

**STUDENTS' LOAN BUREAU
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR
THE YEAR ENDED MARCH 31, 2016**

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, 2016.

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 programme.

2.0 Disclosures

2.1 Auditors' Report

2.1.2 The auditors, Ernst & Young (EY), conducted the audit of SLB's financial statements for 2015/16 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, 2016, in keeping with the 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 ten (10) senior executives ranged between \$2.22 million and \$11.46 million. Fees for the Directors of the Board totalled to \$1.46 million.

3.0 Operational Review

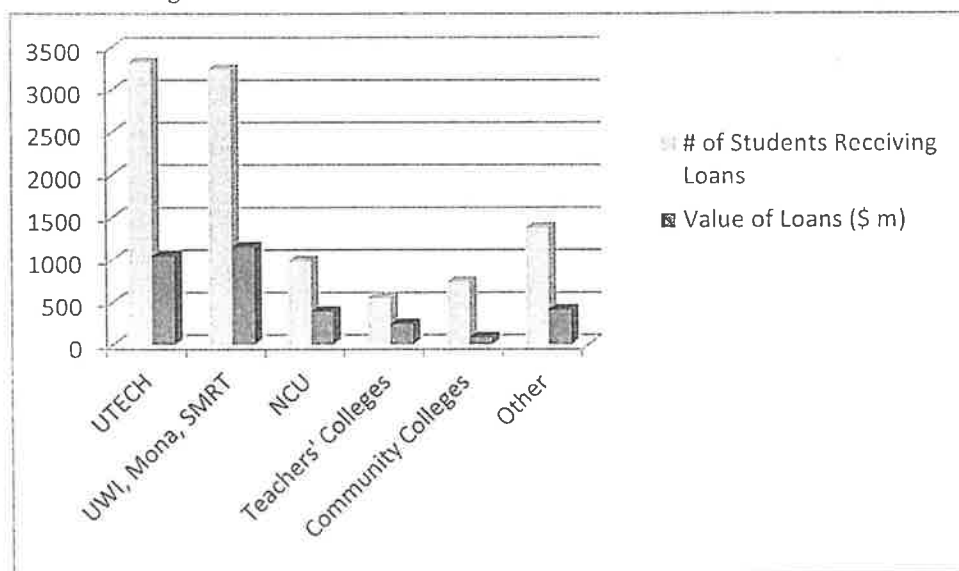
3.1 Disbursements (Academic year) and Collections

3.1.1 SLB continued to provide assistance to thousands of Jamaican students who required assistance in covering the cost of tuition fees. The application period for the 2015/16 academic year began in February 2016 and a total of 13,620 applications were received (2014/15: 14,845) with 12,928 (2014/15: 13,824) being approved. Of the applications received, 5,717 or 42% were from new applicants, while 7,903 or 58% returning students submitted Status Report Forms to

renew their loans. Of the loans approved, disbursements were made on behalf of only 10,228¹ students who completed satisfactorily the application process.

3.1.2 Figure 1 highlights the number and value of loans disbursed to institutions (on the students' behalf) during the academic year. Of the \$3,311.80 million (2014/15: \$3,460.20 million) disbursed, students from the University of the West Indies were the main beneficiaries, accessing \$1,147.60 million (34.70%). The University of Technology received \$1,039.40 million (31.40%) and the Northern Caribbean University, \$388.50 million (11.70%). Funds disbursed to the teachers' colleges accounted for \$241.60 million (7.30%) while the combined group of community colleges and other institutions accounted for \$494.70 million (14.89%).

Figure 1: Tuition Disbursement for Academic Year 2015/16



3.1.3 Notwithstanding the decline in disbursements, chiefly due to students finding other means of funding their education, the \$3,311.0 million allocated was deemed to be significant. Meanwhile, the number of loans disbursed remained at 95% of the total applications received. Disbursements were funded by SET (\$2,880 million) and loan repayments (\$2,255 million). ..

3.1.4 SLB also provided grant funding to students most in need of additional financial assistance through the GOJ's Grant-in-Aid Programme. The programme is funded by Government but facilitated by the SLB. The Government allocated \$150 million towards this Programme which contributed to grants totalling \$130.90 million being disbursed to 3,029 students (2014/15; \$126.60 million to 2,966 beneficiaries).

3.1.5 During the year, SLB continued with/implemented several initiatives to improve collections. These included sharing of lists with licensed Credit Bureaus, restructuring of loans, publishing the names and faces of delinquent borrowers, as well as establishing partnerships with public and private sector stakeholders. SLB also increased its salary deduction orders for beneficiaries employed in the public sector and offered rebates and waivers of charges and fees as incentives for early closures of loans. The Bureau also encouraged beneficiaries and/or their parents to exercise the option to commence repayment during the 'in school years' (loan

¹ Others were cancelled for various reasons

moratorium) period. Consequently, beneficiaries repaid \$2,255 million compared to \$1,803 million in 2014/15, an increase of \$452 million (25.1%). Also of note, the amount collected at March 31, 2016 accounted for approximately 71.3% (March 31, 2015; 62.23%) of the current portion of the loans in repayment.

