

**STUDENT AWARDS
AGENCY FOR SCOTLAND**

S A A S

Annual Report and Accounts 2007-2008

Student Awards Agency for Scotland

An agency of the Scottish Government

SAAS

Annual report and accounts 2007-2008

Presented to the Scottish Parliament under Section 22(5) of the
Public Finance and Accountability (Scotland) Act 2000.

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in December 2008

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Chief Executive's report

In 2007-2008, our commitment to continuous improvement brought about a significant further reduction in the average time taken to process applications. This fell from 10.6 days in 2006-2007 to 7.2 days – a reduction of around 32%. As in the previous year, we again found it necessary to use text messaging to encourage students to apply for their support in good time.

In many ways, 2007-2008 was a year of preparation. The new Scottish Government declared its intention to abolish the Graduate Endowment with effect from April 2008. This meant that we had to write to all students informing them of the change and how it would affect them. New means testing arrangements were due to be introduced in 2008-2009. This meant that we had to revise our guidance literature, our website, our application forms and our operating systems.

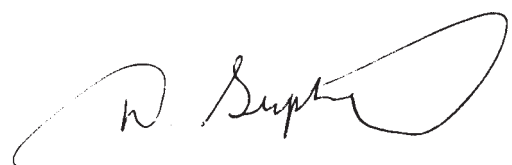
We were conscious that our main operating system (GRASS) was becoming increasingly expensive to support and more difficult to develop. Having undertaken a cost benefit analysis, we took the decision to create a replacement system in-house rather than commission an external consultancy. Work began mid-year when we set up PRINCE governance arrangements, recruited developers and tendered for the software tools needed to progress the project.

A consultant's report commissioned by HELS, made a number of recommendations for improving the partnership arrangement under which we worked with Learndirect Scotland to administer Individual Learning Accounts. Work to implement the recommendations began to take on a new impetus later in the year when it was announced that Learndirect would merge with Careers Scotland and parts of the Enterprise Networks to form a new body – Skills Development Scotland.

During the year, we began a pilot homeworking project to assess the numbers and types of jobs within the agency which could conceivably be carried out from remote locations. We assembled information from local authorities and other organisations already offering homeworking to their staff and began a limited pilot exercise to examine the practical difficulties of equipping staff to work from home. Unfortunately, a number of factors combined later in the year to force us to suspend the pilot. However, it will be relaunched in 2008-2009 since such information as we have suggests that homeworking could have much to offer staff by way of reduced commuting and more control over their life/work balance as well as the business benefits that would accrue to the Agency.

Another area in which we began work was performance measurement where our intention is to move from an output based approach to one that is more concerned with the achievement of outcomes. As part of this, we have begun to work on creating a 'balanced scorecard' for the Agency which will give us a much wider appreciation of how we are actually delivering the levels of service expected of us by Ministers and the Scottish public.

The initiatives I have described will take some time to come to fruition and become embedded in the Agency's systems of work. However, taken together, they will allow us to improve yet further the range and standards of service we offer to Scottish learners.



David Stephen
Chief Executive

Our management board

David Stephen	Chief Executive
Graham Gunn	Head of Information Systems and Operational Policy
Audrey Heatlie	Customer Services Manager
Audrey Shimmons	Head of Finance
Martin Lowe	Non-executive board member
Eileen Marshall	Non-executive board member
Margaret Munckton	Non-executive board member
Bruce Nelson	Non-executive board member

Our non-executive board members have a wide range of experience of university and financial administration. They are Martin Lowe (retired Secretary of Edinburgh University), Eileen Marshall (Finance Director, Glasgow College of Nautical Studies), Margaret Munckton (Director of Strategy and Financial Planning, Perth College) and Bruce Nelson (Academic Registrar and Deputy Secretary, University of Edinburgh).

Part 1

Who we are and what we do

We are an Agency of the Scottish Government based in Edinburgh's South Gyle business park. We pay grants and bursaries to Scottish students in higher education and provide other forms of Government support for learners. We have 150 staff and control budgets in excess of £500 million.

What we do:

- assess and pay financial support for living costs and tuition fees;
- deal with the Students' Allowances Scheme, the Postgraduate Students' Allowances Scheme (PSAS), the Nursing and Midwifery Students Bursary Scheme (NMSB) and applications for student loans;
- work with the Health Directorate to develop and deliver NHS Bursaries to specific groups (e.g. Dentistry students);
- collect the Graduate Endowment fee (now abolished with effect from 1 April 2008);
- provide resources and data to the Student Loans Company for the payment of student loans;
- distribute Discretionary Funds and Childcare Funds to Scottish universities and colleges;
- pay fees to providers of learning to those holding Individual Learning Accounts under the Individual Learning Accounts Scotland (ILAS) scheme, which we run in partnership with Learndirect Scotland (now Skills Development Scotland); and
- maintain a register of charities that offer educational endowments.

We make almost all of our services available to the public electronically at www.saas.gov.uk. Scottish higher education students have been able to apply for support online since 2002.

We have included a glossary at the end of this document which explains terms we have used that you may not be familiar with.

Part 2

Our aim, vision and values

Our aim is to be an outstanding provider of learner funding for students.

Our vision is to excel at what we do. We aim to:

- provide high-quality services to the Scottish public that are easy to use;
- continuously improve the speed and efficiency of our work; and
- value the people who work here and the customers they deal with.

Our values are to:

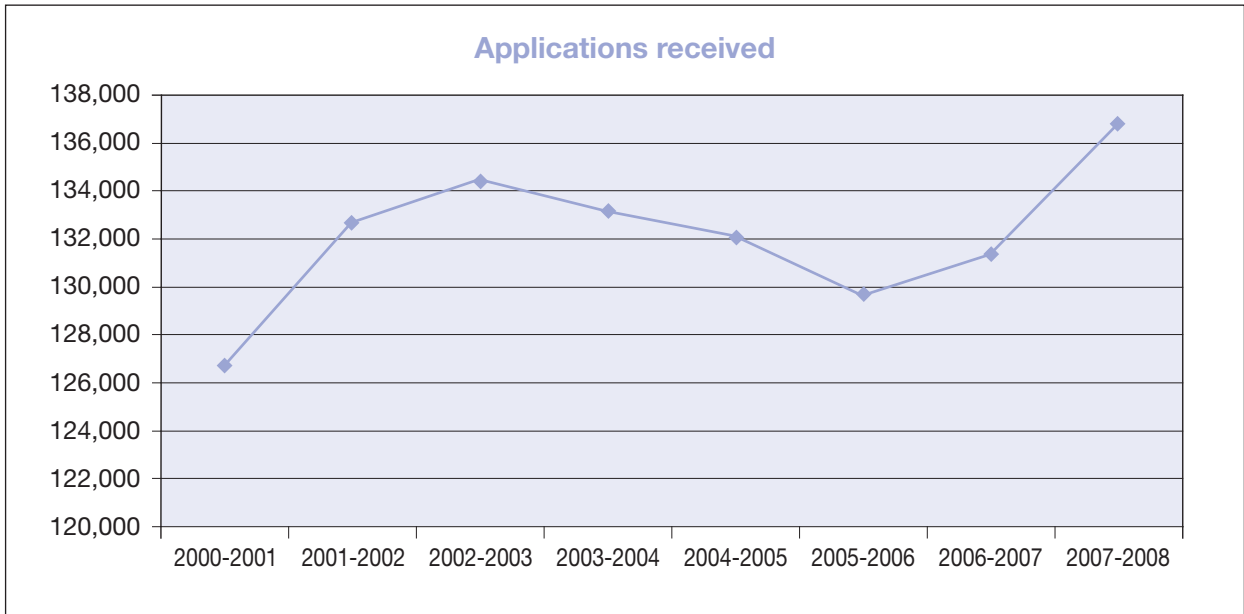
- put the needs of our customers first;
- take responsibility for what we do and the targets we need to achieve;
- work as a team;
- work with partners to deliver the Government's strategic aims;
- be professional and committed to quality;
- communicate clearly and openly;
- maintain a well-trained and motivated workforce; and
- use modern technology.

