

# MINISTRY PAPER #15/16

## STUDENTS' LOAN BUREAU ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

### 1.0 Introduction

1.1 The matter for tabling in the Houses of Parliament is the Annual Report for the Students' Loan Bureau (SLB) for the year ended March 31, 2014.

1.2 The SLB was established by the Students' Loan Fund Act (SLFA) and operates a Revolving Fund (Fund) which provides funding for eligible students pursuing tertiary level training. In addition to providing affordable financial solutions, the focus of the Bureau has been the sustainability of the Fund and the expansion of services to those most in need of assistance through the Grant-in-Aid program.

1.3 During the 2013/14 financial year, the Government of Jamaica (GOJ) supported SLB by way of grants, as well as the facilitation of collaborative efforts that secured loan funding for tuition disbursements. The growth in demand, coupled with the increasing annual tuition fees charged to students, continued to challenge SLB's ability to secure an adequate level of funding to disburse loans.

### 2.0 Disclosures

#### 2.1 Auditors' Report

2.1.2 The auditors, Ernst & Young (EY) conducted the audit of SLB's financial statements for 2013/14 in accordance with the International Auditing Standards. EY's findings indicated that the audit evidence obtained was sufficient and appropriate to provide a basis for their audit opinion. The Auditors, in their unqualified report, also indicated that the financial statements give a true and fair view of the financial position of the Bureau as at March 31, 2014 in keeping with International Financial Reporting Standards.

#### 2.2 Compensation Packages for Senior Executives and Directors

2.2.1 Pursuant to the Second Schedule (Part 1) of the Public Bodies Management and Accountability Act, details of the compensation packages for the executive managers and directors are included in the Annual Report. Emoluments paid to nine (9) senior executives ranged between \$3.03 million and \$10.58 million. Fees for the Directors of the Board amounted to \$0.51 million.

### 3.0 Operational Review

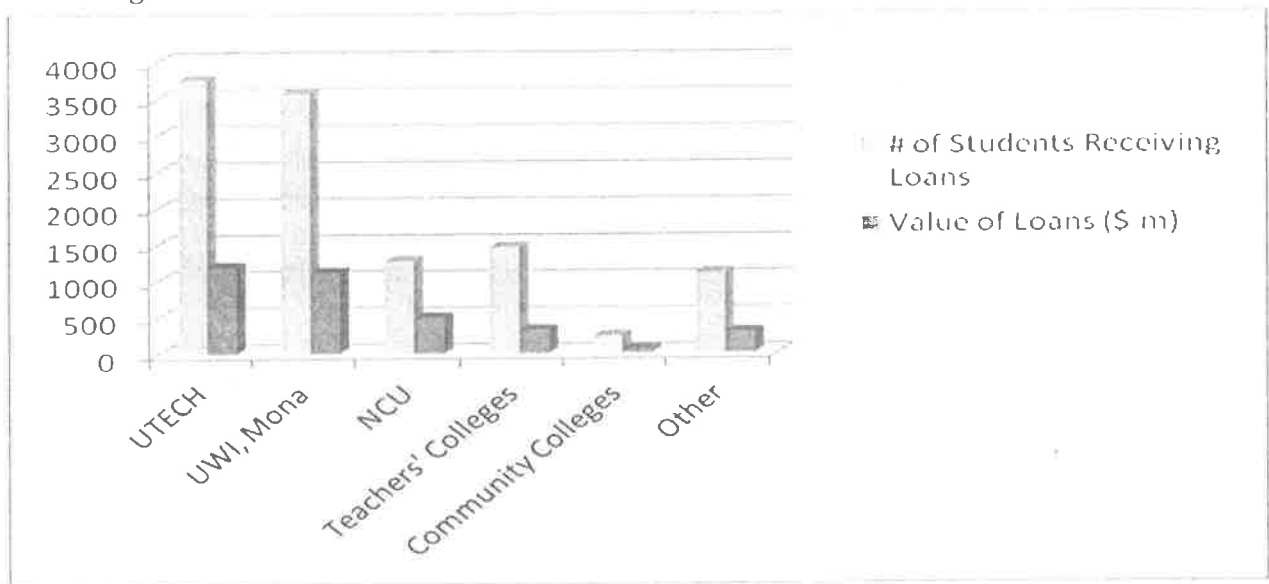
#### 3.1 *Disbursements (Academic year)*

