24+ Advanced Learning Loans

Monthly briefing: Edition 2 – May 2012

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From the 2013/14 academic year, loans will be available for learners in Further Education and training aged 24 and above studying at Level 3 and above, including Advanced and Higher Apprenticeships.

This is the second in a series of briefings from the Department for Business, Innovation and Skills, designed to provide colleges, training organisations and others with information about this policy. The briefings are produced jointly with the Skills Funding Agency, the Student Loans Company and HM Revenue and Customs. Further briefings will follow every month, published alongside the BIS FE and skills e-newsletter.

The Skills Funding Agency and Student Loans Company will be working with colleges and training organisations to help them prepare for the introduction of loans. We want all providers to be informed to help secure early engagement and allow colleges and training organisations to prepare for loans.

Key dates – things to look out for

- May 2012 – final Impact Assessment and Equality Impact Assessment of the 24+ Advanced Learning Loan published by BIS.

- During July 2012 - Skills Funding Agency/Student Loans Company summer programme of information events begins (although discussions with Agency Relationship Teams may take place in advance).
- July 2012 – Learning and Skills Improvement Service (LSIS) prospectus available, to help providers manage business change.
- By July 2012 – regulations laid before Parliament (in order to come into force by September 2012) to underpin implementation of the 24+ Advanced Learning Loan.
- September 2012 – communications with potential learners begin..
- 1 April 2013 – learners can begin to apply for a 24+ Advanced Learning Loan.

The name for loans

You'll notice the title of this second briefing has a new name for loans in Further Education. After carrying out testing with a sample of learners, the loan product will be known as the 24+ Advanced Learning Loan.

The name 'Learning Loan' was rated highly by learners in the testing. They also felt that the name should show clearly that the loans are available for a specific age group. Finally, we want to ensure that the type of learning covered by the loans is absolutely clear. It is important that the age group and type of learning is clear, as loans will only apply to a small subset of learners with the vast majority of learners in Further Education continuing to be grant-funded.

Rationale for the policy

We are aware that colleges and training organisations have been asking for more information about the background to the loans policy, and the benefits to learners and providers. The introduction of loans needs to be seen in the wider context of reduced public expenditure and our emphasis on measures that will improve growth.

The policy to introduce loans was set out in the New Challenges, New Chances reform plan, published by BIS in December 2011, following public consultation.

The plan set out how available grant funding would be prioritised on learning for young adults, those who need English and maths skills, and those seeking work. Government funding is therefore being concentrated on areas where it can have most impact, which means a shared responsibility for funding courses for many people who will benefit from learning. Those aged 24 and over undertaking courses at Level 3 and above will be expected to invest more in their learning, but for the first time, they will have access to a system of loans to make this investment. Loans will be available for learners aged 24 and above studying at Level 3 and above. This is a small subset of learners, representing between 10-15 per cent of the total budget for Further Education. The vast majority will continue to be grant-funded.

Access to these loans will help to maintain support for adults to learn at advanced and higher levels, as well as putting greater purchasing power in the hands of individuals to determine how they invest in their learning. The progressive features of the loans means that individuals will only make this contribution once they have completed their training and are earning over £21,000.

In the original Impact Assessment we considered the scenario of not introducing a system of loans, the potential impact was a significant fall in learner numbers for those aged 24 and over undertaking courses at level 3 and above. With loans, thousands of learners will continue to benefit from life changing opportunities.

Loans will have the following benefits for learners:

- positive terms and conditions: no upfront cost, low real rates of interest, no repayment until the individual is earning £21,000 or more, fixed repayments of 9 per cent above £21,000 threshold irrespective of loan balance, and any outstanding loan balance written off after 30 years

- higher quality, more bespoke learning programmes with stronger labour market outcomes, from providers who need to demonstrate the quality of their offer.

Loans will have the following benefits for providers:

- certainty of funding: providers will have an allocation which they are free to manage within

- simple way of accessing funding, by confirming the attendance of learners funding their learning using a loan.

New market research

To inform the implementation of loans, BIS commissioned new market research to better understand the attitudes of potential learners towards loans. The research has been carried out by TNS-BMRB and consisted of a mix of qualitative and quantitative research to test the attitudes of potential learners to taking out a loan for their fees. The research has given us a broad range of views from a diverse cross section of potential learners who could undertake loans in the future.

The headline findings of that research are now known.

