CSO had given incorrect or inappropriate advice but when pressed it often related to one-off instances rather than a common pattern. In the short term it is important that misunderstandings between the two delivery partners in this area are resolved.

- 68 There are simple techniques, such as "mystery shopping" (where the accuracy and quality of the response are tested by an independent third party) and having a benchmarked portfolio of performance measures, which could be introduced to better monitor performance.

**Recommendation 26: The SLC should attach greater priority to ensuring continuous improvement in the service offered by the CSO and establish a written agreement detailing the types of calls which the CSO should answer and those which should be passed to LAs. (2006)**

- 69 We found many examples of good customer assistance provided by local authorities during our visits, for instance one geographically large local authority had arranged for local library staff to be trained to offer assistance with the completion of forms and check evidence in customers' locality, avoiding the need to travel long distances. Many authorities also ensured that disabled applicants and those with children were given greater assistance in applying for DSA and the Childcare Grant.
- 70 However, representative organisations for students said that performance between authorities was variable in terms of availability, responsiveness and helpfulness. The Department's annual survey of customer satisfaction does cover LA customer services but it is aggregated across authorities, averaging the performance between high and low performers. The Service Level Agreement with LAs requires that telephone advice and guidance should be available between the core hours of 9 am and 4.30 pm on "local" working days and, to be meaningful, this must be monitored. Ideally it should be enhanced to include the timeliness of responding to calls and the quality of the customer experience. It is important that all assistance to students – whether from LAs or SLC – should be monitored and improved. We recognise that responding to telephone calls is just one aspect of the service provided by authorities but using

“mystery shopping” for a rolling sample of LAs would improve transparency about the performance of the service.

**Recommendation 27:** The Department should enhance the requirements for LA assistance in its Service Level Agreement to include customer satisfaction and performance against this should be monitored. (2006)

### **Who should deliver local assistance to customers**

71 There is a range of options for how local assistance could be delivered. The *Youth Matters* Green Paper proposes a specific role for local authorities to improve advice for young people up to age 19. This could be through the use of existing agencies, such as the Connexions Service, or commissioning alternative providers. The local LSC partnerships already have a role in the promotion of Education Maintenance Allowances for 16 and 17 year olds and some LA student support managers engage with this. There are also area-based partnerships under the Aimhigher programme, bringing together schools, colleges and universities, which seek to widen participation for 18-30 year olds. We envisage local assistance will involve offering customers facilities and help in completing applications online, answering questions where customers want face-to-face support and discussing the evidence required that will demonstrate that a student under 25 is financial independent or that the children of a migrant worker are eligible. Where responsibility should lie locally will depend on the future delivery model chosen for the whole service. Recommendation 12 suggests that universities and colleges offering HE should play a greater role, particularly for mature and non-traditional students.

**Recommendation 28:** The service should retain local assistance to customers. (2006)

### **These changes will deliver efficiency savings and put the service in a better position to cope with possible future developments.**

72 We estimate that the administration costs of the student finance service (excluding collections) in England are around £50 million per annum, of which local authorities account for around £30 million and the SLC £14 million. The remainder is Departmental costs for processing EU loans and communications. The unit cost of the service is around £60 per application. This compares with the cost in Scotland of around £40 per application (adjusted to allow a comparison). A detailed breakdown of costs is set out in Annex A3.

73 We believe that the costs of an excellent online service, with data-sharing with UCAS and UKPS to enhance customer experience, and improved customer assistance for those requiring it could be met from efficiency savings by local authorities. Less than 60% of applications should require assessor input, and with more authorities following best practice in processing and the management of staff, we estimate that between

£13 and £20 million *per annum* could be saved. This is set against the one-off costs of developing our vision of an online service of between £10 and £15 million, which would be spread over 2-3 years. In Chapter 8 we set out details of the costs of implementing our recommended changes.

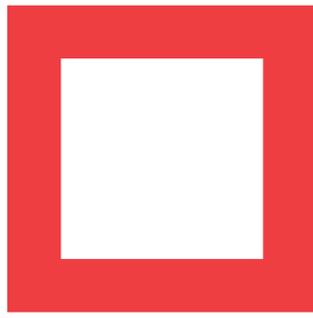
### Positioning the service to cope with future changes

- 74 We have re-designed the process to be far more flexible than at present and we believe that there is no need for application deadlines. Customers are currently told that they must apply by deadlines which bear no relation to the current six week processing target set for local authorities. For instance, applicants seeking support not dependent on household income were given a deadline of 29 April, which is up to 21 weeks before the start of term. There is no explanation of the implications of missing a deadline, which could concern students; and little publicity that any student applying six weeks before the start of term should have an expectation of being paid on time. NASMA, AMOSSHE and the Association of Colleges were all critical of the treatment of late applicants by some authorities who neglected their needs. In Scotland, there are no deadlines, only published processing times of up to 4 weeks. The service should use intelligent promotion and communications to ensure that there is a steady flow of applications through the year, rather than setting arbitrary deadlines.

**Recommendation 29: The current deadlines for applications should be removed and promotion and communication should be used to ensure that the flow of applications throughout the year is manageable. (2008)**

- 75 Whilst the review was underway, the Department issued a consultation on *Improving Applications to Higher Education*. One suggestion for the long-term is for the introduction of Post-Qualification Application. We believe the process we have designed can accommodate such a change because of the proposed links with UCAS. Applicants would be encouraged to apply as now before going to college or university and be given a generic assessment of student financial support. Once students had confirmation of their course by UCAS, a final financial notification would be received. This would mean providing notification to around 300,000 new customers within a period potentially as short as three weeks. We believe that with many customers opting for e-mail notification this should be possible.

## Chapter 5



# Payments on Time for Students

Paying students on time must be a priority for the service and we propose improvements to ensure this happens.

Colleges and universities should be supported in playing a greater role in the service, beyond providing information and assistance to customers.

### **Improving the processes for paying students on time**

- 76 A key objective for the student finance service must be that students get paid at the beginning of the academic year. The Student Loans Company is responsible for payments and has a key performance indicator to initiate 100% of payments within two working days of receiving confirmation that the student is attending a college or university. The Company has successfully moved over to paying virtually all students by a direct credit to their bank account through BACS, rather than payment by cheque, and is meeting its performance target.
- 77 This payment process is largely automated and we reviewed whether improvements could be made to speed up payments reaching students. HE institutions that responded to the consultation were largely content with the process of attendance confirmation and payment, with over 70% rating it as good or better, and none as poor. We considered whether it would be possible to release funds to students prior to the attendance check, as some students may need funds to travel to college or university, but there was little demand from students (just 14% of new students expected

payment before the start of term) and felt that this would damage the current security which a universal physical attendance check provides.

- 78 There are two process improvements that can be made to improve customer service and efficiency. The Department's last survey of students showed that in 2004, 17% of students claim to have been paid late, despite applying on time. The SLC undertook analysis that found that nearly two-thirds of these students had registered in the week prior to the first day of their course – many institutions have an induction or “freshers’ week” for new students – and so reasonably expected payments to reach their accounts on the course start date. However, the system will not action a payment before the course start date, meaning that no student will receive money in their bank account before the second day of term, even if they registered over a week previously. This anomaly should be removed.

**Recommendation 30: The target for the SLC to “initiate” a payment to students within two working days should be increased to one working day. Where attendance is notified prior to the course start date, payments should be released to the same timescale. (2006)**

- 79 To provide reassurance to students, it should be straightforward to send them a text message notification that a payment has been initiated and should be within their bank account in 2-3 working days. Similarly, where the SLC has not received notification of attendance from an institution by the second day of term, a text message to the student informing them they need to register before their payment can be released would be helpful.