3.1.1 SLB was the financial institution of choice for thousands of Jamaican students who required assistance in covering the cost of tuition fees. The application period for the 2013/14 academic year began in February 2013 and a total of 15,297 applications were received

(2012/13: 16,476) of which 14,612 or 96% (2012/13: 15,885) were approved. Of the loan applications, 9,061 or 59% were from new applicants and 6,236 or 41%, returning applicants, enrolled in forty-five (45) approved tertiary institutions. However, loans valued at \$3,522.13 million (2012/13: \$3,365.50 million) were disbursed to only 11,512<sup>1</sup> students who completed the application process.

3.1.2 Figure 1 shows the number and value of loans disbursed by institutions during the academic year. Of the \$3,522.13 million, students from the University of Technology (UTECH) benefitted from \$1,196.10 million or 34%; University of the West Indies (UWI), \$1,116.55 million or 32%; and Northern Caribbean University (NCU), \$496.99 million or 14%. Funds disbursed to the teachers' colleges accounted for \$325.58 million or 9%, while the combined group of community colleges and other institutions accounted for \$386.92 million or 11%.

**Figure 1 Tuition Disbursement for Academic Year 2013/14**



3.1.3 SLB also provided grant funding to students most in need of additional financial assistance through the GOJ's Grant-in-Aid program. In this regard, 2,860 students benefitted from grants totalling \$123.60 million<sup>2</sup>, a decrease of \$34.60 million on the \$158.20 million disbursed to the prior year.

3.1.4 SLB experienced several challenges that required action and/or early resolution to ensure the achievement of its mandate and continued operations on a sustainable basis. Chief among the issues was the access of funds for additional demand for loans and increased tuition fees. In this regard, SLB benefitted from increased grant from GOJ and placed increased reliance on borrowed funds to supplement loan reflows. Accordingly, additional loan financing was obtained from the Caribbean Development Bank (J\$1,200 million)<sup>3</sup>, while Government grants totalled \$1,280 million.

<sup>1</sup> Others were cancelled for various reasons

<sup>2</sup> The Grant-in-Aid included amounts brought forward from the 2012/13 financial year.

<sup>3</sup> Continued drawdown on US\$20 million CDB facilities approved in November 2010 and February 2013.

3.1.5 During the year, SLB continued with/implemented several initiatives to improve collections. These included sharing of lists with licensed Credit Bureaus, loan restructuring, publication of names and faces of delinquent borrowers and partnerships with public and private sector stakeholders. SLB also increased its implementation of salary deduction orders for beneficiaries employed in the Public Sector and offered rebates and waivers of charges and fees as incentives for early closure of loans. The Bureau also encouraged beneficiaries and/or their parents to exercise the option to commence repayment during the 'in school years' or moratorium period. Accordingly, beneficiaries repaid \$1,270 million compared to \$964 million in the prior year representing an increase of \$306 million or 32%. Also of note, the amount collected as at March 2014 accounted for approximately 50% of the current portion of the loans in repayment as at March 2014, compared to 42% as at March 2013. Although collections have shown an increasing trend, the reported unemployment and underemployment among beneficiaries negatively affected SLB's operations including its ability to increase collections at the rate required. Accordingly, delinquency continued to be a challenge for the Bureau; the rate was 24.26% (2012/13: 18%) for loans past due for 90 days or more.

3.1.6 SLB's public education campaign increased and included visits to 70 (2012/13: 64) institutions inclusive of high schools, tertiary institutions, social development/community organisations, and several public fora. SLB also sought to increase its presence in the media and resumed or began several initiatives in these regards.