Part 3

Service delivery

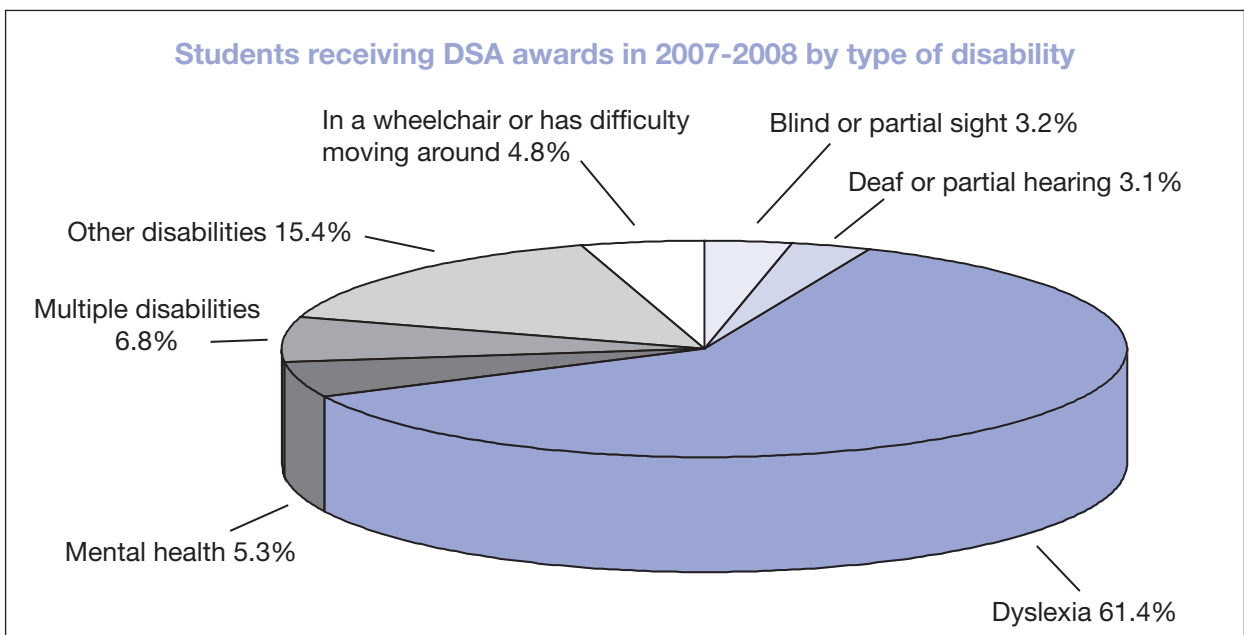
Applications for support

We dealt with 136,727 applications in 2007-2008: 125,092 from undergraduates, 4,055 postgraduates and 7,580 nursing and midwifery students. The table below shows the numbers of applications we have dealt with in each year since 2000.



Disabled Student Allowances (DSA)

There were two noticeable changes in 2007-2008 – DSA applications rose from 3,591 to 4,024 and the number of students with multiple disabilities increased from 201 to 275. The following chart provides a breakdown of claims by type of disability.



Replying to queries

The Customer Services Unit deals with most of the calls we receive. We upgraded our telephony system in 2007-2008 to handle increasing call volumes more effectively. The new system went live in May 2007.

Calls	May 2007 - June 2007	July 2007 - Sep 2007	Oct 2007 - Dec 2007	Jan 2008 - Mar 2008	Total for year (May 2007 to March 2008)
Incoming	49,130	119,052	60,474	48,893	277,549
Answered	44,202	88,630	53,033	46,094	231,959
% answered	90%	75%	88%	94%	84%
Average waiting time (minutes/seconds)	00:46	02:30	00:56	00:22	01:09
Average call duration (minutes/seconds)	03:46	03:50	04:10	04:08	03:59

Internet services

Our website received almost 6 million hits in 2007-2008 a decrease from the 2006-2007 total of 7 million hits. This was due to a re-design of our website which has made information easier to find and reduced the number of clicks needed to find specific types of information. Over 63% of students applied for their support online (compared to 52% last year) and almost 20,000 students who had applied online last session received an online shortened application form.

Endowments

We searched the Register of Educational Endowments on behalf of 1,021 students during the year.

Individual Learning Accounts Scotland

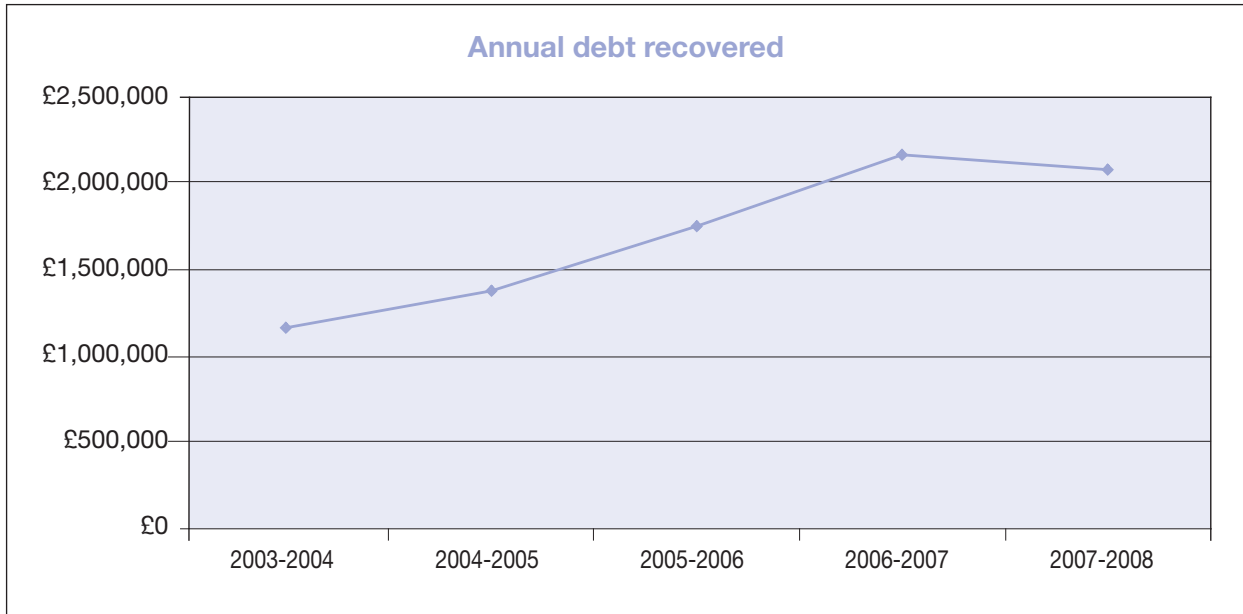
During 2007-2008 we processed 41,649 applications and 10,984 income reassessments. We opened 40,826 accounts and 25,438 applicants made at least one booking.

ILA	Applications processed	%	Income reassessments	%	Accounts opened	%	Applicants making at least 1 booking	%
2005-2006	26,449		1,834		25,557		13,168	
2006-2007	31,819	120%	7,060	1285%	30,751	120%	20,760	158%
2007-2008	41,649	131%	10,984	156%	40,826	133%	25,438	123%

Debt recovery

The table below shows the amount of debt we have recovered from 2003-2004, to 2007-2008.

	April to June	July to September	October to December	January to March	Total
2003-2004	£304,218	£279,107	£240,597	£309,402	£1,133,324
2004-2005	£381,037	£350,906	£283,508	£332,709	£1,348,160
2005-2006	£340,643	£467,120	£422,074	£490,729	£1,720,566
2006-2007	£502,915	£579,204	£443,213	£610,675	£2,136,007
2007-2008	£560,928	£450,983	£536,677	£501,663	£2,050,251



At the end of March 2008, outstanding debt totalled £8,460,660. Of that total, £2,423,146 (28.6%) is attributable to student nurses and midwives whose bursaries we administer on behalf of the Scottish Government’s Health Department.

Graduate Endowment

We prepared for abolition of the Graduate Endowment fee by informing students and graduates of how this would affect people according to their circumstances. Apart from making information available in our literature and on our website, this involved the issue of around 18,000 individual letters.

Information and advice

In 2007, we distributed around 120,000 copies of our application forms and guidance notes to higher education institutions. We design our forms and notes to Plain English Campaign standards.

We consulted institutions in November 2007 proposing that the Agency would stop distributing paper copies of guides and application forms. As institutions were supportive, the Cabinet Secretary for Education and Lifelong Learning has agreed that the Agency will not issue bulk supplies of paper application forms or guides from 2009-2010.

We visited 161 institutions, schools and careers events to speak to future students and their families to give them information about student support and how we can help them.

We also produced a DVD and CD-ROM giving information about the support that is available and how to apply for it (encouraging as many people as possible to apply online). We produced 100,000 CD-ROMs which we issued to all further and higher education institutions in Scotland, secondary schools and main libraries. Satisfaction ratings for the DVD and CD-ROM are shown in the following table.

Statement	Satisfaction rating
The DVD is easy to follow and understand	100%
The CD-ROM is easy to use	100%
The DVD/CD-ROM looks professional and well made	93%
The level of information provided is suitable for most students	100%
The DVD/CD-ROM clearly show who to contact for further information	100%
The DVD/CD-ROM should be updated and re-issued each year	97%

Freedom of information

We reviewed our publication scheme, as required under the Freedom of Information Act. The scheme is available to the public on our website. During 2007-2008, we received four requests for information under the Act.