**Recommendation 31: All new students who want it should receive a text message alert when a payment has been initiated and, for those students where attendance notification is not received by the second day of term, a text message alert informing them that they need to register before payment will be actioned. (2007)**

### **Payments in instalments**

- 80 Students are currently paid their financial support in three instalments, based on term start dates supplied by their college or university. We are aware that Scotland will be making payments in ten instalments in future, because of customer demands. We surveyed customers in England and most students preferred termly payments to monthly (71% of current students and 61% of new students). A number of organisations we consulted said that there were particular groups of students who would prefer to be paid monthly to help them manage their finances. There is a significant one-off cost with moving to monthly payments, which we believe could be better spent implementing other changes to the service.

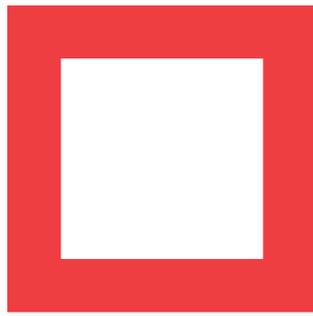
## The increasing role of colleges and universities in student finance

- 81 Colleges and universities play an important role in the delivery of student finance, beyond information and advice to students which we covered in Chapter 3. Colleges and universities administer the Access to Learning Fund (ALF) which provides discretionary support to their students. Institutions are also involved in notifying local authorities of changes in students' circumstances – where there has been a course or institutional transfer or the student has suspended or withdrawn from a course. This is a paper based process that both institutions and LAs are dissatisfied with: over 40% of institutions rate it as poor and over half of LAs rate it as poor or fair. The move to data-sharing with UCAS will automate many changes of course for new students and the new online service will allow continuing students to notify changes more easily. However, there will remain a need for institutions to ensure that their information about the status of students is up-to-date. We recognise that it may be difficult for institutions to know when a student withdraws from a course, but it is important that students not attending do not continue to receive grant payments and are brought into loan repayment.
- 82 The role that colleges and universities play could be better facilitated by the provision of a new HE portal to the national student finance system. This portal would need to incorporate the following functionality:
- the facility to confirm attendance of full and part-time students;
  - the facility to enter information about each institution's courses straight onto the course database. It will be essential in future that this database correctly records each designated course, so that students can be offered an instant assessment of their entitlement;
  - the ability to check and update the course details of each student at their institution;
  - the facility to enter details of the fee and bursary amounts due for each course, the criteria used to assess fee and bursary amounts and the ability to make individual students liable for exceptional fee and bursary amounts (fee amounts will be sent to students requesting a fee loan for confirmation which they can give through the student portal); and
  - the ability to log withdrawals, suspensions and transfers directly onto the system allowing the changes to take effect immediately.
- 83 Taking on an increased role in student finance offers several advantages to institutions. It will give them a greater knowledge of their customer base, allow them to take a stronger strategic role in considering the provision of services to all their students and design bursary schemes to better support the widening participation agenda.

**Recommendation 32: The original vision for a Higher Education Portal for institutions should be looked at again over the medium-term to ensure that colleges and universities can play their full role in the service. (2008)**

- 84 We believe the policy underlying the Disabled Students Allowance (DSA) needs to be reviewed given the requirements placed on institutions under the Disability Discrimination Act (DDA). There now appears to be some overlap between the responsibility of institutions to provide auxiliary aids to disabled students and the funding provided to support these students through DSA. For example, guidance by the Scottish Disability Team on DDA compliance in HE suggests that the institution may have a responsibility to provide note-takers for deaf students and software to help students with learning difficulties organise their work. At present DSA can also pay for these things, which may cause confusion over the boundaries of the responsibilities of institutions.

## Chapter 6



# Recovering Loan Payments

An effective collection system is essential to secure value-for-money for the general public as the amount of money loaned to students grows.

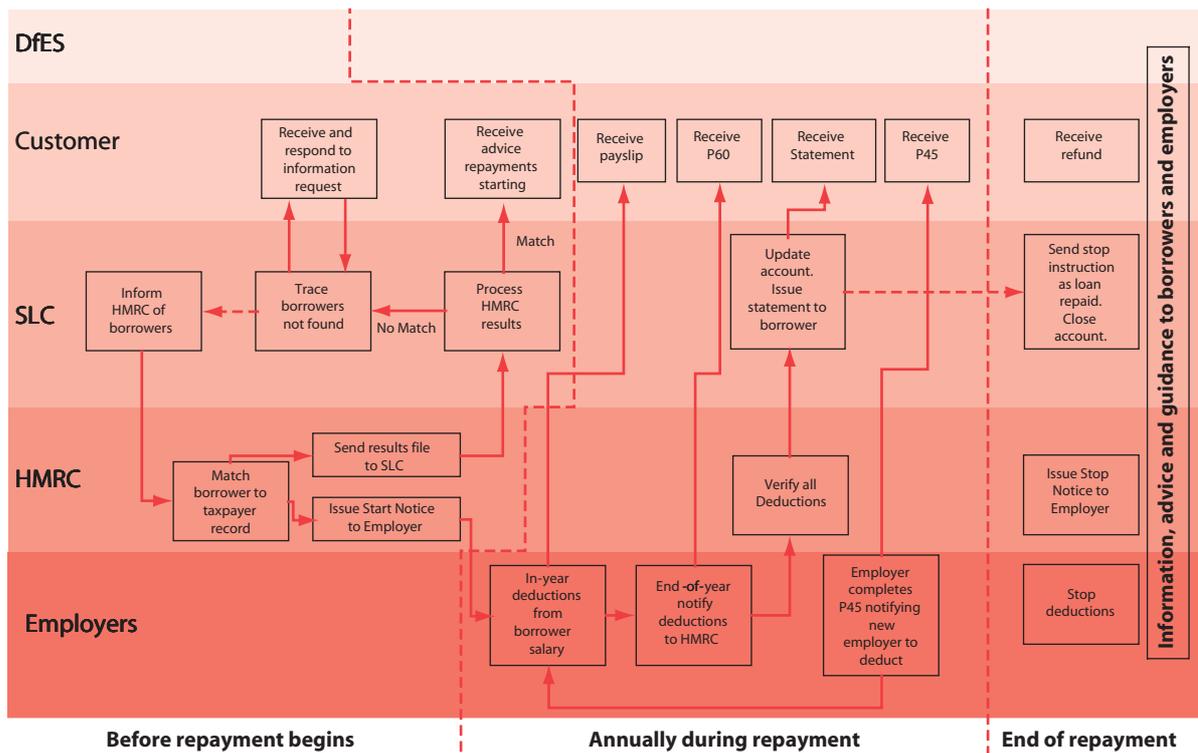
Improving the collection system, to deliver accurate repayments by customers and value-for-money for the taxpayer, requires delays in making repayments to be reduced and tougher action against borrowers seeking to avoid entering repayment. Customers should be able to access up-to-date information about their loan account.

There need to be better communications to customers and employers about their respective responsibilities if the collection system is to improve.

### **Effective recovery of student loans will become increasingly important as student numbers grow**

85 The provision of student loans is a significant financial commitment for the Department. There is £14 billion of income-contingent student loans outstanding for borrowers in the UK and the Department will issue around £4.25 billion of loans per annum in England by 2010, when we forecast outstanding student loans will be around £30 billion. The outstanding loan book is forecast to double to around £60 billion in cash terms by 2015. To ensure the value of the loan does not rise in real terms for borrowers, the Department subsidises the loan interest. It also writes off loans if borrowers are not eligible to repay.