#### 4.0 Financial Overview

**Table 1: Income and Expenditure Statements (\$million)**

Particulars	2013/14	2012/13 (Restated)	Variance 12/13 - 13/14	
			\$	%
<b>Income</b>				
Interest on Student Advances	1,096.33	802.89	293.44	37%
Interest on Investments	32.85	16.09	16.76	104%
Other Income	235.82	129.06	106.76	83%
Government Grant	137.39	232.40	(95.01)	-41%
<b>Total Income</b>	<b>1,502.39</b>	<b>1,180.44</b>	<b>321.95</b>	<b>27%</b>
<b>Expenses</b>				
Salaries and Related Costs	166.76	160.51	(6.25)	-4%
Bad Debt expense	767.96	526.79	(241.17)	-46%
Depreciation	21.31	20.44	(0.87)	-4%
Grant-in-aid	137.39	131.41	(5.98)	-5%
Other expenses	78.45	78.60	0.15	0%
Finance Cost	305.11	179.54	(125.57)	-70%
<b>Total Expenses</b>	<b>1,476.98</b>	<b>1,097.29</b>	<b>(379.69)</b>	<b>-35%</b>
<b>Net Surplus</b>	<b>25.41</b>	<b>83.15</b>	<b>(57.74)</b>	<b>-69%</b>
Other Comprehensive Inc/(Loss)	1.69	(1.89)	3.58	-189%
<b>Total Comprehensive Inc for the year</b>	<b>27.10</b>	<b>81.26</b>	<b>(54.16)</b>	<b>-67%</b>

#### 4.1 Profitability and Expenses

4.1.1 Table 1 indicates that notwithstanding additional income of \$321.95 million for 2013/14, SLB recorded reduced net surplus (by \$57.74 million) of \$25.41 million, below the \$83.15 million generated in 2012/13. This financial performance resulted mainly from increased bad debt expense which is reflective of the Bureau's high delinquency rate. In addition, net finance cost increased by \$125.57 million as the SLB accessed additional loans to replenish its pools of

funds for disbursements to students. The resulting cost increase impacted negatively, SLB's expense to income ratio which moved to 98% from 93%. After adjusting for revaluation profit of \$1.69 million on assets, total comprehensive income of \$27.10 million (2012/13: \$81.26 million) was recorded.

#### 4.1.2 Income

4.1.3 SLB's operations generated total income of \$1,502.39 million (2012/13: \$1,180.44 million), an increase by \$321.95 million over the prior year. The improvement was influenced primarily by an additional \$293.44 million earned in interest on student advances, which totalled \$1,096.33 million (2012/13: \$802.89 million). In addition, the Bureau earned a combined \$235.82 million (2012/13: \$129.06 million) chiefly from bad debts recovered, as well as fees and penalty charges. The aforementioned were partially negated by lower grant income of \$95.01 million on the previous year. This reduction was due to the \$100.00 million received in 2012/13 from PetroCaribe Development Fund to assist with the funding needs of SLB which was not replicated in 2013/14. Of note, the GOJ grant-in-aid funding increased by \$4.99 million to \$137.39 million.

### 5.0 **Balance Sheet**

5.1 SLB's operations remained solvent and net worth of \$7,500.95 million was an improvement of \$1,070.39 million on that at the end of 2012/13. Total assets rose by \$3,958.14 million, due mainly to an increase (by \$3,099.11 million) in the loan portfolio. Meanwhile, liabilities rose by \$2,887.76 million to \$7,684.71 million, given the increased borrowing by SLB. Notwithstanding the improved solvency level, the loans written off (over 1,095 days/3 years) at the end of 2013/14 totalled \$572.90 million (2013/13: \$317.71 million). In addition the allowance for impairment loss at the end of 2013/14 totalled \$2,099.42 million (14% of loans, interest, penalty and other charges receivable). If SLB's loan portfolio is not managed effectively loan delinquency will impact the Bureau's solvency.

### 6.0 **Conclusion**

6.1 SLB's pivotal role in financing tertiary education in Jamaica continued with increased lending. In order to mitigate some of the issues which challenge its sustainability, the Bureau successfully implemented several initiatives. In future periods, more changes are being contemplated to ensure that SLB can achieve its mandate and continue to operate on a sustainable basis.



Peter D. Phillips PhD, MP  
Minister of Finance and Planning  
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