Complaints and appeals

We publish our complaints and appeals procedure on our website (www.saas.gov.uk), our yearly 'Guide to student support' and on our CD-ROM. We provide guidance and training to all staff dealing with complaints. The Chief Executive's office monitors complaints and produces reports every three months for the Management Board. These provide details of complaints received and action taken to address them. Board members look at whether there are any patterns or trends in complaints that might cause us to change any of our working practices. During 2007-2008 we received 128 complaints, 98% of which we answered within 14 working days.

Customer surveys

In 2007-2008, we completed our first ever Disabled Students' Allowance (DSA) customer survey. We sent forms to a random sample of 500 students who were receiving DSA to ask them for comments on the services we provide as well as the overall DSA policies in place. The results of this survey can be found in full on the SAAS website. A summary of the main findings are as follows:

- Applications and Guidance – On the whole, students were satisfied with the current application process. However, comments were made from first year students that there was an element of duplication between the application and the needs assessment report. As a result, we have modified the DSA application to ensure that new students no longer have to list the support they require on the application. The needs assessment report will highlight this.
- Needs Assessment – The vast majority of students were satisfied with the needs assessment process and the staff at institutions and Access Centres who provide this service. Some students did indicate that the whole process was too long with equipment not being received until well after the course start date. There is a scheme in operation to establish an agreed quality assurance framework under which assessments can be carried out. We now have over 30 colleges and universities who are validated to carry out assessments. Steps are in place to bring more institutions on board, which should improve the efficiency of the whole DSA process.
- Payment of DSA – 90% of students were satisfied with the method for payment of DSA, with 3% dissatisfied.
- Contacting SAAS – The preferred method of contacting SAAS was by telephone with 70% of students noting they were more than happy with that mode of communication. The least preferred method was email with 18% of students expressing dissatisfaction with their experience using that communication channel.

More generally, we carry out regular customer surveys and analyse the results to identify where we can improve our services. In 2007, we contacted a random sample of 12,000 customers asking them to comment on the services we provide.

The table below shows the satisfaction ratings for each of the last four years.

Statement	Satisfaction rating			
	2004	2005	2006	2007
Knowledge and helpfulness of staff	84%	88%	83%	82%
How easy it was to understand our guidance documents	82%	85%	84%	84%
How easy it was to fill in our printed application forms	75%	80%	79%	78%
How easy it was to fill in our on-line application form	71%	77%	77%	80%
How easy it was to fill in our new shortened application form for continuing students	89%	91%	91%	93%
How easy it was to get application forms	88%	88%	81%	92%
Time taken to issue an award notice	75%	86%	78%	62%
How quickly phone enquiries were dealt with	77%	82%	63%	62%
How quickly written correspondence was dealt with (see Note 1)	72%	82%	70%	72%
How quickly bursaries and supplementary grants were paid/speed of payment of grants by SAAS	82%	89%	82%	90%
How easy it was to find information on our website	New question in 2007			81%
How useful our CD-ROM was	New question in 2007			70%
How easy it was to work out your entitlement using our website	New question in 2007			74%
How easy it was to apply for support using our website	New question in 2007			79%
Speed of payment of your travel expenses	New question in 2007			72%

Note 1: The number of emails received has significantly grown over the years from 582 in 2000-2001 to almost 95,000 in 2007-2008.

The 2007 customer survey results highlighted a number of issues which the Agency are working to address.

Our website – The new website launched on July 2007 has been well received. It has a much improved search facility that uses Google technology. A new electronic ‘Contact Us’ form has also been introduced. This allows students to complete a query online and e-mail it directly to the appropriate Agency team to deal with.

Application process – Our on-line services continue to be very well used including the facility to apply on-line. The number of applications made in this way during 2007-2008 rose to around 63%. We are continually looking at what we can do to simplify the application process yet further and minimise the amount of information we have to collect. We have introduced a Website Feedback option as part of the ‘Contact Us’ section of the website so students can let us know what they think of the website or the Agency as a whole. We also intend to upgrade our web infrastructure to improve the speed and performance of our services.

Our telephony system – Although 80 extra phone lines were put in place in 2007 customers continue to have difficulties getting through at peak periods simply because we do not have enough staff to deal with the number of calls we receive at the peak times. We will continue to review this situation.

Human resources

In January 2008 we carried out an Agency specific Band A recruitment campaign. The recruitment complied fully with the Civil Service Commissioners' Recruitment Code ensuring fair and open competition and appointment on merit.

Of the 16 candidates appointed, eight were female and eight were male. three of the appointees declared a disability and three appointees were from an ethnic minority.

As at 31 March 2008 the Agency was employing 138 staff, plus two fixed-term appointments (Student Work Placements). Of the 138 staff 16 permanent employees were working part time, with varied working patterns of two to five days, covering a minimum of 18 hours to a maximum 36 hours per week. In addition, one member of staff works annualised hours and another works a full-time compressed week.

Staff by pay band and gender at 31 March 2008

	Males	%	Females	%	Total	%
Senior Civil Service	1	1	0	0	1	1
Band C	2	1	1	1	3	2
Band B	22	16	20	14	42	30
Band A	42	31	50	36	92	67
Total	67	49	71	51	138	100

Health and Safety

Our health and safety policy recognises that the Agency, as an employer, has to ensure the health and safety of our staff but that they also have a duty of care for themselves. We have a Health and Safety Committee who meet quarterly to consider the results of health and safety inspections of Gyleview House. The Agency's management board receive minutes of these meetings which are also available on our website.

Healthy Working Lives (HWLs) Scheme

The Agency work with staff towards the Scotland's Healthy Working Lives Scheme to promote physical activity and healthy eating. More details on the scheme can be found in the management board report in our annual accounts.

The Agency aim to achieve the HWL's Gold award by December 2008.

Environment management

Details of our environmental policy and our performance can be found in Part 5 of the Annual report.

Part 4

Our performance against our targets

Targets	Performance 2004-2005	Performance 2005-2006	Performance 2006-2007	Performance 2007-2008
To process 50% of applications within 12 days of receiving them, 75% within 14 days, and 100% within 21 days.	62% within 12 days 72% within 14 days 90% within 21 days	63% within 12 days 69% within 14 days 83% within 21 days	46% within 12 days 52% within 14 days 82% within 21 days	72% within 12 days 74% within 14 days 83% within 21 days
Average number of calendar days taken to process an application.	n/a	10 days	11 days	7 days
To reply to 90% of written enquiries within 14 days of receiving them, and 100% within 21 days.	95% within 14 days 98% within 21 days	78% within 14 days 91% within 21 days	75% within 14 days 88% within 21 days	90% within 14 days 93% within 21 days
Total number of complaints received.	82	81	97	128
To answer all complaints within 14 days of receiving them.	94%	94%	95%	98%
To reach an average unit cost of £34 to process each application based on relevant costs.	£35.39	£35.93	£37.44	£37.58
To respond to enquiries sent by email within five days of receiving them.	92%	93%	76%	92%
To answer 85% of calls to our customer services unit within 25 seconds, and 100% within three minutes.	Not available - see note 1	Not available - see note 1	Not available - see note 1	Not available - see note 1
To make sure that the average delay for incoming calls to our customer services unit is no longer than 12 seconds in quarters one, two and four, and 20 seconds in quarter three.	Not available - see note 1	Not available - see note 1	Not available - see note 1	Not available - see note 1

(1) – Statistics not available due to ongoing problems with telephony reporting system.

The revised targets introduced in 2003 were intended to be stretching. It is worthy of note that we are now able to process just under half of all applications received within 12 days of receipt. The reduction in average processing times is even more noteworthy having been achieved with no increase in staffing.

However, experience has shown that targets based on achieving 100% performance within a specified timescale are in practice often unachievable. For example, over the summer we may receive incomplete applications from students who have gone abroad and cannot be contacted for several weeks. In dealing with correspondence, we may have to request information from third parties (including other Government Departments) but not receive this in time to meet our 14 or 21 day targets.

We have therefore begun a project to review our targets with the aim of finding measures that will concentrate more on outcomes rather than outputs and more realistically demonstrate the impact of the Agency's performance. We are doing this in line with the 'balanced scorecard' approach which should ensure not only better key performance indicators but a wider set of targets to reflect the support systems that underpin delivery of our core business (e.g. our ICT and HR systems).

Part 5

Environmental report 2008

This report details our performance measured against our environmental policy targets up until 2008.

SAAS environmental policy

Our environmental policy is to ensure that we make continuous improvement in reducing the impact of our operations on the environment. Our policy is consistent with the Government's strategic objective to create a Greener Scotland. The actions we take to implement our policy will help achieve National Outcome 14 to 'reduce the local and global impact of our consumption and production'. We measure, monitor and report on the achievement of our objectives and targets annually. Details of our policy are made available to staff and the general public on our staff intranet and our website.

Targets

Our targets in the Agency's corporate plan are to:

- reduce the amount of energy we use for heating, hot water and lighting by 1% each year between now and 2009;
- reduce further the use and storage of paper;
- reduce travel (particularly to Glasgow) by using our video-conferencing equipment as much as possible; and
- review our environmental policy every two years.