- 86 Given the large amount of money lent, it is essential that there is a robust and effective collection system. Collection is undertaken by employers through HMRC's Pay As You Earn (PAYE) system or through self assessment. There are a large number of interfaces between the SLC and HMRC, as shown in the diagram below: with the SLC passing over data to HMRC about borrowers who are due to repay and HMRC confirming to SLC amounts paid by the borrower annually so their account can be brought up to date and statements issued.



- 87 Once the borrower is identified in the tax system and in stable employment, the collection process is in principle, efficient and effective (although the overriding constraint is that it can only be as efficient as the broader PAYE system, which is dependent on the HMRC's own IT and process modernisation programmes). There are also in-built time lags as HMRC cannot confirm what a borrower has actually paid until the employer's returns have been processed. An accurate balance statement cannot be supplied for SLC to pass on to the borrower until months after the end of a tax year. This does not match the expectations people have of a modern loans service (as opposed to a scheme run through the tax system). The scheme, the repayment process and the different parties' roles are poorly understood.

### There are lots of points in the process where a borrower can miss making repayments

- 88 Throughout the collection process, there are points where borrowers can fail to have any or the correct repayment deducted, which raises the cost of the loan to the Department.

Issue	Proposed solution
<b>1 Certain customers cannot be matched to HMRC records to initiate repayment</b>	
<p>Where SLC does not have a National Insurance Number (NINO) for a student or an incorrect NINO, HMRC will generally not be able to match that borrower to its records.</p>	<p>We welcome the Department for Work and Pensions agreeing to pro-actively supply NINO details in response to requests (as a student without a NINO will have to get one when starting employment).</p>
<p><b>Recommendation 33: The payment of loan instalments should be stopped for those students who do not have a correct NINO without a valid reason. (2006)</b></p>	
<p>HMRC match borrowers' details supplied by SLC against a database of "citizen records" and employment records in the October before they are due to start repaying in April. However, 6% of new borrowers in any year cannot be found on the citizen records database, and of those that can, 29% do not have a live employment record. The SLC tries to contact these borrowers to find out more information about them.</p>	<p><b>Recommendation 34: There should be enhancements to the current matching process between SLC and HMRC records, principally through increasing the frequency with which it is performed, to ensure the most up to date information is held by both systems as opposed to the current one off matching exercise. (2006)</b></p>
<p>The initial matching to an employment record is only performed at a snapshot in time. However a borrowers' employment status may have changed between the match in October and when they should start repaying in April. So HMRC records will be out of date as the borrowers have moved employment.</p>	
<p>The functionality to allow Protocol to process applications where financial support depends on household incomes was released late in 2005, causing backlogs at LAs.</p>	<p>The Department's Student Finance Programme Board has reviewed the cause of the late release of functionality and learnt the lessons.</p>
<b>2 Delays in starting deductions and employer errors</b>	
<p>The employer that HMRC has matched a borrower to in October is the one that receives a "start notice" in February. This notice instructs the employer to make deductions from the borrower's pay from April (subject to being above the threshold). If the borrower has moved employment since October, the notice will be sent to the wrong employer, delaying initial collection.</p>	<p><b>Recommendation 35: Borrowers should be required to inform employers that a student loan balance is outstanding and that they are liable to make repayments. (2007)</b></p>

Issue	Proposed solution
<p>If a customer first starts work after the April they enter repayment, there will be a delay before HMRC is notified of this new employment. At this point, HMRC has to issue a start notice to the employer before deductions can be commenced and the employer has 42 days to action this notice. The Confederation of British Industry noted in their consultation response that there can be a conflict where an employee wants repayments to commence but the employer cannot because a start notice has not been received.</p>	<p><b>Recommendation 36: Employers should start deductions straight away (from the next pay period) instead of having 42 days to start making deductions. (2007)</b></p>
<p>Where employers have made an under-deduction, they can recover the missed amounts, but only up to 9% of the weekly or monthly equivalent of £15,000 in addition to the usual repayment. We believe this threshold is too low and should be reviewed.</p>	<p><b>Recommendation 37: Employers should be able to catch-up missed deductions within the same employment up to a reasonable threshold. (2007)</b></p>
<p>Unlike income tax collected through PAYE and national insurance contributions, student loan repayments are not cumulative so any missed repayments are not recovered immediately as arrears. (So, in effect any missed payments are only collected at the end of the loan repayment period – which is on average 13 years. During this time the Department will have paid an interest subsidy on those missed repayments.)</p>	<p><b>Recommendation 38: As with PAYE, where borrowers have not made the repayments due within a year an “arrear” should be created. (2008)</b> HMRC and SLC are currently considering how best this should be collected.</p>
<p>When an individual changes employment, their former employer is required to tick the relevant box on the P45 to indicate to the subsequent employer that student loan deductions should be taken. If this is omitted, deductions will only commence once the new employment has been recorded with HMRC and a start notice issued. This causes delays in starting collection. Around 70% of job changers do not present a P45 to their new employer; a P46 is completed instead which makes no mention that student loan deductions should start.</p>	<p>We welcome HMRC decision to change the P46 form from April 2006 to require the borrower to inform their new employer that a student loan is repayable.</p>
<p>The system relies on employers following the prescribed procedures. Some P14 returns received by HMRC indicate that this is not always occurring.</p>	<p><b>Recommendation 39: HMRC should increase the focus on student loan repayments in all employer compliance work, including application of penalties where appropriate. (2006)</b></p>

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Issue	Proposed solution
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### 3 Little onus on borrowers to take any action as they are passive players in the system

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The problems above are largely not the result of customer action, but they could be resolved if there was an onus on the customer to take greater responsibility for informing employers of their student loan liability and responding to requests for information from the SLC. This requires effective deterrents to ensure compliance.

**Recommendation 40: Borrower failure to comply with certain duties should lead to the whole loan becoming repayable. (2006)**

Confirmation of customer detail (COCD) packs are issued to all unmatched borrowers by the SLC to determine their correct details so that they can enter repayment via the tax system or to establish if they are overseas. The response rate is only around 60% and there is a lack of enforcement provisions to increase this rate. With student loans for EU students of up to £9,000 for a three year course, it is important there are arrangements to enforce repayments for those returning to their home country. The same applies to English students moving overseas.

We welcome the Department making clearer to applicants that the current loan agreement is a contract, which is enforceable through the Courts.

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### 4 Customer service

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The nature of the UK tax system is such that customers' expectations for accurate and timely information cannot currently be met. Deductions are automatically made in each salary calculation and detailed on the customer's pay slip. However, details of any individual deductions taken during the tax year are only notified to HMRC annually on P14 returns which they then process. This means SLC does not generally receive details for posting onto borrowers' accounts until the September after the end of the tax year and it is often later. For the 2004-05 tax year, only 57% of returns will be notified to SLC by December 2005. Where a customer has worked for more than one employer during a tax year, their full repayment situation will only be updated once all the separate employer returns have been successfully processed. Therefore, whilst the customer is fully aware of all the repayments that have made from their pay, neither the SLC nor HMRC are in possession of any of this information until many months after the end of the relevant tax year. This is confirmed by our research where 40% of borrowers do not think their annual statements are up-to-date. 68% of borrowers want account statements at least quarterly and another 20% six monthly compared to the current practice of annual statements.

To overcome problems of a lack of up-to-date information, borrowers can be offered a "self-service" facility that uses the information they hold on the repayments that they have made. This does not solve the underlying problem but is a way around it.