3.1.6 Since 2011/12, collections have shown an increasing trend. However, the reported unemployment and underemployment among beneficiaries have, negatively affected SLB's ability to increase collections at the rate desired. As a result, delinquency in loans past due for 90 days or more increased to 25% in 2015/16 compared with 24% in 14/15..

3.2 SLB's public education campaign increased and included visits to 97 (2014/15: 85) locations inclusive of high schools, tertiary institutions, social development/community organisations and several public fora. SLB also sought to increase its presence in the market by increasing advertisements via the media.

4.0 Financial Overview

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

Particulars	2015/16	2014/15	Variance 2015-16/2014-15	
	\$	\$	\$	%
Income				
Interest on Student Advances	1,520.63	1,257.43	263.20	21%
Interest on Investments	121.33	58.71	62.62	107%
Bad Debts Recovered	243.59	192.26	51.33	27%
Government Grant	142.87	103.34	39.53	38%
Other Income	130.49	131.62	(1.13)	-1%
Total Income	2,158.91	1,743.36	415.55	24%
Expenses				
Salaries and Related Costs	192.17	180.53	(11.64)	-6%
Bad Debt expense	1,069.40	861.91	(207.49)	-24%
Depreciation	8.02	13.28	5.26	40%
Grant-in-aid	142.88	103.34	(39.54)	-38%
Finance Costs	382.91	331.02	(51.89)	-16%
Other Expenses	118.13	104.82	(13.31)	-13%
Total Expenses	1,913.51	1,594.90	(318.61)	-20%
Net Surplus	245.40	148.46	96.94	65%
Other Comprehensive Income				
Remeasurement of pension obligation	1.08	-0.41	(1.49)	
Total comprehensive income	246.48	148.05	95.45	64%

4.1 Profitability and Expenses

4.1.1 Table 1 indicates that for the 2015/16 financial year, SLB recorded a net surplus of \$245.40 million, an increase of \$96.94 million over the \$148.46 million generated in 2014/15. After adjusting for revaluation surplus of \$1.08 million on assets, total comprehensive income of \$246.48 million (2014/15: 148.05 million) was recorded. The improved financial performance resulted directly from increased interest earned due to growth in the loan portfolio, investment income flowing from the receipt of the SET and bad debts recovered. The resulting

improvement in income contributed positively to the SLB's expense to income ratio which moved to 88% from (2014/15: 91%). Meanwhile, SLB's solvency also improved.

4.1.2 Expenses

4.1.3 SLB's operational expenses totalled \$1,913.51 million (2014/15: \$1,594.90 million) an increase of \$318.61 million on that for the prior year. The increased costs were influenced primarily by:

- a. Bad debt expenses, which rose by \$207.49 million, due to the delinquency affecting the loan portfolio;
- b. Finance costs (by \$51.89 million), associated primarily with interest on foreign currency loans;
- c. Grant-in-Aid (\$39.54 million) as SLB received additional funding from GOJ and
- d. Salaries and related costs (by \$11.64 million), as several vacancies were filled.

5.0 **Balance Sheet**

5.1 SLB's operations remained solvent and net worth of \$14,388.77 million was an improvement of \$4,668.82 million on that at the end of 2014/15. Total assets increased rose by \$3,612.72 million, chiefly by the increased loan portfolio of \$2,150.26 million. Meanwhile, liabilities declined by \$1,056.10 million to \$7,015.61 million primarily as SLB converted a \$1,386.86 million loan from the insurance fund to equity. An actuarial assessment of the Insurance Fund conducted in 2015, determined that it carried a significant surplus with respect to the covered risk of students' loans. Accordingly, SLB's Board took the decision to convert the loan from the Insurance Fund into equity.

Notwithstanding the improved solvency level, it is of note that the allowance for impairment loss at the end of 2015/16 totalled \$2,874.48 million (2014/15: \$2,461.97 million) which was 14.13% (2014/15:13.85%) of loans, accrued interest, and fee receivable. SLB plans to continue its efforts to reduce loan delinquency to avert any negative impact on the Bureau's solvency.

6.0 **Conclusion**

6.1 SLB continued to pursue its mandate to finance tertiary education in Jamaica. This was enhanced by increased capitalisation, primarily from the SET. While SLB's operations remain vulnerable to the delinquency levels being experienced, it is notable that the Bureau implemented several successful initiatives to mitigate some of the challenges. In the future periods, more fundamental changes are being contemplated to ensure that SLB can achieve its mandate and continue to operate on a sustainable basis.



Nigel Clarke, DPhil., MP
Minister of Finance and the Public Service
May 20, 2020