New targets we have developed during 2007-2008 will be to:

- minimise our consumption of natural resources, including water and other raw materials;
- reduce the amount of waste we produce by encouraging recycling and minimising the amount of material sent to landfill sites;
- purchase products and services having regard to their environmental impact;
- minimise our greenhouse gas emissions; and
- maintain as part of our overall environmental policy, an effective travel plan which will seek to reduce the number of business journeys we make, encourage the use of public transport and promote the health benefits of cycling and walking.

The Agency made a significant step towards meeting some of these targets by achieving ISO 14001 accreditation on 29 July 2008.

Table 1 – Building details

	Floor Area (m ²)	Additional Minor Occupiers	Total SAAS Staff As at 31 March 2008	Other Minor Occupiers	Total Occupying Staff
Gyleview House	4448.5	SERCo (Cleaning Staff)	150	5	155

Table 2 – Utilities comparison 2004-2005 to 2007-2008

	2004-2005		2005-2006		2006-2007		2007-2008	
	(kWh)	CO ₂ (Tonnes)	(kWh)	CO ₂ (Tonnes)	(kWh)	CO ₂ (Tonnes)	(kWh)	CO ₂
Electricity	326380	169.72	352950	161.30	319335	137.31	360230	154.90
Gas	278521	52.92	295490	56.14	252519	47.98	242785	46.13
Total	604901	222.64	648440	217.44	571854	185.29	603015	201.03
Water (m ³)	2447		1783		1263		2189	

Note: From August 2005, the figure used to calculate CO₂ emissions is kWh multiplied by 0.43 then divided by 1000 to give result in tonnes (previous figure was 0.52). This is the figure used by DEFRA and the Carbon Trust.

Gas usage

We have been successful in reducing gas consumption which is now 13% below its 2004-2005 level. We installed new, energy efficient gas boilers in November 2006. Heating is switched on for less time each working day and is reduced to ‘frost protection’ level at weekends and over Christmas when the office is closed.

Electricity usage

Through SG procurement, we purchase 100% of the electricity required to run our building from ‘green’ sources. Electricity consumption has increased due to a number of new servers and air conditioning units we installed in June 2007. However, the increase would have been greater had it not been for measures we have taken to keep consumption down in other ways.

Our Environmental Team have raised awareness of power usage by running a ‘switch-off’ campaign for all electrical equipment. We have timers on photocopiers to ensure they are switched off in the evening and at weekends. We have energy efficient lighting and movement sensors to switch off lights in areas not being used. We reconditioned office windows in 2007 to reduce heat loss. Without risk to our ICT equipment, we have been able to increase the minimum temperature in server rooms by 3 degrees centigrade so as to reduce power consumption by air conditioning units.

Water usage

Water usage increased in 2007-2008 due partly to taps being left running (on one occasion over an entire weekend). We have installed sensor operated taps to prevent such wastage in future.

While out with the period of this report, it is worth noting that a combination of the new taps, smaller cisterns and more efficient urinal fittings has cut water usage in the first quarter of 2008 by an astonishing 85%.

Table 3 – Paper usage within Gyleview House 2005-2006 to 2007-2008

Year	2005-2006	2006-2007	2007-2008
Total reams purchased	3775	3475	3625
Amount purchased +/-		-300	+150
Recycled reams	3435 (91%)	3330 (96%)	3300 (91%)
Virgin reams	340 (9%)	145 (4%)	325 (9%)
Paper use per person (reams per year) (based on approx 150 staff)	25.16	23.16	24.17

The Agency's use of paper has decreased dramatically over the last few years due to a number of major systems changes we have made, including taking applications over the Internet. We calculate that for every 1% of applications that are made electronically, we save 126 reams of paper. In 2006-2007, 63% of applications were made online (7,938 reams) and we estimate an overall saving of 14,427 reams (roughly 7.25 million sheets of paper) since we first introduced online applications in 2002.

In addition, we have progressively been replacing the printed version of our Guide to Student Support with CD-ROMS and information on our website. In 2003-2004 we were able to stop having to send acknowledgement letters to applicants by increasing the speed with which we could process applications. We discontinued the practice of sending copies of award letters to parents in 2005-2006. This action has saved around another 14,500 reams of paper over the last 4-5 years (roughly 15 million sheets of paper in all).

All the white paper we buy nowadays is made from 100% recycled materials and printers are set to print double sided automatically. We centralised paper and stationery ordering in 2006 to minimise the number of deliveries made to Gyleview House and to ensure that we buy environmentally friendly products wherever possible.

Table 4 – Total waste comparison 2005-2006 (figures shown for part year only) to 2007-2008

Year	2005-2006 (Part year only – 1 July 05 to 31 March 2006)	2006-2007 (1 April 2006 to 31 March 2007)	2007-2008 (1 April 2007 to 31 March 2008)
	Metric tonnes	Metric tonnes	Metric tonnes
Total waste recorded	42.540	67.290	58.300
Recycled	33.620 (89%)	58.847 (87.45%)	52.471 (90.00%)
Landfill	8.920 (11%)	8.443 (12.55%)	5.829 (10.00%)
Total waste per person (based on approx 150 staff)	0.283	0.448	0.389

A new skip, installed in February 2006, allows us to recycle paper, cardboard, plastic, cans etc. We installed new recycling containers for paper, plastic and tins throughout Gyleview House in August 2006 to reduce waste sent to landfill. We also recycle toner cartridges through our stationery contractor.

Biodiversity

The Agency's landscape contractor uses native plants produced in Scotland and recycles 90-100% of green waste – nothing goes to landfill. Biodegradable systemic herbicides are used rather than pesticides. We have also installed birdhouses in trees in the area surrounding the office to encourage birds to nest locally.

Travel

In 2007-2008 the Agency issued 328 train tickets and 323 bus tickets to staff attending meetings or training events out with the office and travelling by public transport.

During 2007-2008 the Agency's video conference facilities were used twice for Finance meetings saving eight journeys between Edinburgh and Glasgow. We are about to train more staff on the video equipment to increase its usage.

During 2006-2007 the Agency installed additional bike racks which are currently being used regularly by up to 10 staff. We arrange 'Bike Doctor' maintenance sessions each year to encourage staff to use their bikes for commuting or leisure. We promoted the Scottish Government's interest-free bike loans for staff throughout the year and during 'bike to work' week. We have put up a notice board giving information on local cycle paths and free cycle maps of surrounding areas. We gained a Cycle Friendly Employer Award in May 2007. We also sponsored staff who took part in the Glasgow to Edinburgh Pedal for Scotland event in September 2007.

Our staff intranet provides information on travel issues and notice boards give details about local bus and train services etc. We include relevant travel information in induction packs for new staff. We are currently in the process of developing a travel plan with the aims of helping reduce further the number of business journeys we make, encouraging the use of public transport and promoting the health benefits of cycling and walking.

Communication

The Environmental Team provide updates on progress against our environmental targets at annual staff away days and our environmental policy is part of induction training for all new staff. The environmental notice board is kept up to date with relevant notices, leaflets etc. We publish high level details of our environmental performance in our annual reports and corporate plans.

Part 6

Annual accounts 2007-2008

Management board report 2007-2008

Accounts direction

The accounts have been prepared in accordance with a direction given by the Scottish Ministers in accordance with Article 19(4) of the Public Finance and Accountability (Scotland) Act 2000.

History and statutory background

We were established as an Executive Agency on 5 April 1994 as part of the Government's Next Steps initiative. Our operating framework, including financial delegations, is established in the Agency's Framework Document. As Chief Executive I am the Agency's Accountable Officer, responsible to the Executive's Principal Accountable Officer and Scottish Ministers.

Principal activities

We provide financial support to full-time students in higher education by administering the Students' Allowances Scheme; the Postgraduate Students' Allowances Scheme; the Nursing and Midwifery Student Bursaries Scheme; the NHS Dental Bursary scheme and collection of the Graduate Endowment. We also distribute Hardship (now called Discretionary) Funds and Childcare Funds to Scottish further and higher education institutions and provide resources to the Student Loans Company Limited for both loan funding and administration costs. We also administer the Individual Learning Accounts Scotland Scheme.

Management board composition 2007-2008

David Stephen	- Chief Executive
Graham Gunn	- Head of Information Systems and Operational Policy
Audrey Heatlie	- Customer Services Manager
Audrey Shimmons	- Head of Finance
Martin Lowe	- Non-executive board member
Margaret Munckton	- Non-executive board member
Eileen Marshall	- Non-executive board member
Bruce Nelson	- Non-executive board member

Information on salary and pension entitlement can be found in the Remuneration Report and Note 2 in the Notes to the Accounts.