**Recommendation 41: An online calculator should be provided so that customers can obtain an up-to-date account balance by entering details of repayments made. (2006)**

Issue	Proposed solution
These delays, combined with the necessary flow of information between HMRC and SLC, make it difficult for either of these parties independently to fully address customer queries.	<b>Recommendation 42:</b> SLC and HMRC should consider a joint unit containing staff from both organisations to provide customers with a single point of contact. (2007)
With borrowers' accounts being up to 18 months out-of-date (12 months in the year plus 6 months after the end of the tax year before they are updated), it is likely that customers with a low outstanding balance will overpay before the SLC can ask HMRC to tell their employer to stop making deductions. This will then require a refund to be issued to the customer. This is inefficient, costly to administer and provides poor customer service.	<b>Recommendation 43:</b> There should be an improved predictor of when a borrower is likely to pay off their loan. These borrowers should be given the option of making their final payments outside the tax system to ensure they do not overpay. (2006)

- 89 Where we have made recommendations affecting employers it will be important that a full regulatory impact assessment is undertaken before changes are implemented. We received a number of responses to our consultation on improving student finance delivery from employer groups but it would be beneficial for them to be consulted on specific changes to the collection system.

### **Better communications to customers and employers about their respective responsibilities**

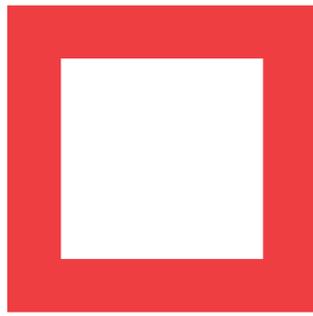
- 90 The collection system was designed to ensure repayments related directly to income and to minimise the administrative burden on borrowers. This has meant that awareness of the repayment arrangements is not very high, with under half of borrowers stating that they had a good understanding of the terms of their loan before leaving higher education. It is perhaps understandable that during their time in higher education, students are more concerned about their finances than about the repayment terms of their loan. However, the low levels of understanding are surprising. Only 4% of borrowers surveyed believe the Government makes a loss on providing loans, with 42% believing the Government makes a profit. This is despite student loans costing the Department on average around 26 pence for each £1 loaned.
- 91 To ensure the interests of the public in the effective recovery of loans are protected, we have recommended that a legal onus is placed on borrowers to repay their loan. We have also proposed changes to allow employers to ensure deductions made better reflect the amount that borrowers should be repaying. These changes will require a better understanding by both borrowers and employers of how the repayment system operates and their respective responsibilities. The Department, working with the SLC and HMRC, needs to ensure that levels of understanding are raised through effective

communications. If there is a different delivery model for the collection of loans in the longer-term, which we discuss in the next Chapter, effective communications will be even more critical.

**Recommendation 44:** In light of the recommended changes to the collection system, the service needs to communicate better to customers and employers their respective responsibilities. (2006)



## Chapter 7



# Options for Delivering a Transformed Service

The current delivery arrangements no longer fit well with the changing HE landscape and implementing the recommendations for transforming the service will present significant challenges.

The Department needs to consider whether the Secretary of State should retain her current delivery responsibilities in light of her Department's new strategic leadership role.

There is a range of delivery models that could implement a transformed service, each with associated strengths, weaknesses and risks, which provide Ministers with a choice on the best arrangements for the future.

For the Student Loans Company to be an effective national delivery organisation changes are required to its status and mission.

### **There are significant changes in the higher education landscape that present challenges to the current delivery model for student finance.**

92 The current model of student finance delivery – primarily involving the Department, local authorities, SLC and HMRC – has evolved over the last forty years with significant changes to student finance over the last decade. The SLC in particular has seen a substantial increase in the services it offers and in its stakeholder base. In 1997, the SLC was a single product organisation – it processed applications for, paid and collected mortgage-style loans across the UK. From 2006 onwards, there will be separate services

offered to England, Wales, Scotland and Northern Ireland to reflect the different policies in each administration. The SLC provides administration for Educational Maintenance Allowances for Wales and Northern Ireland but not for England, which has contracted this service to another provider. In addition, the SLC will be providing a bursary administration service to most higher education institutions in England. The Department has also given the SLC responsibility for processing applications for fee loans from European Union students, which will be a new activity from 2006, largely using Darlington based staff seconded from the Department.

- 93 We reviewed the current model, including the status and mission of the SLC as required by our terms of reference, and found a number of areas where the present arrangements do not fit well with the changing HE landscape and the significant agenda for change which our recommendations present. For instance, the Department's five year strategy for children and learners set out its new strategic role in the education system: setting the overall policy direction and putting in place the framework of legislation, incentives, information and funding to make change happen. This would mean intervening less in delivery. This contrasts with the legal position of the Secretary of State, who has responsibility for delivery of student finance. It has never been considered appropriate for the Department itself to carry out this role so the Secretary of State has transferred certain responsibilities for the "front-end" process to local authorities, and delegated others for that process, and for collections, to the SLC and she remains accountable for those functions she has delegated.
- 94 The Department has taken some steps to play a more strategic role, with new Service Level Agreements and a Memorandum of Understanding with delivery partners, a new Annual Performance and Resource Agreement with the SLC and delivery functions previously carried out by the Department (such as processing applications for EU students) transferring to the SLC. However, the Department could now go further by proposing that legal responsibility for securing the effective delivery of student finance should be transferred from the Secretary of State to another body, most likely an NDPB, whose duties and powers would be set out in legislation and which would operate at arm's length within an overall strategic and policy framework for student finance set by the Secretary of State. This would provide the overall delivery accountability which is currently absent. It would also resolve the tension between the Department having responsibility for the outstanding student loan book but administration of the service being carried out by the SLC. In considering the delivery and governance options set out in the rest of this Chapter, Ministers will need to consider whether a transfer of responsibility is appropriate in light of the Department's future strategic role. This would require changes to primary legislation, and hence the approval of Parliament.

- 95 In this Chapter, we take a look from first principles at the delivery arrangements that could create a high performing customer-focused service, which is responsive to this changing HE landscape. The terms of reference for the review require us to propose possible options. Therefore we make no firm recommendations. In order to ensure the number of options is kept manageable we have structured our analysis under three key headings:
- i) options for delivering the “front-end” of the student finance service (information, application, assessment and payment);
  - ii) options for collection of student loans; and
  - iii) the appropriate status for the national delivery organisation.

### **PART 1: OPTIONS FOR DELIVERING THE “FRONT-END” OF STUDENT FINANCE – INFORMATION TO PAYMENT**

- 96 While the relationship of LAs and of the SLC with the Department is clear, and SLAs set out expected performance, the relationship between these two key delivery partners, and their responsibilities to each other, have not been clearly enough defined. Neither organisation has overall responsibility. This leads to tensions in the relationship, and to the Department intervening more than it should. More important, there is lack of clarity for customers, which will only get worse as the sophistication of the student finance package increases. In addition to these difficulties, our vision for a transformed service, where most customers apply online, and the challenges in implementing this mean that we should consider alternative delivery arrangements.
- 97 The criteria we have used in evaluating the options follow directly from the terms of reference for the review and are set out in the table below. We have not attached weightings to the criteria, although we believe that achieving customer-focused objectives should be a key consideration in taking decisions on which delivery model to pursue.

