

LOANS IN FURTHER EDUCATION – MONTHLY BRIEFING – APRIL 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 first in a series of briefings from the Department for Business, Innovation and Skills designed to help colleges and training organisations prepare for the introduction of loans. As well as providing updates, each briefing will contain information on the things colleges and training organisations should be thinking about as we move closer to the introduction of loans. The briefings will be 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.

Key dates – things to look out for

- May 2012 – final Impact Assessment and Equality Impact Assessment published by BIS
- From June 2012 – Skills Funding Agency summer programme of information events begins (although discussions with Agency Relationship Teams may take place in advance)
- By July 2012 – regulations laid before Parliament (in order to come into force by September 2012) to underpin implementation of loans
- September 2012 – communications campaign begins
- 1 April 2013 – learners can begin to apply for loans

Implementing loans

BIS is working in partnership with the Student Loans Company, the Skills Funding Agency and HM Revenue and Customs to introduce loans for further education and training courses.

Learners will be able to apply for loans from the start of April 2013, for learning starting in the 2013/14 academic year.

The terms and conditions of the loans will mirror those available for Higher Education courses. There will be nothing to pay up front; low real rates of interest; nothing to repay until the individual is earning £21,000 per annum; and any outstanding balance will be written off after 30 years.

As this is a new reform, the introduction of loans will be phased in gradually, only applying to those starting new courses in the 2013/14 academic year. By year 2, available funding for loans will represent between 10-15% of the total budget for FE. This is a small subset of learners in FE, and the vast majority will continue to be directly subsidised. Those who need basic skills, and young people aged 19 to 24 who are undertaking a first full Level 2 or 3 will continue to be fully subsidised.

BIS and its partners will actively monitor take up and evaluate impact carefully as loans are introduced. But it is also very important that colleges and training organisations prepare for the change.

Learner, provider and course eligibility

Learners must be aged 24 and above and be studying at Level 3 and above to be eligible for a loan. This is a small subset of learners in FE.

Loans will be available up to the value of the maximum funding rate set by the Skills Funding Agency for the chosen course. The amount of loan an individual needs will depend on the fee charged by the provider.

The courses that are eligible for loans will be in line with those that are eligible for public funding more generally. Similarly, colleges and training organisations will need to be approved in the same way to receive loans funding as they are for public funding more generally. Further details on eligibility, including plans for providing indicative allocations to colleges and training organisations can be found at:

[SFA briefing sheet on loans from last December](#)

The Skills Funding Agency has also produced a series of Frequently Asked Questions based on queries they have received on the introduction of loans. [The latest version of the FAQs](#) can be found online.

Support for colleges and training organisations

Colleges and training organisations will play an important role when loans are introduced, helping learners to access information about the availability of loans, the terms and conditions and how to apply, and supporting learners through the loan application process.

The Skills Funding Agency will be running a programme of information events over the summer, to help colleges and training organisations prepare for the introduction of loans. Details of the events will be available in due course through the weekly Updates provided by the Agency, and in next month's issue of this briefing.

The Learning and Skills Improvement Service is developing a programme of business support for colleges and training organisations, to help them manage the business change that loans will demand. This will be available to coincide with the events the Skills Funding Agency will be running over the summer, and further details will be available in future issues of this briefing.

Checklist – what sorts of things should colleges and training organisations be thinking about or doing

- Booking a place on the Skills Funding Agency's summer programme of information events
- Thinking about how loans will be reflected in the organisation's business plan, including potential impact on enrolment processes and student support services
- How to test the market amongst those who will be eligible for a loan and how to build information about the availability of loans into their interactions with potential learners

The Student Loans Company will work with the Skills Funding Agency and HM Revenue and Customs to put in place an effective system to administer loans. The system will be operating from the start of April 2013.

- The SLC will process applications and make payments to colleges and training organisations
- The Agency will make initial allocations from the loans budget to colleges and training organisations, and ensure the SLC can check provider and course eligibility
- HMRC will collect loan repayments through the tax system. Repayments will be deducted by employers and only be payable where earnings exceed £21,000 per annum

The loans system will reflect the characteristics of FE which differ from HE, including shorter average course lengths, learner profiles, and the role that

colleges and training organisations will play in supporting learners as they apply for loans.

In order to support the development of the loans system, we have established a working group which will engage directly with colleges and training organisations to develop and test the systems that will underpin loans.

An informed approach to implementation

As this is the first time that loans will be available for learners in FE, we want to ensure that everyone has as much information as possible about the potential take up of loans, and their impact, as the system is implemented.

(a) Market research

BIS has commissioned new market research to help understand learners' views about taking out a loan to fund learning.

This will help everyone involved in the loans system – colleges, training organisations, BIS and its partners – provide information to learners in a way which recognises their needs.

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 results of the market research will be published by BIS in May. Emerging findings are showing that the majority of learners will consider learning using a loan; that communicating clearly the terms and conditions is very important; and that the benefits of training to the individual is the most important factor in deciding to learn.

As well as this research, we have also tested options for a potential name of the product with colleges, training organisations and potential learners. As this is a new product for learners in FE, it is important to use a name which clearly expresses what the loans are for, without creating the impression that this is the only way FE is funded. Outcomes of this testing, and plans for the positioning of the product, will feature in the next version of this briefing, and will feed into the communications campaign due to start from September.

(b) Impact Assessment and Equality Impact Assessment

New policy is accompanied by assessments of economic impact and equality impact, and final assessments for loans in FE will be published by May. They will draw on the new market research.

The impact assessment will reflect the careful approach we are taking to implementing loans, which will focus on ensuring that learners and providers

have the information they need, rather than driving demand as hard as possible. The take up of loans must be led by the needs and ambitions of learners.

The equality impact assessment will consider the potential impact of the introduction of loans on specific groups. We will continue to monitor this closely as loans become available.

Evaluating success

It is important that loans provide people with access to life changing opportunities. BIS and its partners will fully evaluate the introduction of loans in FE, so we know what impact learning funded by a loan is having on people's lives.

Further briefings will follow every month.

Key contacts

If you have any questions about loans, the following people can help:

Andrew King (Department for Business, Innovation and Skills) – 020 7 215 1585

Or you can email questions to:

FEloans@skillsfundingagency.bis.gov.uk

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