Equal opportunity

We are an agency of the Scottish Government. We can recruit staff up to salary Band C1 in line with Scottish Government equal opportunity policy and the Civil Service Recruitment Code. We do not regard sex, marital status, age, race, ethnic origin, sexual orientation, disability, religion or belief, working patterns, employment status, gender identity (transgender), caring responsibility or trade union membership as a bar to employment, training or advancement. We recruit staff entirely on their ability to do the job.

Consulting with employees

We recognise that the importance of good industrial relations and consulting fully with staff. The Management Team holds both formal and informal meetings, and regularly communicates with all staff and their representatives.

Paying of invoices

We are committed to paying invoices promptly for supplying goods and services, and we aim to meet the Confederation of British Industry's prompt payment code at all times. We process invoices on the Scottish Executive's Accounting System (SEAS) and pay them within 30 days of receipt of the invoice or delivery of the goods or services, whichever is later. In the year, we paid 96% of invoices on time.

Charitable donations

We made no charitable donations in 2007-2008. However we did pay £224 for 16 members of staff to take part in a 5k race for Jogscotland under the Healthy Working Lives scheme.

Auditors

Our accounts are audited by auditors appointed by the Auditor General for Scotland. Further details on audit remuneration can be found in Note 3 to the Accounts.

Disclosure of relevant audit information

As Accountable officer, I am not aware of any relevant audit information of which our auditors are unaware. I have taken all necessary steps to ensure that I myself am aware of any relevant audit information and to establish that the auditors are also aware of this information.

Management commentary

Review of the business

We received over 136,000 applications this session and dealt with 72% of them in 12 days or less (target 50%). The average time taken to process an application was seven days compared to 11 days last year. Around 63% of students who made an application to us applied using our on-line services and our website received 5.7 million hits. We reviewed our website last year and the new website was launched in July 2007. In 2007, the Agency started work to redesign and implement a new student award processing system (StEPS). Full details of our business activities during 2007-2008 can be found in our annual report.

Financial review

Our budget is approved by the Scottish Parliament. The Agency net running costs budget including depreciation and interest charges was £9.484m. This does not include provision for Central Scottish Government charges where actual expenditure amounted to £0.299m. Comparison of our budget to actual outturn shows a net overspend of £0.042m. Parliamentary provision for capital expenditure was £1.552m. Comparison to actual outturn shows an underspend of £0.380m.

Total operating costs in the financial year were £9.825m. This represents an increase of 11.4% compared to expenditure in the previous year. Apart from normal inflationary increases, mainly on pay, practically all of this increase results from the cost of making the old student award processing system obsolete and impairing the asset in the accounts this year.

The purpose of these accounts is to show how we use our administration budget. However, we also administer income and expenditure for student support and account for this within the Scottish Government Education and Lifelong Learning Directorate.

	Operating Budget £m	Capital Budget £m
Fees, Grants and Bursaries	280.0	-
Individual learning accounts	4.0	-
Repayment of Awards	(2.0)	-
Graduate Endowment Income	(24.9)	-
Widening Access Funds	14.7	-
Student Loans Company Administration	5.4	-
Student Loans Net New Lending	-	170.1
Student Loan Interest Subsidy to Banks	8.0	-

In addition, we have an operating budget of £87m to cover accounting charges such as capital charges and interest, inflation and charges to other provisions relating to student loans.

Future business developments

A new student awards processing system will be introduced during 2008-2009. The intention was to introduce this during 2007-2008 but as the system was not ready for the start of the 2008-2009 processing session it was decided to delay implementation until the 2009-2010 processing session. The system should provide additional functionality and flexibility while continuing to provide a sound basis for processing applications.

Research and development

Given the amount of resources required to design and implement a new student awards processing system, little other research and development work was undertaken.

Risk and control

Management and the control of risk is a key task performed within SAAS. A risk register is maintained which identifies all internal and external risks to the organisation and the action required to reduce the threat of these risks occurring.

The risk register is regularly updated and reviewed by the Management Board.

Key performance indicators

Full details of SAAS targets and performance can be found in Part 4 of the Annual Report.

Environmental matters and social and community issues

The Agency has an environmental management system to ensure that continuous environmental improvement is made by reducing the impact of our operations on the environment and we will be assessed for ISO 14001 in July 2008. We review our Environmental Policy every two years and set targets and energy savings in our Corporate Plan.

Targets include reducing energy usage year on year and to do this we have installed new energy efficient boilers and replaced lighting including fitting light sensors to reduce our energy consumption. New sensor taps, dual flushing cisterns and water saving devices have been installed in toilet areas to help reduce our water usage.

We are working to reduce the amount of waste we produce and minimise the use of landfill sites by recycling paper, plastic and cans and other items such as toner cartridges and mobile phones etc. In 2007-2008, we recycled 90% of our total waste and only 10% was sent to landfill.

We encourage staff to use public transport to attend meetings wherever possible. We also try to reduce travel by use of our video conferencing equipment.

The Agency joined the Healthy Working Lives scheme (HWLs) to promote physical activity and healthy eating. We work with staff to offer a range of activities such as golf, walking and jogging. We also arrange health checks, site visits for massages and a chiropodist as well as other health related seminars and events throughout the year to promote a healthy lifestyle.

As a result of our work with HWLs, Agency staff have taken part in a number of charity fundraising activities such as the Great Scottish Walk, Jogscotland and other events. Staff are also entitled to 1 day special leave each year to carry out volunteering work.

Audit committee

SAAS has an audit committee which supports me as Accountable Officer in monitoring and reviewing corporate governance, risk and control systems within the Agency. The committee meets twice a year. Membership includes executive SAAS board members and is chaired by Martin Lowe a non-executive board member. Representatives of Audit Scotland and Scottish Government Internal Audit attend as interested parties.

Significant changes in fixed assets

We have summarised the changes in fixed assets in the notes to the financial statements. The most significant change is to our computer software asset. This is the result of us recognising that our student award processing system has become obsolete, and impairing the asset this year.

The asset under construction is the ongoing development costs of designing and building a new awards processing system.

A handwritten signature in black ink, appearing to read 'D. Stephen', with a large, sweeping flourish at the end.

D. Stephen
Chief Executive

17 July 2008

Student Awards Agency for Scotland remuneration report

Salary and pension entitlements

Senior management salaries

The salary, pension entitlements and benefits in kind of the SAAS Management Board were as follows:

Senior management	2007-08		revised 2006-07	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
David Stephen <i>Chief Executive</i>	70-75	nil	70-75	nil
Graham Gunn <i>Head of Information Systems and Operational Policy</i>	50-55	nil	45-50	nil
Audrey Heatlie <i>Customer Services Manager</i>	35-40	nil	30-35	nil
Audrey Shimmons (part-time) <i>Head of Finance (from 1 April 2007)</i>	25-30	nil	-	-
Stephen Blyth <i>Agency Accountant (to 31 March 2007)</i>	-	-	35-40	nil

In 2007-2008 Audrey Shimmons replaced Stephen Blyth as the Finance Team representative on the SAAS Senior Management Board.

Our four non-executive board members receive no remuneration.

Salary

'Salary' includes gross salary; any performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. None of our senior managers received any such benefit during the 2007-2008 financial year.

Compensation on loss of office

None of our Board Members received any compensation payments for loss of office during the year.

Pension entitlements

	Accrued pension (and lump sum) at age 60 as at 31/03/08 £'000	Real increase in pension (and lump sum) at age 60 £'000	CETV at 31/03/08 £'000	CETV at 31/3/07 £'000	Real increase in CETV £'000
David Stephen <i>Chief Executive</i>	30-35 (90-95)	0-2.5 (0-2.5)	791	696	7
Graham Gunn <i>Head of Information Systems and Operational Policy</i>	20-25 (65-70)	0-2.5 (2.5-5.0)	496	441	0
Audrey Heatlie <i>Customer Services Manager</i>	10-15 (35-40)	0-2.5 (0-2.5)	218	182	8
Audrey Shimmons (part-time) <i>Head of Finance</i> (from 1 April 2007)	5-10	0-2.5	88	69	7

Details of pensions and Cash Equivalent Transfer Values are disclosed based on information supplied by the Department for Work and Pensions.

All information disclosed in the tables above has been audited by Audit Scotland. The other sections of the Remuneration Report were reviewed by Audit Scotland to ensure that they were consistent with the financial statements.

Pension

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (*classic*, *premium* and *classic plus*). New entrants after 1 October 2002 may choose between membership of *premium* or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (*partnership pension account*).

(a) Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

(b) Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80th of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner

at a rate of 3/8th the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on the length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(c) Classic Plus Scheme

This is essentially a variation of *premium*, but with benefits in respect of service before 1 October 2002 calculated broadly as per *classic*.

Pensions payable under *classic*, *premium* and *classic plus* are increased in line with the Retail Prices Index.