Evaluation Criteria	Terms of Reference
<b>Meets customer-focused objectives:</b> the extent to which the delivery model can meet the objectives we set in Chapter 2, for clear information, quick decisions, timely payments and accurate repayments.	Focus on the needs of customers, including under-represented groups. Clear objectives and performance measures
<b>Capacity to Deliver:</b> the extent to which the model has the capacity to deliver the new service we have proposed and can respond to rising customer expectations, changes in technology and new policies	Effective and efficient delivery process
<b>Clear accountability and leverage:</b> the extent to which the delivery model provides clear roles, responsibilities and accountability for each delivery partner and gives the Secretary of State sufficient leverage to ensure that targets are met with light-touch performance management arrangements.	A strategic relationship between the Department and any delivery organisations, with clearly allocated responsibility and accountability and effective management of delivery risks
<b>Value-for-money:</b> the extent to which the delivery model provides value-for-money, measured by short-term transitional costs of establishing the model and the long-term unit costs.	Value-for-money and is sufficiently flexible to deal with possible future changes

98 We consulted widely on possible delivery models and there was a consensus amongst stakeholders that the four we have proposed below all deserve consideration. We have grouped the options into A: local delivery; B: regional delivery; and C: national delivery. A summary of each model's overall strengths and weaknesses against the above criteria is set out below, together with key transitional issues. The evaluation of delivery models is largely a matter of judgement and we have not sought to attach numerical values to how each model scores against the criteria.

#### **Option A: Locally distributed service within a national infrastructure**

99 This model divides responsibilities, as now, between a national body and the 150 local authorities in England. The national body would be responsible for designing and maintaining the online service, handling the data entry of paper applications and for checking and scanning paper evidence. Local authorities would complete the assessment and approve each application on a central IT system provided by the national body. Local authorities would retain responsibility for promotion of student finance, including online applications locally, and would be encouraged to pool resources with neighbours to address variations in performance. As now, payments to students would come from the national body. This model is similar to the present arrangements but with the handling of paper applications and evidence done at a national rather than local level.

**Option B: Regionally distributed service within national infrastructure**

100 This model is similar to option A above except that responsibility for assessment and approval would lie with around 50 bodies, which would cover a wider area (“a region”). These bodies would most likely be local authorities but could also be consortia of HE institutions or private contractors (several of which already operate services for individual local authorities). We would expect whoever took over each region to take on existing local authority staff in the area. These small regions could be based on Learning and Skills Council local areas and would allow the Department to choose appropriate lead providers from amongst well performing authorities and other interested providers. This model would retain the expertise of local staff, reduce variation in performance and offers a compromise between a local and national service.

**Option C(i): Centrally provided service**

101 This model places responsibility for application, assessment, approval and payment with a single national provider. This provider would also be responsible for providing assistance to customers. It would support the student finance work of organisations based locally to meet the needs of customers who require assistance at a local level.

**Option C(ii): Competing National Providers**

102 Under this model, two or more national organisations would provide all the services described in Option C(i) under contract. Students living anywhere in England would have a choice of service provider, which would compete on the basis of quality of services offered. The contracts would contain an obligation to provide a universal service, although particular providers may specialise in particular methods of delivery, such as through local outlets, telephone or online.

Option A: Locally distributed service	Option B: Regionally distributed service	Option C(i): Centrally provided service	Option C(ii): Competing national providers
<b>Evaluation Criterion: Meet customer service objectives – efficient processing</b>			
<p>Many local authorities would be able to meet the objectives of the new service but with 28% of authorities failing to meet the current six-week turnaround, some would certainly not. Small authorities would remain at risk from staff absences and unfilled vacancies. This variation in customer service is the key risk with this option.</p>	<p>Assuming existing high performing authorities were able to manage regions effectively, it is more likely that the objectives will be met and variations in performance reduced (though not eliminated) Where no authorities came forward, another contractor or the national body could be used – though this would increase management difficulties.</p>	<p>A new centrally provided service should be able to eliminate the processing inefficiencies identified by the review. A culture of achievement could be established from the outset and local variations in performance would be removed. More complex cases might initially be at risk of slower processing due to less experienced staff.</p>	<p>Competing national providers, working under contract, would demonstrate some of the benefits of Option C(i). In theory, customer choice should drive up performance. But variation in customer service would be an issue.</p>
<b>Evaluation Criterion: Meet customer service objectives – assistance</b>			
<p>The personal assistance and support provided by most authorities is a strength of this option, particularly where customers can receive face-to-face support or where authorities use out-reach centres such as local libraries. Variation in customer service would be an issue.</p>	<p>This model would retain access to local authority information and advice services in the region, ensuring a good level of personal support. Variation in service would remain. “Brand” identity might be confusing to customers unless it was very clear which organisation (local or regional) they were dealing with.</p>	<p>Over time a central customer focus should lead to an improved and consistent service. Economies of scale would allow specialist staff to handle complex cases or to communicate in languages other than English to sponsors. The national organisation would need to decide how to provide necessary local presence, though the online shift should reduce the need for this. Staff training would need to be an initial priority and some initial service problems might be expected.</p>	<p>As for Option C(i) but customers could choose the provider which performed better on this measure, if this was of particular importance to them. There is a risk that providers may seek to deter difficult applications unless there are sufficient incentives in the contracts. With private sector providers, some customers may be confused that student finance has been “privatised”, especially where providers seek to package commercial finance with the statutory package.</p>

Option A: Locally distributed service	Option B: Regionally distributed service	Option C(i): Centrally provided service	Option C(ii): Competing national providers
<b>Evaluation Criterion: Capacity to deliver in medium and long-term</b>			
<p>Local authorities are used to delivering changes in student finance policies and the lack of transition issues with this model mean that it would provide stability. However, so long as existing terms and conditions remain in place there is limited scope for significantly improving the service through introducing flexible working practices, such as staff working longer during peak processing periods and less during quiet periods, to respond to the needs of customers.</p>	<p>The larger administrative unit and greater resources might attract and retain better quality leadership and management. There would be a challenge in managing staff from across a number of authorities, although they will mostly be experienced. Regional staffing arrangements would still need to be established, which could be time consuming and detract from delivery. The terms and conditions weakness of option A(i) applies here too.</p>	<p>Over time, a central provider should provide greater flexibility in responding to changes than the current large (or under option A(ii) medium) number of delivery partners and be more resilient in absorbing problems such as staff absences. Any initial inexperience would be overcome over time. This model would require greater contingency planning against the risk of systems or other failure.</p>	<p>Providers would have to establish their own technical and operational infrastructure which raises questions of how to avoid multiple applications and the transfer of data for collection purposes. It would be possible to license usage of a central IT system but would require an organisation to maintain and improve this system.</p>
<b>Evaluation Criterion: Clear accountability and leverage</b>			
<p>Having 150 LAs and a national body does not allow clear responsibility for customer-focused objectives to be assigned and creates incentives to blame the other party. The Department's SLA with LAs cannot be enforced (20% have not signed these). There is local accountability to customers, which the publication of performance data will assist, but at present there is no leverage to remove functions from LAs failing to meet targets.</p>	<p>Blurring of responsibilities with the national organisation would exist under this model as well, and the Secretary of State's leverage would be no greater. There could be a loss of local accountability, depending on how functions were allocated to lead authorities.</p>	<p>A central provider would have clear end-to-end responsibility for delivery of the complete service. Under any central model the Department would more easily be able to set objectives and performance targets and monitor progress. With this model, an independent complaint and appeal mechanism for customers is desirable.</p>	<p>As for C(i) but with an added level of monitoring by the Department and more complex contractual provisions.</p>