- Nearly three quarters (74 per cent) of learners sampled said they would still undertake learning under a loans system, and the majority that they would take out a loan.
- Some groups of learners were more likely to say they would take out a loan – Black and Asian, young people, those seeking work.
- Loans do not appear to be a disincentive to the debt averse.
- There is a significant group of learners who remain undecided.
- The most important factor affecting the decision to learn is the benefit of the course in the labour market.
- The terms and conditions of the loans were well-received, particularly the low real rates of interest and the Government backing of the loans.

Overall, these are positive findings. However, they underline the importance of ensuring that the way loans are explained is crystal clear, working through colleges and training organisations, the National Careers Service, and at a national level through BIS and its partners.

BIS will be developing communications materials and a marketing plan to ensure that potential learners have clear information about loans, the terms and conditions, and how to apply. We expect this activity to begin in earnest in September, in advance of learners making applications from April 2013.

The final research report has been published today by BIS, and can be accessed here.

This should provide a useful resource for colleges and training organisations as they plan and carry out their own analysis of their local market. It will also inform the final Impact Assessment and Equalities Impact Assessment, which we expect to publish during May.

In addition, the Student Loans Company will be gathering further customer insight to inform the preparation of briefing materials to help learners apply for loans.

Update on meeting with unions and provider representatives

On 16 April officials from BIS met representatives of the following organisations to discuss progress with implementing loans:

- National Union of Students
- Universities and Colleges Union
- Unison
- Association of Colleges
- Association of Employment and Learning Providers
- 157 Group.

There were two main messages. First, a plea for more information to help colleges and training organisations plan for the introduction of loans; and second, questions about the potential impact of introducing loans on the take-up of certain courses, or take-up by certain groups.

This briefing already summarises the headline findings of the new market research commissioned by BIS, and the full report can be accessed here. We are also committed to sharing information about how the programme to introduce loans is being managed across BIS, the Skills Funding Agency, the Student Loans Company and HM Revenue and Customs.

We noted that the Impact Assessment and Equalities Impact Assessment – to be published in May – will draw on the findings of the new market research, and help planning and inform communications. The assessments are not expected to affect the fundamentals of the policy. The introduction of loans will be fully evaluated, and in due course we will consider whether the evidence from this evaluation suggests that changes to the policy should be considered. In doing so, we will need to keep additional bureaucracy to a minimum.

Spotlight on loans and Apprenticeships

Loans will be available for those aged 24+ undertaking Advanced level and Higher Apprenticeships, as well as classroom-based provision in Further Education.

The new market research commissioned by BIS does not suggest that loans will be a disincentive to adults considering an Apprenticeship. Focus groups with apprentices found that they were motivated to do an Apprenticeship for their own personal benefits. However, some employers have asked how they will be able to support employees who are interested in funding an Apprenticeship using a loan.

Although employers cannot take on liability for a loan in Higher Education, they can enter into agreements with employees undertaking loan-funded Higher Education study, under which the employer will agree to cover the cost of the loan if the employee meets specified conditions – normally, to retain their position with the employer so the benefit of their higher skills can be realised. Employers will be able to enter into the same type of agreement with the 24+ Advanced Learning Loan.

We are also providing support directly to employers to help them prepare for the introduction of loans. The National Apprenticeship Service will be talking to both large employers and SMEs which already have a significant number of apprentices, to help employers plan and offer support. The employers with the largest number of adult apprentices have been identified and will be contacted by NAS in order to provide further opportunity for discussion and support.

How is the work being managed?

We conclude this month's briefing with a summary of how the implementation of loans is being managed by BIS and its partners.

- A programme board within BIS maintains overall oversight of progress.
- The FE Reform and Performance Board provides national stakeholders with the opportunity to discuss the policy.
- The Skills Funding Agency and Student Loans Company chair a stakeholder working group, consulting and engaging with providers and their representatives on the operational delivery of loans – they will use sub groups to seek detailed feedback on specific issues.

Key contacts

If you have any questions about the Government's policy on the 24+ Advanced Learning Loan, please contact:

Andrew King (Department for Business, Innovation and Skills) – 0207 215 1585.

If colleges or training organisations have any questions about the implementation of the 24+ Advanced Learning Loan, please contact your Skills Funding Agency relationships manager in the first instance.

Or you can email questions to: advancedlearningloans@skillsfundingagency.bis.gov.uk

This publication is also available on our website at www.bis.gov.uk

Any enquiries regarding this publication should be sent to:

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