(d) Partnership Pension Account

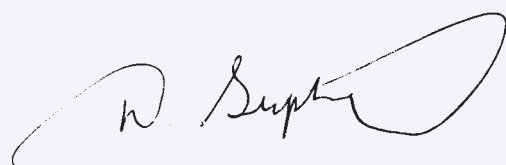
This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 years and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. *It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total service, not just their current appointment.* CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the senior manager (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



D. Stephen
Chief Executive

17 July 2008

Statement of Agency's and Chief Executive/ Accountable Officer Responsibilities

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, the Scottish Ministers have directed the Student Awards Agency for Scotland to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of SAAS at the year end and of its operating costs, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Agency is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis.

The Principal Accountable Officer of The Scottish Government has appointed the Chief Executive of the Student Awards Agency for Scotland as the Accountable Officer for the Agency. His relevant responsibilities as Accountable Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accountable Officer's Memorandum issued by the Scottish Ministers.



D. Stephen
Chief Executive

17 July 2008

Statement of Internal Control

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of my organisation's aims and objectives as agreed by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

I am accountable for the proper, efficient use of resources provided to my Agency (including Budget provision funding). I am also responsible for ensuring that the relevant guidance and requirements of advice issued by Scottish Government Finance are met and for putting into effect any recommendations accepted by Ministers or the Scottish Parliament. The Chief Executive's accountability is subject to the respective overall responsibilities of the Permanent Secretary of the Scottish Government as the Principal Accountable Officer, and the Director-General Education and the Chief Executive of the National Health Service in Scotland as Accountable Officers.

Purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risks of failure to achieve my organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of my organisation's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control. The process within my organisation accords with the SPFM and has been in place for the year ended 31 March 2008 and up to date of approval of the annual report and accounts and accords with guidance from the Scottish Ministers.

Risk and control framework

All bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

The management of risk is a key task within SAAS. My Agency maintains a risk register which records internal and external risks we are exposed to and identifies the mitigating actions required to reduce the threat of these risks occurring. The risk register is regularly updated and reviewed by our Management Board. Each risk is allocated an owner, category, type and description and its likelihood of happening and impact on our operations is evaluated. Remedial actions to minimise risks are recorded as action points along with details of who will carry them out and when. Each risk is then allocated a status and a date for future review.

As well as the main risk register, individual risk registers are used for specific projects as a management control tool to ensure successful outcomes. These provide a mechanism to report risks to the project management board for assessment and to escalate high level/high impact risks to project sponsors or senior Agency management to take preventative action.

More generally, my organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March and up to the signing of the accounts my organisation has achieved the following:

- Improved and updated content and services available on our intranet site;
- Improved and updated content and services available on our internet site including its accessibility;
- Initiated a project to re-write our main IT processing system.

Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

- formal assurances from Agency managers who have responsibility for the development and maintenance of our internal control framework;
- the work of our internal auditors, who make regular reports to my organisation's Audit Committee which present the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of my organisation's systems of internal control together with any recommendations for improvement;
- comments made by our external auditors in management letters and other reports;
- my Management Board which meets quarterly to consider the plans and strategic direction of my organisation. The board comprises the senior members of my organisation and three external independent members;
- quarterly meetings with our Fraser Figure for which a report on all my organisation's activities and achievement of key targets is prepared. This meeting is attended by all senior members of my organisation;
- minutes of the meetings of my organisation's Audit, Finance, Information Systems, Fraud and Health and Safety committees which are tabled at Management Board meetings by their respective chair persons;
- regular reports on managing risks on key projects; and
- the risk register in place for all critical elements of our operations. This is reviewed by the management board at least twice a year.

Appropriate action is in place to address any weakness identified and to ensure the continuous improvement of the system.



D. Stephen
Chief Executive

17 July 2008

Independent auditor's report to the Student Awards Agency for Scotland, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the Student Awards Agency for Scotland for the year ended 31 March 2008 under the Public Finance and Accountability (Scotland) Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Agency, Accountable Officer and auditor

The Agency and Accountable Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. The Accountable Officer is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Agency Accountable Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. I report to you whether, in my opinion, the information which comprises the Management Board Report and Management Commentary included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects:

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

In addition, I report to you, if in my opinion, the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with Scottish Government guidance and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Agency and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

Financial statements

In my opinion

- the financial statements give a true and fair view, in accordance with Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, of the state of affairs of the Student Awards Agency for Scotland as at 31 March 2008 and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- information which comprises only the Management Board Report and Management Commentary included in the Annual Report is consistent with the financial statements.

Regularity

In my opinion in all material respects

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.



Fiona Kordiak CPFA
Director of Audit Services
Audit Scotland
Osborne House
1/5 Osborne Terrace
Edinburgh
EH12 5HG

21 July 2008

Student Awards Agency for Scotland

OPERATING COSTS STATEMENT for the year ended 31 March 2008

	Note	2007-08 £'000	2006-07 £'000
Administration Costs			
Staff costs	2	3,389	3,246
Other administration costs	3	6,436	5,568
Net operating cost		<u>9,825</u>	<u>8,814</u>

The above results relate to continuing activities

STATEMENT OF RECOGNISED GAINS AND LOSSES for the year ended 31 March 2008

	Note	2007-08 £'000	2006-07 £'000
Net surplus/(deficit) on revaluation of tangible fixed assets	10	—	2
Gains and losses since last reported		<u>—</u>	<u>2</u>

The notes on pages 34 to 40 form part of these accounts

Student Awards Agency for Scotland

BALANCE SHEET As at 31 March 2008

	Note	31 March 2008		31 March 2007	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	4a	3,467		5,621	
Intangible assets	4b	49		114	
		<u>3,516</u>		<u>5,735</u>	
Current assets					
Debtors	5	98		272	
Creditors: (due within one year)	6	<u>324</u>		<u>401</u>	
Net Current Assets			(226)		(129)
Total Assets less Current Liabilities			3,290		5,606
Provisions for Liabilities and Charges					
Early departure costs	7		(95)		(117)
			<u>3,195</u>		<u>5,489</u>
Taxpayers' Equity					
General fund	9		3,176		5,470
Revaluation reserve	10		19		19
			<u>3,195</u>		<u>5,489</u>

The notes on pages 34 to 40 form part of these accounts



D. Stephen
Chief Executive

17 July 2008

Student Awards Agency for Scotland

CASH FLOW STATEMENT

For the year ended 31 March 2008

	2007-08		2006-07	
	£'000	£'000	£'000	£'000
Net Cash outflow from Operating Activities (note i)		5,843		5,735
Capital Expenditure and Financial Investment (note ii)		1,234		1,399
Net Financing (note iii)		(7,077)		(7,134)
Increase or (decrease) in cash		<u> </u> <u> </u>		<u> </u> <u> </u>
Note i: RECONCILIATION OF OPERATING COST TO OPERATING CASH FLOWS				
Net Operating cost		9,825		8,814
Adjustments for items not involving cash				
Depreciation	2,090		2,295	
Notional interest charged	156		217	
Other notional charges	298		330	
Loss on revaluation of fixed assets	–		1	
Loss on writing off impaired asset	1,301		210	
		<u> </u>	<u> </u>	
		(3,845)		(3,053)
Adjustments for movement in working capital				
(Increase)/Decrease in creditors	15		(89)	
(Decrease)/Increase in debtors	(174)		32	
Provision for early retirement costs	22		31	
		<u> </u>	<u> </u>	
		(137)		(26)
Net cash outflows from operating activities		<u> </u> <u> </u>		<u> </u> <u> </u>

	2007-08		2006-07	
	£'000	£'000	£'000	£'000
Note ii: ANALYSIS OF CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payment made to acquire tangible fixed assets		1,234		1,399
Payment made to acquire intangible fixed assets		<u>—</u>		<u>—</u>
Net cash outflow from capital expenditure		<u>1,234</u>		<u>1,399</u>

Note iii: ANALYSIS OF FINANCING AND RECONCILIATION TO THE NET CASH REQUIREMENT

Financing		<u>(7,077)</u>		<u>(7,134)</u>
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The notes on pages 34 to 40 form part of these accounts

NOTES TO THE ACCOUNTS

For year ended 31 March 2008

1 Statement of accounting policies

In accordance with the accounts direction issued by The Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, these accounts have been prepared in compliance with the Government Financial Reporting Manual (FRoM). The accounting policies contained in the FRoM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

The particular accounting policies adopted by the Agency are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

1.2 Fixed assets

Fixed assets comprise computer equipment, computer software, plant and machinery and assets under construction. They are capitalised at their cost of acquisition and installation. Furniture and fittings purchased prior to financial year 2004-2005 are also capitalised. However, following a decision by the Scottish Government from financial year 2004-2005 all purchases of furniture and fittings are treated as current expenditure and will no longer be capitalised.

The threshold for capitalising tangible fixed assets is £1,000. Computer equipment includes individual assets whose costs fall below the threshold, but as they are of a similar nature they are grouped together and capitalised.