Option A: Locally distributed service	Option B: Regionally distributed service	Option C(i): Centrally provided service	Option C(ii): Competing national providers
<b>Evaluation Criterion: Value for money</b>			
<p>The current service costs around £60 per application in England; it is around £40 for SAAS on a comparative basis. For the service to provide value-for-money, all LAs would have to operate efficiently so that resulting savings could fund investment in a new online service. There would be difficulties in transferring these savings.</p>	<p>Economies of scale and the use of well performing authorities should reduce the cost per application, which would be offset against the increased cost of establishing this model. A key difficulty would be ensuring resources flowed to lead authorities to deploy on providing the service in the interests of all customers in the region.</p>	<p>Economies of scale, the elimination of inefficiencies in processing and a good prospect of meeting customer expectations on processing times, make this model better value-for-money than the present one.</p> <p>The removal of student finance functions from local authorities would also mean that resources allocated to this could be recovered to pay for the new service and transitional costs.</p>	<p>In theory, competition between the providers should allow the Department to negotiate unit costs reduction over time. However, this needs to be set against the cost of duplicate infrastructure being developed by each provider.</p>
<b>Other Transitional Risks</b>			
<p>There are few transitional risks with this model, which largely represents the current structure, although working far more efficiently.</p>	<p>The transition risks for this model will largely lie at local and regional level in lead authorities establishing arrangements to manage the work of neighbours. There might be an element of staff turbulence depending on the attitude of new management.</p>	<p>The transition risks are the highest for this model, requiring a local service to continue to function at the same time as planning for its disappearance and detailed discussions about staff futures.</p>	<p>As for C(i) but with more complicated staff discussions if there is more than one provider.</p>

## **PART 2: OPTIONS FOR DELIVERING THE “BACK-END” OF STUDENT FINANCE: COLLECTIONS**

103 We have used the same evaluation criteria as in Part 1 for assessing the delivery options for the collection of loan repayments from borrowers. The key difference is that the customer objectives include the public interest in ensuring that the collection rate is maximised. The three models are: the current model with the HMRC responsible for collections and another national body responsible for account maintenance, voluntary repayments and overseas borrowers, but with closer joint working; HMRC fully responsible for collections and customer service; and a direct collection system. We have not set out timescales for these options, as this will depend on the outcome of discussions with HMRC and SLC.

### **Collection through HMRC with separate national administrator**

104 This would maintain the status quo in which work is shared between HMRC and another national body (currently SLC). Collection is conducted by HMRC through the UK tax system. A separate national body is responsible for account maintenance and collection from those outside the UK tax system. We have already recommended that there should be closer joint working between the organisations to provide customers with a single point of contact.

### **HM Revenue and Customs (HMRC) responsible**

105 Under this model HMRC takes responsibility for the collection and account maintenance of all former students, including those that are outside the UK tax system (for example, those that have moved overseas). This would transfer all the collection and administration functions currently conducted by the SLC (except legacy mortgage style loans) to HMRC. When a student loan is due to enter repayment, HMRC would receive full customer details including the account balance, contact details and national insurance number. HMRC would then be responsible for maintaining the customers account, contacting and making repayment arrangements with customers outside the UK tax system, adding interest, sending out annual statements, receiving voluntary repayments and closing accounts when repayment is completed. This is similar to the model in both Australia and New Zealand.

### **Direct collection from borrowers**

106 Under this model collection and account maintenance would both be conducted by a single national body outside the tax system. This would transfer all the collection functions currently conducted by HMRC to a separate national body (like the SLC). When the borrower enters repayment, the national loan collection body would need to begin collection. There are several options for direct collection but for the purposes of this review we considered a system that puts the onus on borrowers to provide evidence of income, which could be assessed for the level of payment required. The student would then need to arrange to make payments on a regular basis and inform the national loan collection body of any change in income. The repayments would be income contingent on an annual salary basis, with any over or under deductions reconciled on request or annually. The mortgage-style student loans which were introduced in 1990 are collected directly from borrowers by the SLC at present and provides a template for how this model would operate at a organisational level.

HMRC with separate National Administration (currently SLC) ("Hybrid option")	HMRC Responsible	Direct collection from borrowers
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**Evaluation Criteria: Meet customer service objectives – accurate repayments and up-to-date information**

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The division of responsibilities between the two organisations can be confusing to customers but it does not hinder (or enhance) accurate repayments being taken. The recommendations for an online calculator will help overcome the lack of up-to-date account information.	With a single organisation responsible for the whole process, customers will have a single point of contact for information about their loan. Information supplied by borrowers and employers can be acted on more quickly. However, given the underlying processes would be the same as for the hybrid, there would be no advantages in the accuracy of payments or timely information.	Under direct collection from borrowers, there would be up-to-date information available on outstanding loan balances. However, it would require significant input from customers if they wanted accurate income-contingent repayments, as they would have to notify all changes in earnings. This is in contrast to most loan borrowers now where the tax system takes care of repayments.
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**Evaluation Criterion: Meet customer/taxpayer service objective – maximise collections**

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The recommendations in Chapter 6 should assist in moving towards the collection targets set for 2008. However, there remains a significant risk that these will not be met as they would require a collection system in which virtually all borrowers and employers were complying with their duties and any arrears were pursued rigorously.	There may be higher collection under this option than the hybrid if those not repaying were more responsive to requests for information from HMRC than from the SLC. However, there is the prospect that voluntary repayments and collections from overseas borrowers could suffer in the short-term as this work was taken on.	Direct collection from borrowers could lead to a recovery rate, based on experience of collecting the old mortgage-style loans, of around 90%. This is lower than the targets set for the hybrid model but it is based on proven experience rather than the impact expected from process improvements that have yet to take place in the current system.
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**Evaluation Criterion: Capacity to deliver in medium and long-term**

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Many of the recommendations for process improvements have been discussed between the Department, SLC and HMRC for a number of years. There is a willingness to support improvements and a Memorandum of Understanding setting challenging targets but a capacity to deliver significant changes to reasonable timescales appears to be lacking.	The transition to HMRC taking responsibility for millions of borrowers' accounts would pose significant risks, given the experience of previous IT changes. It could also distract resources from focusing on process improvements that would meet customer and taxpayer objectives. It would require HMRC giving priority to this change and take a number of years to achieve. There is a further risk the current focus on locating borrowers and taking voluntary repayments would be lost.	The SLC and other financial service providers have extensive experience of the recovery of loans, although the income-contingent nature presents added complexity. There would need to be a significant communications campaign to explain the change in collection arrangements, with the risk of teething problems during the transition.
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HMRC with separate National Administration (currently SLC) ("Hybrid option")	HMRC Responsible	Direct collection from borrowers
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**Evaluation Criterion: Clear accountability and leverage**


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The Memorandum of Understanding between HMRC, SLC and Department establishes a framework for assigning responsibility and accountability. It is only in its first year of operation and shows promise in focusing attention on the key objectives.	This model provides the HMRC with clear responsibility for the collection of loans for all parties involved – the borrower, employer, Department and HMRC. This addresses the concern raised by the Institute of Payroll and Pension Management that there are overlaps between the parties, which cause delays. Customers would use HMRC systems where there were problems or complaints.	There would be clear responsibility for the service. A contract with a direct collection provider would offer leverage and there may be the possibility to transfer some risk for under-collection. This is a key strength of this model.
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**Evaluation Criterion: Value for money**


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The current delivery arrangements, with collection largely through the tax system, offer good value-for-money due to the low administration costs. This is because of the important contribution made to the process by employers.	Some of the current inefficiencies in passing data between organisations would be eliminated but this model would offer similar value-for-money to the hybrid option.	This model would be significantly more costly than the present arrangements, especially if customers make significant demands for deduction to match varying income. However, if it led to higher collection of loans this would more than offset the additional administrative costs. This model removes administrative burdens from employers and places them on customers.
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### PART 3: THE STATUS OF THE NATIONAL DELIVERY ORGANISATIONS

- 107 The delivery models set out above all involve a national organisation playing some kind of role. In one model this would be a significant role, with the national body responsible for processing applications, payments and all collections. At the other it could be extremely small, if a local or regional role was retained for the application process and HMRC took over responsibility for collecting all but mortgage-style loans.
- 108 When it was set up in 1990, the SLC, a company limited by shares, had half of its shares owned by the Secretary of State for Education and Skills and the other half owned by the Secretary of State for Scotland. The reason for this is historic – due to the Government having to take over the Company from the original consortium of private sector owners in 1989 and a previous Government's aim to eventually transfer the Company to the private sector. From 1 July 1999, the student support function was transferred to Scottish Ministers for Scottish students. The present status gives the Secretary of State power to control and to intervene in the Company's operations which are inconsistent with the Department's aim for a strategic leadership role.

Moreover, the shares structure does not fit well with an organisation which has multiple customers: the Secretary of State; the Devolved Administrations; the HEIs on whose behalf it will pay institutional bursaries from 2006; and the private sector owner on whose behalf it administers mortgage-style loans;

- 109 The SLC is also a Non-Departmental Public Body (NDPB) and is governed as such through: the approval of Board members appointments by the Government; the attendance at Board meetings by officials as assessors; an Annual Performance and Resource Agreement (APRA) setting objectives and performance measures for the Company and the resources to achieve these; a financial memorandum that governs and places conditions on the use of funds provided by Government; and regular progress reviews. Having an NDPB which is also a company limited by shares is extremely rare.
- 110 Against this background of concerns over the present status of the SLC, this part looks at the alternative forms which a national body could take. There are essentially three: an executive NDPB established by statute; a contractor (or contractors) chosen following a procurement exercise; or a new status for the SLC. We also describe the options which we considered but rejected.

#### **Option 1: Establish a statutory NDPB to deliver student finance**

- 111 As discussed earlier – and assuming Parliamentary time could be found – this would be an option if Ministers decided that they wanted to transfer the Secretary of State’s responsibilities for delivery. It could operate under any of the delivery model options.
- 112 There are a number of benefits under this model. The body’s duties and powers would be set out clearly in primary legislation. The current lack of clarity as to respective roles of the Department and the SLC would be removed. The Secretary of State would retain influence through the appointment of Board members and the traditional NDPB governance regime, while standing apart from detailed intervention of the kind currently required. The specification of detailed requirements, and performance against them, could be managed on a quasi-contractual basis. The legislation would provide an opportunity to define the body’s relationship with any local or regional providers. There is a clear accountability and continuity of employment for current staff could be included in the legislation.
- 113 The main drawbacks of this option are whether, in the absence of an initial procurement and of ongoing competitive pressures, the NDPB could demonstrate value-for-money; keep pace with innovations in the market place; and retain a sufficient focus on customers.

#### **Option 2: Contract out the student finance service**

- 114 The second option we considered is for the national organisation (or organisations) in the delivery models to be procured from the market and operate under a commercial

contract. We are in no doubt that there is a market for the role the SLC currently plays – financial administration, account maintenance and associated customer service. Moreover, many commercial providers are well ahead of the current arrangements in the service offered to customers. However, it is difficult to see what advantages potential bidders would see if required to deal with the 150 or 50 local/regional players implied by delivery options A and B, over which they had no direct control. We think that procurement would only really make sense under the centralisation options C(i) and C(ii).

- 115 We believe that procurement could offer some significant advantages. Generally, it introduces and maintains greater competitive pressures than the NDPB option. Specifically it would, through competition, reveal the best provider having regard to the cost and quality criteria against which the Department made its judgements. It would bring in organisations with a track record, for example, we would expect existing expertise and success in IT and customer support functions, including offering potential for consortia bidding or sub-contracting to get the right mix. It offers potential long-term economies, particularly if student finance could be integrated into existing IT and customer support functions and also a strong performance management framework could be imposed.
- 116 The drawbacks of this option are: the cost of running a procurement exercise and the risk that the market does not provide a better solution than the present one; the risk that the contract and the performance measures are not well specified, or require significant alteration to meet future policy changes, resulting in disagreements or escalating costs; the risk of flexibilities being taken further than the Department finds comfortable; and a failure of the bidder to deliver or give sufficient priority to the Department's requirements, despite the financial incentives in the contract.

### **Option 3: Change the status of the SLC**

- 117 We believe the difficulties with the SLC's current status could be lessened by either establishing a new company limited by guarantee, or making changes to the existing structure that recognise the interests of the Department, Devolved Administrations and the HE sector. This would have a clearly stated mission and objectives to serve customers; demonstrate value-for-money through benchmarking; and better reflect the services they provide. It should be possible to remove the Secretary of State from her current position as a "shadow director" of the SLC in a company limited by guarantee.
- 118 Whatever the future status of the SLC, the strategic relationship between the Department and the Company needs to be strengthened. The SLC's submission to the review on their future status and funding highlighted the controls and approval mechanisms, particularly over use of funding, which the Government applies and do

not provide the Company with the operational and investment freedoms which a strategic relationship should imply. The SLC also wanted clearer agreements with the Department on delivery, perhaps in the form of contracts. The Department and the SLC have made some progress towards establishing a more strategic relationship, however this is new territory for both parties and requires more effective assurance mechanisms and higher degrees of trust. We believe that further work is required in building this relationship, which should be underpinned by changes to the governance arrangements between the SLC as an NDPB and the Department to establish clearly respective roles, responsibilities and freedoms.

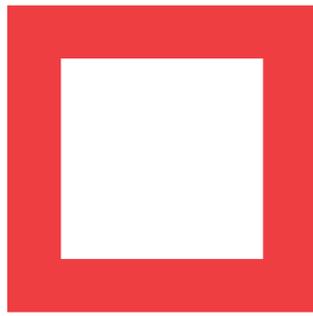
### Options rejected

119 The review considered, and rejected, the options of absorbing the SLC into the Department as an Executive Agency; merging it with another organisation; and “market-testing”. On the first, the Department is seeking to withdraw from delivery and concentrate on strategic leadership of the education system: the Executive Agency model would be contrary to this strategy as it would involve the Department taking on existing SLC staff as civil servants and playing a substantial delivery role. On merger, the only possible organisations appeared to be the Higher Education Funding Council for England (HEFCE), which allocates funding to institutions providing higher education, and the Learning and Skills Council (LSC) on the grounds that amongst its many duties it is responsible for managing a contract for the delivery of Education Maintenance Allowances (EMA) to young people in England. In both cases, we did not believe there were strong synergies with the Councils’ principal functions. On the third option, market-testing is a process for establishing whether there is a market for a public sector service. In the case of the services offered by the SLC, we believe a market already exists and so there is little to be gained from this option – a full procurement exercise would be preferable.

### Securing the interests of the devolved administrations

120 The remit of the review was limited to student finance in England but we recognised that the Devolved Administrations have a significant interest in ensuring continuation of the separate services which the SLC currently provides for them. Moreover, collection of student loans is also carried out on a UK basis. Under Option 1 above, it is likely that the statutory NDPB would serve England and would need powers wide enough for it to provide a service to the DAs (and others) but this would depend on decisions on legislation, which must be made closer to the time. Under Option 2, the Devolved Administrations would be free to contract with the same, or a different contractor, for the provision of the services they required. In Option 3 the interests of the Devolved Administrations would be covered in the governance documents of the new or reformed company.