Expenditure on software development is capitalised if it meets the criteria specified in the Government Financial Reporting Manual which are adapted from SSAP 13 to take account of the not-for-profit context. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

The asset under construction is the ongoing development costs of designing and building a new awards processing system. This includes capitalising staff costs of those working directly on the project.

The Agency does not own any land or buildings. A charge for the rental of accommodation is included in the expenditure account.

Intangible fixed assets comprise of purchased software licences which are capitalised at cost of acquisition.

1.3 Depreciation

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

Furniture and fittings	- 10 years
Information technology (Including software)	- 5 years
Plant and machinery	- 5 years
Purchased software licences	- 3 years

From financial year 2004-2005 all purchases of furniture and fittings are treated as current expenditure and are no longer to be capitalised. Therefore furniture and fittings depreciation relates only to historic purchases.

Assets under construction are not depreciated.

1.4 Capital charge

A charge reflecting the cost of capital utilised by the Agency is included in operating costs. The charge is calculated at the standard rate of 3.5% in real terms on all assets less liabilities.

1.5 Creditors

Creditors are for goods or services received by the Agency. All outstanding invoices are paid within 30 days of receipt of the invoice or delivery of the goods or services, whichever is later.

1.6 Leases

All leases are operating leases and the rentals are charged to the operating cost statement on a straight line basis over the term of the lease.

1.7 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described in Note 2. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis.

2 Staff numbers and costs

The average number of full-time equivalent people employed during the year was as follows:

	2007-08	2006-07
Senior Management	4	4
Other Permanent Staff	134	141
Agency Staff	9	9.5
	<u>147</u>	<u>154.5</u>

Our full-time equivalent people are employed in the following areas of the organisation:

	Customer Services	Finance	Information Systems and Operational Policy	Chief Executive's Office	Personnel and Central staff
Senior Management	1	1	1	1	–
Other Permanent Staff	63	12	48	4	7
Agency Staff	5	2	2	–	–
	<u>69</u>	<u>15</u>	<u>51</u>	<u>5</u>	<u>7</u>

The total payroll costs of these people were as follows:

	2007-08	2006-07
	£'000	£'000
Salaries and wages	2,856	2,661
Social Security costs	188	181
Other pension costs	492	466
Agency Staff	118	118
	<u>3,654</u>	<u>3,426</u>
Less: capitalised within Fixed Assets	(265)	(180)
Charged to Operating Costs Statement	<u>3,389</u>	<u>3,246</u>

The PCSPS is an unfunded multi-employer defined benefit scheme. The Student Awards Agency for Scotland is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the separate scheme statement for the PCSPS (Cabinet Office: Civil Superannuation) (www.civilservice-pensions.gov.uk).

For 2007-2008, normal employer contributions of £492,091.83 were payable to PCSPS (2006-2007: £466,194.71) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2005-2006 and will remain unchanged until 2008-09. The contribution rates reflect the benefits as they are accrued, not when the costs are actually incurred; and they reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. No one from the Agency opted to join this scheme.

3 Other administration costs

3.1 Non-cash costs

	2007-08		2006-07	
	£'000	£'000	£'000	£'000
Cost of capital charge	156		217	
Audit fee	22		21	
Notional personnel management charge	109		112	
Notional personnel services charge	19		19	
Notional staff management charge	27		27	
Notional computer services charge	121		121	
Loss on disposal of fixed assets	—		30	
		454		547
Loss on revaluation of fixed assets		—		1
Loss on write down of asset due to redundancy		1,301		210
Depreciation		2,090		2,295
Total non-cash costs (note 3.1)		3,845		3,053

The notional charges are for services provided by the Scottish Government.

Audit Scotland, who audit our accounts, did not receive any remuneration for non-audit work.

3.2 Other spending

3.2.1 Accommodation

	2007-08	2006-07
	£'000	£'000
Rent	429	429
Rates	172	174
Utilities and other costs	274	297
	875	900

3.2.2 General administration expenses

	2007-08 £'000	2006-07 £'000
Travel and subsistence	32	25
Stationery	69	34
Printing	35	37
Telecom charges	114	111
Computer running costs	695	582
Minor equipment	8	3
Postal charges	141	149
Miscellaneous	49	84
Debt recovery legal and administration costs	355	371
Scheme publicity	56	133
Impairment of asset	162	86
	<u>1,716</u>	<u>1,615</u>
	<u>2007-08 £'000</u>	<u>2006-07 £'000</u>
Total other expenditure (note 3.2)	<u>2,591</u>	<u>2,515</u>
	<u>6,436</u>	<u>5,568</u>

4a Tangible fixed assets

	Furniture and Fittings £'000	Information Technology £'000	Computer Software £'000	Plant and Machinery £'000	Asset in the Course of Construction £'000	Total £'000
Cost or valuation						
As at 1 April 2007	291	1,791	14,068	225	947	17,322
Additions	–	29	153	30	960	1,172
Transfers	–	–	943	4	(947)	–
Disposals	–	(76)	–	–	–	(76)
At 31 March 2008	<u>291</u>	<u>1,744</u>	<u>15,164</u>	<u>259</u>	<u>960</u>	<u>18,418</u>
Depreciation						
As at 1 April 2007	172	1,093	10,279	157	–	11,701
Charge for year	29	238	1,739	19	–	2,025
Impairment	–	–	1,301	–	–	1,301
Disposals	–	(76)	–	–	–	(76)
At 31 March 2008	<u>201</u>	<u>1,255</u>	<u>13,319</u>	<u>176</u>	<u>–</u>	<u>14,951</u>
Net Book Value						
At 1 April 2007	119	698	3,789	68	947	5,621
At 31 March 2008	90	489	1,845	83	960	3,467

The depreciation impairment is the result of us recognising that our student award processing system has become obsolete. Additional depreciation was utilised to impair the asset to a nil value.

4b Intangible Fixed Assets

Cost or valuation	Purchased software licences
	£'000
As at 1 April 2007	196
Additions	–
Transfers	–
Disposals	–
Revaluation	–
At 31 March 2008	<u>196</u>
Depreciation	
As at 1 April 2007	82
Charge for year	65
Disposals	–
Revaluation	–
At 31 March 2008	<u>147</u>
Net Book Value	
At 1 April 2007	114
At 31 March 2008	49

5 Debtors

Debtors are made up of £98,000 of prepayments. In 2007-2008 a change in accounting for VAT meant that recoverable VAT, previously detailed in our own accounts, is now shown in the Scottish Government consolidated accounts. The amount quoted in our own accounts for last year was £184,000. There is no provision for bad debts.

6 Creditors: amounts falling due within one year

All our creditors are trade creditors. This means that they are for goods or services received. They are due for payment within 30 days of receipt of invoice or delivery of goods or services, whichever is later.

7 Provisions for liabilities and charges

A provision was created in 2002-2003 for the early retirement of a member of staff. This is based on the annual value of payments incurred by SAAS and the time remaining until retirement age. The provision was increased in 2005-06 to take account of the severance cost of the previous Head of Finance and Personnel.

	Early Retirement Costs
	£'000
Opening balance at 1 April 2007	117
Released during the year	<u>(22)</u>
Closing balance at 31 March 2008	<u>95</u>

8 Commitments under operating leases

Commitments under operating leases for the next year are as follows:

	2007-08
	£'000
Building leases expiring within:	
One year	0
Two to five years	428,622
Over five years	<u>0</u>
Total	<u>428,622</u>

This operating lease is a non-cancellable lease and refers to the premises occupied by the Student Awards Agency at Gyleview House. The lease runs until November 2013 and will be reviewed in 2008.

9 Movement in general fund

	£'000
Balance as at 1 April 2007	5,470
Departmental funding (see note 15)	7,077
Non-cash funding: operating expenditure	454
Net cost of operations	<u>(9,825)</u>
Balance at 31 March 2008	<u>3,176</u>

10 Movement in revaluation reserve

	£'000
Balance at 1 April 2007	19
Arising on revaluation during the year (net)	0
Backlog depreciation adjustment	<u>0</u>
Balance at 31 March 2008	<u>19</u>

11 Contingent liabilities

There were no contingent liabilities at 31 March 2008.

12 Capital commitments

Capital commitments at 31 March 2008 were £74,000m (at 31 March 2007 they were £60,000). This covers the design of a new student awards process system.

13 Post balance-sheet events

There were no post balance-sheet events.

14 Related party transactions

SAAS is an Executive Agency of the Scottish Government (SG). The SG is regarded as a related party. During the year SAAS had various material transactions with the SG along with other Government Departments.

During the year, no members of the Senior Management Board, key members of staff or related parties have undertaken any material transactions with the Agency.

15 Reconciliation to draft Departmental Account

The Agency expenditure is included within the accounts of the Scottish Government's Education and Lifelong Learning Directorate, but it is not separately identified. The financing of £7,077,110.44 as recorded in the Agency's Cash Flow Statement, has been agreed with the Directorate.