## Chapter 8



# Implementation

121 In this Chapter we set out at a high level the implementation timetable and costs, for achieving the process improvements we have recommended and the transformation in service

### **Implementing process improvements – timescales**

122 The timescales we have proposed are an estimate of when it would be feasible to achieve recommendations, with adequate resources and a high priority assigned to delivering a customer-focused service. They are not intended to be prescriptive and in practice there will be competing priorities on the service, such as the implementation of the new student finance arrangements and delivery processes for 2006/07. In most cases the year denotes the academic year for which the recommendation should be implemented. Given the length on the application cycle this will mean that the recommendation will need to be in place at the beginning of that calendar year. For instance, a recommendation for 2007 relates to the academic year 2007/08 and so will need to be in place for that year's application round which begins in February 2007.

### **Implementing process improvements – costs and savings**

123 We have estimated the costs of implementing the process improvements recommended above for the "front-end" of the service. Where no cost appears below, we believe it could be absorbed within existing running costs or is negligible. If efficiency savings could be realised in local authority processing, there would be substantial savings overall in the new service but we recognise that these will be sensitive to greater online take-up (and have provided a sensitivity analysis for the figures put forward). We have no costs for implementation of the recommendations on collections, as we are reliant on HMRC and SLC for these and will require more thorough

analysis. We have also not attempted to cost the different delivery model options but have indicated in Chapter 7 the comparative value-for-money each would offer.

### Costs and Benefits for Delivery Organisations

- 124 We have estimated the **one off development costs** of implementing the recommended process improvements in the report for the “front-end” of the service to be between **£10m and £15m**, which would be incurred over 2-3 years. Accurate costs for many of these improvements will not be available until further detailed analysis has been performed. The costs are based largely on figures supplied by the SLC for developments to Protocol; there may be more cost effective methods of achieving our vision for an online service. No assessment of the costs of an HE portal for institutions (recommendation 32) has been possible and is not included at this stage. Where no cost appears below, we believe it could be absorbed within existing running costs or is negligible.
- 125 If the service achieves the forecast level of online applications and efficiency savings could be realised in local authority processing, there would be substantial savings overall in the new service. **Annual savings**, dependent upon the level of online take up achieved, are estimated to be between **£13m and £20m**.
- 126 We have no costs for implementation of the recommendations on collections, as we are reliant on HMRC and SLC for these and will require more thorough analysis.

	£'000	£'000	Recommendation	Note
<b>COSTS</b>				
<b>One off development costs</b>				
Brand identity development	150		10	1
Automated quote development	400 to 2970	}	4 + 11 + 17	2
Online application development	1320			2
UCAS data sharing development	1800		4 + 17	2
GSI accreditation	250 to 750			3
UKPS data sharing development	400			1
One click reapply development	900			2
Fit out premises central data entry	500	}	21	1
Scanning equipment	1000			4
Correspondence redesign	100		22	1
Forms redesign	50		4 + 24	1
Payment date amendment	200 to 275		30	1
Customer portal development	2500 to 4500		16	2
Online repayment calculator	400		41	1
		<b>9970 to 15410</b>		
<b>Recurring operational costs</b>				
UKPS confirm transaction costs	30		4 + 17	3
Additional rent costs for data entry	500	}	21	1
Scanning equipment maintenance	100			4
SMS messaging costs	25		31	1
		655		

127 There will be significant savings from moving to online applications so that there is reduced data entry and evidence checking required, automation for many students. Addressing inefficiencies in the processing of applications also reduces costly manual intervention in the process. We have provided an estimate based on meeting our proposed online targets and lower savings should fewer applications be received online. The starting point for estimating the current costs of the service has been the draft local authority baseline costs report which the Department considered as part of assessing the benefits of the introduction of Protocol. We did not see significant reductions in local authority staffing compared to the estimates in that draft report and so we believe it represents a reasonably fair baseline from which to calculate the savings that could be realised from the new service. It should be noted that these savings incorporate any that should have occurred from Protocol's introduction.

<b>Net recurrent savings</b>	<b>Estimate "Baseline" Costs</b>	<b>Forecast Online Target</b>	<b>Low Online Take-up</b>	<b>Recommendation</b>
(See note 6).	£ '000	£ '000	£ '000	
Administration	8500	3000	6500	14+17+19+21+24
Evidence Checking and Assessment	15000	4000	5500	19+22+23+24+25
Approval	4500	500	500	19
<b>Total</b>	<b>28000</b>	<b>7500</b>	<b>12500</b>	
Gross savings		20500	15500	
Additional costs		-655	-2000	
<b>Net savings</b>		<b>20000</b>	<b>13500</b>	

### Costs and benefits for customers

128 No additional costs for the customer are foreseen whilst substantial benefits are anticipated including:

- Reduced postage and telephone costs along with improved convenience as significantly faster application processing times, online automated payment quote, repayment balance calculators and improved forms and correspondence will reduce customer enquiries;
- Removal of costs and inconvenience for many of having to submit original passport;
- Removal of need to notify any changes to course details during first year application and receive associated reassessment information;
- Reduced burden and postage costs of form completion when reapply in subsequent years; and
- Clear point of contact in the event of any queries arising.

129 In addition, benefits will accrue to HEIs in terms of reduced administration time and cost from a portal allowing immediate central notification of changes in circumstances, course database updates and fee attendance confirmations.

## Notes to the tables

- 1) Estimated cost
- 2) Per SLC submission to the review consultation
- 3) Per UK Passport Service quote to the Department
- 4) Per Student Awards Agency Scotland
- 5) Per draft Local Authority Baseline Costs report for the Department's Benefits Realisation Project. This report has not been finalised.
- 6) All saving figures to the nearest £500k. Annex D sets out the level of manual intervention that will be required in the new service should the online application targets be reached on the basis of a notional 900,000 applications per year. We have assumed that the current administration costs could fall to under 30% of those currently due to removing local data entry; only requiring paper identity handling for 90K applicants who may fail UK Passport Service and DWP verification as opposed to a notional 360k new students currently; and income evidence handling for 312k applications rather than for all non-means tested applicants (as was the case prior to modernisation). These savings should be set against the costs of centralised data entry for 90k paper forms (which we estimate would take 20 FTE staff based on the experience of SAAS). The low online take-up model assumes only 25% of new and 50% of continuing students apply online, which increased the amount of data entry and paper handling and increases the costs.  
 For evidence checking and assessment, the new service will require income evidence checking for 312k notional applicants (new means-tested students and a sample of continuing students) and eligibility checking for the 90k new students that fail UKPS/DWP verification. This will reduce by over half the evidence checking required from the baseline model where identity evidence is checked for all new applicants and all means-tested applicants were required to supply financial information evidence for verification. For assessments, only 42k applicants will require manual intervention in the new service, as opposed to all in the baseline case. In the low online take-up model, there will be principally increased evidence checking which raises costs.  
 For approvals, in the new service the requirement for 10% checking before approval will replace the baseline model practice of re-checking prior to approval and checking significantly more than 10% at the approval stage.  
 The draft local authorities baseline costs report identified £4.4 million of costs in relation to IT, stationery and management information staff costs. Whilst the introduction of Protocol may have removed these costs, this calculation retains them to produce a conservative estimate of savings.  
 Finally on increasing recurrent costs, we have including £655k for the additional costs of the service. In the low take-up case, we have assumed that these additional costs have been under-estimated and included higher costs of £2000k to produce a more conservative estimate of savings.





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