16 Intra-government balances

	Debtors: amounts falling due within one year 2007-08 £'000	Debtors: amounts falling due within one year 2006-07 £'000	Creditors: amounts falling due within one year 2007-08 £'000	Creditors: amounts falling due within one year 2006-07 £'000
Balances with other central government bodies	–	194	–	3

Due to a change in accounting for VAT (see note 5) no large inter-government debtor balances are now held.

Part 7

Our targets for 2008-2009 (under review)

Service

- To process 50% of applications within 12 days of receiving them, 75% within 14 days and 100% within 21 days.
- To reply to 90% of written enquiries within 14 days of receiving them, and 100% within 21 days.
- To answer all complaints within 14 days of receiving them.
- To carry out a yearly survey of customers' opinions on the levels of service we provide, and publish the results in our annual report.
- To answer 85% of calls to our customer services unit within 25 seconds and 100% within three minutes.
- To make sure that the average delay for incoming calls to our customer services unit is no longer than 12 seconds in quarters 1, 2 and 4 (January to March, April to June, October to December), and 20 seconds in quarter 3 (July to September).

Agency management

- To reach an average unit cost of £34 to process each application (based on full relevant costs).
- To achieve a team target of £2,000,000 for recovering overpayments in the Debt Recovery Team.

Part 8

Contact information

Our offices are staffed and open for business between 8.30am and 5pm, Monday to Thursday, and 8.30am to 4.30pm on Fridays. We are not open during public holidays or during the period between Christmas and the New Year. You can contact us by letter, phone, fax, e-mail or in person.

Student Awards Agency for Scotland
Gyleview House
3 Redheughs Rigg
Edinburgh
EH12 9HH

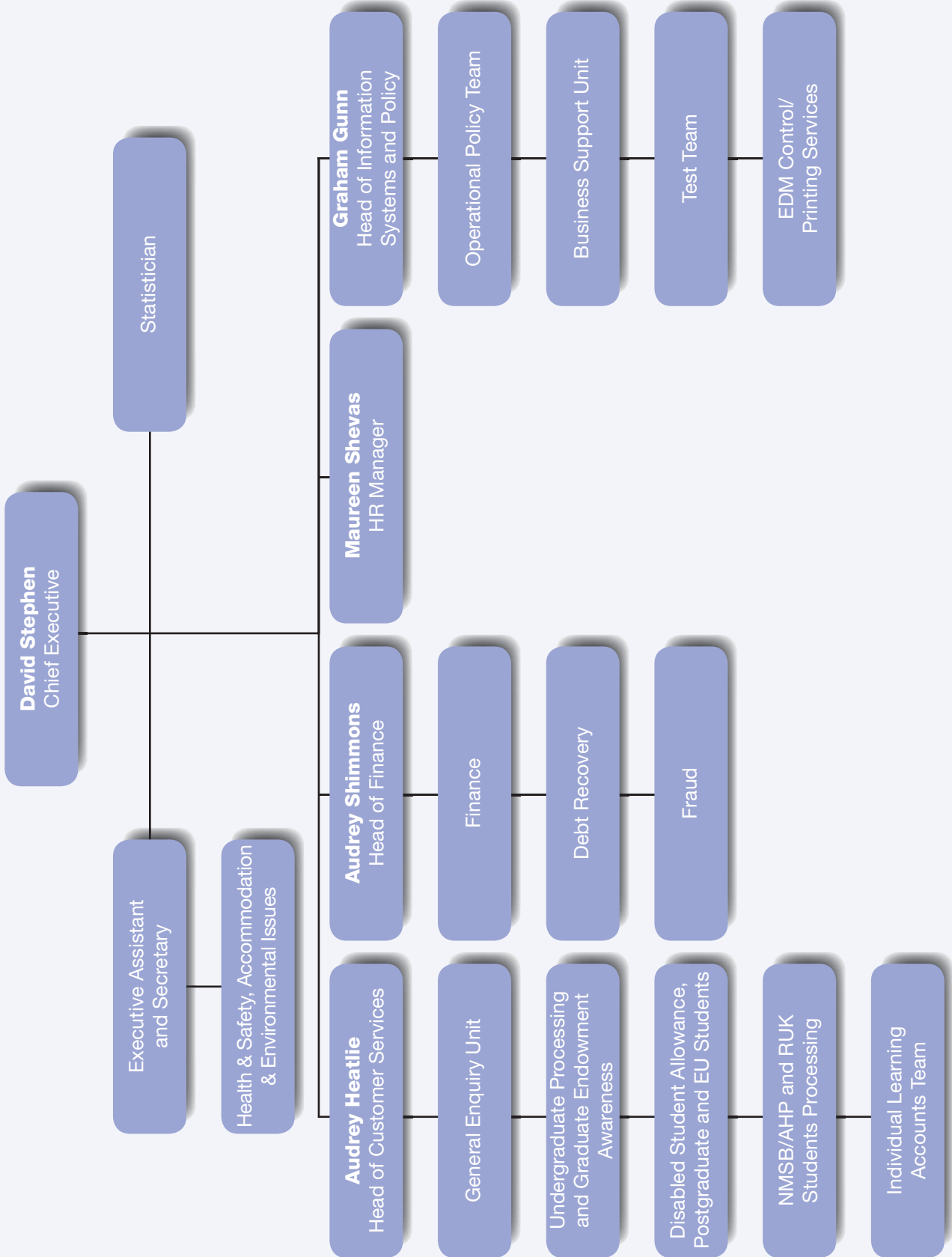
Automated telephone answering service: 0845 111 1711

Fax no: 0131 244 5887

E-mail: www.saas.gov.uk/contact.htm

Website: www.saas.gov.uk

SAAS Organisation Chart



Part 9

Glossary

Accrual accounting systems – systems that let us include figures in the accounts for the accounting year in which we have bought goods or services, even if paid for in a different year.

AHP – The allied health professions are those clinical healthcare professions distinct from the medical and nursing professions. Allied health professionals have to register with the Health Professions Council.

Capitalised – when we treat items as assets instead of expenses.

Cashflow statement – the statement which shows changes in our cash and bank balances since last year's accounts. It also shows changes in our liabilities, assets and other accounts.

Depreciation – the drop in value of an asset through wear and tear, age and going out of date (obsolescence).

EDM – Electronic Document Management.

Fixed assets – assets we intend to keep for more than one year.

General fund – the surpluses on our activities are transferred into the general fund to be used in the future.

Gross – a gross amount is the figure before deductions.

Gross spending – the total cost of providing our services.

HELS – Higher Education and Learners Support Division which deals with policy and legislation affecting student support.

Historical cost convention – a way of valuing assets in a set of accounts based on their original cost price (rather than what they would cost at the date of the accounts).

ILAS – Individual Learning Accounts Scotland.

Loan sale subsidy – the discount we give the organisation which buys the loans owed to us.

Net – a net amount is the figure after deductions.

Net book value – the cost of an item as recorded in the accounts, less the depreciation taken off.

Net spending – the cost of providing a service after we have taken into account income from it.

NMSB – Nursing and Midwifery Student Bursary.

Notional charges – non-cash charges agreed by senior management to show the full cost of providing a service.

Post balance-sheet events – if something happens after the date of the balance sheet and by the time the accounts are prepared which could affect the true view of the accounts, it is a post balance-sheet event.

Postgraduate – A postgraduate is a student who continues their studies after graduation. We only support certain postgraduate courses.

Prepayment – something which has been paid out which covers a period after the end of the accounting period.

Reclassification – moving assets from one category to another.

Recognised gains and losses – our surpluses (profits) or deficits (losses).

Reconciliation – checking that one set of figures agrees with another.

Residual value – an estimate of what an asset would be worth if we sold it on a particular date in the future.

Revaluation reserve – if an asset is re-valued, the surplus on the revaluation is transferred to the revaluation reserve.

Revalued cost – what an asset is worth at a revaluation date.

RUK – Rest of the UK – Scottish students studying in a UK institution outside Scotland.

Sale of debt – selling students' debts to another organisation to collect.

Scottish-domiciled students – students who meet the residence conditions to make them eligible to apply to us for support for tuition fees and living costs.

SLC – Student Loans Company Limited.

SUFI – Scottish University for Industry.

Supplementary grants – These are grants to help towards the costs students have to pay due to personal circumstances, such as a Dependants Grant. They do not have to pay these back unless they lose entitlement to them.

Tangible assets – assets that can be physically touched, for example, pieces of furniture.

Tuition fees – Tuition fees cover the cost of studies and vary depending on the type of course you are taking and which institution a student is studying at. Eligible students must apply to us each year to have their tuition fees paid.

Undergraduate – A university student who has not yet received a first degree.

Young Students' Bursary (YSB) – Young Scottish students, from low-income families, may qualify for a bursary instead of part of the loan for living costs. This bursary is income assessed and does not need to be repaid.

SAAS

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